SCHWEITER TECHNOLOGIES

2017

Annual Report 2017

Board of Directors, Group Management, Statutory Auditor

Board of Directors

Term of office 25 April 2017 to 13 April 2018

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

Statutory Auditor

Deloitte AG, Zurich

Report of the Board of Directors

Dear shareholders,

2017 was another eventful year. Once again revenues and profits were up, and companies were acquired or sold.

Schweiter Technologies is focusing on its core business, and the disposal of SSM in 2017 was a major step in this direction. Textile machinery company SSM had been an important component of Schweiter ever since its establishment. Yet even so, after 145 years, the Board of Directors decided to sell it to Rieter. This action was taken from a position of strength. SSM is performing brilliantly – but it will continue its development more successfully under Rieter's ownership. The disposal generated an extraordinary gain of over 90 million Swiss francs.

Being surplus to operating requirements, the property in Neuhausen was sold at the end of 2017. This was another move in the direction of concentrating on our core business of composite materials.

After factoring out the discontinued textile machinery business, Schweiter generated revenue of CHF 980 million and EBITDA of CHF 114 million. The company is now focused entirely on composite materials.

Rising raw material prices – admittedly the sign of a flourishing economy – persisted throughout 2017. Moreover, temporary shortages of some materials brought additional challenges. On the whole, it proved possible (albeit after a time lag) to pass on the bulk of these cost increases to the market. This can be expected to be a dominant topic in the coming year, too.

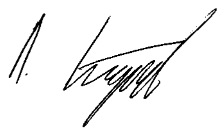
The Display business posted excellent results, in Europe owing to a very strong product portfolio and superior sales structures, in the US to healthy growth. The Architecture business benefited from the fact that construction activity remained buoyant in all regions, though its result would have been even better had it not been for temporary uncertainties surrounding fire safety regulations in some countries. Core Materials had a pleasing year too, despite having to face quite a strong headwind in China during the second half. The Mass Transportation area made most progress in 2017, and now is the time for its management team to reap the benefits of their groundwork.

2017 was also a successful year in terms of acquisitions. The Display area was strengthened with the acquisition of Athlone Extrusions in Ireland. This year again we invested some CHF 30 million in new projects and facilities that will help us to keep our production resources efficient and competitive. Our most valuable asset is our employees. Everyone who works for us around the world, sometimes under challenging and difficult conditions, deserves our particular thanks and respect.

Loyal to the principle that capital which is surplus to requirements should be returned to shareholders, the Board of Directors proposes to maintain the attractive dividend policy of recent years. In addition, a special dividend of CHF 5 per share in connection with the sale of the textile machinery business will be proposed.

The outlook gives us grounds for optimism, even though I have no doubt that next year will have plenty of further challenges in store for us. But there will also be unexpected opportunities – and with our flexible organization and response capability, Schweiter Technologies will be well placed to benefit from them.

Yours sincerely,



Beat Siegrist

Chairman

Financial overview

	2017	2016
Income statement (in CHF m) [1]		
Orders received:	1 014.0	946.5
Net revenue:	980.2	917.5
EBITDA	114.4	112.3
EBIT	87.3	85.6
Net income	77.0	60.5
Balance sheet (in CHF m)		
Total assets	1 051.0	943.7
Net operating assets [2]	532.3	469.5
Shareholders' equity	781.0	659.3
Net cash and cash equivalents	233.2	179.3
Statement of cash flow (in CHF m)		
Cash flow from operating activity	58.4	97.6
Cash flow from investment activity	49.1	– 28.2
Free cash flow	107.5	69.4
Key figures (in %)		
ROS (EBITDA/net revenue)	11.7	12.2
RONOA [3]	16.4	18.2
Equity ratio (shareholders' equity / total assets)	74.2	69.9
Employees as of 31 December (Number)		
Total employees	3 786	4 086
Ratios per share (in CHF)		
30 Earnings per bearer share	120.14	49.36
Equity	545	460
Payout [4]	45.0	40.0
Stock market capitalization as of 31 December (in CHF m)		
Stock market capitalization	1 809.8	1 646.6

[1] Continuing operations
[2] Trade receivables, inventories and property, plant and equipment minus trade payables and payments on account received from customers
[3] EBIT as % of the average net operating assets (return on net operating assets)
[4] 2017 – dividend proposal of the Board of Directors (ordinary dividend of CHF 40.00 and special dividend of CHF 5.00)

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

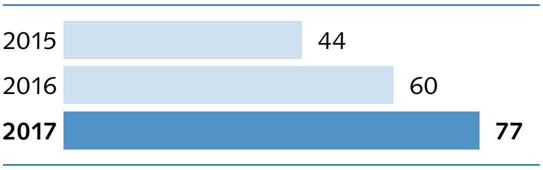
Key figures

Orders received (in CHF m) [1)]

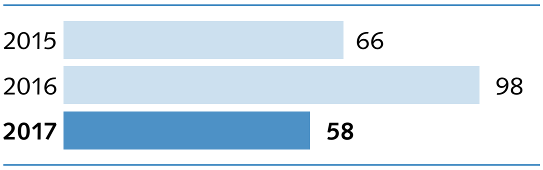
Net revenues (in CHF m) [1)]

EBITDA (in CHF m) [1)]

Net income (in CHF m) [1)]

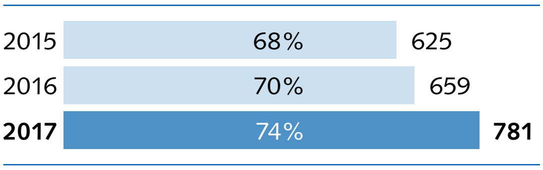


Cash flow from operating activity (in CHF m)



Cash and cash equivalents (in CHF m)

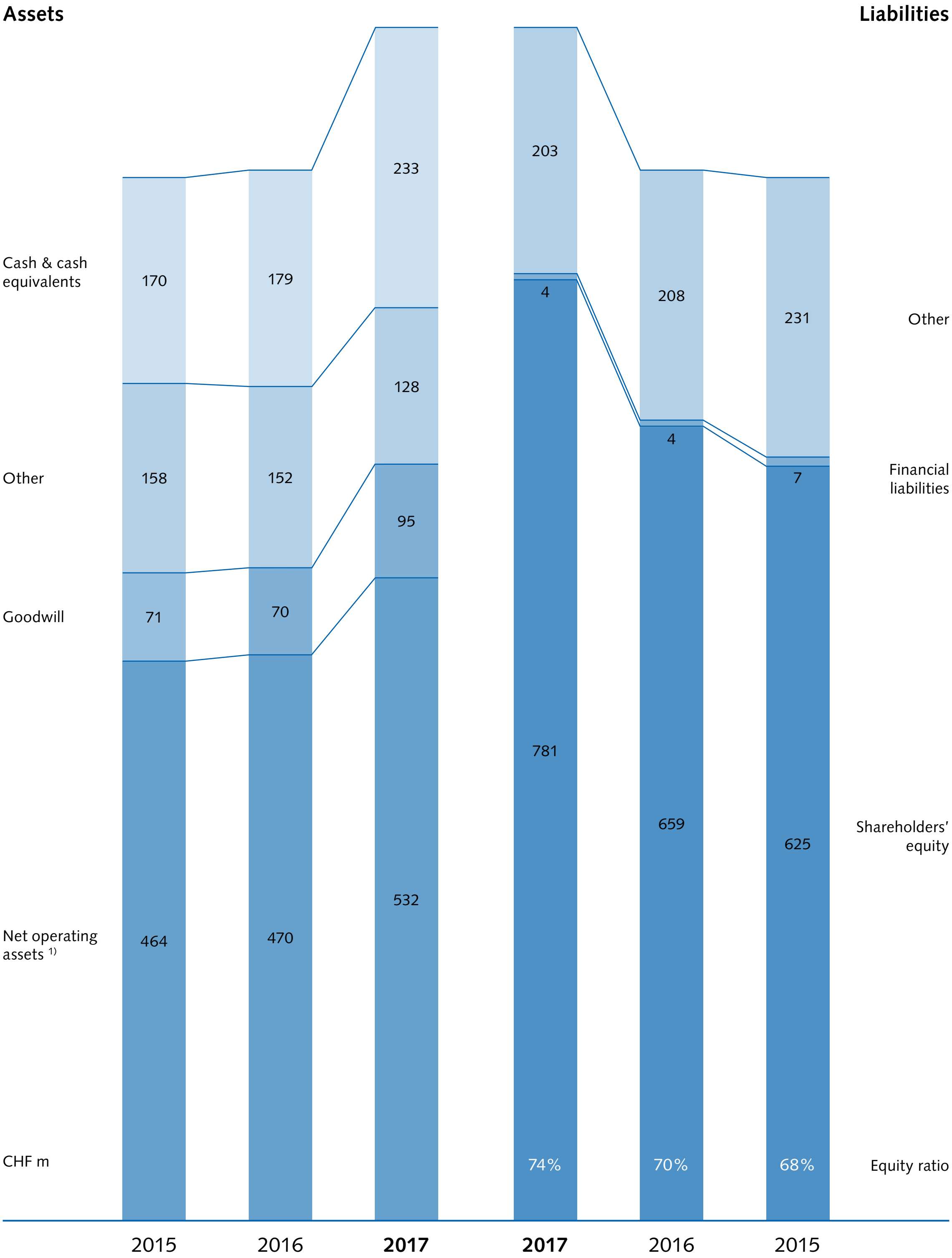
Equity (in CHF m) **/ Equity ratio**



Dividend payout in % of equity

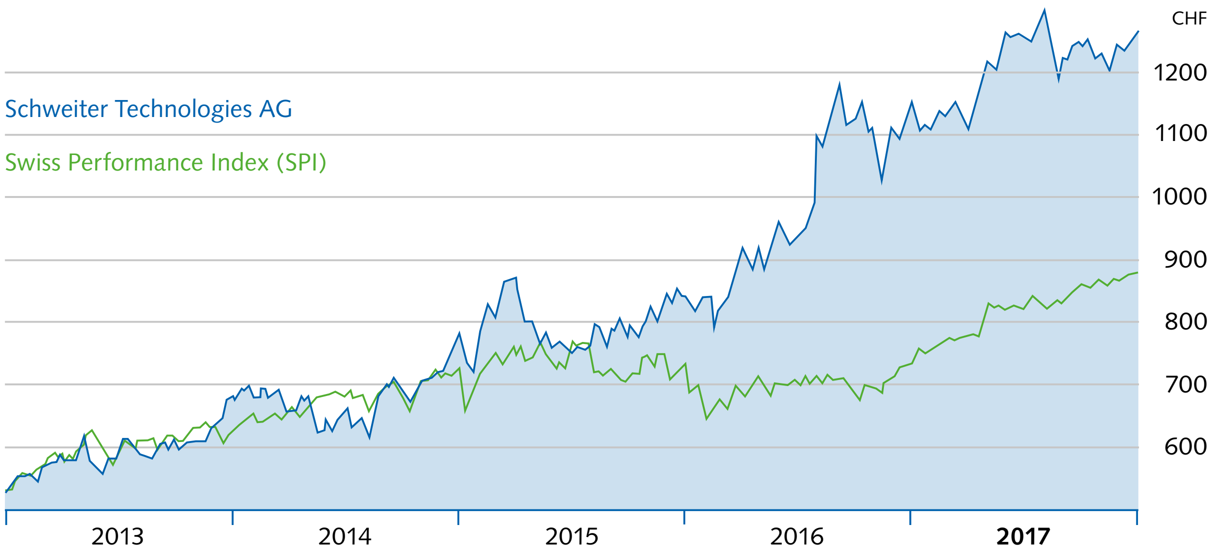
[1)] Continuing operations

Overview consolidated balance sheet



[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	**2017**	2016	2015	2014	2013
Share capital as of 31 December					
Bearer shares with a par value of CHF 1	1 431 808	1 431 808	1 431 808	1 443 672	1 443 672
Treasury shares	600	600	799	14 748	14 748
Share price					
Share price as of 31 December (in CHF)	1 264	1 150	848	780	677
Stock market capitalization					
as of 31 December (in CHF m)	1 810	1 647	1 213	1 126	977
Net income / loss					
per bearer share (in CHF)	120 [1)]	49 [1)]	35	32	21
Cash flow from operating activity					
per bearer share (in CHF)	41 [1)]	68 [1)]	46	30	27
Equity					
per bearer share (in CHF)	545	460	436	441	449
Distribution [2)]					
Total amount (in CHF m)	64.4	57.3	57.3	57.2	57.2
per bearer share (in CHF)	45.0	40.0	40.0	40.0	40.0
Dividend payout					
in % of equity	7.3	8.7	9.2	9.1	8.9

[1)] Including net income / cash flow from discontinued operations (SSM Textile Machinery)
[2)] 2017 proposal of the Board of Directors (ordinary dividend of CHF 40.00 and special dividend of CHF 5.00)

Group management report

Portfolio strategy

1. Schweiter Technologies develops business in the composite panels segment. 3A Composites manufactures materials and composite solutions in lightweight construction through the combination of suitable materials for specific applications and industry segments.

2. The individual business units 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.

7. 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

Net revenue from continuing operations increased 7% (+6% in local currencies) to CHF 980.2 million (prior year: CHF 917.5 million). Organic growth was 4%.

Group EBITDA grew to CHF 114.4 million (prior year: CHF 112.3 million), equivalent to 11.7% of revenue. EBIT improved to CHF 87.3 million (prior year: CHF 85.6 million) and net income from continuing operations increased 27% to CHF 77.0 million (prior year: CHF 60.5 million) in part due to favourable exchange rate gains. Athlone Extrusions, acquired as of 31 July 2017, made a positive contribution to revenue and earnings.

Overall net income came in at CHF 172.0 million (prior year: CHF 70.6 million) and includes a gain of CHF 95.0 million from discontinued operations. Cash and cash equivalents exceeded CHF 230 million even after a dividend distribution of approximately CHF 57 million. The headcount was 3786 (prior year: 4086), including 1147 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea.

Once again, Schweiter Technologies invested continuously in production capacities and in research and development with the aim of developing new markets through innovations, expanding the existing product portfolio and laying the foundations for further profitable organic growth.

With the sale of the SSM Textile Machinery division, Schweiter Technologies is now focusing solely on the expansion and further development of its core business of composite materials. In line with this strategy, the European transport and industry business of the 3A Composites division was further strengthened by the acquisition of Athlone Extrusions.

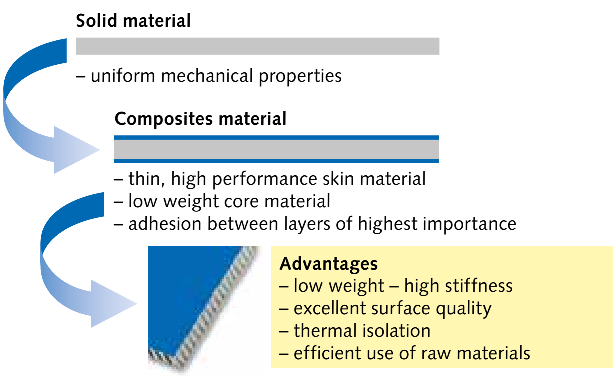
3A Composites

Risk assessment

The risk assessment and risk management within the group are conducted on several levels and reflect the decentralized structures of Schweiter Technologies. The individual companies of the Group are responsible for the identification, evaluation and management of local risks. A systematic identification of higher-ranking risks that could have a significant impact on the Group and its activities is carried out at Group level. The risks identified are classified according to the criteria of probability of occurrence and potential impact. Individual risks are analyzed in more detail and measures are taken to minimize these risks. The Board of Directors discusses at least once a year the higher-ranking risks to the Schweiter Technologies Group. The last risk assessment by the Board of Directors was performed in December 2017.

Division 3A Composites

3A Composites manufactures composite panels and materials for sandwich solutions and is focused on the display, architecture, wind energy, marine and transportation 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®, CRYLON®, CRYLUX®, etc.

Vision and strategy

3A Composites 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.

Group management report

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.

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 seedling to saleable semi-finished product.

Saks Fifth Avenue's annual "Glam Gardens" beauty event 2017 with Giant GATORPLAST® Flower Standees, New York City

Market for composite panels and refined semi-finished products

Display

There were substantial rises in European sales in foam sheets (FOAMALITE®, FOREX®), polycarbonate sheets (CRYLON®, CRYLUX®, IMPEX®), paperboard (DISPA®) and balsa-based products (BANOVA®). The strong market position in metal-based products (DIBOND®, DILITE®) could be maintained. The successfully completed takeover of Athlone Extrusions at the end of July added attractive multilayer plastic substrates to the product range.

3A Composites

A very dynamic raw materials situation with sharp price fluctuations made it necessary to adjust the prices in the market. Adjusted for price increases, sales performance slightly exceeded European economic growth.

Sales rose strongly in the countries of western central Europe (Germany, Austria, Switzerland), the Czech Republic and Poland. In southern Europe – especially Italy – sales increases extended the market position, while in the UK and France there was a certain consolidation in demand after strong growth in 2016. Some of the local competitors benefited from the weaker British pound, hesitant economic activity and perceptible uncertainty due to Brexit.

Sales in the American markets grew by 5% over the prior year. In retailing, the most important segment for 3A Composites display and shop-fitting products, growth in sales floorspace was slightly slower. However, the increase in the renovation of existing retail outlets more than made up for this trend.

Group management report

Redesign of Arcona Hotel chain in Sweden
with elements made of FOREX®classic

Architecture

As interest rates remained low and economic growth in Europe was healthy on the whole, construction volume remained positive. The strongest stimuli came from private residential construction, while activity in the public sector was subdued. Pent-up demand exists in the area of infrastructure projects.

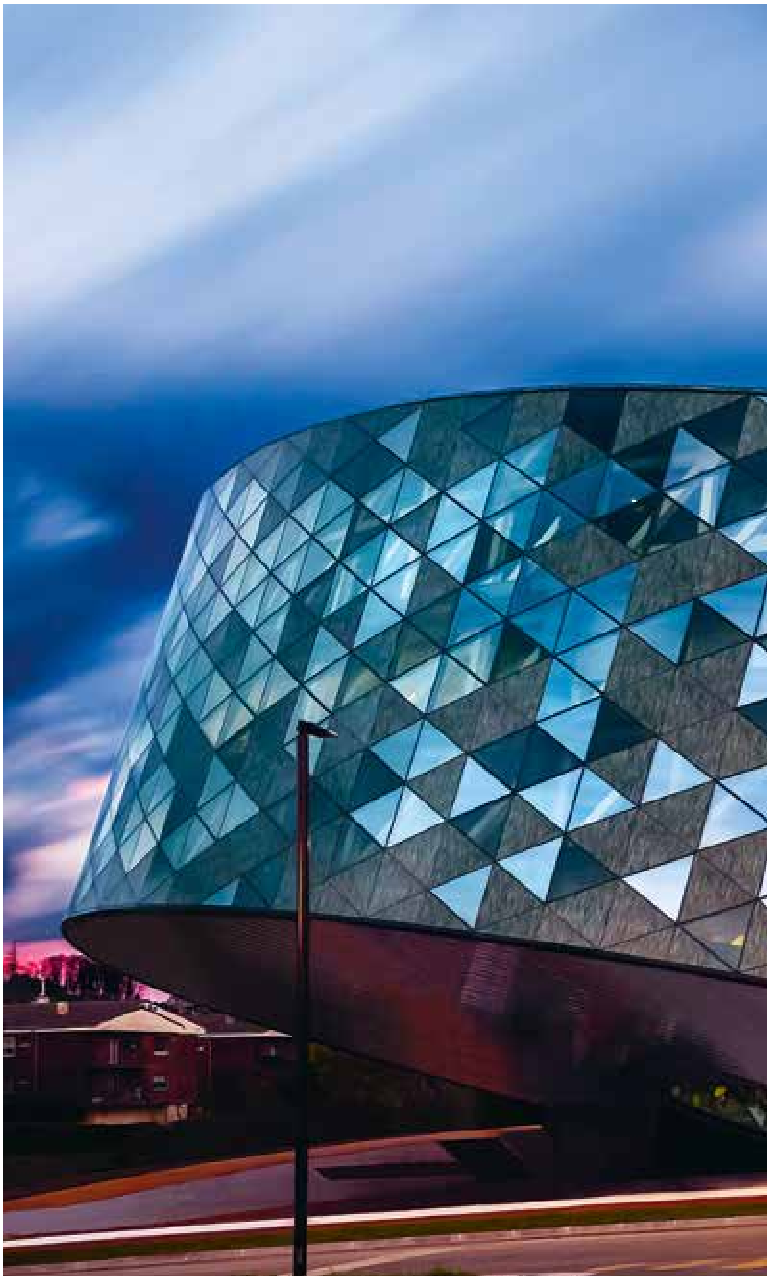
Overall ALUCOBOND® sales in Europe were slightly down on the prior year. The order trend in our core markets – Germany, Switzerland and Austria – was positive with significant growth rates and sales in the UK rose once again in spite of Brexit. Whereas business expanded in Scandinavia and the Benelux countries, sales stagnated in Italy and declined in Turkey.

Sales in America grew by more than 20% from the 2016 level, thus outpacing the market as a whole. Growth was again driven by the industrial and institutional buildings segment. Even after 50 years, the durability, low maintenance costs and design flexibility of ALUCOBOND® products still meet the basic requirements of the facade market.

The Architecture business performed slightly better in Asia in 2017, strong growth in China more than making up for the decline in the Asia-Pacific region.

Business in the Middle East increased slightly, despite the impact of political turbulence and low oil prices on demand.

India saw strong demand for flame-retardant materials, even though there are no existing regulations covering them. The subject of fire protection attracted a great deal of attention in 2017. In recent years building fires in Australia, Singapore,



3A Composites

the UAE – and most of all in London – have created and raised awareness of high-quality flame-retardant and flame-resistant facade components. With more than 25 years' experience in this field, 3A Composites is ideally positioned to benefit from more stringent regulations and increased safety requirements.

Market for core materials for sandwich applications

Demand in the wind energy field was stagnant, and all subcontractors extended their delivery times because their capacities were fully utilized owing to the very positive economic environment. The overall business performance in the core materials segment leveled off as a result. Even though market growth in Europe and the Middle East was low, and despite persistently sluggish business in southern Europe, overall growth was recorded in these regions.

Orona IDeO Headquarters – Innovation city,
Basque Country, Spain / ALUCOBOND® naturAL Reflect,
Architect Xabier Barrutieta

Whereas performance in the Asian market was rather poorer than expected, the North American market continued to stabilize. Thanks to partnerships with the largest local distributors, the marine market can be operated effectively and efficiently, fragmented though it is. The ability to supply the American market from the new local PET foam production facility is having a very positive effect. The switch from PVC to PET-based products is taking place on a broad front.

Renewable Energy
with Wind turbines
in the Oiz Eolic Park, Spain

3A Composites

Wind energy

In the wind field, the Indian and Chinese markets – where more than 50% of all onshore wind farms are under construction – were fairly subdued. This triggered a reduction in the overall demand for core materials. However, the sales declined by less than those of other market participants, what consolidated the position as market leader. 2017 saw further consolidation among wind turbine makers.

3A Composites remains extremely well positioned in the wind energy market because of its comprehensive range of structural-foam and balsa-based products, its Hybrid Core Concept® and its strong AIREX® and BALTEK® brands.

Non-wind: Marine,
transportation and construction industry

Besides targeting the marine market, business is increasingly focused on the automotive, bus and truck markets. Weight-reduction solutions for vehicles are currently being developed in close collaboration with leading OEMs. In the buildings and infrastructure field, applications for PET foam products outside the area of pure insulation are under development

Market for
structural components / system components

The lightweight-components business grew significantly faster than our target markets in the rail and bus industries.

After a very weak prior year, sales of interior components more than doubled. The main reason for this was the recovery in the Polish rail vehicle market. Sales of floor systems for rail vehicles were also positive, largely owing to the work off of projects postponed in previous years and the acquisition of a new vehicle platform. Business with train front-ends was slightly below expectations. There were two reasons for this: a decline in new projects

Group management report

in the primary segment (multiple units) and persistently heavy price pressure, which led to the loss of individual orders. With the range of complete systems, increased fire protection and excellent surface quality, the aim is to differentiate more effectively from the competition.

Business with lightweight bus components has been extended into the electric mobility segment and also encompasses light vans and leisure vehicles. Following a pre-development phase, this positive move will have positive effects on sales in future years.

Revenues and income

Revenues increased by 7% to CHF 980.2 million (prior year: CHF 917.2 million). Organic growth was 4%. EBITDA improved by 2% to CHF 117.4 million (prior year: CHF 115.4 million).

Product range / capacity

In its first year of operation the new technical training center in Singen was extensively used for customer training, technical customer support and application developments. Architects, building contractors and processors are showing great interest in the new service facility. Customers are especially interested in advice on the design of facades and the selection of materials from the viewpoint of fire protection.

Additional capacity for the production of ALUCOBOND® was invested in the USA to further improve the competitive position and the delivery service. In addition, Foamalite in Ireland invested in a PET sheet production line. The production facility in the Czech Republic has invested several million Swiss francs in a new, innovative coating line that will enable 3A Composites to launch new products on the European display market.

Organization

The decentralized, lean organization remained largely unchanged. The acquired Athlone Extrusions in Ireland was successfully integrated into the 3A Composites European organization.

Outlook

Anticipating a continuous stable economy, a positive development in the Display business in Europe is assumed.

Based on capacity increases and product innovation, it is expected to outgrow the market. The persistently high raw material prices in the acrylic area and the planned substitution of alternative materials will limit growth, especially in the first half-year.

The Display market in the USA is set to grow in tandem with GDP. Because of its strong distribution network, however, 3A Composites is predicting revenue growth in excess of this figure. As the economy picks up, prices of raw materials like aluminum, plastics and paper are expected to rise slightly.

In the Architecture market in Europe, a revival in infrastructure and renovation projects is assumed, increasing the revenues and consolidating our market position. In the USA it is expected to exceed the mid-single-figure growth forecast in the non-residential construction market, largely

3A Composites

because of rising specifications in this segment that ALUCOBOND® products satisfy better than the competition.

Building approvals in the UK and Australia are expected to be subject to new conditions, which could lead to delays in the project pipeline. Further growth is expected in the region Asia-Pacific, initially in the markets in China, Singapore and New Zealand. More stringent product-approval requirements in individual Middle-Eastern countries are benefiting the Architecture business of 3A Composites in this region.

Management

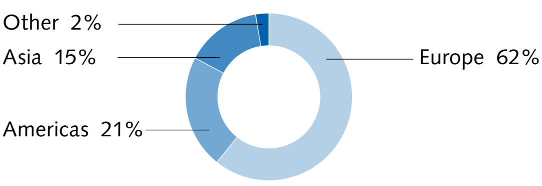
Dr. Heinz O. Baumgartner	Chief Executive Officer 3A Composites
Brendan Cooper	Chief Executive Officer Display & Architecture Americas
Dr. Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Martin Klöti	Chief Financial Officer
Dr. Armin Raiber	Chief Executive Officer Mass Transportation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

Employees (at year-end)

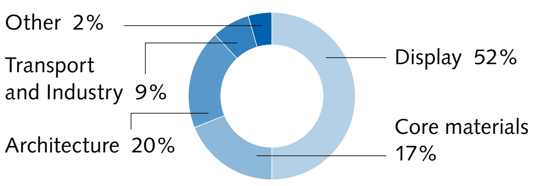
2017	2016	2015	2014	2013
3 779	4 080	4 432	2 514	2 081
[1] 1 147	[1] 1 649	[1] 1 977	[1] 797	[1] 609

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

Sales markets 2017 (in %)



Net revenues 2017 by operations (in %)



Consolidated financial statements of Schweiter Technologies AG

Consolidated balance sheet as of 31 December 2017

	Assets (in CHF 1000s)	**2017**	%	2016	%
	Current assets				
1	Cash and cash equivalents	233 151		179 308	
2	Trade receivables	153 678		143 007	
	Current income tax receivables	3 698		3 816	
	Advances to suppliers	8 034		9 191	
3	Other receivables	18 252		19 759	
	Prepaid expenses and accrued income	5 349		1 395	
4	Inventories	173 263		147 744	
	Total current assets	**595 425**	56.7	**504 220**	53.4
	Non-current assets				
5	Property, plant and equipment	268 182		249 486	
6	Investment property	0		19 874	
7	Biological assets	30 133		27 918	
	Financial assets	866		861	
27	Deferred tax assets	15 487		22 577	
8	Intangible assets (incl. goodwill)	140 913		118 797	
	Total non-current assets	**455 581**	43.3	**439 513**	46.6
	Total assets	**1 051 006**		**943 733**	

	Liabilities and shareholders' equity (in CHF 1000s)				
	Current liabilities				
9	Current financial liabilities	1 293		1 271	
	Trade payables	60 242		65 018	
	Prepayments received from customers	2 544		7 976	
10	Other payables	9 389		8 583	
11	Accrued expenses and deferred income	48 398		54 098	
16	Current provisions	3 490		2 552	
	Current income tax payables	19 715		20 384	
	Total current liabilities	**145 071**	13.8	**159 882**	16.9
13	Non-current financial liabilities	2 403		3 208	
27	Deferred tax liabilities	26 286		30 209	
16	Non-current provisions	16 871		13 028	
15	Employee benefits	79 362		78 088	
	Total non-current liabilities	**124 922**	11.9	**124 533**	13.2
	Total liabilities	**269 993**	25.7	**284 415**	30.1
	Shareholders' equity				
17	Share capital	1 432		1 432	
17	Treasury shares	– 221		– 221	
	Reserves from capital contributions	63		63	
	Retained earnings	797 736		682 630	
	Currency translation adjustments	– 17 997		– 24 586	
	Total shareholders' equity	**781 013**	74.3	**659 318**	69.9
	Total liabilities and shareholders' equity	**1 051 006**		**943 733**	

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

Consolidated income statement for the financial year 2017

	(in CHF 1000s)	2017	%	2016	%
	Continuing operations:				
21	**Net revenues**	**980 228**	99.4	**917 452**	100.8
	Change in inventories of semi-finished and finished goods	5 621	0.6	– 7 012	– 0.8
	Total operating income	**985 849**	100.0	**910 440**	100.0
	Material expenses	– 546 144	– 55.4	– 471 412	– 51.8
	Personnel expenses	– 180 359	– 18.3	– 172 034	– 18.9
22	Other operating expenses	– 163 323	– 16.6	– 161 366	– 17.7
23	Other operating income	18 367	1.9	6 647	0.7
24	Depreciation and amortization	– 27 136	– 2.8	– 26 691	– 2.9
	Operating result	**87 254**	8.8	**85 584**	9.4
25	Financial income	11 497	1.2	320	0.0
26	Financial expenses	– 2 016	– 0.2	– 4 754	– 0.5
	Shared result of associated companies	0		– 346	
	Income before taxes	**96 735**	9.8	**80 804**	8.9
27	Income taxes	– 19 756	– 2.0	– 20 343	– 2.2
	Net income from continuing operations	**76 979**	7.8	**60 461**	6.7
28	Discontinued operations:				
	Net income from discontinued operations	**94 972**	9.6	**10 175**	1.1
	Net income	**171 951**	17.4	**70 636**	7.8
30	**Earnings per share** (in CHF)				
	From continuing operations:				
	– undiluted	53.79		42.25	
	– diluted	53.76		42.23	
	From continuing and discontinued operations:				
	– undiluted	120.14		49.36	
	– diluted	120.09		49.33	

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

Consolidated statement of comprehensive income for the financial year 2017

(in CHF 1000s)	**2017**	2016
Net income	**171 951**	**70 636**
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	6 589	2 226
– Tax effect	0	0
Total	6 589	2 226
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial (losses) / gains on defined benefit plans	781	22 400
– Tax effect	– 542	– 3 920
Total	239	18 480
Total other comprehensive income	**6 828**	**20 706**
Comprehensive income	**178 779**	**91 342**

Consolidated statement of cash flows for the financial year 2017

	(in CHF 1000s)	2017	2016
	Net income from continuing operations	76 979	60 461
28	Net income from discontinued operations	7 227	10 175
24	Depreciation and amortization	27 343	27 294
	Depreciation on investment properties	420	459
	Change in provisions and pension obligations	– 3 456	– 1 757
6	Gain from sale of investment properties	– 7 175	0
	Other positions not impacting cash	– 3 241	878
25	Financial income	– 11 867	– 428
26	Financial expenses	2 049	4 670
27	Income taxes	20 825	21 990
	Change in working capital:		
	Change in trade receivables	1 865	– 8 740
	Change in other receivables and accruals	– 2 650	– 188
	Change in inventories and work in progress	– 28 858	– 4 448
	Change in trade payables	772	10 542
	Change in other liabilities	– 1 420	4 469
	Interest paid	– 1 039	– 1 129
	Income taxes paid	– 19 400	– 26 630
	Cash flow from operating activity	**58 374**	**97 618**
28	Sale of subsidiaries, net of cash	99 756	0
29	Purchase of subsidiaries, net of cash	– 53 115	– 1 739
	Purchase of intangible assets	– 342	– 422
	Purchase of property, plant and equipment	– 25 886	– 30 395
	Sale of property, plant and equipment	1 369	1 653
	Sale of investment properties	26 630	0
	Repayment of financial assets	387	1 423
	Increase in financial assets	– 169	0
	Interest received	524	426
	Gain / loss from derivative instruments	0	840
	Cash flow from investment activity	**49 154**	**– 28 214**
	Increase leasing liabilities	165	0
	Repayment leasing liabilities	– 45	– 563
	Repayment of current financial liabilities	–709	– 1 057
	Repayment of non-current financial liabilities	0	– 659
	Sale of treasury shares	0	174
17	Dividend paid	– 57 265	– 57 281
	Cash flow from financing activity	**– 57 854**	**– 59 386**
	Currency exchange differences on cash and cash equivalent	4 169	– 1 155
	Change in cash and cash equivalents	**53 843**	**8 863**
	Cash and cash equivalents as of 1 January	179 308	170 445
	Cash and cash equivalents as of 31 December	**233 151**	**179 308**

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

Consolidated statement of changes in equity

Note	(in CHF 1000s)	Share capital	Treasury shares	Reserves capital contributions	Retained earnings	Currency translation difference	Total shareholders' equity
	Balance as of 1 January 2016	**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*
	Cancellation of treasury shares		74		100		174
18	Share-based remuneration				188		188
	Dividend				– 57 272		– 57 272
	Balance as of 31 December 2016	**1 432**	**– 221**	**63**	**682 630**	**– 24 586**	**659 318**
	Net income				171 951		171 951
	Other comprehensive income	*0*	*0*	*0*	*239*	*6 589*	*6 828*
	Comprehensive income	*0*	*0*	*0*	*172 190*	*6 589*	*178 779*
18	Share-based remuneration				188		188
	Dividend				– 57 272		– 57 272
	Balance as of 31 December 2017	**1 432**	**– 221**	**63**	**797 736**	**– 17 997**	**781 013**

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

Notes to the consolidated financial statements 2017

Accounting policies

General

Schweiter Technologies AG is a company established under Swiss law domiciled in Horgen. Its main activities are the development, production and global distribution of composite panels and core material for sandwich solutions.

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.

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 2017:

Amendments to standards

IAS 12	Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses
IAS 7	Disclosure initiative
Miscellaneous	Amendments resulting from the Annual Improvement Projects

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 9	Financial Instruments	1 January 2018	Financial year 2018	1)
IFRIC 22	Foreign currency transactions	1 January 2018	Financial year 2018	1)
IFRS 16	Leases	1 January 2019	Financial year 2019	2)
IFRIC 23	Uncertainty over Income Tax treatment	1 January 2019	Financial year 2019	1)
IFRS 17	Insurance contracts	1 January 2021	Financial year 2021	1)
Amendments to standards				
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018	Financial year 2018	1)
IAS 40	Transfers of Investment Property	1 January 2018	Financial year 2018	1)
Diverse	Amendments resulting from the Annual Improvement Projects	1 January 2018	Financial year 2018	1)

1) No or no material effects are expected on the consolidated financial statements of Schweiter Technologies
2) The impact on the consolidated financial statements of Schweiter Technologies has not yet been fully analyzed

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 of 31 December 2017 and 31 December 2016. 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.

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

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 operationally active division 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 operating segment disclosed by the Schweiter Group. Different geographic markets as well as different

Accounting policies

applications of the products were therefore aggregated in the operating segment of 3A Composites. 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 100% shareholding in SSM Textile Machinery division was sold to the Rieter Group as of 30 June 2017. The impact on the income statement and the statement of cash flows is disclosed in note 28.

As of 31 July 2017, the Athlone Extrusions Group was acquired and integrated into the 3A Composites business (see Note 29).

Scope of consolidation

The following companies were fully consolidated as of 31 December:

				Investments	
Company	Purpose	Share capital in 1000s		**2017**	2016
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%
SSM Vertriebs AG Steinhausen, Switzerland	Distribution	CHF	100	–	100%
SSM (Zhongshan) Ltd. Zhongshan, China	Production and distribution	USD	500	–	100%
SSM Giudici S.r.l. Galbiate, Italy	Production and distribution	EUR	100	–	100%
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%

Company	Purpose	Share capital in 1000s		Investments 2017	2016
3A Composites Holding Germany GmbH Singen, Germany	Holding company	EUR	25	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%
Polycasa Service 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%
Foamalite Ltd. Loch Gowna, Ireland	Production and distribution	EUR	1 905	100%	100%
Athlone Extrusions Ltd. Athlone, Ireland	Production and distribution	EUR	0.001	100%	–
Athlone Extrusions (ABS) Athlone, Ireland	Holding company	EUR	49	100%	–
Athlone Extrusions Development Ltd. Athlone, Ireland	Development	EUR	60	100%	–
Athlone Extrusions (UK) Ltd. Birmingham, United Kingdom	Distribution	GBP	0.002	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, United Kingdom	Distribution	GBP	11 400	100%	100%
Polycasa sro Príbram, Czech Republic	Production and distribution	CZK	100	100%	100%
Polycasa SARL Paris, France	Holding company	EUR	4 745	100%	100%

Accounting policies

Company	Purpose	Share capital in 1000s		Investments 2017	Investments 2016
Polycasa France SA Paris, France	Distribution	EUR	574	100%	100%
Plastwag S.A. Mielec, Poland	Production and distribution	PLN	4 124	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	58 314	100%	100%
PT. Alucobond Far East Indonesia Tangerang, Indonesia	Distribution	IDR	2 500 000	100%	–
Alucobond Asia Pacific Management (Shanghai) Ltd., China	Management	USD	2 500	100%	100%
3A Composites (China) Ltd. Shanghai, China	Production and distribution	USD	20 000	100%	100%
Alucobond Composites (Jiangsu) Ltd. Changzhou, China	Production and distribution	USD	10 000	100%	100%
3A Composites India Pte. Ltd. Mumbai, India	Production and distribution	INR	65 693	100%	100%
3A Composites PNG Ltd. Port Moresby, Papua New Guinea	Production and distribution	PGK	14 000	100%	100%
Plantaciones de Balsa Plantabal S.A. Guayaquil, Ecuador	Production	USD	69 849	100%	100%
Banova Innovaciones en Balsa S.A. Quevedo, Ecuador	Production and distribution	USD	18 700	100%	100%
Reforestaciones e Industrias Reforei S.A. Santo Domingo, Ecuador	Production and distribution	USD	50	100%	100%

Net revenues and realization of income

Revenues from the sale of goods, interest income and dividends are recognized in accordance with the requirements of IAS 18 Revenue. Income is recognized on transfer of the ownership rights and risks or on rendering of service respectively.

Foreign currency translation

Foreign exchange differences are recognized in accordance with the requirements of IAS 21 The effects of changes in foreign exchange rates. The consolidated financial statements are presented in Swiss francs (CHF). The Swiss franc is both the functional and the reporting currency of Schweiter Technologies AG.

The income statement and statement of cash flows of foreign entities are translated at annual average exchange rates. Year-end exchange rates are used to translate the balance sheet.

The following exchange rates were applied (in CHF)				Year-end rate 31.12. for the balance sheet		Average rate for the income statement	
				2017	2016	**2017**	2016
USA	Dollar	USD	1	0.981	1.025	0.985	0.985
EU	Euro	EUR	1	1.171	1.072	1.112	1.090
GB	Pound	GBP	1	1.318	1.255	1.269	1.336
China	Yuan	CNY	1	0.150	0.147	0.146	0.148
India	Rupee	INR	100	1.532	1.505	1.514	1.469

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

Trade receivables are recognized in accordance with the requirements of IAS 39 Financial instruments: recognition and measurement.

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. Intercompany profits in inventory are eliminated through the income statement.

Accounting policies

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	3 to 5 years
Vehicles	3 to 8 years
Plant under construction	no depreciation

Long-term leasing agreements are classified as "financial lease" or "operating lease" and recognized and disclosed in accordance with the requirements of IAS 17 Leases.

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. The recognition is in accordance with the requirements of IAS 40 Investment property.

The investment property disclosed in the previous year was valued at historical costs less depreciation.

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.

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.

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
Software	3 to 5 years
Patents	life-span of patents
Acquired technologies	5 to 10 years
Acquired customer relationships	3 to 5 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

Impairments of assets are recognized in accordance with the requirements of IAS 36 Impairment of assets.

Provisions

Provisions are recognized in accordance with the requirements of IAS 37 Provisions, contingent liabilities and contingent assets.

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 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.

Income taxes and deferred taxes are recognized in accordance with the requirements of IAS 12 Income taxes.

Employee benefits

Within the Group, a number of different pension plans are in place in compliance with the relevant legal requirements. It includes defined benefit and defined contribution plans, retiree medical plans and other long-term benefits. The obligations for employee benefits are determined and recognized in accordance with the requirements of IAS 19 Employee Benefits.

For defined benefit pension plans, pension costs are calculated on the projected unit credit method. Valuations are calculated annually by independent actuaries.

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.

Actuarial gains and losses are recognized in other comprehensive income and cannot be recycled. Service costs including current service costs and net interest expenses are recognized in the income statement.

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

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.

Accounting policies

Share-based payments

The Group uses share-based payments. Employee services received in exchange for share-based payments settled in equity instruments are recognized under personnel expenses. The recognition is done in accordance with IFRS 2 Share-based payments.

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/weaker against the euro [US dollar] on 31 December 2017 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/lower by CHF 7.4 million [CHF 0.9 million] (previous year: CHF 4.9 million [CHF 0.9 million]) and shareholders' equity would have been higher/lower by CHF 1.9 million [CHF 5.4 million] (previous year: CHF 1.7 million [CHF 5.5 million]).

Interest rate risks

As the Group had positive net liabilities as of 31 December 2017, there are no material 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 2.3 million (previous year: CHF 1.8 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 0.1 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 2017 and 31 December 2016, 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 2017: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount **31.12.2017**	Total	Cash outflows Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	1 293	1 374	1 374		
Trade payables	60 242	60 242	60 242		
Other liabilities	5 792	5 792	5 792		
Non-current financial liabilities	2 403	2 444		2 444	0
Total	**69 730**	**69 852**	**67 408**	**2 444**	**0**

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**

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 repay-

Accounting policies

ments 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.

Fair Value Measurement

IFRS 13 Fair Value Measurement requires the disclosure of fair value measurements for financial instruments and the classification in accordance with the fair value measurement hierarchy.
The fair value hierarchies are defined as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

All financial assets held in the Schweiter Technologies Group measured at fair value were classified as Level 2.

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 actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Such changes are recognized in the income statement in the period in which the estimate is revised.
The key assumptions are described below.

Receivables

The value adjustment of receivables is based on the assessment of future defaults. Known risks are individually impaired while the general allowance is based on historical experience and an estimate of future potential losses

Inventories

The valuation of inventories includes 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.

Biological assets

Biological assets are measured at their fair value less cost to sell using a net present value (NPV) technique (level 3 valuation). Key assumptions underlying the NPV calculation are:
- market prices
- expected volumes of merchantable timber
- discount rate

Equity-like loans

The Group has long-term loans to foreign operations. If the settlement of these loans is neither planned nor likely to occur in the foreseeable future, these loans are classified as net investments in foreign operations.

Exchange rate differences arising from such loans are recognised in other comprehensive income.

Property, plant and equipment, goodwill and intangible assets

In accordance with the requirements of IAS 36 Impairment of assets, goodwill and brand names with an indefinite useful lifetime are reviewed annually for impairment. Property, plant and equipment and other intangible assets are reviewed when there are signs of impairment.
The underlying key estimates are:
- future cash flows
- discount rate
- royalty rate

Income taxes

Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. The estimates are based on the published tax laws and regulations.

Some subsidiaries generate tax losses. Often these can be used to offset taxable gains of subsequent periods. The Group constantly monitors the development of such tax loss situations. Based on the business plans for the subsidiaries concerned, the recoverability of such tax losses is determined. In the case that a tax loss is deemed to be recoverable, the capitalization of a deferred tax assets for such a tax loss is then decided. The time horizon for such a calculation is in line with the mid-term planning of the Group.

Pension plans

Most Schweiter Technologies employees participate in post employment pension schemes treated as defined benefit plans in accordance with IAS 19 Employee Benefits. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations. The main assumptions are:
- discount rates
- future salary increases
- life expectancy
- future pension increases

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

Provisions are recognized when a cash outflow from a present obligation is probable and a reliable estimate of the amount and timing is possible. These assessments are periodically reviewed and adjusted if necessary. Contingent liabilities are recognized as a provision as soon as a cash outflow is probable.
Some Group companies are exposed to litigation. Based on current knowledge, management has made an assessment of the possible impact of these legal cases.

Operating segments 2017 [1)]

	(in CHF millions) Operations	3A Composites	Other/ Eliminations	Group
	Net revenues	980.2	0.0	980.2
	Operating income	985.8	0.0	985.8
24	Depreciation and amortization	– 27.1	0.0	– 27.1
24	Impairment	0.0	0.0	0.0
	Operating result (EBIT)	**90.3**	**– 3.0**	**87.3**
	Financial income			11.4
	Financial expenses			– 2.0
	Income before taxes			**96.7**
	Income taxes			– 19.7
	Net income			**77.0**
	Capital expenditure in property, plant and equipment	24.3	0.0	24.3
	Capital expenditure in intangible assets	0.1	0.0	0.1
	Total capital expenditure	**24.4**	**0.0**	**24.4**
	Assets	940.6	110.4	1 051.0
	Liabilities	569.6	– 299.6	270.0
	Employees at year-end	3 779	7	3 786

Geographical information 2017 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [2)]	606.7	202.9	144.8	25.8	**980.2**
Assets	696.0	231.2	106.7	17.1	**1 051.0**

[2)] The revenues in Switzerland are insignificant.

Information on major customers 2017

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

[1)] Continuing operations

Operating segments 2016 [1]

(in CHF millions)

	Operations	3A Composites	Other/ Eliminations	Group
	Net revenues	917.2	0.3	917.5
	Operating income	910.1	0.3	910.4
24	Depreciation and amortization	– 26.7	0.0	– 26.7
24	Impairment	0.0	0.0	0.0
	Operating result (EBIT)	**88.7**	**– 3.1**	**85.6**
	Financial income			0.3
	Financial expenses			– 4.8
	Share of result of associated companies	– 0.3	0.0	– 0.3
	Income before taxes			**80.8**
	Income taxes			– 20.3
	Net income			**60.5**
	Capital expenditure in property, plant and equipment	29.0	0.0	29.0
	Capital expenditure in intangible assets	0.0	0.0	0.0
	Total capital expenditure	**29.0**	**0.0**	**29.0**
	Assets	828.7	48.3	883.2
	Liabilities	533.6	– 282.6	251.0
	Employees at year-end	4080	6	4086

Geographical information 2016 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [2]	556.0	199.8	139.0	22.7	**917.5**
Assets	628.1	192.6	51.4	11.1	**883.2**

[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.

[1] Continuing operations

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2017**	2016
CHF	147 382	88 874
EUR	45 639	44 591
USD	16 874	29 828
CNY	8 859	7 458
Other	14 397	8 557
Total	**233 151**	**179 308**

Cash and cash equivalents consist of cash deposits with banks and in postal check accounts. They carry interest ranging from 0% to 6% (INR).

2 **Trade receivables** (in CHF 1000s)	**2017**	2016
Total trade receivables	159 543	148 353
– less allowance for doubtful accounts receivable	– 5 865	– 5 346
Total trade receivables – net	**153 678**	**143 007**

Age analysis of trade receivables **2017:** (in CHF 1000s)	Gross **31.12.2017**	Bad debt allowance **31.12.2017**	Net **31.12.2017**
Not due	132 439	0	132 439
Overdue up to one month	12 549	– 110	12 439
Overdue between 1 and 2 months	4 041	– 331	3 710
Overdue between 2 and 3 months	2 437	– 71	2 366
more than 3 months overdue	8 077	– 5 353	2 724
Total overdue	*27 104*	*– 5 865*	*21 239*
Total	**159 543**	**– 5 865**	**153 678**

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**

Changes in the value adjustment for doubtful accounts receivable:	**2017**	2016
Balance as of 1 January	5 346	5 099
Changes in the scope of consolidation	2 003	0
Exchange rate differences	241	– 73
Bad debt allowance used	– 1 530	– 881
Bad debt allowance released	– 314	– 294
Bad debt allowance increased	119	1 495
Balance as of 31 December	**5 865**	**5 346**

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

3 **Other receivables** (in CHF 1000s)	**2017**	2016
Financial assets:		
– Other receivables	6 960	8 828
Non-financial assets:		
– Receivables from indirect taxes and social insurance schemes	11 292	10 931
Total	**18 252**	**19 759**

4 **Inventories** (in CHF 1000s)	**2017**	2016
Raw materials and production parts	79 083	66 732
Semi-finished goods and work in progress	27 290	20 845
Finished goods and trading goods	66 890	60 167
Total	**173 263**	**147 744**

The net value of the inventories is after value adjustments of CHF 5.8 million (previous year: CHF 13.6 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 2017

(in CHF 1000s)	Land and buildings	Machinery & tools	IT equipment & Furnishings	Vehicles	Assets under construction	Total
Cost						
Balance as of 1 January 2017	183 006	303 383	21 093	4 595	11 006	523 083
Change in scope of consolidation	1 617	8 233	−4 488	−499	0	4 863
Additions	1 048	9 323	1 003	546	12 553	24 473
Disposals	−1 618	−4 004	−1 054	−371	0	−7 047
New classifications	50	9 975	1 021	0	−11 046	0
Exchange rate differences	4 805	6 103	1 463	2	199	12 572
Balance as of 31 Dec. 2017	**188 908**	**333 013**	**19 038**	**4 273**	**12 712**	**557 944**
Accumulated depreciation						
Balance as of 1 January 2017	−58 142	−195 390	−16 761	−3 028	−276	−273 597
Change in scope of consolidation	2 641	2 565	3 814	503	0	9 523
Depreciation for the year	−5 242	−17 609	−1 397	−541	0	−24 789
Disposals	930	3 719	1 013	370	0	6 032
New classifications	0	0	0	0	0	0
Exchange rate differences	−1 191	−4 810	−973	49	−6	−6 931
Balance as of 31 Dec. 2017	**−61 004**	**−211 525**	**−14 304**	**−2 647**	**−282**	**−289 762**
Net book value 31 Dec. 2017	**127 904**	**121 488**	**4 734**	**1 626**	**12 430**	**268 182**
Net book value of pledged property, plant and equipment						**0**
Net book value of leased property, plant and equipment						**5 096**
12 Leasing obligations for property, plant and equipment reported on balance sheet						**1 852**

Amounts reported in previous year have been reclassified to the new presentation of the asset categories. Software is now reported separately from IT equipment in the intangible assets.

5 Property, plant and equipment 2016

(in CHF 1000s)	Land and buildings	Machinery & tools	IT equipment & Furnishings	Vehicles	Assets under construction	**Total**
Cost						
Balance as of 1 January 2016	178 970	272 227	20 592	3 955	27 394	503 138
Additions	2 453	12 349	1 196	584	14 439	31 021
Disposals	−1 346	−10 591	−821	−88	0	−12 846
New classifications	2 407	27 571	191	119	−30 949	−661
Exchange rate differences	522	1 827	−65	25	122	2 431
Balance as of 31 Dec. 2016	**183 006**	**303 383**	**21 093**	**4 595**	**11 006**	**523 083**
Accumulated depreciation						
Balance as of 1 January 2016	−52 971	−188 177	−16 051	−2 510	−268	−259 977
Additions	−6 442	−16 292	−1 565	−503	−8	−24 810
Disposals	596	9 859	760	78	0	11 293
New classifications	614	66	43	−62	0	661
Exchange rate differences	61	−846	52	−31	0	−764
Balance as of 31 Dec. 2016	**−58 142**	**−195 390**	**−16 761**	**−3 028**	**−276**	**−273 597**
Net book value 31 Dec. 2016	**124 864**	**107 993**	**4 332**	**1 567**	**10 730**	**249 486**

Net book value of pledged property, plant and equipment	**2 861**
Net book value of leased property, plant and equipment	**7 123**
12 Leasing obligations for property, plant and equipment reported on balance sheet	**1 719**

Amounts reported in previous year have been reclassified to the new presentation of the asset categories. Software is now reported separately from IT equipment in the intangible assets.

6 Investment property

Rhytech site Neuhausen

The property in Neuhausen (RhyTech site) was sold in November 2017. The sales price inclusive property, plant and equipment was CHF 27.4 mio and the gain on the sale CHF 7.2 mio. Per end of previous year, the cost of the property was CHF 23.1 mio, the accumulated depreciations CHF −3.2 mio and the net book value CHF 19.9 mio.

Notes to the consolidated financial statements

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 2017, 3A Composites had 128 plantations with a surface area of 11 572 hectares, of which 9 149 hectares are currently planted with balsa trees. This makes 3A Composites the largest plantation owner and balsa wood producer. In 2017, a total of 41 450 033 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 97 811 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.

If it the market value for green lumber had been 5% higher or lower with all other variables unchanged, the value of the Biological assets would have been CHF 3.3 million (previous year: CHF 3.3 million) higher or lower.

(in CHF 1000s)		2017	2016
	Book value as of 1 January	**27 918**	**26 870**
22/23	Gain or loss as a result of change in market value less selling costs	3 542	– 123
	Increase as a result of growth and maintenance measures	4 657	3 227
	Decrease as a result of harvest	– 3 675	– 2 086
	Wind damage	– 1 041	– 686
	Exchange rate differences	– 1 268	716
	Book value as of 31 December	**30 133**	**27 918**

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 **Intangible assets 2017** (incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
	Cost				
	Balance as of 1 January 2017	70 032	51 067	38 032	159 131
28/29	Change in the scope of consolidation	18 095	– 2 352	1 486	17 229
	Additions	0	33	114	147
	Exchange rate differences	6 546	– 978	– 131	5 437
	Balance as of 31 December 2017	**94 673**	**47 770**	**39 501**	**181 944**
	Accumulated amortization				
	Balance as of 1 January 2017	0	– 10 446	– 29 888	– 40 334
28/29	Change in the scope of consolidation	0	938	0	938
	Amortization for the year	0	– 111	– 2 443	– 2 554
	Exchange rate differences	0	575	344	919
	Balance as of 31 December 2017	**0**	**– 9 044**	**– 31 987**	**– 41 031**
	Net book value as of 31 December 2017	**94 673**	**38 726**	**7 514**	**140 913**

Amounts reported in previous year have been reclassified to the new presentation of the asset categories. Software is now reported separately from IT equipment in the intangible assets.

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 38.7 million as of the end of December 2017 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 (level 2 valuation). 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

Notes to the consolidated financial statements

savings of between 1.5% and 3.0%. The savings are consistent with the external information about Royalty rates. 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 8.1% to 10.0% p.a. (previous year: 9.2% to 11.1% 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 7.2 million (previous year: CHF 11.8 million).

Goodwill 2017: As per 31 December 2017, the entire Goodwill is allocated to the cash generating unit 3A Composites Division. The impairment test is calculated by the means of the DCF method and the basis for determining the recoverable amount is value-in-use. The discount rate before taxes is 8.3%, the projection period 5 years and the long-term growth rate is 1%.

The discount rate basically corresponds to the weighted cost of capital. The value of the goodwill was additionally tested by means of sensitivity analyses. No change in the material assumptions, realistically estimated, leads to the fact that the book value exceeds the recoverable amount.

8 Intangible assets 2016 (incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as of 1 January 2016	70 937	49 935	36 580	157 452
Additions	0	21	173	194
New classifications	0	0	661	661
Exchange rate differences	– 905	1 111	618	824
Balance as of 31 December 2016	**70 032**	**51 067**	**38 032**	**159 131**
Accumulated amortization				
Balance as of 1 January 2016	0	– 9 845	– 26 299	– 36 144
Additions	0	– 152	– 2 332	– 2 484
New classifications	0	0	– 661	– 661
Exchange rate differences	0	– 449	– 596	– 1 045
Balance as of 31 December 2016	**0**	**– 10 446**	**– 29 888**	**– 40 334**
Net book value as of 31 December 2016	**70 032**	**40 621**	**8 144**	**118 797**

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%
3A Composites Division	68 218	DCF	Value-in-use	9.4%	5 years	1%
Total	**70 032**					

9 **Current financial liabilities** (in CHF 1000s)	**2017**	2016
Loans falling due within one year	108	669
12 Short-term leasing liabilities	1 185	602
Total	**1 293**	**1 271**

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

31 December	**2017**	Actual interest rates	31 December	2016	Actual interest rates
CHF	1 123	2.00%	CHF	561	2.00%
Other	170	2.45%	Other	710	3.84%
Total	**1 293**			**1 271**	

10 **Other payables** (in CHF 1000s)	**2017**	2016
Financial liabilities:		
– Other liabilities	5 792	3 718
Non-financial liabilities:		
– Obligations towards social insurance schemes	1 409	2 454
– Obligations resulting from sales taxes	2 188	2 411
Total	**9 389**	**8 583**

11 **Accrued expenses and deferred income** (in CHF 1000s)	**2017**	2016
Outstanding volume discounts and customer credits	13 474	11 090
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	19 230	23 290
Cost of materials / overheads	4 373	6 226
Other accrued expenses and deferred income	11 321	13 492
Total	**48 398**	**54 098**

The previous year's numbers have been adjusted to the new presentation. All long-term employee benefits are now disclosed in Employee benefits.

Notes to the consolidated financial statements

	12 **Obligations arising from finance leasing** (in CHF 1000s)	**2017**	2016
	Obligations arising from finance leasing (nominal), due in:		
	– one year	1 191	628
	– 2 to 5 years	693	1 140
	– more than 5 years	0	0
	Total nominal value	**1 884**	**1 768**
	less future financial expense	– 32	– 49
	Total present value of minimum leasing obligations	**1 852**	**1 719**
	Reporting on balance sheet by due date		
9	– in one year (in current financial liabilities)	1 185	602
13	– in more than one year (in non-current financial liabilities)	667	1 117
	Total present value of minimum leasing obligations	**1 852**	**1 719**

	13 **Non-current financial liabilities** (in CHF 1000s)	**2017**	2016
12	Long-term leasing obligations	667	1 117
	Other long-term financial obligations	1 736	2 091
	Total	**2 403**	**3 208**
	The maturities of the non-current financial liabilities are as follows:		
	– 2 to 5 years	2 403	3 208
	– more than 5 years	0	0
	Total	**2 403**	**3 208**

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

31 December	**2017**	Actual interest rates	31 December	2016	Actual interest rates
CHF	559	2.00%	CHF	1 117	2.00%
EUR	505	7.93% [1)]	EUR	441	7.93% [1)]
PGK	1 275	0.00%	PGK	1 650	0.00%
Other	64	4.64%	Other	0	–
Total	**2 403**			**3 208**	

[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.

14 **Reconciliation of financial debts 2017** (in CHF 1000s)	Balance as of 1 January	Cash and liquid investments	Cash flow from financing activities	Purchase of intangible assets	Other non-cash movements	Exchange rate differences	**Balance as of 31 Dec.**
Cash and cash equivalents	179 308	49 674			0	4 169	233 151
Current loans and fixed deposits	40	61			0	1	102
Total cash and liquid investments	**179 348**	**49 735**			**0**	**4 170**	**233 253**
Current interest-bearing financial liabilities	– 1 271		709	0	– 669	– 62	– 1 293
Non-Current interest-bearing financial liabilities	– 3 208		– 125	223	650	57	– 2 403
Borrowings and other financial liabilities	**– 4 479**		**584**	**223**	**– 19**	**– 5**	**– 3 696**
Net debt	**174 869**	**49 735**	**584**	**223**	**– 19**	**4 165**	**229 557**

14 Reconciliation of financial debts 2016 (in CHF 1000s)	Balance as of 1 January	Cash and liquid investments	Cash flow from financing activities	Purchase of intangible assets	Other non-cash movements	Exchange rate differences	Balance as of 31 Dec.
Cash and cash equivalents	170 445	10 019		0	0	– 1 156	179 308
Current loans and fixed deposits	17	24		0	0	– 1	40
Total cash and liquid investments	**170 462**	**10 043**		**0**	**0**	**– 1 157**	**179 348**
Current interest-bearing financial liabilities	– 2 378		1 057	0	0	50	–1 271
Non-Current interest-bearing financial liabilities	– 5 004		1 222	391	141	42	–3 208
Borrowings and other financial liabilities	**– 7 382**		**2 279**	**391**	**141**	**92**	**– 4 479**
Net debt	**163 080**	**10 043**	**2 279**	**391**	**141**	**– 1 065**	**174 869**

Notes to the consolidated financial statements

15 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 2017 financial year, the employer's contribution to defined contribution plans amounted to CHF 297 000 (previous year: 147 000).

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 companies have joint pension commissions which decide on the regulations. The collective foundation has a higher conversion rate on the BVG retirement savings than on the non-compulsory retirement savings. To cover this risk, a separate asset was created with the sole purpose of financing the costs of this higher conversion rate.

In addition, there is an autonomous foundation. There are no direct entitlements to this foundation. For example, in the event of underfunding, restructuring contributions can be made from this foundation.

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 2017, the rate was 1.00% (previous year: 1.25%).

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.

A division was sold in 2017, resulting in a significant reduction in assets and liabilities (see note 28).

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. There was a restructuring in 2017 in Ecuador, which on one hand led to a gain from curtailments and on the other hand to an expense from additional benefits on leaving.

The most recent actuarial valuations of the present values of the defined benefit obligations as of 31 December 2017 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 2017 on the basis of the information known at the time when the annual financial statements were prepared.

Notes to the consolidated financial statements

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

31 December				**2017**				2016
	Switzerland	EU	America	Weighted	Switzerland	EU	America	Weighted
Discount rate	0.65%	1.80%	3.54%	1.49%	0.65%	1.83%	3.67%	1.32%
Future increases in salaries	1.25%	2.25%	0.54%	1.41%	1.25%	2.22%	0.56%	1.35%
Future pension adjustments	0.00%	1.69%	0.27%	0.53%	0.00%	1.68%	0.28%	0.38%
(in years)								
Life expectancy at age 65								
Year of birth **1952** / 1951								
– Men	22	19	21		22	19	21	
– Women	24	23	23		24	23	23	
Year of birth **1972** / 1971								
– Men	24	22	22		24	22	23	
– Women	26	26	24		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				**2017**				2016
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Service costs								
– Current service costs	3096	1238	496	4830	4181	1099	436	5716
– Past service costs	0	0	–228	–228	–814	0	0	–814
– Plan settlements	0	0	0	0	0	0	0	0
Net interest expense	47	888	513	1448	328	996	553	1877
Discontinued operations	–4667	–585	0	–5252	0	0	0	0
Total pension expense for the period	**–1524**	**1541**	**781**	**798**	**3695**	**2095**	**989**	**6779**

Current service costs include technical administrative expenses of CHF 0.1 million for 2017 and CHF 0.1 million for 2016. For discontinued operations see Note 28.

Remeasurements recognized in other comprehensive income

31 December				**2017**				2016
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Actuarial (gains) / losses								
– Based on adjustment of demographic assumptions	529	0	–189	340	–7754	23	72	–7659
– Based on adjustment of financial assumptions	0	436	310	746	3884	3600	–674	6810
Experience adjustments	8459	–820	–90	7549	–634	–123	20	–737
Return on pension assets (excluding amounts in net interest expenses)	–10068	–78	722	–9424	–20390	32	–420	–20778
Exchange rate differences	0	6	2	8	0	–84	48	–36
Total expense recognized in the "statement of other comprehensive income"	**–1080**	**–456**	**755**	**–781**	**–24894**	**3448**	**–954**	**–22400**
Total pension costs	**–2604**	**1085**	**1536**	**17**	**–21199**	**5543**	**35**	**–15621**

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

Changes in the present value of defined benefit obligations

31 December				**2017**				2016
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening present value of defined benefit obligations	161060	49530	35323	245913	165355	45526	34924	245805
Current service cost	3096	1238	496	4830	4181	1099	436	5716
Plan participants' contributions	2134	54	0	2188	2570	50	0	2620
Interest expenses on the present value of the obligations	812	926	1219	2957	1617	1039	1201	3857
Actuarial gains / losses	8988	–384	31	8635	–4504	3500	–582	–1586
Past service costs	0	0	65	65	40	0	0	40
Plan settlements	0	0	0	0	0	0	0	0
Plan curtailments	0	0	–293	–293	–854	0	0	–854
Business acquisitions	0	0	0	0	0	0	0	0
Sale of business	–69923	–585	0	–70508	0	0	0	0
Benefits paid through plan assets	–4494	0	–1150	–5644	–7345	–13	–1151	–8509
Benefits paid by employer	0	–1175	–953	–2128	0	–1135	–682	–1817
Exchange rate differences	0	4569	–1526	3043	0	–536	1177	641
Closing present value of defined benefit obligations	**101673**	**54173**	**33212**	**189058**	**161060**	**49530**	**35323**	**245913**

Notes to the consolidated financial statements

Changes in the fair value of plan assets

31 December				2017				2016
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening fair value of plan assets	149480	1852	21433	172765	130006	1710	20456	152172
Plan participants' contributions	2134	54	0	2188	2570	50	0	2620
Employer's contribution	2439	116	339	2894	2570	112	339	3021
Interest income on assets	765	38	706	1509	1289	43	648	1980
Return on plan assets (excl. amounts included in interest) [1]	10068	78	−722	9424	20390	−32	420	20778
Assets distributed on settlements	0	0	0	0	0	0	0	0
Sale of business	−65256	0	0	−65256	0	0	0	0
Benefits paid through plan assets	−4494	0	−1150	−5644	−7345	−13	−1151	−8509
Exchange rate differences	0	184	−924	−740	0	−18	721	703
Closing fair value of plan assets	**95136**	**2322**	**19682**	**117140**	**149480**	**1852**	**21433**	**172765**

[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				2017				2016
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Present value of funded obligation	101673	15327	24322	141322	161060	13465	25740	200265
Fair value of plan assets	−95136	−2322	−19682	−117140	−149480	−1852	−21433	−172765
Under / (over) funding	**6537**	**13005**	**4640**	**24182**	**11580**	**11613**	**4307**	**27500**
Present value of unfunded obligations	0	38846	8890	47736	0	36067	9583	45650
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**6537**	**51851**	**13530**	**71918**	**11580**	**47680**	**13890**	**73150**

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).

The same investment guidelines apply to all companies affiliated to the collective foundation. The influence of the employer on the investment policy is therefore limited.

As shares are also held via fund shares, it cannot be ruled out that these fund shares contain shares in the Group. It also cannot be ruled out that the collective foundation directly holds shares in the Group.

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

31 December				**2017**				2016
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Equities	28180	0	8327	36507	8414	0	7746	16160
Bonds	21995	0	2669	24664	18311	0	6877	25188
Alternative financial assets	14089	0	0	14089	0	0	0	0
Real estate	10254	0	0	10254	0	0	0	0
Qualified insurance paper	0	2322	0	2322	0	1852	0	1852
Cash and cash equivalents and Other investments	20618	0	8686	29304	122755	0	6810	129565
Total	**95136**	**2322**	**19682**	**117140**	**149480**	**1852**	**21433**	**172765**

The collective foundation does not provide a breakdown into listed and unlisted investments. Based on the investment guidelines, however, it can be assumed that most of the assets are invested in listed investments.

In 2017, the assets generated a gain of CHF 10.9 million (previous year: gain of CHF 24.7 million). In the upcoming year employer's contributions are expected to amount to CHF 2.3 million (previous year: CHF 3.0 million), while pension payments to former employees are expected to amount to CHF 1.9 million (previous year: CHF 2.1 million).

Notes to the consolidated financial statements

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				**2017**				2016
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Active insured members	81 480	31 599	4 713	117 792	108 699	28 591	4 815	142 105
Former members with vested benefits	0	4 417	0	4 417	0	4 219	0	4 219
Members receiving pensions	20 193	18 157	28 499	66 849	52 361	16 720	30 508	99 589
Total	**101 673**	**54 173**	**33 212**	**189 058**	**161 060**	**49 530**	**35 323**	**245 913**
(in years)								
Term of obligations	16.7	18.8	11.7	16.4	16.2	19.5	13.7	16.5

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.
When calculating the sensitivities, only the assumption given is changed, all other assumptions remain unchanged.

Change in present value of a defined benefit obligation:

31 December (in CHF 1000s)		**2017**		2016	
		+ 0.25%	– 0.25%	+ 0.25%	– 0.25%
All countries	Discount rate	–7 136	7 444	– 8 648	9 229
All countries	Development of wages and salaries	1 022	–1 180	1 254	– 1 197
Switzerland	Interest on retirement assets	1 205	–1 175	991	– 983
EU	Pension indexation	1 747	–1 665	1 552	– 1 459

Reconciliation to the balance sheet:

31 December (in CHF 1000s)	**2017**	2016
Pension obligations	71 918	73 150
Other long-term employee benefits	5 810	4 601
Termination benefits	1 634	337
Total	**79 362**	**78 088**

Amounts reported in previous year have been reclassified to conform to the current presentation.

The other long-term employee benefits and the termination benefits include programs for long-service awards and other payments dependent on lenght of service, partial retirement agreements in Germany as well as a long-term incentive plan for selected employees.

16 Provisions

(in CHF 1000s)	Guarantees	Litigation	Environmental obligations	Other	Total 2017	Total 2016
Balance as of 1 January	5 125	2 862	4 463	3 130	15 580	18 605
Change in the scope of consolidation	– 1 445	0	2 773	233	1 561	0
Exchange rate differences	187	– 61	174	222	522	– 113
Consumption with neutral impact on income	– 599	– 180	– 477	– 1 208	– 2 464	– 4 093
Unused amounts reversed and released to income	– 1 051	– 1 301	– 2 456	– 191	– 4 999	– 1 574
Additional provisions charged to income	2 294	3 901	0	3 966	10 161	2 755
Balance as of 31 December	**4 511**	**5 221**	**4 477**	**6 152**	**20 361**	**15 580**
of which: current provisions	1 848	18	508	1 116	3 490	2 552
non-current provisions	2 663	5 203	3 969	5 036	16 871	13 028
Expected use of provisions						
– within one year	1 848	18	508	1 116	3 490	2 552
– in 2 to 5 years	2 346	5 106	2 369	5 015	14 836	9 937
– more than 5 years	317	97	1 600	21	2 035	3 091

The previous year's numbers have been adjusted to the new presentation. All long-term employee benefits are now disclosed in Employee benefits.

Guarantees:

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

Litigation:

Provisions for litigation essentially comprise 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:

The other provisions mainly cover risks arising from acquisitions and divestments made.

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

Notes to the consolidated financial statements

17 **Share capital**	**2017**	2016
Number of bearer shares issued with a par value of CHF 1	1 431 808	1 431 808
Share capital as of 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 of 31 December 2016	600
As of 31 December 2017	**600**
of which shares used for the share-based remuneration scheme	600

Authorized capital:

As of 31 December 2017, there is no authorized capital.

Conditional capital:

As of 31 December 2017, 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 25 April 2017 the shareholders approved the distribution of a dividend of CHF 40.00 per bearer share for the 2016 financial year. No payment was made on treasury shares. The distribution amounted to a total of CHF 57. 3 million.

For the 2017 financial year, the Board of Directors will propose to the Annual General Meeting of 13 April 2018 a special dividend of CHF 5.00 in addition to the ordinary dividend of CHF 40.00. This results in a disbursement of CHF 45.00 (gross) per bearer share.

18 **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 187 500).

19 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, no significant transactions were conducted with related parties.

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

(in CHF 1000s)	**2017**	2016
Total compensation Board of Directors	608	608
Total compensation Management	2 999	3 190
Total compensation Board of Directors and Management	**3 607**	**3 798**

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

20 Share ownership by the Board of Directors and Management

As of 31 December 2017, 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 2016: 449 209):

Surname	First name	Function	Number of shares **2017**	Number of shares 2016
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	0

[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] 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.

21 **Net revenues** (in CHF 1000s)	**2017**	2016
Net proceeds of deliveries of goods	974 882	911 103
Net proceeds of services	5 346	6 077
Rental income	0	272
Total	**980 228**	**917 452**

Notes to the consolidated financial statements

	22 **Other operating expenses** (in CHF 1000s)	**2017**	2016
	Direct sales and distribution costs	60 387	58 637
	Purchasing and production overheads	62 031	54 618
	Sales and marketing overheads	16 132	16 227
	Overheads relating to administration and capital taxes	17 392	20 961
	Development overheads	1 749	1 991
	Cost of premises	5 158	7 198
	Expense for investment property	0	560
7	Decrease in market value of biological assets	0	123
	Other operating expenses	474	1 051
	Total	**163 323**	**161 366**

	23 **Other operating income** (in CHF 1000s)	**2017**	2016
	Income from investment property	7 175	1 021
7	Increase in market value of biological assets	3 542	0
	Reversal of recultivation provision	2 456	0
	Rental income	1 775	0
	Adjustment of purchase price obligation in respect of Plastwag SA	573	1 802
	Reimbursement of expenses paid in compliance with official requirements	0	1 547
	Other income	2 846	2 277
	Total	**18 367**	**6 647**

	24 **Depreciation and amortization** (in CHF 1000s)	**2017**	2016
5	Depreciation on property, plant and equipment	24 226	24 222
8	Amortization of intangible assets	2 490	2 010
	Depreciation on investment property	420	459
	Total	**27 136**	**26 691**

25 **Financial income** (in CHF 1000s)	**2017**	2016
Interest income	474	320
Foreign exchange gains (net)	11 023	0
Total	**11 497**	**320**

26 **Financial expenses** (in CHF 1000s)	**2017**	2016
Interest expenses	2 016	2 885
Foreign exchange losses (net)	0	1 869
Total	**2 016**	**4 754**

27 **Income taxes** (in CHF 1000s)	**2017**	2016
Current taxes	16 844	19 748
Deferred taxes	2 912	595
Total	**19 756**	**20 343**

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)	**2017**	2016
Income before taxes	96 735	80 804
Income tax rate at Head Office	19.7%	19.7%
Tax expense anticipated	19 056	15 918
Differences owing to differing local tax rates	2 553	4 701
Impact of other non-taxable income	– 153	– 447
Impact of non-tax-deductible expenditure	1 090	2 121
Non-capitalized losses on current results carried forward	1 235	1 320
Use of non-capitalized tax losses carried forward	– 3 238	– 2 387
Impact of non-renoverable withholding taxes	1 259	336
Impact of tax rate changes on deferred taxes	– 2 361	0
Taxes from previous periods and other influencing factors	315	– 1 219
Effective tax expense	**19 756**	**20 343**
Effective tax rate	20.4%	25.2%

Notes to the consolidated financial statements

Deferred tax assets (in CHF 1000s)	Inventories/ work in progress	Pension obligations	Capitalized tax loss carry-forwards	Provisions	Other	Total **2017**	Total 2016
Balance as of 1 January	1960	13901	2509	1650	8869	28889	30150
28/29 Change in the scope of consolidation	−89	−824	0	316	313	−284	0
Exchange rate differences	−2	634	−95	108	13	658	206
Recognized in other income	0	−542	0	0	0	−542	−3920
Unused amounts reversed and released to income	−52	−1591	−1962	−851	−3592	−8048	−6211
Additional provisions charged to income	285	360	350	31	645	1671	8664
Balance as of 31 December, gross	**2102**	**11938**	**802**	**1254**	**6248**	**22344**	**28889**
Netting						− 6857	− 6312
Balance as of 31 December, net						**15487**	**22577**

The opening balances have been adjusted due to identified inconsistencies between the deferred tax categories. As of 31 December 2017, the Group had non-capitalized tax loss carry-forwards of CHF 117.2 million (previous year: CHF 125.2 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)	**2017**	2016
– one year	76	198
– 2 to 5 years	10 178	12 014
– in more than 5 years' time	936	3 843
– no expiration	106 026	109 168
Total	**117 216**	**125 223**

Deferred tax liabilities (in CHF 1000s)	Inventories/ work in progress	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2017**	Total 2016
Balance as of 1 January	−1381	−23394	−6669	−2536	−2541	−36521	−32611
28/29 Change in the scope of consolidation	514	−1232	196	0	226	−296	0
Exchange rate differences	5	−86	224	112	−95	160	−653
Recognized in other income	0	0	0	0	0	0	0
Unused amounts reversed and released to income	9	4513	1822	63	−655	5752	2582
Additional provisions charged to income	−197	−104	−35	−777	−1125	−2238	−5839
Balance as of 31 December, gross	**−1050**	**−20303**	**−4462**	**−3138**	**−4190**	**−33143**	**−36521**
Netting						6857	6312
Balance as of 31 December, net						**−26286**	**−30209**

The opening balances have been adjusted due to identified inconsistencies between the deferred tax categories. As of 31 December 2017 the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 28.3 million (previous year: CHF 48.9 million). No deferred taxes were recorded for these taxable temporary differences.

28 Sale of discontinued operations

The 100% shareholding in SSM Textile Machinery division was sold to the Rieter Group as of 30 June 2017. The net assets of SSM Textile Machinery were as follows as of 30 June 2017 (effective date of sale) and 31 December 2016:

(in CHF 1000s)	**30.06.17**	31.12.16
Book value of net assets disposed:		
Cash and cash equivalents	24 025	29 962
Trade receivables	9 033	10 499
Current income tax receivables	97	287
Advances to suppliers	651	723
Other receivables	1 061	1 213
Prepaid expenses and accrued income	384	111
Inventories	17 490	15 889
Property, plant and equipment	3 295	3 526
Financial assets	13	40
Deferred tax assets	1 105	1 180
Intangible assets (incl. goodwill)	3 264	3 239
Trade payables	– 11 912	– 13 959
Prepayments received from customers	– 5 777	– 4 738
Other payables	– 324	– 293
Accrued expenses and deferred income	– 4 233	– 4 558
Current provisions	– 1 287	– 1 186
Current income tax payables	– 1 073	– 1 026
Deferred tax liabilities	– 1 144	– 1 146
Non-current provisions	– 916	– 1 035
Employee benefits	– 5 242	– 5 466
Total net assets disposed	**28 510**	**33 262**
Gain on sale of discontinued operations	91 598	
Total proceeds from sales	**120 108**	
Split of purchase price:		
– Consideration received	124 185	
– Provision for purchase price adjustments	– 3 000	
– Directly attributable transaction costs [1)]	– 404	
– Realized exchange rate differences on translation	– 673	
Total proceeds from sales	**120 108**	
Consideration received	124 185	
less cash and cash equivalents disposed	– 24 025	
less directly attributable transaction costs, paid	– 404	
Cash flow from sale of discontinued operations	**99 756**	

[1)] Additional transaction costs recognised in 2016: CHF 0.1 million

Notes to the consolidated financial statements

The results and cash flows of the sold SSM Textile Machinery division that appear in the consolidated financial statements for the period from 1 January to 30 June 2017 and as of 31 December 2016, are composed as follows:

(in CHF 1000s)	**30.06.17**	31.12.16
Net revenues	**49 795**	**85 904**
Change in inventories of semi-finished and finished goods	– 1 079	1 683
Total operating income	**48 716**	**87 587**
Material expenses	– 21 853	– 41 310
Personnel expenses	– 9 671	– 19 817
Other operating expenses	– 8 767	– 14 083
Other operating income	162	315
Depreciation and amortization of intangible assets	– 627	– 1 062
Operating result	**7 960**	**11 630**
Financial income	369	356
Financial expenses	– 33	– 164
Income before taxes	**8 296**	**11 822**
Income taxes	– 1 069	– 1 647
Net income from operating activity	**7 227**	**10 175**
Gain on sale of discontinued operations	91 598	–
Income from discontinued operations	**98 825**	**10 175**

Cash flow from operating activity	6 520	13 787
Cash flow from investment activity	– 348	– 1 606
Cash flow from financing activity	– 12 000	– 6 000
Currency exchange differences on cash and cash equivalents	– 109	– 226
Change in cash and cash equivalents from discontinued operations	**– 5 937**	**5 955**

Reconciliation to income statement: (in CHF 1000s)	**2017**	2016
Income from discontinued operation SSM Textile Machinery	98 825	10 175
Increase provision for claims from investments sold	– 3 853	0
Total	**94 972**	**10 175**

29 **Business combinations**

The following business combination took place in 2017:

Acquisition of Athlone Extrusions Group

On 31 July 2017, Schweiter Technologies acquired 100% of the shares in the Athlone Extrusions Group based in Athlone, Ireland.

Athlone Extrusions is one of the leading manufacturers of coloured opaque multilayer plastic sheeting in Europe. The plastic sheets are primarily used by thermoformers who manufacture parts for the automotive industry (low series recreational, agriculture, and construction vehicles), sanitary ware industry (shower trays, bath panels), office equipment, point of sale and furniture industries.

Athlone has highly developed expertise in the manufacture of complex multilayer sheets in customer specific colours which combine the advantages of consistent embedded colour, surface finish, ease of thermoforming, light weight and recyclability. Athlone Extrusions has one of the largest scale production sites in Europe. It has a very experienced sales team with local representatives based in several European countries

In acquiring Athlone, Schweiter is strengthening the transport & industry business of the 3A Composites division, following the successful acquisition and integration of Foamalite (2012) and Polycasa (2015).

The purchase price is CHF 53.2 million. The goodwill arising on the acquisition amounts to CHF 19.9 million and essentially reflects the value of the expected buyer-specific synergies such as the expansion of the product range and market access on the one hand, and cost savings on the other. The goodwill is not tax-deductible.

Had the business combination already taken place on 1 January 2017, management estimates that the Group's revenues would have reached CHF 1028.1 million and the net income from continuing operations CHF 80.0 million in the year under review.

Notes to the consolidated financial statements

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

(in CHF 1000s)	Athlone [1]
Cash and cash equivalents	889
Trade receivables	15 856
Other receivables	49
Prepaid expenses and accrued income	876
Inventories	9 572
Total current assets	**27 242**
Property, plant and equipment	17 681
Deferred tax assets	0
Intangible assets	1 486
Total non-current assets	**19 167**
Total assets	**46 409**
Current financial liabilities	– 1
Trade payables	– 3 752
Other payables	– 500
Accrued expenses and deferred income	– 2 053
Current provisions	– 1 658
Current income tax payables	– 410
Total current liabilities	**– 8 374**
Non-current financial liabilities	– 928
Deferred tax liabilities	– 619
Non-current provisions	– 2 106
Employee benefits	– 1 080
Total non-current liabilities	**– 4 733**
Total liabilities	**– 13 107**
Total fair value of net assets acquired	**33 302**
Goodwill	19 945
Total consideration	**53 247**
Cash and cash equivalents acquired	– 889
Consideration payables [2]	– 171
Repayment of pre-existing loans	928
Cash out flow from purchase of subsidiaries	**53 115**

[1] The acquisition was only reported provisionally on the balance sheet at the end of the period under review. When the annual report was being prepared, the final purchase price had not yet been determined and the necessary market valuations had not yet been completed. They were therefore determined on the basis of management's best estimates of the likely values.
[2] The deferred purchase price is in the range of CHF 0.0 to 0.2 million.

30 Earnings per share

		2017	2016
Net income	(in CHF 1000s)	171 951	70 636
Average number of shares issued		1 431 808	1 431 808
less average number of treasury shares		– 600	– 633
Average number of shares outstanding		**1 431 208**	**1 431 175**
Dilution effect resulting from the average number of shares for share-based payments		600	600
Average number of shares outstanding after dilution effect		**1 431 808**	**1 431 775**
Earnings per share (in CHF)			
From continuing operations			
– undiluted		53.79	42.25
– diluted		53.76	42.23
From continuing operations and discontinued operations			
– undiluted		120.14	49.36
– diluted		120.09	49.33

31 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 2017					
Cash and cash equivalents	233 151			233 151	233 151
Trade receivables			153 678	153 678	153 678
Other receivables		0	6 960	6 960	6 960
Financial assets			712	712	712
Total	**233 151**	**0**	**161 350**	**394 501**	**394 501**
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	**173 308**	**0**	**152 696**	**332 004**	**332 004**

Notes to the consolidated financial statements

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 2017				
Current financial liabilities		1 293	1 293	1 293
Trade payables		60 242	60 242	60 242
Other liabilities	0	5 792	5 792	5 792
Non-current financial liabilities		2 403	2 403	2 403
Total	**0**	**69 730**	**69 730**	**69 730**
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**

32 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.

In connection with disposals and sale of properties made in the past years, the Group provided customary warranties. Schweiter and its subsidiaries may receive in the future notice of claims arising from these warranties which exceed the recorded provisions.

Contingent liabilities (in CHF 1000s)	**2017**	2016
Warranties and guarantees	2 144	2 639
Total	**2 144**	**2 639**

In addition, there are contingent liabilities amounting to a maximum of a single-digit millions amount in Swiss Franc due to a retrospective application of higher VAT rates in India. The tax authorities in the state of Maharashtra have changed the classification of aluminum composite panels for the determination of the applicable VAT rate. According to the new classification, a higher amount of VAT for the sales of aluminum composite panels within the state of Maharashtra should be applied. The Indian company has been in compliance with this new VAT rate since the publication. However, the new VAT rate is applied retrospectively by the local tax authorities. The entire aluminum composite panel industry in India is affected by the amendment of the classification as well as by the retrospective application of the higher VAT rate. The local Indian company – as well as some competitors – has filed an objection against the new classification of aluminum composite panels and thus the application of a higher VAT rate. In addition, the company has filed an appeal with the tax authorities against the retrospective application of the new VAT rate. If the appeal is not upheld, the claims will be challenged in court.

Commitments to take delivery:
Under purchase contracts for machine parts and raw materials, commitments to take delivery amounting to CHF 185.2 million (previous year: CHF 151.8 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 and intangible assets amounted to CHF 3.3 million (previous year: CHF 6.3 million).

33 Lease commitments

Future minimum lease payments under non-cancellable operating leases (in CHF 1000s)	**2017**	2016
– due in one year	6 344	6 133
– due in 2 to 5 years	8 456	7 737
– due in more than 5 years	1 987	2 229
Total	**16 787**	**16 099**

The commitments consist mainly of rental agreements for buildings used by the company itself. The average term of the agreements is 3.2 years (previous year: 4.1 years). Leasing obligations amounting to CHF 1.5 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)	**2017**	2016
– due in one year	876	1 327
– due in 2 to 5 years	2 572	3 099
– due in more than 5 years	4 437	4 883
Total	**7 885**	**9 309**

34 **Rights of lien** (in CHF 1000s)	**2017**	2016
Book value of assets encumbered by rights of lien	0	666

35 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 2017.

36 Approval of the annual financial statements

The Board of Directors approved the present consolidated annual financial statements at its meeting on 1 March 2018 and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 13 April 2018 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 of 31 December 2017 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 20 to 69) give a true and fair view of the consolidated financial position of the Group as of 31 December 2017, 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*
Disposal Division SSM Textile Machinery	
On 3 July 2017 the Schweiter Technolgies Group has announced the sale of the SSM Textile Machinery division to Rieter. The division was sold at a selling price of CHF 124 million. IFRS 5 was applied to the sale and as a result, the division has been deconsolidated as of 30 June 2017. In the consolidated financial statement, a profit of CHF 98.8 million is reported from the sale of the SSM Textile Machinery division. The profit is composed of the net-profit from the sale of CHF 91.6 million, as well as the operational net income of CHF 7.2 million from the discontinued operations until 30 June 2017. The statement of income and corresponding notes have been adjusted in accordance with IFRS 5. We focused on this transaction as the sale has led to a significant profit and we deemed the corresponding disclosures to be complex. The sale of the division SSM Textile Machinery is described in note 28 of the consolidated annual report.	We performed an audit of the half-year accounts of the SSM Textile Machinery Division at the date of the deconsolidation as of 30 June 2017. Further, we read the contractual details of the disposal of this division and assessed the accuracy of the selling price. On the basis of our audit of the half-year accounts we verified the accuracy and completeness of note 28 in accordance with IFRS 5. The profit from the disposal was reconciled to the corresponding contracts and cash flows. Furthermore, we tested the application of IFRS 5 and the adjustment of prior period's statement of income, verifying the appropriateness of the application. Based on the audit procedures performed, we consider the risks relating to the deconsolidation of the SSM Textile Machinery Division as well as the disclosure of the deconsolidation as adequately addressed.

Key audit matter	*How the scope of our audit responded to the key audit matter*
Acquisition Athlone Extrusions Group On 3 July 2017 the Schweiter Technologies Group has announced the acquisition of the Athlone Extrusion Group. The acquisition has been settled with a purchase price of CHF 53.2 million on 31 July 2017. IFRS 3 requires the recording of all identifiable assets, liabilities and contingencies at fair value at acquisition date. The difference between the purchase price and the identified net assets is recorded as goodwill. The identification and valuation of these positions requires significant judgment regarding the underlying assumptions. The following assumptions are decisive for the Purchase Price Allocation (PPA): • Cash Flows • Discount rates • Growth rates • Attrition Rate • Royalty Rate • Identification of separable intangible assets Based on the PPA performed intangible assets of CHF 1.5 million and a goodwill of CHF 19.9 million were recorded. We focused on this acquisition, due to the inherent complexity of the PPA as well as the corresponding significant management estimates. In connection to this, we refer to note 29 of the consolidated annual report.	We involved internal specialists to support us in the assessment of the Purchase Price Allocation. Together with the management and the external specialists of Schweiter Technologies AG, we evaluated the significant assumptions which are inputs into the valuation and performed a sensitivity analysis on the assumptions. Furthermore, we evaluated whether the valuation model for intangible assets complies with the requirements of IFRS 3 Business combinations and whether the required disclosures regarding this acquisition are appropriate within the consolidated financial statements. Based on the audit procedures performed, we have adequately addressed the risks identified over the accounting and disclosures associated with recording the intangible assets and goodwill resulting from this transaction.

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 standalone 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

Roland Müller	Sarah Sutter
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 6 March 2018

Annual financial statements of Schweiter Technologies AG

Balance sheet as of 31 December 2017

	Assets (in CHF 1000s)	**2017**	2016
	Cash and cash equivalents	110 268	45 833
	Other current receivables	311	254
	Prepaid expenses and accrued income	13	14
	Current assets	**110 592**	**46 101**
1	Investments	130 723	136 823
	Financial assets (loans to Group companies)	311 508	287 097
	Property, plant and equipment	67	0
	Non-current assets	**442 298**	**423 920**
	Total assets	**552 890**	**470 021**

	Liabilities (in CHF 1000s)		
	Trade payables	132	129
	Other current payables	132	144
	Accrued expenses and deferred income	1 939	1 704
	Current liabilities	**2 203**	**1 977**
2	Provisions	21 527	4 756
	Non-current liabilities	**21 527**	**4 756**
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	524 719	458 847
4	Own capital shares	– 221	– 221
	Shareholders' equity	**529 160**	**463 288**
	Total liabilities and shareholders' equity	**552 890**	**470 021**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2017

	(in CHF 1000s)	2017	2016
	Investment income	12 000	6 000
5	Gain on sale of Investments	114 681	0
6	Other financial income	3 118	4 144
	Rental income	740	869
	Service income	1 125	1 250
	Other income	10	0
	Total operating income	**131 674**	**12 263**
7	Financial expenses	– 2	– 40
	Administrative expenses	– 719	– 1 142
8	Other expenses	– 3 853	0
	Personnel expenses	– 3 250	– 3 312
	Expenses on premises	– 713	– 682
	Total operating expenses	**– 8 537**	**– 5 176**
	Income before taxes	**123 137**	**7 087**
	Income taxes	7	– 135
	Net income	**123 144**	**6 952**

▲ 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 2017 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)		Share capital	Shareholding		Voting shares	
Company	Domicile	(in 1000)	**2017**	2016	**2017**	2016
SSM Schärer Schweiter Mettler AG	Horgen, CH	CHF 6000	–[1]	100%	–[1]	100%
SSM Vertriebs AG	Steinhausen, CH	CHF 100	–[1]	100%	–[1]	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%

[1] sold as of 30 June 2017

2 **Provisions** (in 1000s)	**2017**	2016
Provisions for unrealized foreign currency gains	11 851	2 441
Other provisions	9 676	2 315
Total	**21 527**	**4 756**

3 **Share capital**	**2017**	2016
Number of bearer shares issued with a par value of CHF 1	1 431 808	1 431 808
Share capital as of 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 of 31 December 2017, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent report)	**2017**	2016
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%	4.98%

[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 2017	2016	Book value (in CHF 1000s) 2017	2016
As of 1 January	600	799	221	295
Sale of treasury shares	0	– 199	0	– 74
Shares released from the share-based remuneration scheme	0	0	0	0
As of 31 December	**600**	**600**	**221**	**221**
of which shares used for the share-based remuneration scheme	600	600		

5 Sale of Investments

As of 30 June 2017 the 100% shareholdings in SSM Schärer Schweiter Mettler AG and SSM Vertriebs AG were sold to the Rieter Group. The gain on sale of investments is derived as follows:

(CHF 1000s)	2017	2016
Consideration received	124 185	–
Provision for purchase price adjustments	– 3 000	–
Directly attributable transaction costs	– 404	–
Book value of investments sold	– 6 100	–
Gain on sale of Investments	**114 681**	**–**

6 **Other financial income** (in CHF 1000s)	2017	2016
Interest income to Group companies	3 056	3 199
Interest paid by banks	0	2
Foreign exchange gains	62	3
Other financial income	0	940
Total	**3 118**	**4 144**

7 **Financial expenses** (in CHF 1000s)	2017	2016
Interest expenses to Group companies	0	40
Other financial expenses	2	0
Total	**2**	**40**

8 **Other expenses** (in 1000 CHF)	**2017**	2016
Increase provision for claims from investments sold	3 853	0
Total	**3 853**	**0**

9 Share ownership by the Board of Directors and Management

As of 31 December 2017, 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 2016: 449 209):

Surname	First name	Function	Number of shares **2017**	Number of shares 2016
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	0

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) 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.

10 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 38.0 million (previous year: CHF 36.4 million). Of this amount, a total of CHF 0.0 million for credit, sureties and guarantees had been drawn on by subsidiaries as of 31 December 2017 (previous year: CHF 0.8 million).

11 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 1 March 2018 which could have a material impact on the 2017 financial statements.

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

(in CHF 1000s)	**2017**	2016
Unappropriated retained earnings (balance sheet profit) at the beginning of the financial year	**458 847**	**509 167**
Net income	123 144	6 952
Dividend paid	– 57 272	– 57 272
Available unappropriated retained earnings (balance sheet profit)	**524 719**	**458 847**
The Board of Directors proposes to the General Meeting on 13 April 2018 the following appropriation of available earnings:		
Payment of a dividend of CHF 45.00 per bearer share (ordinary dividend of CHF 40.00 and special dividend of CHF 5.00)	64 431	
Earnings carried forward	460 288	
Total	**524 719**	

If the General Meeting approves the proposals, the payout of a gross dividend of CHF 45.00 (CHF 29.25 after deduction of withholding tax) per bearer share will be made as of 20 April 2018.

The dividend payout may be redeemed free of charge in exchange for coupons no. 17 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 of 31 December 2017, and the income statement and notes (pages 74 to 79) 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 2017 comply with Swiss law and the company's articles of incorporation.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional 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 Over-sight 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

Roland Müller Licensed Audit Expert Auditor in Charge	Sarah Sutter Licensed Audit Expert

Zurich, 6 March 2018

Compensation Report 2017

Compensation Report 2017

The Compensation Report contains information on the compensation policy, the compensation programs and the procedure for determining the compensation of the Board of Directors and Management of Schweiter Technologies AG. It also provides information on the compensation awarded for the financial year 2017.

The Compensation Report was prepared in compliance with SIX Exchange Regulation on Corporate Governance and the provisions of the Ordinance against Excessive Remuneration in Listed Companies (Ordinance). The principles of compensation and the responsibilities of the Compensation Committee of Schweiter Technologies AG are regulated in the company's articles of incorporation. Unless otherwise specified, the information is applicable as of the cut-off date of 31 December 2017.

As last year, the Compensation Report will be submitted to a consultative vote at the ordinary General Meeting on 13 April 2018.

In the reporting year, the Compensation Committee held three meetings. Tasks and responsibilities include 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 ordinary General Meeting.

The Compensation Committee continuously reviews and evaluates 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 with the interests of our shareholders and other stakeholders.

Compensation policy and principles

The objective of the Group's compensation policy is to attract and motivate qualified executives with the required expertise and relevant experience and to develop a long-term working relationship with them using a progressive and forward-looking compensation structure. The compensation policy is aligned with the business strategy of profitable growth and promotes and supports the company's values. The compensation policy encompasses the following principles:

- Compensation is aligned with the 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 framework

General Meeting and provisions of the articles of incorporation

The role of shareholders in compensation matters has been strengthened in recent years. Especially, 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, as well as potentially a fee for consulting services.

- **Principles governing compensation for members of Management:** Compensation of 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 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, credits 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.

- **Provisions for new members of Management:** In the event that new members are appointed to the Management and if the total amount of compensation for Management 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 for all new members 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 financial disadvantages resulting from 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 with the conclusion 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 of the Board of Directors and Management;

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

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 2017

- 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.

At the Ordinary General Meeting of 25 April 2017, Jacques Sanche, Vanessa Frey and Jan Jenisch were individually re-elected as members of the Compensation Committe for a one-year term of office. Jacques Sanche took on the chairmanship of the Compensation Committee for the period until the subsequent Ordinary General Meeting.

In the year under review, the Compensation Committee held three meetings. Two members attended all meetings, one member attended two meetings and apologized for one meeting.

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 the part of the 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 the part thereof, when their own compensation is being discussed.

The Compensation Committee is free to call upon external consultants to address specific compensation matters. The Board of Directors did seek external advice during the year under review on certain compensation matters.

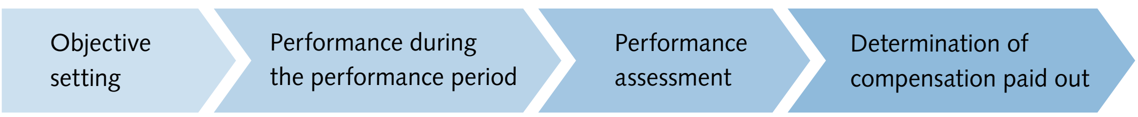
Process for determining the compensation for the Board of Directors and Management

The Compensation Committee periodically reviews the target compensation of 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 reasonable discretion, adjust the target compensation for the following year. No structured analysis was carried out during the year under review.

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 evaluating performance, the achievement of individual objectives and 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 are also considered. 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 members of the Board of Directors

Compensation structure

The members of the Board of Directors receive an annual fixed compensation for the term of office for their activities. It is paid in cash and is not linked to any performance objectives. The term of office is the period from one Ordinary General Meeting to the next.

Members of the Audit Committee and of the Compensation Committee additionally receive a fixed fee in cash for their activities as committee members.

Compensation structure Board of Directors

(in CHF)	Annual fee	Compensation for committee work
Chairman of the Board of Directors	200 000	10 000
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, as agreed with the Board of Directors. Payment will be subject to approval of the total compensation amount for the Board of Directors by the General Meeting. With the exception of contributions to retirement benefits schemes (employer's contributions to social insurance), members of the Board of Directors receive no further compensation, in particular no variable compensation (bonus).

Compensation for 2017 and 2016

The following tables show the compensation paid to members of the Board of Directors for 2017 and 2016. In the 2017 reporting year, the Board of Directors comprised five members, unchanged from the previous year. The amount of compensation paid to the individual members of the Board of Directors for 2017 was the same as for 2016. 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 **2017** (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, for the Chairman of the Board of Directors also to the pension fund

Members of the Board of Directors are generally not insured under the company's pension fund, with the exception of the Chairman of the Board of Directors. Due to his previous employment as CEO, the Chairman is historically covered under the insurance provided by the collective foundation (pension fund solution) that the company is connected to.

Compensation Report 2017

The reported compensation of the Board of Directors for the 2017 financial year is allocated to the two respective terms of office as follows: (in CHF 1000s)

BoD compensation	1.1.2017 – 25.4.2017	192
BoD compensation	26.4.2017 – 31.12.2017	416

The total maximum compensation amount of CHF 630 000 as approved by the General Meeting 2017, which may be paid to the Board of Directors for the term of office from the 2017 General Meeting to the 2018 General Meeting, was therefore not exceeded during the portion of the term of office up to the cut-off date of this Annual Report (26.4.2017–31.12.2017). A conclusive assessment for the entire term of office will be included in the Compensation Report 2018.

The compensation of the Board of Directors for the term of office from the 2016 General Meeting to the 2017 General Meeting was CHF 595 000. Therefore, the total maximum compensation amount of CHF 630 000 as approved by the General Meeting in 2016 for the term of office from the 2016 General Meeting to the 2017 General Meeting was not exceeded.

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, for the Chairman of the Board of Directors also to the pension fund

Compensation for members of Management

Compensation structure

In principle, the individual compensation of members of Management consists of a fixed and a – capped – 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	Influencing factors	Max. as % of fixed compens. [1]
Fixed compensation	Attract, retain, motivate	Cash payments	–	–	Position, market practice, skill set of the person (at the BoD's own discretion)	–
Performance-based compensation (short-term)	Pay for performance	Short-term bonus in cash	EBIT / EBIT margin Individual objectives	1 year (2017)	Financial and individual performance	75% (CEO), 160% (remaining Management)
Long-term incentive plan	Reward for sustainable value creation	Long-term bonus in cash and shares	EBIT (3A Composites) EBIT margin (3A Composites)	3 years (2015–2017)	Success of the company and/or its division	180% (remaining Management), 188% (CEO)
Pension benefits	Protection against risk	Retirement plans, insurances	–	–	Market practice and legal provisions	–

[1] total maximum 200% of fixed compensation

Fixed compensation

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

Performance-based compensation (short-term)

The performance-based short-term compensation component rewards for both the financial results of the company and the individual contribution in a given financial year.

The performance-based short-term compensation component is structured such that the bonus payment at target is between 50% (CEO) and 90% of the fixed compensation of the employee and no more than 75% (CEO) and 160% of fixed compensation at maximum.

The performance objectives for 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, with due consideration being given to Group-wide and individual criteria.

The financial targets underlying the performance-based short-term compensation are primarily based on the budgeted results of 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 between threshold, target and ceiling is calculated by linear interpolation.

Individual performance objectives are set annually as part of the annual MbO (management by objectives) process. They consist primarily of financial and economic performance objectives based on the manager's specific function and on the key objectives in the context of the execution of the overarching business strategy. There is no overachievement for the individual objectives. Individual performance objectives generally make up between 15% and 25% of the maximum performance-based compensation component.

Achievement of the financial and individual objectives is assessed at the end of the financial year and the relevant performance-based compensation paid out in cash at the beginning of the following financial year.

	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 not disclosed. Disclosure of such objectives would provide insights into the forward-looking strategy of Schweiter Technologies and thus 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 long-term oriented 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 grant an LTI award for members of Management and key employees within the Group. The award covered a three-year performance period from 2015 to 2017. The three-year performance conditions for members of Management were cumulative EBIT and EBIT margin level (each weighted

Compensation Report 2017

50%) of the 3A Composites division. Performance targets can not be adjusted during the term of the plan. The objective achievement was measured at the end of the plan term.

The LTI award (2015-2017) was subject to specific thresholds: No payment may occur for attainment levels below a predefined threshold; payments for target attainment above a predefined ceiling are capped at 150%. The level of payout between threshold, target and ceiling is calculated by linear interpoliation. For a target attainment level of 100%, the bonus payment under the LTI may correspond to between 180% and 188% (for the three-year period) of the respective participant's fixed salary.

Actual target achievement under the LTI 2015 to 2017 is included in the compensation 2017 on page 91.

Payment under the long-term incentive plan will be made in cash in March 2018.

Targets LTI 2015–2017

	Target (100% payout)	**Entry threshold** (no payout)	**Ceiling** (150% payout)
Cumulative EBIT	Amount in CHF	75% of target	125% of target
EBIT margin	% of sales	Target minus 1% point	Target plus 1% point

A special arrangement has been agreed for the CEO:

- The LTI of the CEO was subject to the same performance targets and the same performance measurement as the LTI of the other members of Management.

- Part of the LTI payment however was delivered in the form of restricted shares, which were allocated to the CEO at the beginning of the plan term and were restricted until 31 December 2017. The value of these shares (at the time of allocation) was 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 was 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 at the end of the plan term had been lower than the value of the restricted shares (at allocation), the difference would have been offset against future incentive payments.

- In the event of termination of employment for reasons attributable to the CEO, the CEO would have been obligated to reimburse the value of the shares at allocation (claw back). The remainder of the LTI would have been forfeited.

The decision to deliver part of the long-term incentive plan in form of restricted shares to the CEO in addition to the general performance targets was made 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.

The Board of Directors intends to launch a new LTI for the financial years 2018 to 2020 (term of three financial years) for members of Management and selected key employees.

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. According to the articles of incorporation of the company, members of Management are covered under the insurance provided by the collective foundation (pension fund solution) that the company is connected to. 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 one annual fixed compensation of the last year of employment prior to early retirement.

Special agreements

As of the end of 2017, 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 LTI.

Compensation for 2017 and 2016

The following table shows the audited fixed and variable compensation and total compensation paid to members of Management for the years 2017 and 2016.

(in CHF 1000s)	**2017**		2016	
Management	4 [2] members	[1] of which highest single compensation payment	4 members	[1] of which highest single compensation payment
Fixed basic compensation in cash	1 375	800	1 509	800
Performance-based compensation in cash	799	526	739	377
Long-term incentive plan (2015–2017), cash component [3]	503	387	591	420
Long-term incentive plan (2015–2017), restricted shares [4]	0	0	0	0
Pension benefits [5]	322	188	351	176
Total compensation Management	**2 999**	**1 901**	**3 190**	**1 773**

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

[2] Until 30 June 2017, 3 members thereafter

[3] Long-term incentive plan 2015–2017: See page 89 for details. Disclosure is made on the basis of the amounts accrued and annually updated over the three-year plan term. The amounts disclosed above for the cash component of the 2015–17 LTI contain the last third of the cash payments expected after expiry of the three-year plan term based on a current assessment.
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) without cash component. Half of the cash component is disclosed in the 2016 amount, the second half in the 2017 amount, based on the most current assessment of performance.

[4] In accordance with the special arrangement for the CEO see page 90 for details. The allocated restricted shares credited to the CEO in 2015, under the 2015–2017 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 was/is disclosed as a cash component pro-rata over the years 2016 and 2017.

[5] 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 3 and 4).

Notes to the compensation table:

- In the 2017 reporting year, Management comprised four members until the sale of SSM Textile Machinery in the middle of the year, and three members thereafter (2016: four members).

- Both 2017 and 2016, one member decided to work with a reduced workload (part-time).

- Target compensation (fix base salary, variable compensation) of the CEO and other members of Management remained unchanged from the previous year.

- The fixed component of compensation remained unchanged from previous year.

- The variable component (performance-based compensation in cash) for the members of Management corresponded to between 0 and 110% of their fixed salary (previous year: between 0 and 164%). 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 component under the LTI (2015–2017) is due to adjustment of the accruals reflecting target achievement.

- According to the special agreement with the CEO defining the terms of his participation in the LTI 2015–2017 (see above for details), the CEO was allocated 600 restricted shares in 2015. These shares are subject to the LTI performance targets as well as to an off-setting and repayment obligation in case of non- or partial achievement of targets or in case of certain employment termination conditions. The payment of the cash portion for the CEO and for the whole LTI for the other members of Management is performance based and occurs at the end of the performance period, presumably in March 2018.

- Both in 2017 and 2016, no bridging pension was paid out to members of Management.

For the financial year 2017, compensation totalling CHF 2.999 Mio.was awarded to Management. This total compensation is within the maximum total compensation amount of CHF 4.0 Mio. that was approved by the shareholders at the Ordinary General Meeting 2016 for the financial year 2017.

Performance based compensation (short-term)

The percentage of the bonus payment in relation to the fixed compensation was between of 0% and 110% for members of Management and 66 % for the CEO. In the previous year, the payment factor was between 0% and 164% for members of Management and at 47% for the CEO.

Long-term Incentive plan 2015–2017

The three year targets under the LTI 2015 to 2017 were achieved at 117% at the cumulative EBIT level and at 144% at the level of the EBIT margin Division 3A Composites, which given a weighting of 50% each leads to a total target achievement of 131%.

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. The foregoing is without prejudice to 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 credits

The company will not grant loans, credits 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 2017 reporting year.

Information on the shares held by members of the Board of Directors and Management can be found on page 79 of the notes to the 2017 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 6 March 2018 of Schweiter Technologies AG for the year ended 31 December 2017. Our audit is limited to the information provided in the tables on page 87 and 91 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 93.

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 2017 of Schweiter Technologies AG complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG

Roland Müller
Licensed Audit Expert
Auditor in Charge

Sarah Sutter
Licensed Audit Expert

Zurich, 6 March 2018

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 AG, domiciled in Horgen/Switzerland, is organized as a holding company under Swiss law. Following the successful sale of SSM Textile Machinery, since 30 June 2017 Schweiter Technologies focuses on its core business 3A Composites.

3A Composites is the global market leader in core materials for sandwich constructions, particularly for use in wind farms. The company is also a leading player in other sectors, such as composite panels for high-quality facades and display applications. Its best-known brands are AIREX®, ALUCOBOND®, BALTEK®, DIBOND®, FOREX®, GATOR®, KAPA® und SINTRA®.

An overview of all Group companies can be found in the financial section on page 77.

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 1 264.00 at the end of 2017, the company's market capitalization stood at CHF 1,809.8 million as of 31 December 2017.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2017 and is presented on pages 28 to 30 of the notes to the consolidated annual financial statements.

Treasury shares

As of 31 December 2017 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 of 31 December 2017.

Significant shareholders

As of 31 December 2017, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent disclosure notice)	**2017**	2016
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%	4.98%

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

Capital structure

Disclosure notices of shareholdings in accordance with Art. 120 FMIA (the Financial Market Infrastructure Act) during the 2017 financial year:

KWE Beteiligungen AG, Wollerau / VBF Holding AG, Zug disclosed address changes as of 20 May 2017 (no change in its shareholdings).

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

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
As of 31 December 2017 the ordinary share capital amounted to CHF 1 431 808. As of 31 December 2017 there is no authorized capital. Conditional capital amounted to a total of CHF 132 600.

Authorized and conditional capital in particular

Authorized capital
As of 31 December 2017 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 (9.26% of existing share capital) 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

Capital structure

for the new shares must be set at least in line with the market conditions at the time of the bond issue and the exercise period for the option 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 is CHF 1 431 808 since 15 July 2015 (day of entry in the commercial register). Therefore the company's ordinary share capital remained unchanged at CHF 1 431 808 as of 31 December 2017, as well as of the reporting dates of the previous two years 31 December 2016 and 31 December 2015.

Conditional capital has remained unchanged at CHF 132 600 for the last three years. No authorized capital existed as of 31 December 2017, or on the reporting dates of the previous two years.

For details of changes in the consolidated shareholders' equity in financial years 2017 and 2016 reference is made to page 24 of the consolidated financial statements. The development of consolidated shareholders' equity in financial year 2015 is presented on page 26 of the 2016 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 2015 through 2017:

			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 of 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 of 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 of 31 Dec. 2016	**1 432**	**63**	**3 167**	**458 847**	**–221**	**463 288**
Net income 2017				123 144		123 144
Dividend				–57 272		–57 272
Balance as of 31 Dec. 2017	**1 432**	**63**	**3 167**	**524 719**	**–221**	**529 160**

Shares, participation certificates and dividend-rights certificates

As of 31 December 2017 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 of 31 December 2017. 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 (2015–2017) with members of Management and key employees within the Group. See pages 89 to 91 of the Compensation Report for details of the long-term incentive plan. No new long-term Incentive plan was agreed in the 2017 financial year.

There are no option plans in place.

Board of Directors (as of 31 December 2017)

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 25 April 2017, 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 25 April 2017, 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 2017 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 (until 31 March 2018). 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). Lukas Braunschweiler is nominated as a new member of the Board of Directors to be elected at Sonova's shareholders meeting in June 2018. He is also nominated as a new member of the Board of Directors and as the Chairman of the Board of Directors to be elected at Tecan Group's shareholder meeting in April 2018.

Vanessa Frey
(born 1980, Swiss citizen)
Non-executive member of the Board of Directors since 2014.
Vanessa Frey 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.
Jan Jenisch has been CEO of LafargeHolcim Group since 1 September 2017. From 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 from 2012 to 2017. He studied in Switzerland and the USA and holds a degree as lic. rer. pol. (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 re-election. 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 regarding specific issues (see also section entitled "Working methods of the Board of Directors").

Committees of the Board of Directors

In the 2017 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 (www.schweiter.ch/s1a127/corporate-governance/articles-of-in-corporation.html), and the organizational regulations 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 three 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. All meetings held in the 2017 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. During the reporting year, the Board of Directors received advice in conjunction with individual questions regarding long-term compensation.

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. In 2017, the Board of Directors held six meetings of which one was held as a telephone conference. In addition to the Board of Directors, the CEO and the CFO attended all meetings during the

Board of Directors

financial year; other members of the management were 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 of votes cast. In the event of a tie, the Chairman shall have a casting vote.

In 2017, the division SSM Textile Machinery was sold successfully as of 30 June 2017.

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, two division meetings were held in the division 3A Composites, and one division meeting was held in the division SSM Textile Machinery (until 30 June 2017); 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 significant risks (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 management also submits detailed monthly reports to the Board of Directors (MIS). These provide a detailed account of the volume and profitability trends (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 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 9 in the MD&A and on pages 34 to 36 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

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. Heinz O. Baumgartner is a member of the Board of Directors of Zur Rose Group AG since 2017.

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

Shareholders' participation rights

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.

Changes in Management during 2017
Ernesto Maurer was CEO of SSM Textile Machinery from 2005 to 2016 and has been Chairman of the Board of Directors of this division since April 2016. With the successful completion of the sale of the division SSM Textile Machinery, Ernesto Maurer, has stepped down from the Management of Schweiter Technologies, as of 30 June 2017.

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 84 to 93 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 25 April 2017 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 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

Shareholders' participation rights

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 13 April 2018, 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 is 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 100000 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 25 April 2017 for a one-year term of office. The auditor in charge of Deloitte AG, Roland Müller, took office in 2017. In accordance with Art. 730a of the Swiss Code of Obligations, the auditor in charge rotates every seven years.

Auditing fee (in CHF 1000s)	**2017**	2016
Auditing services [1]	740	711
Audit-related services	60	46
Total	**800**	**757**

[1] Auditing the consolidated financial statements, the holding company statements and the financial statements of the individual Group companies, of which CHF 89 000 is attributable to third-party auditors (in 2016: CHF 81 000)

Additional fees (in CHF 1000s)	**2017**	2016
Tax advice and compliance services	383	291
Transaction advice incl. due diligence	177	108
Total	**560**	**399**

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 2017 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:
https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html?companyId=SCHWEITER

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

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

The address for investor relations matters is:

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The next Annual General Meeting will be held on 13 April 2018 in Horgen.
The 2018 Semi-Annual Report is scheduled for publication in August 2018.

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