Schweiter Technologies

2018

Annual Report 2018

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Board of Directors, Group Management, Statutory Auditor

Board of Directors

Term of office 13 April 2018 to 11 April 2019

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

2018 was an eventful year that was divided into two parts. In the first half, the mood was upbeat, and the prospects for growth were good. In the second half, however, sentiment steadily deteriorated owing to economic and political upheavals among the great powers, and confidence gave way to fears of an economic slowdown. We could not completely escape the effect of these trends, and operating performance in the second half year was weaker than in the first.

Nevertheless, year-on-year revenue was up 7% to CHF 1047 million. EBITDA fell by 3% versus a very strong 2017, which had been buoyed by profit on the sale of property, but still came in at a satisfactory CHF 111 million.

All our businesses faced challenges. These included in particular sector-specific price pressure coupled with high raw material costs, which required both Procurement and Sales to keep a close watch on trends. A number of stricter regulatory requirements for our Architecture business products resulted in declining sales in some geographic areas but at the same time created new sales opportunities for high-end solutions in which 3A Composites is specialized and from which we were able to benefit.

On the production side, we successfully completed various investment projects this past year such as a new plant in China for the manufacture of fire-retardant aluminum panels and two additional facilities for clearsheet products in Ireland and Spain. We implemented some significant efficiency improvements in existing facilities such as the new laminating plant in the USA or the surface coating plant in Czechia.

This year about CHF 30 million was again invested in new projects and plants in order to maintain the efficiency and competitiveness of our means of production and generate new growth opportunities. A number of other investment projects made substantial progress in the past year so that they can be successfully completed in the coming years.

On the personnel side, this past year Schweiter experienced a number of changes in the management of 3A Composites after a long period of constancy. Excellent internal and external candidates were chosen to fill the positions. Employees represent our most valuable asset and are sometimes engaged in demanding and difficult conditions around the world – they deserve our thanks and respect.

2018 was also a successful year in terms of acquisitions. The Display business was strengthened by the major acquisition of Perspex in the UK, which is an ideal match for the clearsheet products from Polycasa. The acquisition of Perspex®, one of the world's leading acrylic glass brands, enables us to pursue our growth strategy for Europe, with an increase in revenue of about CHF 140 million.

The Board of Directors proposes to maintain the tried and proven dividend policy of recent years and proposes the payment of a dividend of CHF 40 per share.

Although the economy, especially in Central Europe, has slowed down in recent months, we have gotten off to a strong start in the new business year. However, it is difficult to issue a reliable forecast for 2019. Turbulence in the markets will not leave us unaffected, but we have done everything possible to ensure that all our business locations are already well prepared.

Yours sincerely

Beat Siegrist

Chairman

Financial overview

		2018	2017
	Income statement (in CHF m) [1]		
	Orders received	1 052.4	1 014.0
	Net revenues	1 047.4	980.2
	EBITDA	111.0	114.4
	EBIT	82.2	87.3
	Net income	60.3	77.0
	Balance sheet (in CHF m)		
	Total assets	1 036.8	1 051.0
	Net operating assets [2]	574.7	532.3
	Shareholders' equity	751.9	781.0
	Net cash and cash equivalents	108.1	233.2
	Statement of cash flow (in CHF m)		
	Cash flow from operating activity	59.8	58.4
	Cash flow from investment activity	– 116.0	49.2
	Free cash flow	– 56.2	107.5
	Key figures (in %)		
	ROS (EBITDA/net revenue)	10.6	11.7
	RONOA [3]	14.3	16.4
	Equity ratio (shareholders' equity / total assets)	72.5	74.3
	Employees as of 31 December (Number)		
	Total employees	3 947	3 786
	Ratios per share (in CHF)		
27	Earnings per bearer share	42.10	120.14
	Equity	525	545
	Payout [4]	40.0	45.0
	Stock market capitalization as of 31 December (in CHF m)		
	Stock market capitalization	1 244.2	1 809.8

[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] 2018 – dividend proposal of the Board of Directors

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

Key figures

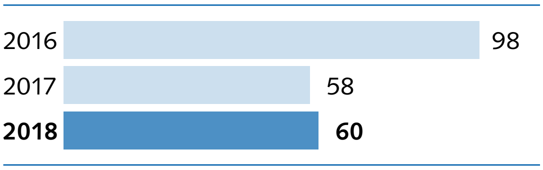
Orders received (in CHF m) [1)]

Net revenues (in CHF m) [1)]

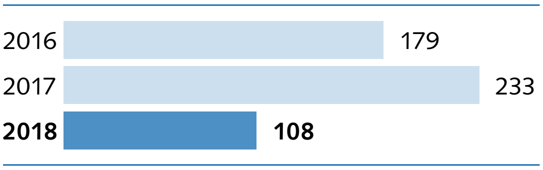
EBITDA (in CHF m) [1)]

Net income (in CHF m) [1)]

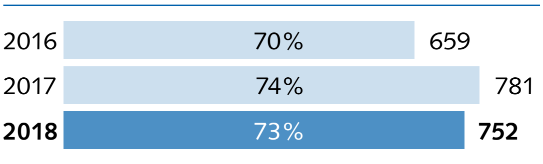
Cash flow from operating activity (in CHF m)



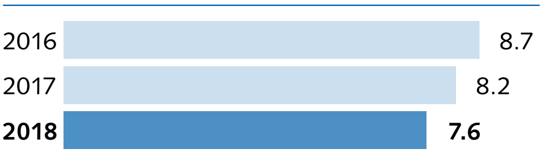
Cash and cash equivalents (in CHF m)



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

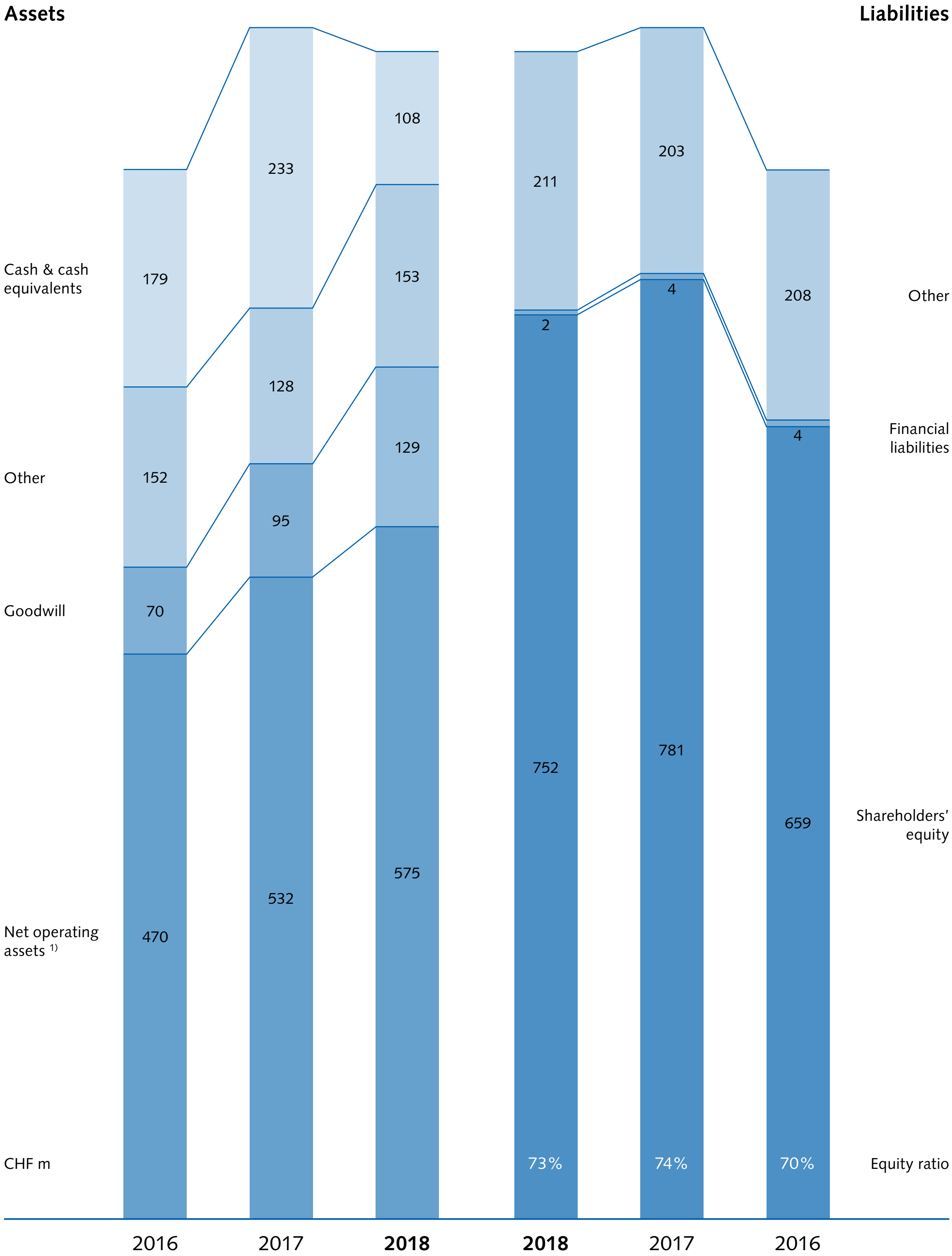


Dividend payout in % of equity



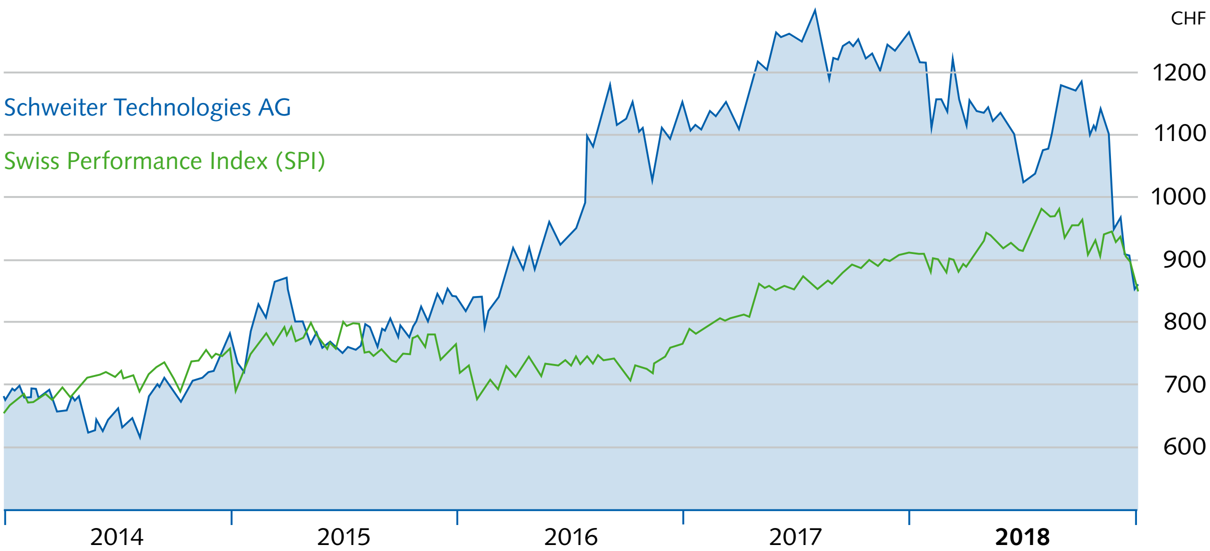
[1)] Continuing operations

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	2018	2017	2016	2015	2014
Share capital as of 31 December					
Bearer shares with a par value of CHF 1	1 431 808	1 431 808	1 431 808	1 431 808	1 443 672
Treasury shares	0	600	600	799	14 748
Share price					
Share price as of 31 December (in CHF)	869	1 264	1 150	848	780
Stock market capitalization					
as of 31 December (in CHF m)	1 244	1 810	1 647	1 213	1 126
Net income / loss					
per bearer share (in CHF)	42	120 [1]	49	35	32
Cash flow from operating activity					
per bearer share (in CHF)	42	41 [1]	68	46	30
Equity					
per bearer share (in CHF)	525	545	460	436	441
Distribution [2]					
Total amount (in CHF m)	57.3	64.4	57.3	57.3	57.2
per bearer share (in CHF)	40.0	45.0	40.0	40.0	40.0
Dividend payout					
in % of equity	7.6	8.2	8.7	9.2	9.1

[1] Including net income / cash flow from discontinued operations (SSM Textile Machinery)
[2] 2018 – proposal of the Board of Directors

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 revenues rose to CHF 1‘047.4 million (prior year: CHF 980.2 million), equivalent to an increase of 7% (5% in local currencies). Organic growth came to 2%.

Owing to one-off positive effects the previous year (in particular a windfall profit from the sale of property), Group EBITDA amounted to CHF 111.0 million, just short of the prior-year figure of CHF 114.4 million. EBIT came to CHF 82.2 million (prior year: CHF 87.3 million). Athlone Extrusions, acquired in the previous year, made a positive contribution to both revenues and earnings.

Net income from continuing operations declined to CHF 60.3 million (prior year: CHF 77.0 million) partly because of exchange rate losses following substantial exchange rate gains the previous year. Cash and cash equivalents came to CHF 108 million, after expenditure of about CHF 105 million for the Perspex acquisition and a dividend distribution of about CHF 64 million. The headcount was 3947 (prior year: 3786), including 946 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea.

Once again, Schweiter Technologies continuously invested in production capacities as well as 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 growth. In addition to measures for organic growth, Schweiter Technologies is making targeted acquisitions to sustainably strengthen its core business with composites materials. Following this strategy, two Perspex companies in UK were acquired at the end of 2018 to further expand the acrylic sheets business for visual communication, interior design, industrial applications and the sanitary industry.

3A Composites

Risk assessment

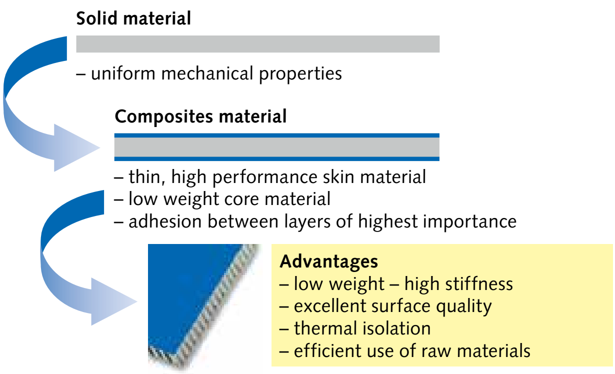
The risk assessment and risk management within the group are conducted on several levels and reflect the decentralized structures of Schweiter Technologies.

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 2018.

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 transformed into innovative solutions 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®, CRYLON®, CRYLUX®, DIBOND®, GATOR®, KAPA®, PERSPEX® etc.

Vision and strategy

3A Composites sees itself as a global industrial company that aims to grow at above the rate of the global economy, while registering sustainable, 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 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.

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

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.

Review of 2018

Market for composite panels and refined semi-finished products

Display

Demand in the Display market in Europe was mixed in the year under review. The business flourished in the first half owing to a strong economy. In the second half, uncertainty surrounding international trade relations led to partial weakness in individual markets. The Display business's revenues in Europe were therefore slightly below the previous year on balance.

Sales revenues for foamsheet (FOREX®, SMART-X®, FOAMALITE®) and paperboard (KAPA®, DISPA®) remained at the previous year's level. The Display business also maintained its strong market position in aluminum composites (DIBOND®, DILITE®, HYLITE®). In the area of transparent display panels (CRYLON®, AKRYLON®, CRYLUX®, IMPEX®, HIPEX®), it did not quite reach the previous year's high sales volume.

The combination of weakening demand coupled with the expectation of falling raw material prices resulted in a steep drop in inventories for all items in the supply chain.

3A Composites

The Display market generally tracks the overall economic trend, and its growth is close to that of GDP growth. In 2018, however, 3A Composites posted only modest growth in America despite the generally buoyant economic situation. The main reasons were changes in traditional applications along with inventory destocking among some key customers.

In the Asia-Pacific region, Display reaped the benefit of the distributor network it built up in recent years, which resulted in large sales increases, though starting from a low baseline.

Architecture

Europe's construction industry continued on its growth path during 2018, though it lost some momentum for the first time in several years. The growth drivers are still modernization and building maintenance. Persistently low interest rate levels plus the backlog of structural projects continue to play an important role. Market forces were impacted in some countries by efforts to amend building regulations, and in some cases that led to projects being delayed and investments postponed. In Germany, capacity bottlenecks in the various building trades – including the important group of façade

Pop-up display stall at FESPA 2018, Berlin, Germany

Group management report

contractors – put a cap on any further increase in the volume of projects.

Sales revenues in the core markets Germany, Austria, and Switzerland were maintained at the high level achieved in earlier years, and revenues in Benelux and Scandinavia were also stable. Revenues in the UK posted a strong rise, reaching record-high levels despite the uncertainty surrounding the Brexit decision. Italy also performed well again following lower volumes in earlier years.

In contrast, sales in France and Eastern Europe were lower than the previous year; France in particular suffered partially due to the strikes and transportation difficulties, with the result that fewer projects were carried out. Sales in Turkey fell far short of the previous year owing to the weakness of the Turkish lira coupled with political turmoil.

Riviera Shopping Mall
Moscow, Russia
ALUCOBOND® A2

In 2018, 3A Composites recorded growth of 15% in America, which was significantly higher than the single-digit growth in the non-residential market. ALUCOBOND® is still the preferred brand for premium aluminum composites that is most often specified for architectural applications.

The architecture business in Asia posted significant growth in 2018 that was driven mainly by a broad product pipeline in China, which in turn was evenly distributed across all regions of the country.

Business in the Middle East was more sluggish since projects had to be postponed and delayed especially in the first half of the year. Some of the lost ground was regained in the second half, but the region did not quite meet expectations.

Asia-Pacific reported a very successful year on the whole, with record revenues in some countries. The region turned in a good performance despite the difficult situation in New Zealand and Singapore, where the use of composites material on building façades was greatly reduced in anticipation of new fire safety regulations.

Market for core material for sandwich applications

Weak demand in the wind market in the first half was not completely offset by the positive trend in other applications. Fluctuations in demand impacted negatively on efficiency in the production plants, and this trend was further intensified by rising raw material costs plus price pressure from customers. Nevertheless, 3A Composites maintained its leading position in the market for core materials.

Europe – including the south where a recovery took place – registered an upswing for sales of composites. 3A Composites posted record growth in the non-wind segments thanks to its competitive products and innovation.

3A Composites

The market situation in Asia was mixed. China reported a very positive trend driven by the wind market, whereas the situation in India remained difficult.

Sales in the USA grew on the back of the strong economy in 2018. Sales, especially in the marine market, increased steadily thanks to the local production of PET core materials and the company's unique position among leading distributors.

Wind energy

3A Composites remains the clear leader in the market for core materials for wind turbines owing to its strong brands and its consistent focus on PET foams and balsa materials. In China, local manufacturers are increasingly turning to PET core materials, which confirms the accelerated trend away from PVC materials.

3A Composites is the only market player that can ensure a reliable and stable supply of balsa-based products at any time owing to its efficiently managed plantations in Ecuador and Papua New Guinea.

Decorative stage setting, Los Angeles, USA, ALUCOBOND® mirror reflect

Group management report

The wind energy segment in Europe suffered from a fall-off in installations of new wind turbines and the shift of the export business to China.

Non-wind: Marine,
transportation and construction industry

The global Marine market reported a positive trend in 2018, with growth especially strong in the USA.

PET products continue to gain acceptance in a range of new segments where weight reduction and payload increases are of decisive importance.

Market for
structural components / system components

Overall, the market in the area of mobility has continued to grow. The SCI Global Rail Index, for instance, reached 60 at the end of the year, the highest it has been in this decade. The strong performance is reflected in the high order backlog of CHF 40 million.

Business turned in an above-average performance in the fourth quarter after getting off to a very slow start in the first half.

Compared with the previous year, sales of train front ends registered double-digit growth, which was higher than expected. The main drivers were the consistent focus on ready-to-install systems plus the leaps achieved in process technology. As a result, business with an important key account was significantly increased. Moreover, extrinsic factors such as a shortage of available production capacity in Europe, owing to the generally good order backlog situation in the rail vehicle sector, plus the elimination of some market players made a positive contribution to the result.

The market segment 'Rail Vehicle Interiors' also lifted sales, even though one of the main customers in this area shifted its product portfolio to vehicles requiring a smaller proportion of interior components.

The product group 'Function-integrated sandwich systems for rail vehicles' once again delivered a large share to the division's bottom line, in spite of the customer-related delays on two major projects in Switzerland and China. The development of alternative markets was unable to completely offset the loss of revenues near-term. Nevertheless, the segment still possesses a large order backlog with attractive projects.

Light-weight systems for road vehicles posted a strong gain in revenues compared with the previous year. The main drivers were a doubling in volume especially for camper chassis components along with the start-up of large-scale production of new bus platforms.

3A Composites

The first e-mobility vehicle prototypes were delivered.

The generally firm economic situation has pushed up prices for raw materials and purchased parts by as much as 10%. Owing to long-term agreements and the few built-in hedging safeguards, the higher costs can only be passed on to end customers over a period of time in several stages. However, a number of measures were taken to offset the rise in costs. The structural focal points in the year under review were the development of project management and engineering for the rail vehicle sector at the site in Poland and an increase in the volume of function-integrated sandwich systems at the plant in Switzerland.

Revenues and income

3A Composites lifted net revenues by 7% to CHF 1'047.4 million (prior year: CHF 980.2 million), with organic growth coming in at 2%. EBITDA amounted to CHF 111.9 million, just short of the prior-year figure of CHF 117.4 million, which contained one-off positive effects (in particular profit in the millions from the sale of property).

Product range / capacity

Two new and highly efficient production lines for transparent display products came on stream in Europe. These successful investments brought about a major extension of the product range.


Fornebuporten office & residential building, Oslo, Norway
ALUCOBOND® PLUS naturAL brushed

Group management report

At the end of the year, the Group acquired two British companies, Perspex International Ltd. and Perspex Distribution Ltd., in order to strengthen its market position in Europe. PERSPEX® is one of Europe's leading manufacturers of acrylic sheets. The PERSPEX® products are an ideal match for the existing product range of 3A Composites.

The investments made in the USA in recent years to expand production facilities realized their full potential in 2018 and achieved the targeted increase in productivity.

Eleven Australia's trade fair display at Salon International, London, UK / PERSPEX® Fluorescent

Organization

Following several years with a very stable management organization, the two businesses 3A Display & Architecture Americas and 3A Core Materials have received new managers. The unit 3A Composites Mass Transportation was renamed 3A Composites Mobility in the year under review.

Outlook

Economic forecasts are predicting further growth in Europe's display market. The increase is expected to come in lower than in previous years, especially as long as the smoldering trade conflicts have not been resolved.

3A Composites will further consolidate its position in the display market through the acquisition of PERSPEX®.

Raw material prices in the acrylic sector are expected to return to normal, and this should have a positive impact on demand.

3A Composites is facing challenges in sales and distribution in the USA owing to the growth of digital trading platforms and the fast pace at which traditional printed sheets are losing ground to digital advertising displays. However, 3A Composites is responding with the right solutions by penetrating into previously underdeveloped segments and developing new and innovative products.

In future, digital planning and digital design tools will play a bigger role in implementing architectural ideas. Façade cladding is becoming increasingly important in this respect because the façade largely defines the building's character. The wide range of options for color schemes is well established, but there is still potential to explore in the area of design. ALUCOBOND® is precisely on trend here because of its potential in shaping 3D façades. The plan is therefore to step up application and design consulting with the aid of digital building-design

3A Composites

service tools developed in-house and intensified training at the 3A Composites technical institute for architects in Singen, Germany.

Even though the number of projects on the drawing board is likely to remain high, the size of the projects is expected to decrease in 2019 and 2020. However, since current projects are as a rule completed even if the economy slows down, any negative effects would only be felt as of 2020. On the other hand, 3A Composites should be in a position in 2019 to gain further market share and generate growth in excess of the local GDP.

Asia-Pacific is expected to continue growing in 2019 both in terms of volume and through the ongoing expansion of its value-added business. Investment in marketing and sales will continue, though less will be spent on traditional distribution and more on consulting and problem-solving know-how.

Fire protection will affect the product mix, partly because of more stringent regulations and partly owing to the architects' own higher specifications. 3A Composites should benefit from this trend since the Group has a strong position in the market for high-quality flame-retardant and non-combustible cladding and can offer a broad range of products.

Management

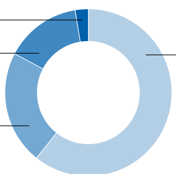
Dr Heinz O. Baumgartner	Chief Executive Officer 3A Composites
Graham Fizer	Chief Executive Officer Display & Architecture Americas
Eric Gauthier	Chief Executive Officer Core Materials
Dr Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Martin Klöti	Chief Financial Officer
Dr Armin Raiber	Chief Executive Officer Mobility
Georg Reif	Chief Technology Officer 3A Composites
Dr Joachim Werner	Chief Executive Officer Architecture & Display Europe

Employees (at year-end)

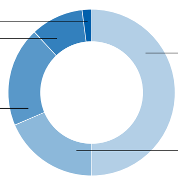
2018	2017	2016	2015	2014
3940	3779	4080	4432	2514
[1] 946	[1] 1147	[1] 1649	[1] 1977	[1] 797

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

Sales markets 2018 (in %)



Net revenues 2018 by operations (in %)



Consolidated financial statements of Schweiter Technologies AG

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Consolidated balance sheet as of 31 December 2018

	Assets (in CHF 1000s)	2018	%	2017	%
	Current assets				
1	Cash and cash equivalents	108 093		233 151	
2	Trade receivables	169 993		153 678	
	Current income tax receivables	5 594		3 698	
	Advances to suppliers	5 492		8 034	
3	Other receivables	16 233		18 252	
	Prepaid expenses and accrued income	6 352		5 349	
4	Inventories	196 879		173 263	
	Total current assets	**508 636**	49.1	**595 425**	56.7
	Non-current assets				
5	Property, plant and equipment	279 179		268 182	
6	Biological assets	34 708		30 133	
	Financial assets	1 545		866	
24	Deferred tax assets	16 845		15 487	
7	Intangible assets (incl. goodwill)	195 903		140 913	
	Total non-current assets	**528 180**	50.9	**455 581**	43.3
	Total assets	**1 036 816**		**1 051 006**	

	Liabilities and shareholders' equity (in CHF 1000s)	2018	%	2017	%
	Current liabilities				
8	Current financial liabilities	1 078		1 293	
	Trade payables	67 965		60 242	
	Prepayments received from customers	3 396		2 544	
9	Other payables	10 734		9 389	
10	Accrued expenses and deferred income	51 325		48 398	
15	Current provisions	5 422		3 490	
	Current income tax payables	18 776		19 715	
	Total current liabilities	**158 696**	15.3	**145 071**	13.8
12	Non-current financial liabilities	1 111		2 403	
24	Deferred tax liabilities	31 580		26 286	
15	Non-current provisions	18 362		16 871	
14	Employee benefits	75 186		79 362	
	Total non-current liabilities	**126 239**	12.2	**124 922**	11.9
	Total liabilities	**284 935**	27.5	**269 993**	25.7
	Shareholders' equity				
16	Share capital	1 432		1 432	
16	Treasury shares	0		– 221	
	Reserves from capital contributions	63		63	
	Retained earnings	784 188		797 736	
	Currency translation adjustments	– 33 802		– 17 997	
	Total shareholders' equity	**751 881**	72.5	**781 013**	74.3
	Total liabilities and shareholders' equity	**1 036 816**		**1 051 006**	

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

Consolidated income statement for the financial year 2018

	(in CHF 1000s)	2018	%	2017	%
	Continuing operations:				
18	**Net revenues**	**1 047 390**	99.5	**980 228**	99.4
	Change in inventories of semi-finished and finished goods	4 874	0.5	5 621	0.6
	Total operating income	**1 052 264**	100.0	**985 849**	100.0
	Material expenses	– 586 553	– 55.8	– 546 144	– 55.4
	Personnel expenses	– 186 452	– 17.7	– 180 359	– 18.3
19	Other operating expenses	– 177 910	– 16.9	– 163 323	– 16.6
20	Other operating income	9 641	0.9	18 367	1.9
21	Depreciation and amortization	– 28 741	– 2.7	– 27 136	– 2.8
	Operating result	**82 249**	7.8	**87 254**	8.8
22	Financial income	786	0.1	11 497	1.2
23	Financial expenses	– 5 697	– 0.6	– 2 016	– 0.2
	Income before taxes	**77 338**	7.3	**96 735**	9.8
24	Income taxes	– 17 069	– 1.6	– 19 756	– 2.0
	Net income from continuing operations	**60 269**	5.7	**76 979**	7.8
25	Discontinued operations:				
	Net income from discontinued operations	**0**	–	**94 972**	9.6
	Net income	**60 269**	5.7	**171 951**	17.4
27	**Earnings per share** (in CHF)				
	From continuing operations:				
	– undiluted	42.10		53.79	
	– diluted	42.09		53.76	
	From continuing and discontinued operations:				
	– undiluted	42.10		120.14	
	– diluted	42.09		120.09	

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

Consolidated statement of comprehensive income for the financial year 2018

(in CHF 1000s)	**2018**	2017
Net income	**60 269**	**171 951**
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	– 15 805	6 589
– Tax effect	0	0
Total	– 15 805	6 589
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial (losses) / gains on defined benefit plans	– 5 781	781
– Tax effect	585	– 542
Total	– 5 196	239
Total other comprehensive income	**– 21 001**	**6 828**
Comprehensive income	**39 268**	**178 779**

Consolidated statement of cash flows for the financial year 2018

	(in CHF 1000s)	2018	2017
	Net income from continuing operations	60 269	76 979
25	Net income from discontinued operations	0	7 227
21	Depreciation and amortization	28 741	27 343
	Depreciation on investment properties	0	420
	Change in provisions and employee benefits	– 12 464	– 3 456
	Gain from sale of investment properties	0	– 7 175
	Gain from sale of property, plant and equipment	– 2 161	– 74
	Other positions not impacting cash	– 9 100	– 3 167
22	Financial income	– 786	– 11 867
23	Financial expenses	5 697	2 049
24	Income taxes	17 069	20 825
	Change in working capital:		
	Change in trade receivables	737	1 865
	Change in other receivables and accruals	4 951	– 2 650
	Change in inventories and work in progress	– 5 481	– 28 858
	Change in trade payables	– 4 855	772
	Change in other liabilities	– 2 494	– 1 420
	Interest paid	– 933	– 1 039
	Income taxes paid	– 19 427	– 19 400
	Cash flow from operating activity	**59 763**	**58 374**
25	Sale of subsidiaries, net of cash	0	99 756
26	Purchase of subsidiaries, net of cash	– 105 250	– 53 115
	Purchase of intangible assets	– 375	– 342
	Purchase of property, plant and equipment	– 22 184	– 25 886
	Sale of property, plant and equipment	11 751	1 369
	Sale of investment properties	0	26 630
	Repayment of financial assets	108	387
	Increase in financial assets	– 860	– 169
	Interest received	765	524
	Cash flow from investment activity	**– 116 045**	**49 154**
	Increase leasing liabilities	0	165
	Repayment leasing liabilities	– 1 183	– 45
	Repayment of current financial liabilities	0	–709
	Increase in non-current financial liabilities	200	0
16	Dividend paid	– 64 423	– 57 265
	Cash flow from financing activity	**– 65 406**	**– 57 854**
	Currency exchange differences on cash and cash equivalent	– 3 370	4 169
	Change in cash and cash equivalents	**– 125 058**	**53 843**
	Cash and cash equivalents as of 1 January	233 151	179 308
	Cash and cash equivalents as of 31 December	**108 093**	**233 151**

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

Consolidated statement of changes in equity

	(in CHF 1000s)	Share capital	Treasury shares	Reserves capital contributions	Retained earnings	Currency translation difference	Total shareholders' equity
	Balance as of 1 January 2017	**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*
17	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**
	Adjustment on initial application of IFRS 9	0	0	0	– 4 089	0	– 4 089
	Adjusted balance as of 1 January 2018	**1 432**	**– 221**	**63**	**793 647**	**– 17 997**	**776 924**
	Net income				60 269		60 269
	Other comprehensive income	*0*	*0*	*0*	*– 5 196*	*– 15 805*	*– 21 001*
	Comprehensive income	*0*	*0*	*0*	*55 073*	*– 15 805*	*39 268*
17	Share-based remuneration		221		– 101		120
	Dividend				– 64 431		– 64 431
	Balance as of 31 December 2018	**1 432**	**0**	**63**	**784 188**	**– 33 802**	**751 881**

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

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Accounting policies

General

Schweiter Technologies AG is a company established under Swiss law domiciled in Steinhausen. 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 2018:

New standards

IFRS 15	Revenue from Contracts with Customers
IFRS 9	Financial Instruments
IFRIC 22	Foreign currency transactions

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Revenues are recognized in accordance with the requirements of IFRS 15 Revenues from Contracts with Customers. Revenues are predominately related to the sale of goods which is recognized at a point in time according to the agreed Incoterms (i.e. when the customer obtains control of the goods).The sale of goods is generally based on fixed prices and the payment terms are in-line with generally accepted business conditions. As in prior years, it is common in the industry to grant revenue-related considerations in some business areas. This variable consideration is included in the revenues and is calculated using the most likely amount which is expected to predict the amount of variable consideration.

The warranty periods for goods are in-line with industry standards. Provisions for guarantees are recorded based on the expected cash outflows for already known and anticipated warranty claims in future.

Rental income is recognized over time according to the underlying rental agreements.

Schweiter Technologies has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). The introduction of IFRS 15 did not have any impact on the consolidated financial statements of Schweiter Technologies.

IFRS 9 Financial Instruments
IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. As a result of the adoption of IFRS 9, trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Under the “incurred loss” model, the Group estimated the incurred losses arising from the failure or inability of customers to make payments when due. These estimates were assessed on an individual basis, taking into account the aging of customers’ balances, specific credit circumstances and the Group’s historic default experience. Under the new approach, it is no longer necessary for a loss event to occur before an impairment loss is recognized. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

In accordance with the transitional provisions of IFRS 9, the Group has not restated prior periods but it has reassessed the allowances for doubtful accounts receivables under the new approach as of 1 January 2018 retrospectively. Accordingly, the allowances for doubtful accounts trade and other receivables increased by CHF 4.9 million on 1 January 2018. This one-off impact minus the applicable deferred taxes of CHF –0.8 million was recognized against retained earnings on 1 January 2018. There were no adjustments to the financial liabilities. In conjunction with the first-time adoption of IFRS 9, the amended disclosure requirements of IFRS 7 will also be implemented.

Amendments to standards

IFRS 2	Classification and Measurement of Share-based Payment Transactions	1)
IAS 40	Transfers of Investment Properties	1)
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1)

1) There were no or no material effects on the consolidated financial statements of Schweiter Technologies.

Issued standards not yet adopted

The following new and revised standards and interpretations are issued by the IASB. These standards were not effective for the reporting period and have not been early adopted 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 16	Leases	1 January 2019	Financial year 2019	1)
IFRIC 23	Uncertainity over Income Tax Treatments	1 January 2019	Financial year 2019	2)
IFRS 17	Insurance Contracts	1 January 2021	Financial year 2021	2)
Amendments to standards				
IAS 19	Plan Amedements, Curtailment or Settlement	1 January 2019	Financial year 2019	2)
IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019	Financial year 2019	2)
IFRS 9	Prepayment Featues with Negative Compensation	1 January 2019	Financial year 2019	2)
IFRS 3	Definition of a Business	1 January 2020	Financial year 2020	2)
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1 January 2019	Financial year 2019	2)

1) Schweiter will apply IFRS 16 for the financial year beginning on 1 January 2019 using the modified retrospective approach, which means that an adjustment to the previous year's figures will be omitted. With the application of IFRS 16, linear expenses for operating leases are replaced by depreciation charges for the rights of use assets and interest expenses for the lease liabilities. This results in a deterioration in cash flow from financing activities and an improvement in cash flow from operating activities. It is currently expected that the balance sheet will be extended by approximately CHF 32 million as a result of the first-time application of IFRS 16, i.e right of use assets on one hand and leasing liabilities on the other hand will be newly recorded in this amount. Depreciation will increase by approx. CHF 8 million, operating profit by approx. CHF 1 million and financing expenses by approx. CHF 1 million.
2) No or no material effects are expected on the consolidated financial statements of Schweiter Technologies.

Accounting policies

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The Group operates in areas whose income statements are not characterized by seasonal fluctuations. Income tax expense is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year.

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 2018 and 31 December 2017. 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.

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 (see note 25).
As of 31 July 2017, the Athlone Extrusions Group was acquired and integrated into the 3A Composites business (see note 26).
As of 30 June 2018, 3A Technology & Management AG was merged into 3A Composites International AG.
As of 30 October 2018, Banova Innovaciones en Balsa S.A. was sold, which did not constitute a major investment.
As of 23 November 2018, Polycasa France SARL was merged into Polycasa France SA.
On 28 December 2018, Perspex International Ltd. and Perspex Distribution Ltd. were acquired and integrated into the 3A Composites business (see note 26).

Scope of consolidation

The following companies were fully consolidated as of 31 December:

				Investments	
Company	Purpose	Share capital in 1000s		**2018**	2017
Schweiter Technologies AG Steinhausen, Switzerland	Holding company	CHF	1 432	–	–
3A Composites Holding AG Steinhausen, Switzerland	Holding company	CHF	10 000	100%	100%
3A Composites International AG Steinhausen, Switzerland	Management	CHF	700	100%	100%
Airex AG Sins, Switzerland	Production and distribution	CHF	5 000	100%	100%
3A Composites Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
3A Composites Holding Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
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%

Accounting policies

Company	Purpose	Share capital in 1000s		Investments 2018	Investments 2017
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%	100%
Athlone Extrusions (ABS) Unlimited Athlone, Ireland	Holding company	EUR	49	100%	100%
Athlone Extrusions Development Ltd. Athlone, Ireland	Development	EUR	60	100%	100%
Athlone Extrusions (UK) Ltd. Birmingham, United Kingdom	Distribution	GBP	0.002	100%	100%
Perspex International Ltd. Darwen, United Kingdom	Production and distribution	GBP	0.1	100%	–
Perspex Distribution Ltd. Darwen, United Kingdom	Distribution	GBP	1	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 France SA Paris, France	Distribution	EUR	1 779	100%	100%

Company	Purpose	Share capital in 1000s		Investments 2018	Investments 2017
3A Composites Mobility SA 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%	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	70 098	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%
Reforestaciones e Industrias Reforei S.A. Santo Domingo, Ecuador	Production and distribution	USD	50	100%	100%
Banova Innovaciones en Balsa S.A. Quevedo, Ecuador	Production and distribution	USD	18 700	–	100%

Accounting policies

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	
				2018	2017	**2018**	2017
USA	Dollar	USD	1	0.983	0.981	0.979	0.985
EU	Euro	EUR	1	1.125	1.171	1.155	1.112
GB	Pound	GBP	1	1.249	1.318	1.306	1.269
China	Yuan	CNY	1	0.143	0.150	0.148	0.146
India	Rupee	INR	100	1.410	1.532	1.432	1.514

Revenue from contracts with customers

Revenues are recognized in accordance with the requirements of IFRS 15 Revenues from Contracts with Customers. Revenues are predominately related to the sale of goods which is recognized at a point in time according to the agreed Incoterms (i.e. when the customer obtains control of the goods). The sale of goods is based on fixed prices without variable considerations and the payment terms are in-line with generally accepted business conditions.

As in prior years, it is common in the industry to grant revenue-related considerations in some business areas. This variable consideration is included in the revenues and is calculated using the most likely amount which is expected to predict the amount of variable consideration.

Rental income is recognized over time according to the underlying rental agreements.

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 IFRS 9 Financial instruments.

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.

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

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

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.

Accounting policies

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®, KAPA® and PERSPEX® 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 calculated and 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.

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 2018 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 7.6 million [CHF 1.2 million] (previous year: CHF 7.4 million [CHF 0.9 million]) and shareholders' equity would have been higher/lower by CHF 7.0 million [CHF 5.3 million] (previous year: CHF 1.9 million [CHF 5.4 million]).

Interest rate risks

As the Group had positive net liabilities as of 31 December 2018, 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 1.1 million (previous year: CHF 2.3 million). By the same token, a 1% point fall in interest rates would reduce the interest result by CHF 0.2 million (previous year: CHF 0.1 million).

Accounting policies

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 2018 and 31 December 2017, 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 2018: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount **31.12.2018**	Total	Cash outflows Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	1 078	1 118	1 118		
Trade payables	67 965	67 965	67 965		
Other liabilities	4 822	4 822	4 822		
Non-current financial liabilities	1 111	1 114		1 026	88
Total	**74 976**	**75 019**	**73 905**	**1 026**	**88**

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**

Capital management

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

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

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

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 assets 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.

Accounting policies

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 as well as in the other comprehensive income 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

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 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.

Operating segments 2018

	(in CHF millions) **Operations**	3A Composites	Other/ Eliminations	Group
	Net revenues	1 047.4	0.0	1 047.4
	Operating income	1 052.3	0.0	1 052.3
21	Depreciation and amortization	– 28.7	0.0	– 28.7
21	Impairment	0.0	0.0	0.0
	Operating result (EBIT)	**83.2**	**– 1.0**	**82.2**
	Financial income			0.8
	Financial expenses			– 5.7
	Income before taxes			**77.3**
	Income taxes			– 17.0
	Net income			**60.3**
	Capital expenditure in property, plant and equipment	22.1	0.0	22.1
	Capital expenditure in intangible assets	0.4	0.0	0.4
	Total capital expenditure	**22.5**	**0.0**	**22.5**
	Assets	1 032.8	4.0	1 036.8
	Liabilities	642.9	– 358.0	284.9
	Employees at year-end	3 940	7	3 947

Geographical information 2018 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues[1)]	658.3	216.6	147.8	24.7	**1 047.4**
Assets	694.5	223.5	105.1	13.7	**1 036.8**

[1)] The revenues in Switzerland are insignificant.

Information on major customers 2018

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

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
21	Depreciation and amortization	– 27.1	0.0	– 27.1
21	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

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2018**	2017
CHF	16 323	147 382
EUR	42 923	45 639
USD	18 376	16 874
CNY	7 860	8 859
Other	22 611	14 397
Total	**108 093**	**233 151**

Cash and cash equivalents consist of cash deposits with banks and in postal check accounts, with an interest range from 0% to 6%. Cash deposits in INR carry the highest interest rate.

2 **Trade receivables** (in CHF 1000s)	**2018**	2017
Total trade receivables	180 330	159 543
– less allowance for doubtful accounts receivable	– 10 337	– 5 865
Total trade receivables – net	**169 993**	**153 678**

Age analysis of trade receivables **2018:** (in CHF 1000s)	Gross **31.12.2018**	Bad debt allowance **31.12.2018**	Net **31.12.2018**
Not due	147 451	0	147 451
Overdue up to one month	18 424	– 1 290	17 134
Overdue between 1 and 2 months	3 780	– 700	3 080
Overdue between 2 and 3 months	1 014	– 183	831
more than 3 months overdue	9 661	– 8 164	1 497
Total overdue	*32 879*	*– 10 337*	*22 542*
Total	**180 330**	**– 10 337**	**169 993**

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**

Changes in the value adjustment for doubtful accounts receivable:	**2018**	2017
Balance as of 1 January	5 865	5 346
Change in scope of consolidation	1 046	2 003
Exchange rate differences	– 168	241
Bad debt allowance used	– 8	– 1 530
Bad debt allowance released	– 616	– 314
Bad debt allowance increased	4 218	119
Balance as of 31 December	**10 337**	**5 865**

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

3 **Other receivables** (in CHF 1000s)	**2018**	2017
Financial assets:		
– Other receivables	6 672	6 960
Non-financial assets:		
– Receivables from indirect taxes and social insurance schemes	9 561	11 292
Total	**16 233**	**18 252**

4 **Inventories** (in CHF 1000s)	**2018**	2017
Raw materials and production parts	84 915	79 083
Semi-finished goods and work in progress	22 230	27 290
Finished goods and trading goods	89 734	66 890
Total	**196 879**	**173 263**

The net value of the inventories is after value adjustments of CHF 10.1 million (previous year: CHF 5.8 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 turnover 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 2018

(in CHF 1000s)	Land and buildings	Machinery & tools	IT equipment & furnishings	Vehicles	Assets under construction	**Total**
Cost						
Balance as of 1 January 2018	188 908	333 013	19 038	4 273	12 712	557 944
Change in scope of consolidation	8 606	18 673	284	842	1 850	30 255
Additions	1 479	7 593	912	502	11 625	22 111
Disposals	−574	−12 263	−414	−265	−408	−13 924
New classifications	982	8 337	182	35	−9 536	0
Exchange rate differences	−3 735	−6 897	−621	−92	−520	−11 865
Balance as of 31 Dec. 2018	**195 666**	**348 456**	**19 381**	**5 295**	**15 723**	**584 521**
Accumulated depreciation						
Balance as of 1 January 2018	−61 004	−211 525	−14 304	−2 647	−282	−289 762
Change in scope of consolidation	0	0	0	0	0	0
Depreciation for the year	−6 262	−18 158	−1 226	−679	0	−26 325
Disposals	242	3 929	397	254	0	4 822
New classifications	0	0	0	0	0	0
Exchange rate differences	1 157	4 233	466	45	22	5 923
Balance as of 31 Dec. 2018	**−65 867**	**−221 521**	**−14 667**	**−3 027**	**−260**	**−305 342**
Net book value 31 Dec. 2018	**129 799**	**126 935**	**4 714**	**2 268**	**15 463**	**279 179**
Net book value of pledged property, plant and equipment						**0**
Net book value of leased property, plant and equipment						**4 621**
11 Leasing obligations for property, plant and equipment reported on balance sheet (building)						**661**

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**
11	Leasing obligations for property, plant and equipment reported on balance sheet (building)	**1 852**

Notes to the consolidated financial statements

6 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 2018, 3A Composites had 125 plantations with a surface area of 11 025 hectares, of which 9 219 hectares are currently planted with balsa trees. This makes 3A Composites the largest plantation owner and balsa wood producer. In 2018, a total of 35 416 838 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 83 575 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 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 3.4 million (previous year: CHF 3.3 million) higher or lower.

(in CHF 1000s)		2018	2017
	Book value as of 1 January	30 133	27 918
19/20	Gain or loss as a result of change in market value less selling costs	4 918	3 542
	Increase as a result of growth and maintenance measures	3 294	4 657
	Decrease as a result of harvest	– 2 956	– 3 675
	Wind damage	– 641	– 1 041
	Exchange rate differences	– 40	– 1 268
	Book value as of 31 December	**34 708**	**30 133**

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.

	7 **Intangible assets 2018** (incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
	Cost				
	Balance as of 1 January 2018	94 673	47 770	39 501	181 944
25/26	Change in scope of consolidation	38 346	19 688	2 998	61 032
	Additions	0	0	356	356
	Exchange rate differences	– 3 556	– 103	– 597	– 4 256
	Balance as of 31 December 2018	**129 463**	**67 355**	**42 258**	**239 076**
	Accumulated amortization				
	Balance as of 1 January 2018	0	– 9 044	– 31 987	– 41 031
25/26	Change in scope of consolidation	0	0	0	0
	Amortization for the year	0	0	– 2 416	– 2 416
	Exchange rate differences	0	– 31	305	274
	Balance as of 31 December 2018	**0**	**– 9 075**	**– 34 098**	**– 43 173**
	Net book value as of 31 December 2018	**129 463**	**58 280**	**8 160**	**195 903**

Since no end to the useful life of the capitalized brand names AIREX®, ALUCOBOND®, BALTEK®, DIBOND®, GATOR®, AKRYLON®, KAPA® and PERSPEX® 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 38.8 million as of the end of December 2018 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

Notes to the consolidated financial statements

commercial advantage of the brand owner is determined on the basis of the discounted royalty savings. During the budgeted period of five years, the cash flow forecasts are based on the expected royalty savings of between 1.5% and 3.0%. The 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 8.8% to 10.1% p.a. (previous year: 8.1% to 10.0% 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 7.0 million (previous year: CHF 7.2 million).

Goodwill: 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 9.0%, 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.

7 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
Change in 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
Change in 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**

8 **Current financial liabilities** (in CHF 1000s)	**2018**	2017
Loans falling due within one year	454	108
11 Short-term leasing liabilities	624	1 185
Total	**1 078**	**1 293**

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

31 December	**2018**	Actual interest rates	31 December	2017	Actual interest rates
CHF	561	2.00%	CHF	1 123	2.00%
Other	517	0.84%	Other	170	2.45%
Total	**1 078**			**1 293**	

9 **Other payables** (in CHF 1000s)	**2018**	2017
Financial liabilities:		
– Other liabilities	4 822	5 792
Non-financial liabilities:		
– Obligations towards social insurance schemes	2 610	1 409
– Obligations resulting from sales taxes	3 302	2 188
Total	**10 734**	**9 389**

10 **Accrued expenses and deferred income** (in CHF 1000s)	**2018**	2017
Outstanding volume discounts and customer credits	15 794	13 474
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	18 008	19 230
Cost of materials / overheads	5 801	4 373
Other accrued expenses and deferred income	11 722	11 321
Total	**51 325**	**48 398**

Notes to the consolidated financial statements

11 **Obligations arising from finance leasing** (in CHF 1000s)	**2018**	2017
Obligations arising from finance leasing (nominal), due in:		
– one year	633	1 191
– 2 to 5 years	37	693
– more than 5 years	0	0
Total nominal value	**670**	**1 884**
less future financial expense	– 9	– 32
Total present value of minimum leasing obligations	**661**	**1 852**
Reporting on balance sheet by due date		
8 – in one year (in current financial liabilities)	624	1 185
12 – in more than one year (in non-current financial liabilities)	37	667
Total present value of minimum leasing obligations	**661**	**1 852**

12 **Non-current financial liabilities** (in CHF 1000s)	**2018**	2017
11 Long-term leasing obligations	37	667
Other long-term financial obligations	1 074	1 736
Total	**1 111**	**2 403**
The maturities of the non-current financial liabilities are as follows:		
– 2 to 5 years	1 023	2 403
– more than 5 years	88	0
Total	**1 111**	**2 403**

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

31 December	**2018**	Actual interest rates	31 December	2017	Actual interest rates
CHF	0	0.00%	CHF	559	2.00%
EUR	187	0.68%	EUR	505	7.93% [1)]
PGK	908	0.00%	PGK	1 275	0.00%
Other	16	5.53%	Other	64	4.64%
Total	**1 111**			**2 403**	

[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.

13 **Reconciliation of financial debts 2018** (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	233 151	–121 688			0	–3 370	108 093
Current loans and fixed deposits	102	–90			0	–4	8
Current financial asset	0	444			0	–15	429
Total cash and liquid investments	**233 253**	**–121 334**			**0**	**–3 389**	**108 530**
Current interest-bearing financial liabilities	–1 293		623	127	–551	16	–1 078
Non-current interest-bearing financial liabilities	–2 403		–548	0	5 972	–4 132	–1 111
Borrowings and other financial liabilities	**–3 696**		**75**	**127**	**5 421**	**–4 116**	**–2 189**
Net debt	**229 557**	**–121 334**	**75**	**127**	**5 421**	**–7 505**	**106 341**

13 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**

Notes to the consolidated financial statements

14 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 2018 financial year, the employer's contribution to defined contribution plans amounted to CHF 546 000 (previous year: 297 000).

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 pension fund announced in 2018 that it would further reduce the conversion rate and apply the conversion rate comprehensively for the full amount of the retirement assets. In view of this new situation, the separate account to finance the BVG conversion rate was closed. In addition, a wage limit was introduced for the fund. Any part of the wages exceeding this maximum will be insured in a defined contribution pension plan. The reduction in the conversion rate adopted by the collective pension fund's Board of Trustees and the wage limitation resulted in a plan amendment gain, which is recognized in past-service cost.

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 2018, the rate was 1.00% (previous year: 1.00%).

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.

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 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 provided some former employees and retirees in the US with pensions benefits through a multi-employer plan. In 2018 the obligations arising from this pension fund were settled, which resulted in a significant reduction in the fund liabilities and the assets in the US funds.

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

The most recent actuarial valuations of the present values of the defined benefit obligations as of 31 December 2018 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 2018 on the basis of the information known at the time when the annual financial statements were prepared.

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

31 December				**2018**				2017
	Switzerland	EU	America	Weighted	Switzerland	EU	America	Weighted
Discount rate	0.90%	1.94%	4.32%	1.39%	0.65%	1.80%	3.54%	1.49%
Future increases in salaries	1.50%	2.25%	2.05%	1.76%	1.25%	2.25%	0.54%	1.41%
Future pension adjustments	0.00%	1.68%	1.03%	0.58%	0.00%	1.69%	0.27%	0.53%
(in years)								
Life expectancy at age 65								
Year of birth **1953** / 1952								
– Men	23	20	21		22	19	21	
– Women	25	24	23		24	23	23	
Year of birth **1973** / 1972								
– Men	24	23	22		24	22	22	
– Women	26	26	24		26	26	24	

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				**2018**				2017
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Service costs								
– Current service costs	2753	1269	535	4557	3096	1238	496	4830
– Past service costs	–1791	95	–6	–1702	0	0	–228	–228
– Plan settlements	0	0	–4357	–4357	0	0	0	0
Net interest expense	30	908	387	1325	47	888	513	1448
Discontinued operations	0	0	0	0	–4667	–585	0	–5252
Total pension expense for the period	**992**	**2272**	**–3441**	**–177**	**–1524**	**1541**	**781**	**798**

Current service costs include technical administrative expenses of CHF 0.02 million for 2018 and CHF 0.1 million for 2017.

Remeasurements recognized in other comprehensive income

31 December				2018				2017
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Actuarial (gains) / losses								
– Based on adjustment of demographic assumptions	0	558	–24	534	529	0	–189	340
– Based on adjustment of financial assumptions	–3 697	–1 427	–130	–5 254	0	436	310	746
Experience adjustments	4 176	–258	–171	3 747	8 459	–820	–90	7 549
Return on pension assets (excluding amounts in net interest expenses)	6 939	–7	143	7 075	–10 068	–78	722	–9 424
Exchange rate differences	0	0	–321	–321	0	6	2	8
Total expense recognized in the "statement of other comprehensive income"	**7 418**	**–1 134**	**–503**	**5 781**	**–1 080**	**–456**	**755**	**–781**
Total pension costs	**8 410**	**1 138**	**–3 944**	**5 604**	**–2 604**	**1 085**	**1 536**	**17**

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

Changes in the present value of defined benefit obligations

31 December				2018				2017
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening present value of defined benefit obligations	101 673	54 173	33 212	189 058	161 060	49 530	35 323	245 913
Current service cost	2 753	1 269	535	4 557	3 096	1 238	496	4 830
Plan participants' contributions	1 744	56	0	1 800	2 134	54	0	2 188
Interest expenses on the present value of the obligations	664	953	725	2 342	812	926	1 219	2 957
Actuarial gains / losses	479	–1 127	–325	–973	8 988	–384	31	8 635
Past service costs	–1 791	95	–6	–1 702	0	0	65	65
Plan settlements	0	0	–24 762	–24 762	0	0	0	0
Plan curtailments	0	0	0	0	0	0	–293	–293
Business acquisitions	0	0	0	0	0	0	0	0
Sale of business	0	0	–139	–139	–69 923	–585	0	–70 508
Benefits paid and net vested benefits through plan assets	875	–10	0	865	–4 494	0	–1 150	–5 644
Benefits paid by employer	0	–1 213	–1 028	–2 241	0	–1 175	–953	–2 128
Exchange rate differences	0	–2 087	–34	–2 121	0	4 569	–1 526	3 043
Closing present value of defined benefit obligations	**106 397**	**52 109**	**8 178**	**166 684**	**101 673**	**54 173**	**33 212**	**189 058**

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Changes in the fair value of plan assets

31 December				2018				2017
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening fair value of plan assets	95 136	2 322	19 682	117 140	149 480	1 852	21 433	172 765
Plan participants' contributions	1 744	56	0	1 800	2 134	54	0	2 188
Employer's contribution	2 195	127	574	2 896	2 439	116	339	2 894
Interest income on assets	634	45	338	1 017	765	38	706	1 509
Return on plan assets (excl. amounts included in interest)	−6 939	7	−143	−7 075	10 068	78	−722	9 424
Assets distributed on settlements	0	0	−20 405	−20 405	0	0	0	0
Sale of business	0	0	0	0	−65 256	0	0	−65 256
Benefits paid and net vested benefits through plan assets	875	−10	0	865	−4 494	0	−1 150	−5 644
Exchange rate differences	0	−96	−46	−142	0	184	−924	−740
Closing fair value of plan assets	**93 645**	**2 451**	**0**	**96 096**	**95 136**	**2 322**	**19 682**	**117 140**

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

Amount recognized in the balance sheet

31 December				2018				2017
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Present value of funded obligation	106 397	14 973	0	121 370	101 673	15 327	24 322	141 322
Fair value of plan assets	–93 645	–2 451	0	–96 096	–95 136	−2 322	−19 682	–117 140
Under / (over) funding	**12 752**	**12 522**	**0**	**25 274**	**6 537**	**13 005**	**4 640**	**24 182**
Present value of unfunded obligations	0	37 136	8 178	45 314	0	38 846	8 890	47 736
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**12 752**	**49 658**	**8 178**	**70 588**	**6 537**	**51 851**	**13 530**	**71 918**

The assets mainly originate from the pension plans in Switzerland. 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				**2018**				2017
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Equities	26410	0	0	26410	28180	0	8327	36507
Bonds	20765	0	0	20765	21995	0	2669	24664
Alternative financial assets	15440	0	0	15440	14089	0	0	14089
Real estate	12260	0	0	12260	10254	0	0	10254
Qualified insurance paper	0	2451	0	2451	0	2322	0	2322
Cash and cash equivalents and Other investments	18770	0	0	18770	20618	0	8686	29304
Total	**93645**	**2451**	**0**	**96096**	**95136**	**2322**	**19682**	**117140**

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 2018, the assets generated a loss of CHF 6.1 million (previous year: gain of CHF 10.9 million). In the upcoming year employer's contributions are expected to amount to CHF 1.8 million (previous year: CHF 2.3 million), while pension payments to former employees are expected to amount to CHF 2.2 million (previous year: CHF 1.9 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				2018				2017
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Active insured members	80869	29882	4121	114872	81480	31599	4713	117792
Former members with vested benefits	0	4161	0	4161	0	4417	0	4417
Members receiving pensions	25528	18066	4057	47651	20193	18157	28499	66849
Total	**106397**	**52109**	**8178**	**166684**	**101673**	**54173**	**33212**	**189058**
(in years)								
Term of obligations	15.8	18.4	7.0	16.2	16.7	18.8	11.7	16.4

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)			2018		2017
		+ 0.25%	– 0.25%	+ 0.25%	– 0.25%
All countries	Discount rate	– 6 051	6 724	–7 136	7 444
All countries	Development of wages and salaries	922	– 863	1 022	– 1 180
Switzerland	Interest on retirement assets	816	– 798	1 205	– 1 175
EU	Pension indexation	1 691	– 1 589	1 747	– 1 665

Reconciliation to the balance sheet:

31 December (in CHF 1000s)	**2018**	2017
Pension obligations	70 588	71918
Other long-term employee benefits	3 527	5810
Termination benefits	1 071	1634
Total	**75 186**	**79362**

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.

15 **Provisions** (in CHF 1000s)	Guarantees	Litigation	Environmental obligations	Other	Total **2018**	Total 2017
Balance as of 1 January	4 511	5 221	4 477	6 152	20 361	15 580
Change in scope of consolidation	0	0	5 651	2 860	8 511	1 561
Exchange rate differences	– 144	– 2	– 125	– 163	– 434	522
Consumption with neutral impact on income	– 378	– 2 208	– 599	– 221	– 3 406	– 2 464
Unused amounts reversed and released to income	– 419	– 36	– 504	– 1 251	– 2 210	– 4 999
Additional provisions charged to income	638	1	0	323	962	10 161
Balance as of 31 December	**4 208**	**2 976**	**8 900**	**7 700**	**23 784**	**20 361**
of which: current provisions	1 784	19	1 024	2 595	5 422	3 490
non-current provisions	2 424	2 957	7 876	5 105	18 362	16 871
Expected use of provisions						
– within one year	1 784	19	1 024	2 595	5 422	3 490
– in 2 to 5 years	2 056	2 906	4 494	4 135	13 591	14 836
– more than 5 years	368	51	3 382	970	4 771	2 035

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

16 **Share capital**	**2018**	2017
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:

As of 31 December 2018, Schweiter Technologies held no treasury shares (previous year: 600 bearer shares).

Authorized capital:

As of 31 December 2018, there is no authorized capital.

Conditional capital:

As of 31 December 2018, 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 13 April 2018 the shareholders approved the distribution of a special dividend of CHF 5.00 in addition to the ordinary dividend of CHF 40.00 per bearer share for the 2017 financial year. No payment was made on treasury shares. The distribution amounted to a total of CHF 64.4 million.

For the 2018 financial year, the Board of Directors will propose to the Annual General Meeting of 11 April 2019 that a gross dividend of CHF 40.00 per bearer share shall be distributed.

17 Share-based payments

In the year under review, the shares of Schweiter Technologies AG granted as part of the longterm-incentive plan 2015–2017 (LTI) were released. The shares were issued at the beginning of the plan term and were subject to a blocking period until 31 December 2017. At the time of allocation, the fair value of the shares issued was CHF 833 per share.

As part of the short-term variable compensation for the financial year 2018, the CEO will be issued shares in March 2019. The shares are subject to a vesting period of one year. The fair value of the issued shares will be determined in March 2019.

The expenses recognized in the financial year under review from share-based payments settled in equity instruments amounted to CHF 120 000 (previous year: CHF 187 500).

18 **Net revenues** (in CHF 1000s)	**2018**	2017
Net proceeds of deliveries of goods	1 040 828	974 882
Net proceeds of services	6 562	5 346
Total	**1 047 390**	**980 228**

19 **Other operating expenses** (in CHF 1000s)	**2018**	2017
Direct sales and distribution costs	71 432	60 387
Purchasing and production overheads	66 085	62 031
Sales and marketing overheads	16 252	16 132
Administration overheads and capital taxes	17 625	17 392
Development overheads	1 536	1 749
Cost of premises	4 416	5 158
Other operating expenses	564	474
Total	**177 910**	**163 323**

	20 **Other operating income** (in CHF 1000s)	**2018**	2017
	Income from the sale of investment property	0	7 175
	Gain on sale of property, plant and equipment	2 180	208
6	Increase in market value of biological assets	4 918	3 542
	Rental income	477	1 775
	Reversal of recultivation provision	300	2 456
	Adjustment of purchase price obligation of 3A Composites Mobility SA	0	573
	Other income	1 766	2 638
	Total	**9 641**	**18 367**

	21 **Depreciation and amortization** (in CHF 1000s)	**2018**	2017
5	Depreciation on property, plant and equipment	26 325	24 226
7	Amortization of intangible assets	2 416	2 490
	Depreciation on investment property	0	420
	Total	**28 741**	**27 136**

Notes to the consolidated financial statements

22 **Financial income** (in CHF 1000s)	**2018**	2017
Interest income	786	474
Foreign exchange gains (net)	0	11 023
Total	**786**	**11 497**

23 **Financial expenses** (in CHF 1000s)	**2018**	2017
Interest expenses	2 010	2 016
Foreign exchange losses (net)	3 687	0
Total	**5 697**	**2 016**

24 **Income taxes** (in CHF 1000s)	**2018**	2017
Current taxes	16 264	16 844
Deferred taxes	805	2 912
Total	**17 069**	**19 756**

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)	**2018**	2017
Income before taxes	77 338	96 735
Income tax rate at Head office	19.7%	19.7%
Tax expense anticipated	15 236	19 056
Differences owing to differing local tax rates	1 017	2 553
Impact of other non-taxable income	– 1 210	– 153
Impact of non-tax-deductible expenditure	1 478	1 090
Non-capitalized losses on current results carried forward	1 144	1 235
Use of non-capitalized tax losses carried forward	– 777	– 3 238
Impact of non-recoverable withholding taxes	622	1 259
Impact of tax rate changes on deferred taxes	17	– 2 361
Taxes from previous periods and other influencing factors	– 458	315
Effective tax expense	**17 069**	**19 756**
Effective tax rate	22.1%	20.4%

Deferred tax assets (in CHF 1000s)	Inventories/ work in progress	Pension obligations	Capitalized tax loss carry-forwards	Provisions	Other	Total **2018**	Total 2017
Balance as of 1 January	2102	11938	802	1254	6248	22344	28889
Adjustment on initial application of IFRS 9	0	0	0	0	818	818	0
25/26 Change in scope of consolidation	25	0	0	1520	87	1632	–284
Exchange rate differences	–28	– 349	0	–118	–197	–692	658
Recognized in other income	0	555	0	0	0	555	–542
Unused amounts reversed and released to income	–61	–2 499	–803	–262	–949	– 4574	–8048
Additional provisions charged to income	459	1961	830	86	2395	5731	1671
Balance as of 31 December, gross	**2497**	**11606**	**829**	**2480**	**8402**	**25814**	**22344**
Netting						–8969	– 6857
Balance as of 31 December, net						**16845**	**15487**

As of 31 December 2018, the Group had non-capitalized tax loss carry-forwards of CHF 99.5 million (previous year: CHF 117.2 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)	**2018**	2017
– one year	0	76
– 2 to 5 years	0	10 178
– more than 5 years	0	936
– no expiration	99 537	106 026
Total	**99 537**	**117 216**

Deferred tax liabilities (in CHF 1000s)	Inventories/ work in progress	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2018**	Total 2017
Balance as of 1 January	–1050	–20303	–4462	–3138	–4190	–33143	–36521
25/26 Change in scope of consolidation	–93	–1915	–4032	0	–45	–6085	–296
Exchange rate differences	7	344	175	23	61	610	160
Recognized in other income	0	0	0	0	30	30	0
Unused amounts reversed and released to income	4	1008	120	0	456	1588	5752
Additional provisions charged to income	–152	–193	0	–2686	–518	–3 549	–2238
Balance as of 31 December, gross	**–1284**	**–21059**	**–8199**	**–5801**	**–4206**	**–40549**	**–33143**
Netting						8969	6857
Balance as of 31 December, net						**–31580**	**–26286**

As of 31 December 2018 the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 22.6 million (previous year: CHF 28.3 million). No deferred taxes were recorded for these taxable temporary differences.

Notes to the consolidated financial statements

25 Sale of discontinued operations

The 100% shareholding in SSM Textile Machinery division was sold to the Rieter Group as of 30 June 2017. At the effective date of the sale, the net assets of SSM Textile Machinery amounted to CHF 28.5 million. In 2017, net income from operating activity amounted to CHF 7.2 million. The sale resulted in a gain of CHF 91.6 million and a cash inflow of CHF 99.8 million.

26 Business combinations

The following business combination took place in **2018**:

Acquisition of Perspex International Ltd. and Perspex Distribution Ltd.

On 28 December 2018, Schweiter Technologies acquired 100% of the shares in Perspex International Ltd. based in Darwen, Lancashire, UK and the UK distribution company Perspex Distribution Ltd.

Perspex is one of Europe's leading manufacturers of acrylic sheet and composites, the product range is one of the widest in the industry. Perspex sheets are used by customers in the display, visual communication and related industries. The acquisition of Perspex will fully complement the existing 3A Composites acrylic sheet business.

The provisional purchase price inclusive repayment of pre-existing loans is CHF 113.1 million. The provisional goodwill arising on the acquisition amounts to CHF 38.3 million and essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible.

The transaction costs of CHF 0.9 million are included in other operating income.

Had the business combination already taken place on 1 January 2018, management estimates that the Group's revenues would have reached CHF 1 217.6 million and the net income CHF 67.2 million in the year under review.

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. In acquiring Athlone, Schweiter is strengthening the transport & industry business of the 3A Composites division.

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.

The transaction costs of CHF 0.3 million are included in other operating income.

Had the business combination already taken place on 1 January 2017, management estimates that the Group's revenues would have reached CHF 1 028.1 million and the net income from continuing operations CHF 80.0 million in the year under review.

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

(in CHF 1000s)	Perspex [1]	Athlone [2]
Cash and cash equivalents	7 850	889
Trade receivables	25 782	15 856
Advances to suppliers	144	0
Other receivables	1 831	49
Prepaid expenses and accrued income	539	876
Inventories	22 492	9 572
Total current assets	**58 638**	**27 242**
Property, plant and equipment	30 255	17 681
Deferred tax assets	88	0
Intangible assets	22 686	1 486
Total non-current assets	**53 029**	**19 167**
Total assets	**111 667**	**46 409**
Current financial liabilities	0	– 1
Trade payables	– 14 391	– 3 752
Other payables	– 3 051	– 500
Accrued expenses and deferred income	– 5 935	– 2 053
Current provisions	– 2 333	– 1 658
Current income tax payables	– 677	– 410
Total current liabilities	**– 26 387**	**– 8 374**
Non-current financial liabilities	– 91 044	– 928
Deferred tax liabilities	– 4 348	– 619
Non-current provisions	– 6 178	– 2 106
Employee benefits	0	– 1 080
Total non-current liabilities	**– 101 570**	**– 4 733**
Total liabilities	**– 127 957**	**– 13 107**
Total fair value of net assets acquired	**– 16 290**	**33 302**
Goodwill	38 346	19 945
Total consideration	**22 056**	**53 247**
Cash and cash equivalents acquired	– 7 850	– 889
Consideration payables [3]	0	– 171
Repayment of pre-existing loans	91 044	928
Cash out flow from purchase of subsidiaries	**105 250**	**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] After the 12 month measurement period.
[3] The deferred purchase price is in the range of CHF 0.0 to 0.2 million.

Notes to the consolidated financial statements

27 **Earnings per share**		**2018**	2017
Net income	(in CHF 1000s)	60 269	171 951
Average number of shares issued		1 431 808	1 431 808
less average number of treasury shares		– 100	– 600
Average number of shares outstanding		**1 431 708**	**1 431 208**
Dilution effect resulting from the average number of shares for share-based payments		100	600
Average number of shares outstanding after dilution effect		**1 431 808**	**1 431 808**
Earnings per share (in CHF)			
From continuing operations			
– undiluted		42.10	53.79
– diluted		42.09	53.76
From continuing operations and discontinued operations			
– undiluted		42.10	120.14
– diluted		42.09	120.09

28 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	Measured at amortized cost	Carrying amount	Fair value
31 December 2018					
Cash and cash equivalents	108 093			108 093	108 093
Trade receivables			169 993	169 993	169 993
Other receivables			6 673	6 673	6 673
Financial assets		0	708	708	708
Total	**108 093**	**0**	**177 374**	**285 467**	**285 467**
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**

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 2018				
Current financial liabilities		1 078	1 078	1 078
Trade payables		67 965	67 965	67 965
Other liabilities	0	4 822	4 822	4 822
Non-current financial liabilities		1 111	1 111	1 111
Total	**0**	**74 976**	**74 976**	**74 976**
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**

29 **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)	**2018**	2017
Total compensation Board of Directors	609	608
Total compensation Management	2 419	2 999
Total compensation Board of Directors and Management	**3 028**	**3 607**

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

Notes to the consolidated financial statements

30 Share ownership by the Board of Directors and Management

As of 31 December 2018, a total of 449 459 shares were held by members of the Board of Directors or members of Management (31 December 2017: 449 209):

Surname	First name	Function	Number of shares **2018**	Number of shares 2017
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	Heinz O.	Group CEO	250	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

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

31 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)	**2018**	2017
Warranties and guarantees	2 647	2 144
Total	**2 647**	**2 144**

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 raw materials, commitments to take delivery amounting to CHF 1 209.4 million (previous year: CHF 185.2 million) and with maximum maturities of 10 years have been entered into in the course of ordinary business activities.

In 2018, a long-term contract for the procurement of raw material was signed. Outstanding commitments to take delivery of property, plant and equipment and intangible assets amounted to CHF 2.6 million (previous year: CHF 3.3 million).

32 Lease commitments

Future minimum lease payments under non-cancellable operating leases (in CHF 1000s)	**2018**	2017
– due in one year	8 517	6 344
– due in 2 to 5 years	19 563	8 456
– due in more than 5 years	9 648	1 987
Total	**37 728**	**16 787**

The commitments consist mainly of rental agreements for buildings used by the company itself. The average term of the agreements is 4.4 years (previous year: 3.2 years). Other leasing obligations amounting to CHF 1.3 million are included (previous year: CHF 1.5 million).

Future minimum sublease payments expected to be received under non-cancellable operating leases (in CHF 1000s)	**2018**	2017
– due in one year	769	876
– due in 2 to 5 years	2 319	2 572
– due in more than 5 years	3 722	4 437
Total	**6 810**	**7 885**

33 Events occurring after the balance sheet date

In February 2019 the Company has become aware of a class action in Australia relating to the use of PE aluminum composites panels. Among others, the class action is naming 3A Composites Germany GmbH as a respondent. However, as of today neither 3A Composites Germany GmbH nor any other subsidiary has been served. Therefore neither the legal basis nor any potential financial impact can be assessed.

No further 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 2018.

34 Approval of the annual financial statements

The Board of Directors approved the present consolidated annual financial statements at its meeting on 8 March 2019 and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 11 April 2019 approves the consolidated annual financial statements.

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

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 2018 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 2018, 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.

Intangible Assets from acquisitions	
Key audit matter	*How the scope of our audit responded to the key audit matter*
As of 31 December 2018, the carrying value of the Group's net intangible assets (including Goodwill) amounted to CHF 195.9 million, which represents 19% of total assets. Included in this carrying value are CHF 61 million (31%) of intangible assets from acquisitions in 2018. On December 28, 2018 Schweiter Technologies acquired the two companies, Perspex International Ltd. and Perspex Distribution Ltd. (jointly "Perspex") with a purchase price of CHF 113.1 million, including repayment of pre-existing loans of CHF 91 million.	For the assessment of the intangible assets from the Perspex acquisitions we performed the following audit procedures: • We assessed the procedures that Schweiter Technologies has performed on the opening balances and traced these opening balances to adequate supporting evidences. • We evaluated the applied models for the PPA and critically challenged the appropriateness of the assumptions and its sensitivities.

In accordance with IFRS 3 Business Combinations ("IFRS 3"), the purchase price allocation ("PPA") requires significant management estimates. The most relevant assumptions are the allocation of the purchase price to assets, liabilities and contingent liabilities. As a result of the PPA Perspex, a preliminary goodwill in the amount of CHF 38.3 million and preliminary intangible assets in the amount of CHF 22.7 million were recognised at the end of December 2018. As the intangible assets are a material balance sheet position and the PPA requires significant management estimates and assumptions, we considered the intangible assets resulting from the Perspex acquisition as a key audit matter. Due to its complexity, we focused on the testing of the PPA and the respective significant management estimates. For further details we refer to the accounting policies (change in scope of consolidation, assumptions and use of estimates) and Notes 7 (Intangible assets) and 26 (Business combinations).	• We performed a critical review of the Share Purchase Agreement. • We reconciled the disclosures with the respective PPA documents. Additionally we audited if the requirements of IFRS 3 regarding the disclosures are met. Based on the audit procedures performed for intangible assets resulting from the Perspex acquisitions and the correlating management estimates, we conclude that the risk in connection with the initial recognition and preliminary valuation of the intangible assets and goodwill from the Perspex acquisition is adequately addressed.

Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

Deloitte AG

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

Zurich, 8 March 2019

Annual financial statements of Schweiter Technologies AG

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Balance sheet as of 31 December 2018

	Assets (in CHF 1000s)	**2018**	2017
	Cash and cash equivalents	3 869	110 268
	Other current receivables	14	311
	Prepaid expenses and accrued income	13	13
	Current assets	**3 896**	**110 592**
1	Investments	130 723	130 723
	Financial assets (loans to Group companies)	365 404	311 508
	Property, plant and equipment	38	67
	Non-current assets	**496 165**	**442 298**
	Total assets	**500 061**	**552 890**

	Liabilities (in CHF 1000s)		
	Trade payables	0	132
	Other current payables	239	132
	Accrued expenses and deferred income	1 324	1 939
	Current liabilities	**1 563**	**2 203**
2	Provisions	13 479	21 527
	Non-current liabilities	**13 479**	**21 527**
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	480 357	524 719
4	Own capital shares	0	– 221
	Shareholders' equity	**485 019**	**529 160**
	Total liabilities and shareholders' equity	**500 061**	**552 890**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2018

Note	(in CHF 1000s)	2018	2017
	Investment income	20 000	12 000
5	Gain on sale of Investments	0	114 681
6	Other financial income	3 355	3 118
	Rental income	0	740
	Service income	1 200	1 125
	Other income	58	10
	Total operating income	**24 613**	**131 674**
7	Financial expenses	– 1 008	– 2
	Administrative expenses	– 806	– 719
8	Other expenses	0	– 3 853
	Personnel expenses	– 2 569	– 3 250
	Expenses on premises	– 80	– 713
	Total operating expenses	**– 4 463**	**– 8 537**
	Income before taxes	**20 150**	**123 137**
	Income taxes	– 81	7
	Net income	**20 069**	**123 144**

▲ 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 Steinhausen.

On an annual average, Schweiter Technologies AG had less than 10 full-time-equivalent employees in both the 2018 financial year and the previous year.

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

Accounting and valuation principles

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

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

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

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

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

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

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

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

1 **Investments** (in 1000s)

Company	Domicile	Share capital (in 1000)	Shareholding 2018	Shareholding 2017	Voting shares 2018	Voting shares 2017
3A Composites Holding AG	Steinhausen, CH	CHF 10000	100%	100%	100%	100%
3A Composites Holding Germany GmbH	Singen, D	EUR 25	10%	10%	10%	10%

2 **Provisions** (in 1000s)

	2018	2017
Provisions for unrealized foreign currency gains	7 537	11 851
Other provisions	5 942	9 676
Total	**13 479**	**21 527**

3 **Share capital**

	2018	2017
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 are listed on the SIX Swiss Exchange AG, Zurich. Security no.: 1075492; ISIN: CH0010754924; Telekurs: SWTQ; Reuters: SWTZ.

As of 31 December 2018, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent report)	2018	2017
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	< 3%	4.2%
Credit Suisse Funds AG, Zurich	< 3%	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 2018	2017	Book value (in CHF 1000s) 2018	2017
As of 1 January	600	600	221	221
Shares released from the share-based remuneration scheme	– 600	0	– 221	0
As of 31 December	**0**	**600**	0	**221**

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)	2018	2017
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)	2018	2017
Interest income from Group companies	3 044	3 056
Interest paid by banks	32	0
Foreign exchange gains	0	62
Other financial income	279	0
Total	**3 355**	**3 118**

7 **Financial expenses** (in CHF 1000s)	2018	2017
Foreign exchange losses	1 007	0
Other financial expenses	1	2
Total	**1 008**	**2**

8 **Other expenses** (in 1000 CHF)	**2018**	2017
Increase provision for claims from investments sold	0	3 853
Total	**0**	**3 853**

9 Share ownership by the Board of Directors and Management

As of 31 December 2018, a total of 449 459 shares were held by members of the Board of Directors or members of Management (31 December 2017: 449 209):

Surname	First name	Function	Number of shares **2018**	Number of shares 2017
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	Heinz O.	Group CEO	250	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

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 23.0 million (previous year: CHF 38.0 million). Of this amount, no credit line for credit, sureties and guarantees had been drawn on by subsidiaries as of 31 December 2018 (previous year: CHF 0.0 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 8 March 2019 which could have a material impact on the 2018 financial statements.

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

(in CHF 1000s)	**2018**	2017
Unappropriated retained earnings (balance sheet profit) at the beginning of the financial year	**524 719**	**458 847**
Net income	20 069	123 144
Dividend paid	– 64 431	– 57 272
Available unappropriated retained earnings (balance sheet profit)	**480 357**	**524 719**
The Board of Directors proposes to the General Meeting on 11 April 2019 the following appropriation of available earnings:		
Payment of a dividend of CHF 40.00 per bearer share	57 272	
Earnings carried forward	423 085	
Total	**480 357**	

If the General Meeting approves the proposals, the payout of a gross dividend of CHF 40.00 (CHF 26.00 after deduction of withholding tax) per bearer share will be made as of 18 April 2019.

The dividend payout may be redeemed free of charge in exchange for coupons no. 18 at any branch of Credit Suisse.

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

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 2018, 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 2018 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, 8 March 2019

Compensation Report 2018

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Compensation Report 2018

Introduction

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 2018.

The aggregate compensation of the Board of Directors was the same as last year, as neither the composition of the Board of Directors nor the relevant compensation system changed.

During the year under review, the Compensation Committee conducted a review of the short-term and long-term incentive programs of Management in order to ensure that they are still aligned with the business strategy and the evolving context in which the company operates. Following this review, it was decided to implement the following changes:

- Payment of the short-term incentive of the CEO in cash and restricted shares (instead of cash only);
- Introduction of malus and clawback provisions on the share-based compensation for the CEO;
- Implementation of a new LTI plan for the period 2018–2020 in form of deferred cash.

These decisions are explained in more detail in this report.

In accordance with the Articles of Incorporation, the Compensation Committee performed its regular activities such as setting the performance objectives for the members of Management at the beginning of the year, evaluating the performance achievement at year end, determining the compensation of the members of the Board of Directors and of Management, preparing the Compensation Report as well as the say-on-pay votes for the ordinary General Meeting.

As in previous years, the Compensation Report will be submitted to a consultative vote at the ordinary General Meeting on 11 April 2019. Shareholders will also be asked to vote on the maximum aggregate compensation amount of the Board of Directors for the 2019–2020 term and on the maximum aggregate compensation of Management for the business year 2020.

We will continue to assess and review our compensation programs to ensure that they are fit for purpose and aligned with the interests of our shareholders.

Compensation highlights – Board of Directors

(CHF)	**2018**	2017
Number of members	5	5
Aggregate compensation	609 000	608 000
Maximum aggregate compensation amount approved by General Meeting [1]	630 000	630 000

[1] Maximum aggregate compensation amount for the board term from Annual General Meeting (AGM) to AGM

Compensation highlights – Management

(CHF)	**2018**	2017
Number of members	3	3.5 [1]
Aggregate compensation	2.419 Mio	2.99 Mio
Maximum aggregate compensation amount approved by General Meeting	4.0 Mio	4.0 Mio

[1] Until June 30 2017 4, thereafter 3 members

Compensation principles

The objective of the compensation policy applicable to the Board of Directors is to attract qualified members with the required expertise and relevant experience, as well as to reinforce their focus on the long-term strategy of the company and their independence towards Management in exercising their supervisory duties.

The objective of the compensation policy for Management 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 simple, transparent and attractive compensation programs. The compensation policy is built along the following principles:

Compensation principles

Alignment with business strategy:	Performance orientation:
Compensation programs support the long-term and sustainable success of the company and they promote the company values.	Executives are rewarded for business success and their individual contributions. Further, they have the opportunity to participate in the company's long-term success.
Market competitiveness:	**Simplicity:**
Compensation is in line with market practice and is appropriate.	Compensation programs are simple and transparent.

Compensation policy – Board of Directors

In line with the principles mentioned above, members of the Board of Directors receive fixed compensation only without any performance-related component. This is to reinforce their focus on the long-term strategy and to strengthen their independence.

The compensation is awarded for the term of office, which is from one ordinary General Meeting to the next. It is paid in cash at the end of the term.

The compensation of the members of the Board of Directors reflects the responsibility and complexity of their respective function, the professional and personal requirements placed on them and the expected time required to fulfill their duties. The compensation consists of an annual Board fee and additional fees for the work in the committees of the Board of Directors, as illustrated in the following table.

Board and committee fees

(CHF)	Annual Board fee	Additional fees for committee work
Board chair	200 000	10 000
Board member	75 000	10 000

Members of the Board of Directors are not insured under the occupational pension fund, with the exception of the Chairman of the Board of Directors. Due to his previous employment as CEO of the company, the Chairman was offered the possibility to remain insured in the collective foundation (external pension fund) where the company insures employees against risks of death, disability and retirement. No other member of the Board of Directors is insured under the pension fund, and such coverage is not available to those Board members who are not former employees of the company.

Members of the Board may be remunerated separately at market conditions for additional services (beyond their function on the Board of Directors) provided to the company or other Group companies. Such services, and the related compensation, must be approved by the Board of Directors in advance. Such compensation must be covered by the total compensation amount that is subject to shareholders' approval at the General Meeting.

Compensation policy – Executive management

In line with the principles of alignment with the business strategy and pay-for-performance, a significant portion of the compensation of Management consists of variable incentives based on performance.

The compensation therefore includes fixed compensation elements, such as base salary and benefits, as well as variable compensation elements, such as short-term and long-term incentives. According to the Articles of Incorporation, the variable compensation is capped at 200% of the fixed compensation.

The elements of compensation of Management are summarized in the table below.

Overview of elements of Management compensation

	Target	Instrument	Performance indicators	Performance period	Drivers	Max payout opportunity [1]
Fixed base salary	Attract, retain, motivate	Cash payments	n/a	n/a	Position, skill set of the incumbent, market practice	n/a
Benefits	Protect against risks	Insurances, retirement plan	n/a	n/a	Local legislation and market practice	n/a
Short-term variable incentive	Pay for annual performance	Bonus in cash (CEO: cash and shares)	EBIT EBIT margin and individual objectives	1 year	Financial and individual performance	CEO: 143% of target Other members of Management: 185% of target
Long-term variable incentive	Reward for sustainable value creation	Deferred cash	EBIT EBIT margin (3A Composites)	3 years	Company and/or division performance	150% of target

[1] Overall cap on variable compensation at 200% of fixed compensation

Fixed base salary

The fixed base salary is determined at the discretion of the Board of Directors based on the scope and responsibilities of the respective position and the incumbent's qualifications, skills set, and experience. It is paid in cash, typically monthly.

Benefits

Benefits consist mainly of retirement, insurance and healthcare plans that are designed to safeguard employees and their dependents against the financial consequences of retirement, illness, occupational disability and death. All members of Management have a Swiss employment contract and participate in the pension plan offered to all employees in Switzerland through an external collective foundation. In addition, for the period between early retirement and the statutory pensionable age, members of Management may receive a bridging pension up to a maximum amount of the annual fixed salary of the last year of employment prior to early retirement.

Members of Management do not receive any other benefits.

Short-term variable incentive

The performance-based short-term incentive (STI) rewards for both the financial results of the company and the individual contribution of the executive in a given financial year.

The performance objectives for the STI for each of the members of Management are set at the beginning of the year by the Board of Directors, based on a proposal of the Compensation Committee.

The financial objectives are based on the Group EBIT and, for the CEO, on the Group EBIT margin (EBIT in % of net sales). These performance indicators were chosen as they reflect the Group's business strategy of profitable growth. A target corresponding to the expected level of performance is defined for both indicators. There is no payout for a performance below 80% of the target (threshold) and the payout is capped for performance above 110% of the target (ceiling).

The 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 in the context of the execution of the overarching business strategy.

The target and maximum payout levels of the STI for the members of Management, as well as the performance indicators and their weighting, are illustrated in the table below. The target, threshold and ceiling of the effective performance objectives are not disclosed as such disclosure would provide insights into the forward-looking strategy of Schweiter Technologies and thus create a competitive disadvantage for the company.

STI: target and maximum payout, performance objectives

	Objectives	Weight	Target STI	Maximum STI
CEO	EBIT EBIT margin MBO	36% 36% 28%	35% of fixed salary	143% of target
Other members of Management [1]	EBIT MBO	79% 21%	69% of fixed salary	185% of target

[1] The compensation for a member of Management with a part-time employment contract is limited to fixed compensation and does not include any performance-based variable compensation elements

The achievement of the financial and individual objectives is assessed at the end of the financial year and the STI payout accordingly determined.

In case of voluntary resignation, there is no entitlement to the portion of the STI related to the EBIT performance. The MBO portion of the STI may be paid based on the achieved performance at the termination date. In case of termination by the company, the STI (EBIT and MBO) may be paid on a pro-rata basis on the basis of the performance achieved at the termination date.

The STI is paid in cash in March of the following year.

For the CEO, the STI is granted 50% in cash and 50% in shares subject to a one-year vesting period. In case of voluntary resignation or termination for good reasons during the vesting period, the shares forfeit. In case of retirement, the shares are subject to a pro-rata vesting at the regular vesting date. In case of death or disability, the shares are subject to an accelerated pro-rata vesting.

The share-portion of the STI is subject to clawback and malus provisions that allow the company to reduce the number of shares to vest (malus) and/or to recover shares already allocated (clawback) in case of material restatement of the financial accounts of the company or in case of violation of law or internal rules.

Long-term variable incentive

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

In 2018, the Board of Directors decided to grant an LTI award for members of Management and selected key employees within the Group. The LTI covers a three year performance period from 2018 to 2020. The LTI payout depends on the achievement of performance conditions and on continuous employment until the payout date.

The performance conditions of the LTI are cumulative EBIT and EBIT margin (each weighted 50%) of the 3A Composites division over the three-year vesting period. EBIT and EBIT margin were chosen because they reflect the business strategy of profitable growth, they will be measured on the 3A Composites division which is the only remaining operational division of the Group.

For each objective, a target level of expected performance, a threshold level (below which there is no payout) and a ceiling (above which the payout is capped at 150% of target) are determined. The level of payout between threshold, target and ceiling is calculated by linear interpolation.

Performance targets (including thresholds and ceilings) can not be adjusted during the term of the plan.

The target and maximum payout levels of the LTI for the members of Management, as well as the performance indicators and their weighting, are illustrated in the table below.

LTI 2018–2020: targets

	Threshold (no payout)	**Target** (100% payout)	**Ceiling** (150% payout)
Cumulative EBIT of 3A Composites division (in CHF)	75% of target	100% of target	125% of target
EBIT margin of 3A Composites division (in % of sales)	Target minus 1% point	Target	Target plus 1% point

LTI: Performance objectives, target and maximum payout

	Objectives	**Weight**	**Target LTI**	**Maximum LTI**
CEO	EBIT EBIT margin (3A Composites)	50% 50%	125% of fixed salary	150% of target
Other members of Management [1]			109% of fixed salary	150% of target

[1] The compensation for a member of Management with a part-time employment contract is limited to fixed compensation and does not include any performance-based variable compensation elements

The target, threshold and ceiling of the performance objectives are not disclosed as such disclosure would provide insights into the forward-looking strategy of Schweiter Technologies and thus create a competitive disadvantage for the company.

The achievement level for each performance objective will be measured at the end of the performance period. The LTI will be paid out in cash in March 2021 according to the achievement of performance objectives.

Employment agreements

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.

Compensation to governing bodies in 2018 (audited)

This section is audited according to article 17 of the Ordinance against Excessive Remuneration in Stock Listed Corporations.

Compensation of the Board of Directors

The following tables show the compensation paid to members of the Board of Directors for 2018 and 2017.

In the year under review, 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 2018 was the same as for 2017.

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 2018

(in CHF 1000s)	Function	Fee paid to BoD members	Compensation for committee work	Pension benefits [3]	Total
Beat Siegrist [1]	Chairman	200	10	35	245
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**	**59**	**609**

[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

The reported compensation of the Board of Directors for the 2018 financial year is allocated pro-rata to the two respective terms of office as follows:

Compensation of the Board of Directors in 2018
(in CHF 1000s)

Pro-rata 1.1.2018 – 13.4.2018	172
Pro-rata 14.4.2018 – 31.12.2018	437

The total maximum compensation amount of CHF 630 000 as approved by the General Meeting 2018, which may be paid to the Board of Directors for the term of office from the 2018 General Meeting to the 2019 General Meeting, was therefore not exceeded during the portion of the term of office up to the cut-off date of this Annual Report (14.4.2018–31.12.2018). A conclusive assessment for the entire term of office will be included in the Compensation Report 2019.

Compensation Report 2018

The compensation of the Board of Directors for the term of office from the 2017 General Meeting to the 2018 General Meeting was CHF 586 000. Therefore, the total maximum compensation amount of CHF 630 000 as approved by the General Meeting in 2017 for the term of office from the 2017 General Meeting to the 2018 General Meeting was not exceeded.

Compensation paid to the Board of Directors for 2017

(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 of Management for 2018 and 2017

The following table shows the compensation awarded to members of Management for the financial years 2018 and 2017.

(in CHF 1000s) [1]	**2018**		2017	
Management	3 members	[2] of which highest single compensation payment	4 members [3]	[2] of which highest single compensation payment
Fixed basic compensation in cash	1 278	800	1 375	800
Performance-based compensation in cash	389	239	799	526
Long-term incentive plan (2018–2020) [4]	299	230	–	–
Long-term incentive plan (2015–2017) [5]	–	–	503	387
Pension benefits [6]	453	280	322	188
Total compensation Management	**2 419**	**1 549**	**2 999**	**1 901**

[1] The amounts are gross amounts
[2] CEO Schweiter Technologies: Dr Heinz O. Baumgartner
[3] Until 30 June 2017, 3 members thereafter
[4] Long-term incentive plan 2018–2020: See page 88 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 2018–2020 LTI contain the first third of the cash payments expected after expiry of the three-year plan term based on a current assessment. For the years 2019 and 2020 the other two thirds for the years 2019 and 2020 will be disclosed for the respective years on the basis of the most current assessment of performance and the expected payout amount.
[5] Long-term incentive plan 2015–2017: 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 2015–2017 LTI contain the last third of the cash payments expected after expiry of the three-year plan term based on a current assessment. The allocated restricted shares of the LTI awarded to the CEO were disclosed in the year of grant (2015). His cash portion of the LTI was disclosed equally over the years 2016 and 2017.
[6] Employer's contribution to social insurance and pension fund, incl. estimated contributions paid on the disclosed cash components accrued for the LTI 2018–20.

Explanatory notes to the compensation table:

- In the year under review, Management comprised three members (2017: four members until the sale of SSM Textile Machinery as per 30 June 2017 and 3 members thereafter).
- One member of Management (CTO) works part-time, his working pensum was reduced from 80% in 2017 to 75% in 2018.
- The fixed salary of the CEO remained unchanged compared to previous year, the salary of the CFO was increased in 2018 and the fixed salary of the CTO was decreased in line with the reduction of his working pensum.
- The STI payout for financial year 2018 for Management corresponds to between 0 and 55% of the fixed salary (previous year: between 0 and 110%). It amounts to 30% for the CEO (previous year 66%). The year-on-year change is due to the different target achievement level of the performance objectives.
- The LTI value disclosed corresponds to one-third of the grant value of the LTI 2018-2020 based on a current assessment of performance. The remaining two-thirds for the financial years 2019 and 2020 will be disclosed in the respective years on the basis of the most current assessment of performance.
- Both in 2018 and 2017, no bridging pension was paid to members of Management.

For the financial year 2018, the members of Management were awarded an aggregate total compensation of CHF 2.419 million, which is within the maximum aggregate compensation amount of CHF 4.0 million that was approved by the shareholders at the ordinary General Meeting 2017.

Compensation to 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 year under review or the previous year.

Loans and credits to members or former members of governing and executive bodies or parties related to them

In accordance with the articles of incorporation, the company may not grant loans, credits or pension benefits other than from the occupational pension plans to members of the Board of Directors or Management or parties related to them. Advance payments of lawyer fees, court fees and similar cost up to a maximum of CHF 1 million in connection with a defense against corporate liability claims are not subject to this provision. No such claims were asserted in the year under review or in previous year.

Shareholdings of members of the Board of Directors and Management

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 2018 annual financial statements.

Compensation Report 2018

Compensation Governance

Role of shareholders

The role of shareholders in compensation matters has been strengthened in recent years. Specifically, shareholders annually approve the aggregate compensation amounts for the Board of Directors and Management by way of binding votes at the General Meeting. Shareholders also annually elect the members of the Compensation Committee of the Board of Directors. Additionally, the compensation principles are defined in the Articles of Incorporation, which are also subject to shareholders' approval (www.schweiter.ch/s1a127/corporate-governance/statuten.html, available in German only):

Articles of Incorporation: provisions on compensation

Principles governing compensation for members of the Board of Directors (Article 27a)	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 (Articles 27b, 27c, 27d and 27e)	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 (Article 27h)	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 (Article 10a)	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 (Article 10b)	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.

Role of the Board of Directors and the Compensation Committee

The Compensation Committee consists of at least three members of the Board of Directors that are elected annually by the General Meeting to serve on the 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. At the ordinary General Meeting of 13 April 2018, Jacques Sanche, Vanessa Frey and Jan Jenisch were individually re-elected as members of the Compensation Committee for a term of office of one year. Jacques Sanche took on the chairmanship of the Compensation Committee. In the year under review, the Compensation Committee held two meetings.

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:

- Submitting to the Board of Directors proposals 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;
- Submitting to the Board of Directors proposals on the motions to the General Meeting, concerning the total compensation amounts of the Board of Directors and Management;
- Submitting to the Board of Directors proposals concerning the individual levels of compensation of the members of the Board of Directors and Management within the respective aggregate compensation amounts approved by the General Meeting;
- Submitting to the Board of Directors proposals on the motions 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.

The Compensation Committee acts in preparatory capacity, while the Board of Directors retains final authority on compensation matters (except for the aggregate compensation of the Board of Directors and of Management, which are subject to shareholders' approval).

Decision authority on compensation matters

Level of responsibility	Recommendation	Review	Approval
Compensation policy and programs	Compensation Committee		Board of Directors
Aggregate compensation amounts for Board of Directors and Management	Compensation Committee	Board of Directors	General Meeting
Individual compensation of members of the Board of Directors	Compensation Committee		Board of Directors [1)]
Individual CEO compensation	Compensation Committee		Board of Directors
Individual compensation of members of Management	CEO	Compensation Committee	Board of Directors

1) In the event of a conflict of interests, the concerned member abstains from voting

Compensation Report 2018

After each 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. The company has no other mandate by Schweiter Technologies.

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

Benchmarking

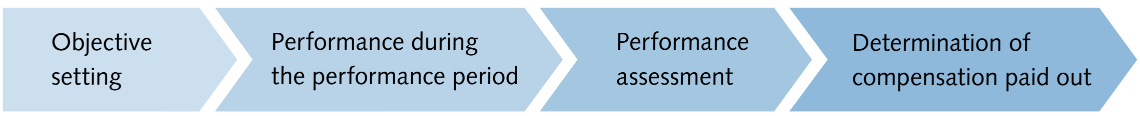
The Compensation Committee periodically reviews the target compensation of members of the Board of Directors and Management on the basis of the compensation paid at comparable Swiss listed industrial companies (in terms of market capitalization, revenues and headcount). No benchmark analysis was carried out during the year under review.

Performance management

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:



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

We have audited the remuneration report dated 8 March 2019 of Schweiter Technologies AG for the year ended 31 December 2018. Our audit is limited to the information provided in the tables on page 89 and 90 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 91.

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 2018 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, 8 March 2019

Corporate Governance Schweiter Technologies

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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 Steinhausen/Switzerland, is organized as a holding company under Swiss law. Schweiter Technologies is a global group of companies developing, manufacturing and commercializing composite panels and core materials for sandwich constructions in its business unit 3A Composites. Its best-known brands are AIREX®, ALUCOBOND®, BALTEK®, CRYLON®, CRYLUX®, DIBOND®, FOREX®, GATOR®, KAPA® and PERSPEX®.

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

The bearer shares of Schweiter Technologies AG, Steinhausen 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 869.00 at the end of 2018, the company's market capitalization stood at CHF 1 244.2 million as of 31 December 2018.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2018 and is presented on pages 29 to 31 of the notes to the consolidated annual financial statements.

Treasury shares
No treasury shares were held by Schweiter Technologies AG as of 31 December 2018.

The 600 bearer shares, previously held in treasury, which had been segregated for share based payments, were released within the scope of the long-term incentive plan in March 2018.

Significant shareholders

As of 31 December 2018, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent disclosure notice)	**2018**	2017
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	< 3%	4.2%
Credit Suisse Funds AG, Zurich	< 3%	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. 120ff. FMIA (the Financial Market Infrastructure Act) during the 2018 financial year:

Voting rights of UBS Fund Management (Switzerland) AG, Basel, have been reduced below 3% due to a sale on 3 December 2018.

Voting rights of Credit Suisse Funds AG, Zurich, have been reduced to 2.99% due to a sale on 24 October 2018 (various other disclosure notices of Credit Suisse during the reporting period 2018 of changes in voting rights above and below 3 % are available on the SIX Swiss Exchange website).

Disclosure notices of Norges Bank (the Central Bank of Norway), Oslo, Norway: 3.09% of voting rights on 19 January 2018 (Collateral shares received), and 2.98% of voting rights on 22 January 2018 (Collateral shares returned).

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 2018 the ordinary share capital amounted to CHF 1 431 808. As of 31 December 2018 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 2018 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). Since then, the company's ordinary share capital remained unchanged and was at CHF 1 431 808 as of 31 December 2018, as well as of the reporting dates of the previous two years 31 December 2017 and 31 December 2016.

Conditional capital has remained unchanged at CHF 132 600 for the last three years. No authorized capital existed as of 31 December 2018, or on the reporting dates of the previous two years.

For details of changes in the consolidated shareholders' equity in financial years 2018 and 2017 reference is made to page 24 of the consolidated financial statements. The development of consolidated shareholders' equity in financial year 2016 is presented on page 24 of the 2017 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 2016 through 2018:

(in CHF 1000s)	Share capital	Reserves Agio / Capital contributions	Statutory capital reserves: Other capital reserves	Free retained earnings/profit	Own capital shares	Total equity
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**
Net income 2018				20 069		20 069
Dividend				–64 431		–64 431
Share-based payments					221	221
Balance as of 31 Dec. 2018	**1 432**	**63**	**3 167**	**480 357**	**0**	**485 019**

Shares, participation certificates and dividend-rights certificates

As of 31 December 2018 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 2018. 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 2018 financial year, the Board of Directors agreed a long-term incentive plan (LTI) over three years (2018–2020) with the members of Management and key employees within the Group. See pages 84 to 95 of the Compensation Report for details of the long-term incentive plan.

There are no option plans in place.

Board of Directors (as of 31 December 2018)

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 13 April 2018, 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 13 April 2018, 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 2018 financial year, Jacques Sanche re-assumed office as Chair of the Compensation Committee.

Members of the Board of Directors

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 member of the Board of Directors was member of the 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 member of the Board of Directors of Phoenix Mecano AG since 2003, member of the Board of Directors of Inficon Holding AG since 2010. From 2013 to 2018, he served as Chairman of the Board of Directors of Garaventa Accessibility AG. From 2008 to 2012, he was CEO of Satisloh and 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 from November 2011 to 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. Lukas Braunschweiler is Chairman of the Board of Directors of Tecan Group since 2018, member of the Board of Directors of Sulzer, member of the Board of Directors of Sonova and Chairman of the Board of Swiss Management Association (SMG). He studied at the Federal Institute of Technology (ETH) in Zurich, where he earned an MSc in analytical chemistry (1982) and a PhD in physical chemistry (1985).

Vanessa Frey
(born 1980, Swiss citizen)
Non-executive member of the Board of Directors since 2014.
Vanessa Frey has been CEO and member of the Board of Directors of Corisol Holding AG since 2007. She is member of the Boards of Directors of Inficon Holding AG, KWE Beteiligungen AG and the Zur Rose Group AG. Until 2018, Vanessa Frey was Vice President of Garaventa Accessibility 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 September 2017. He was CEO of the Sika Group from 2012 to 2017. From 1996, Jan Jenisch has held various management positions within the Sika Group, joining the company's Group Management in 2004. 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 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 member of the management board of WMH Walter Meier Holding AG, Stäfa (since 2018 Meier Tobler AG). Between 1997 and 2004 he held various executive management positions within the WMH Walter Meier Group (since 2018 Meier Tobler AG). 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 2018 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 usually attended by the CEO and the 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 four meetings were attended by the CFO. The CEO attended three meetings. 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 the Management are likewise not present during the part of the meeting where their own compensation is being decided. All meetings held in the 2018 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 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

Board of Directors

on average one day. In 2018, the Board of Directors held five meetings and one resolution made by circular came to a decision. In addition to the Board of Directors, the CEO attended all meetings during the financial year and the CFO attended four meetings. Other members of the Management will be 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.

As part of their supervisory functions and in the interests of the proper conduct of their duties, Board members attends division meeting of 3A Composites, which last on average half a day. In the year under review, three meetings were held; members of the Board of Directors, the Group CEO and the CFO attended all meetings. At these meetings, the 3A Composite management reports on the operational side of the business and on strategy. In discussing business performance, the management of 3A Composites presents risks that have been identified and are of relevance to the business 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 the 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 usually 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 35 to 37 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 (as of 31 December 2018)

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 member of the Board of Directors of Zur Rose Group AG since 2017 and member of the Board of Directors of United Grinding Group since 2018.

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

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

most recently as President of Alusuisse Composites and member of the Alusuisse Division Management. Within Alcan he headed the Alcan Composites Division and was member of the Alcan Engineered Products Division Management. Georg Reif is member of the Board of Directors of the SGV Group, Shiptec AG and ETH Zurich inspire AG.

Other activities and vested interests
During the year under review, the members of the 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 95 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 13 April 2018, elected Proxy Voting Services GmbH, Zurich, management Dr René Schwarzenbach, 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 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 11 April 2019, the company will again make it possible for shareholders to submit their voting instructions to the independent proxy in electronic

Shareholders' participation rights

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

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

Change of control and defence measures

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

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

Statutory auditor

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

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

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

Deloitte AG, Zurich, has been statutory and Group auditor for the company since 1994. The statutory auditor was re-elected by the Annual General Meeting held on 13 April 2018 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)	**2018**	2017
Auditing services [1]	695	740
Audit-related services	13	60
Total	**708**	**800**

[1] Auditing the consolidated financial statements, the holding company statements and the financial statements of the individual Group companies, of which CHF 90 000 is attributable to third-party auditors (in 2017: CHF 89 000)

Additional fees (in CHF 1000s)	**2018**	2017
Tax advice and compliance services	330	383
Transaction advice incl. due diligence	259	177
Total	**589**	**560**

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 2018 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 Technologies 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 (in German) can be found at:
www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

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The next Annual General Meeting will be held in Horgen on 11 April 2019.
The 2019 Semi-Annual Report is scheduled for publication in August 2019.

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