SCHWEITER TECHNOLOGIES

2019

Annual Report 2019

Board of Directors, Group Management, Statutory Auditor

Board of Directors

Term of office 11 April 2019 to 8 April 2020

Beat Siegrist	Chairman
Dr Lukas Braunschweiler	
Vanessa Frey	
Dr Jacques Sanche	

Group Management

Dr Heinz O. Baumgartner	Chief Executive Officer Group
Martin Klöti	Chief Financial Officer Group

Statutory Auditor

Deloitte AG, Zurich

Report of the Board of Directors

Dear shareholders

Given the general downturn in the world economy, 2019 was a successful year for Schweiter. Revenues rose to CHF 1 180 million and Group EBITDA came to around CHF 127 million – these were both records. The balance sheet is in solid shape with an equity ratio of 70% and cash and cash equivalents of around CHF 116 million.

These good figures reflect the success of a wide range of activities and measures. All businesses – first and foremost Core Materials – turned in an impressive performance. PET rigid foam has established itself as the better alternative to PVC as a core material for wind energy rotor blades. The business unit has two outstanding materials – owing to the expansion of PET production capacity and its own balsa wood plantations – that satisfy the ongoing high level of customer demand.

In Architecture, ALUCOBOND® celebrated its 50th anniversary in 2019; ALUCOBOND® remains the leading brand for premium aluminum composites panels and the one that is most often specified by architects. A large number of landmark buildings have been clad with ALUCOBOND® composite panels – for instance, the Beijing Daxing International Airport that was completed in 2019. The Architecture business in the USA performed especially well, with revenues up by more than 20%.

Displays reported muted demand in 2019 for acrylic glass, but the two Perspex companies in the UK were successfully integrated into the European organization and contributed substantially to revenue and earnings growth. The Mobility business generated the best sales in its history with an EBITDA margin of over 10%.

Schweiter once again invested continuously in production capacity and in research and development with the aim of expanding the existing product portfolio and developing new markets through innovation. About CHF 30 million was again invested this past year in new projects and plants in order to maintain the efficiency and competitiveness of the means of production. A new line came on stream in China for the manufacture of fire-retardant aluminum composite panels. Production sites were also relocated, for instance balsa conversion was moved from the USA to Ecuador.

Success in 2019 was founded on a strong corporate culture and highly capable and motivated teams that created added value for customers. The Board too wishes to extend its heartfelt thanks to all our employees.

A few words about sustainability. Schweiter firmly believes that sustainability is crucial for the environment and society. The pressure on all companies from many organizations and the public for sustainable conduct is growing. With our own plantations, recycled materials and light-weight construction in general and the associated lower use of materials and weight savings, we have long been committed to the principles of sustainability and offer concrete and measurable solutions.

The Board of Directors will propose paying a dividend of CHF 40 per bearer share to the Annual General Meeting on April 8, 2020. This corresponds to a total payout of about CHF 57 million. Schweiter will continue to pay an attractive dividend in addition to its investments in the group's organic growth and acquisitions. The payout ratio is determined by the target ratio of equity to debt financing as well as by the amount of planned capital spending.

It is difficult to provide any reliable forecast at the moment. However, all businesses have gotten off to a good start and are optimistic for 2020.

Yours sincerely

Beat Siegrist

Chairman

Financial overview

	2019	2018
Income statement (in CHF m)		
Orders received	1 202.3	1 052.4
Net revenues	1 179.6	1 047.4
EBITDA [1]	126.5	111.0
Operating result (EBIT)	88.6	82.2
Net income	62.6	60.3
Balance sheet (in CHF m)		
Total assets	1 050.5	1 036.8
Net operating assets [2]	595.5	574.7
Shareholders' equity	731.9	751.9
Cash and cash equivalents	115.7	108.1
Statement of cash flow (in CHF m)		
Cash flow from operating activity	104.3	60.7
Cash flow from investment activity	– 26.1	– 116.0
Free cash flow [3]	78.2	– 55.3
Key figures (in %)		
Return on sales [4]	10.7	10.6
RONOA [5]	14.9	14.3
Equity ratio [6]	69.7	72.5
Employees as of 31 December (Number)		
Total employees	4 185	3 947
Ratios per share (in CHF)		
26 Earnings per bearer share	43.73	42.10
Equity	511	525
Payout [7]	40.0	40.0
Stock market capitalization as of 31 December (in CHF m)		
Stock market capitalization	1 755.4	1 244.2

[1] Operating result plus depreciation of property, plant and equipment, impairment and amortization of intangible assets
[2] Trade receivables + inventories + property, plant and equipment – trade payables – prepayments received from customers
[3] Cash flow from operating activity + cash flow from investment activity
[4] EBITDA divided by net revenues
[5] EBIT divided by the average Net Operating Assets
[6] Shareholders' equity divided by total assets
[7] 2019: dividend proposal of the Board of Directors

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

Key figures

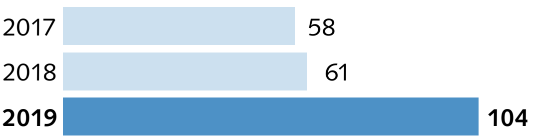
Orders received (in CHF m) [1)]

Net revenues (in CHF m) [1)]

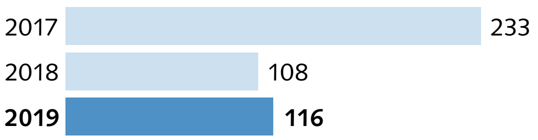
EBITDA (in CHF m) [1)]

Net income (in CHF m) [1)]

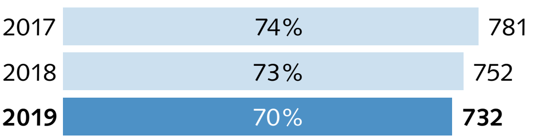
Cash flow from operating activity (in CHF m)



Cash and cash equivalents (in CHF m)



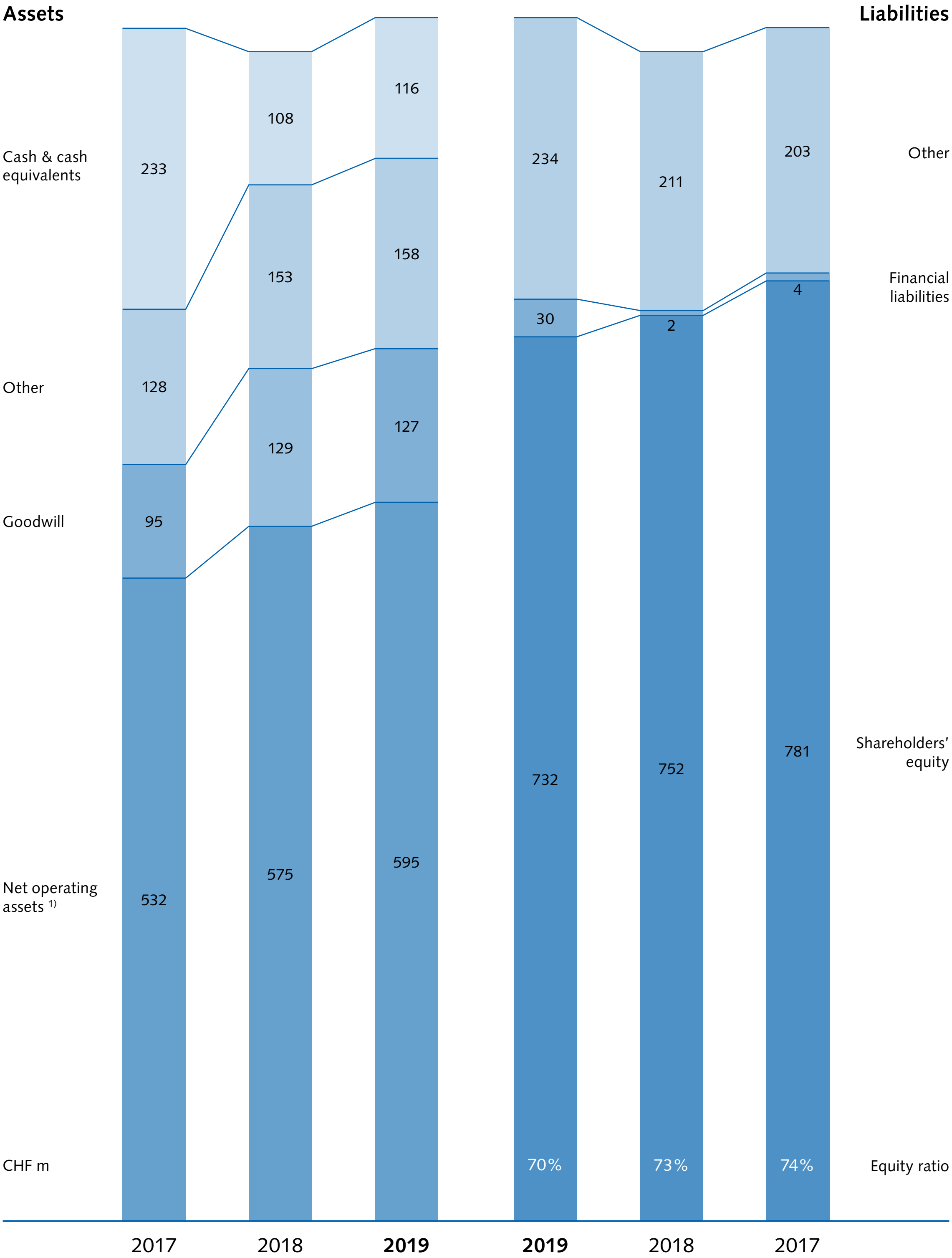
Equity (in CHF m) **/ Equity ratio**



Dividend payout in % of equity

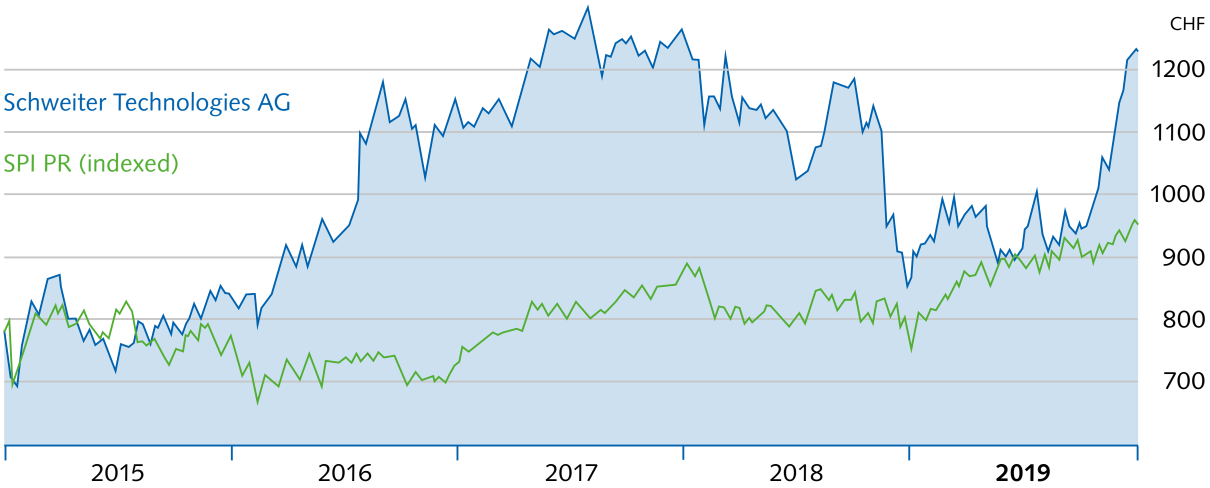
[1)] Continuing operations

Overview consolidated balance sheet



[1] Net operating assets = Trade receivables + inventories + property, plant and equipment – trade payables – prepayments received from customers

Share price and stock information



Key figures for 5 years	**2019**	2018	2017	2016	2015
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	1 431 808
Treasury shares	0	0	600	600	799
Share price					
Share price as of 31 December (in CHF)	1 226	869	1 264	1 150	848
Stock market capitalization					
as of 31 December (in CHF m)	1 755	1 244	1 810	1 647	1 213
Net income / loss					
per bearer share (in CHF)	44	42	120 [1]	49	35
Cash flow from operating activity					
per bearer share (in CHF)	73	42	41 [1]	68	46
Equity					
per bearer share (in CHF)	511	525	545	460	436
Distribution [2]					
Total amount (in CHF m)	57.3	57.3	64.4	57.3	57.3
per bearer share (in CHF)	40.0	40.0	45.0	40.0	40.0
Dividend payout					
in % of equity	7.8	7.6	8.2	8.7	9.2

[1] Including net income / cash flow from discontinued operations (SSM Textile Machinery)
[2] 2019 – proposal of the Board of Directors

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 in-house sales companies and distribution partners, 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 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.

Sustainability

Schweiter Technologies with its 3A Composites business stands for a sustainable future. The company develops, manufactures and markets high-quality composites, plastic sheets, foamboards as well as core materials based on balsa wood and PET foam. These products are not only robust and sturdy but also use resources efficiently. Their light-weight design is instrumental in reducing CO_2 emissions and lowering energy consumption. The materials from Schweiter Technologies are used in visual communication (displays), architecture, wind energy, construction, ship-building, and the automotive sector.

Main pillars of the sustainability strategy

Responsible conduct is one of the fundamental values of the corporate culture at Schweiter Technologies, a globally operating corporation. Sustainable commitments – economic, ecological and social – are fundamental corporate goals. For Schweiter Technologies being a reliable partner for its customers, employees and suppliers as well as for its shareholders and the public needs no explanation. The corporation thus aims at a holistic sustainability strategy in which it sets the following priorities:

Protection of human health and the environment at all Schweiter sites

Sustainable and efficient use of resources across the entire production cycle

Protection of the cultural heritage of communities in the countries and regions in which the company operates

Compliance with local legislation, rules and regulations and the internal Schweiter provisions (Code of Conduct)

Protection of human health and the environment

Fundamental to the innovation strategy of Schweiter Technologies is a concern for environmental issues and the related efforts to protect human health and to use resources efficiently.

The systematic and sustainable protection of natural resources and of the environment is of crucial importance to Schweiter Technologies. Schweiter applies stricter rules than are customary or required in the industry. The 3A Composites Core Materials business is an international pioneer in harvesting balsa wood from FSC®-certified plantations; in fact, it was the first core materials manufacturer to receive FSC® certification back in 2010.

Schweiter Technologies' own forestry companies cultivate several thousand hectares of FSC®-certified balsa wood in Ecuador (FSC-C019065) and Papua New Guinea (FSC-C125018). It adheres strictly to the principle of not clearing rain forests for new plantings, thus respecting nature, the forests, and water resources. You can find further information at the following link: https://www.3accorematerials.com/de/about

13 250 ha of FSC®-certified plantations

The discussion surrounding hazardous materials has intensified in recent years and has become a significant criterion for customers when making decisions. The gradual introduction of the REACH regulation (governing the registration and authorization of chemicals) has brought about a far-ranging restructuring of European chemicals policy, with the main aim being to protect human health and the environment. 3A Composites sees its top priority in the elimination of all hazardous processes and materials – substrates are only manufactured from raw materials that do not pose any risk for humans or the environment.

The three manufacturing facilities of 3A Composites in Germany and Switzerland have for many years been certified to ISO 14001, which defines the global requirements for environmental management. By closely linking the management systems for quality (ISO 9001), environmental protection (ISO 14001), and occupational safety (OHSAS 18001), 3A Composites has been able to smoothly integrate environmental tasks into its operating processes. These industry standards have been bundled together in a company-wide management system in the Safety, Health and Environmental Protection unit; the system is implemented globally at all 3A Composites sites. The program created by the company as a voluntary measure in 2003 now encompasses far more than just compliance with standards, focusing in particular on promoting a mindset of responsible conduct among all employees.

Waste avoidance, recycling and improving resource efficiency

A major priority for Schweiter Technologies is to make the various stages of production as environmentally friendly as possible. The focus is on resource efficiency and the systematic avoidance of waste. The recycling of raw materials in the manufacturing process and the recovery of production waste have been standard practice at Schweiter Technologies for years.

In Switzerland, 3A Composites has undertaken to increase energy efficiency and to significantly reduce specific CO_2 emissions at its Sins facility (Aargau) in the period from 2013-2020 for the manufacture of its leading brands AIREX® and FOREX®. It has significantly improved its environmental footprint through targeted measures that are designed on the one hand to reduce energy and water consumption and scale back waste and on the other to improve recycling systems.

The launch of the new AIREX® T92 foam series in 2019 marked a further milestone in the company's efforts to develop more environmentally friendly manufacturing. More than eight years ago,

Balsa plantations, 3A Composites PNG, Papua New Guinea

3A Composites brought to market the world's first CO_2-neutral core material, BALTEK® SBC-Balsa. Now, with the new AIREX® T92 foam series, it has succeeded, in addition to producing a foam core based on new PET material, in bringing out a PET foam core with excellent material properties using recycled PET bottles.

In China, a new strategic procurement program was launched in 2018 with the aim of ensuring that packaging suppliers of 3A Composites reduce their CO_2 emissions, minimize packaging waste, and increase efficiency by standardizing packaging sizes.

In the USA, at the High Point (North Carolina) site, the company set itself the goal in the past three years of achieving waste-free production and increasing energy efficiency.

In Ecuador, 3A Composites received the United Nations Global Compact Award in 2017 for projects designed to reduce CO_2 emissions and promote sustainable land use.

In Papua New Guinea, it introduced a new waste system in 2017 that makes it possible to recycle five tons of manufacturing waste a day that is generated in wood production. This has enabled the company not only to reduce dust emissions by 85% but also to scale back CO_2 emissions.

Protection of communities' cultural heritage

3A Composites is committed not only to conserving the natural environment but also to preserving and protecting the cultural heritage of communities in the countries and regions in which it operates. It is important to create a feeling of belonging among the employees and their families in Papua New Guinea and Ecuador, where 3A Composites cultivates and processes balsa wood, and to improve the quality of life in the communities.

In Papua New Guinea, for instance, the company has supported the construction of three kindergartens for more than 50 pre-school age children; in China, it provides targeted support of subsidized housing for the elderly. One of the principles of Schweiter Technologies is to ensure that its employees are paid appropriate and fair wages in all the countries in which the company operates.

over 50 pre-school age children received free education in Papua New Guinea

In Ecuador and Papua New Guinea, it actively supports campaigns of the Forest Stewardship Council (FSC) that are designed to raise environmental awareness, so as to create a better understanding of the FSC principles and values and to promote sustainable forestry.
You can find further information at the following link: www.3accorematerials.com/de/communities

Compliance with local legislation and code of conduct

Schweiter Technologies operates through its 3A Composites division in various countries in which it strictly complies with local legislation, regulations, and provisions. In addition, it has adopted a global code of conduct that applies throughout the company. The Code is binding on the Board of Directors, management, and employees as well as on the consultants and suppliers that work together with Schweiter Technologies.
The company's Global Code of Conduct can be accessed through the following link on the website: www.schweiter.ch/s1a203/corporate-governance/code-of-conduct.html

Group management report

Business performance

Driven by the acquisition of the Perspex companies at the end of 2018, net revenues rose to CHF 1 179.6 million (prior year: CHF 1 047.4 million), an increase of 13% (or 15% in local currencies). Adjusted for acquisitions and currency effects, organic growth came to 1%.

Group EBITDA rose by 14% to CHF 126.5 million (prior year: CHF 111.0 million) despite one-off integration costs, so that the return on sales improved to 10.7%. In organic and currency-adjusted terms, EBITDA was up by 7%. EBIT rose to CHF 88.6 million (prior year: CHF 82.2 million), while net income increased to CHF 62.6 million (prior year: CHF 60.3 million).

Operating cash flow came to about CHF 104 million, equivalent to a year-on-year increase of more than 70%. Cash and cash equivalents rose to around CHF 116 million following a dividend distribution of approximately CHF 57 million.

Headcount stood at 4 185 (prior year: 3 947), including 1 235 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea.

Schweiter Technologies once again invested continuously in production capacity and in research and development with the aim of expanding the existing product portfolio and developing new markets. In addition to measures designed to drive organic growth, Schweiter Technologies is making targeted acquisitions to ensure sustained expansion of its core composite materials business. The two Perspex companies in the UK were successfully integrated into the European organization and contributed substantially to sales and earnings growth.

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 Group companies 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 business activities is carried out at Group level. The risks identified are classified according to the criteria of probability of occurrence and potential impact. Where necessary, individual risks are analyzed in greater depth and measures are taken to minimize these risks.

The Board of Directors discusses the higher-ranking risks to the Schweiter Technologies Group at least once a year. The last risk assessment by the Board of Directors was performed in December 2019.

3A Composites Division

3A Composites manufactures extruded and cast plastic sheets, composite panels as well as core materials for composite structures and is focused on the display, architecture, wind energy, marine, transportation and industrial 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 each particular high-end segment and owns globally renowned brands such as ALUCOBOND®, AIREX®, BALTEK®, CRYLON®, CRYLUX®, DIBOND®, GATOR®, KAPA®, PERSPEX® etc.

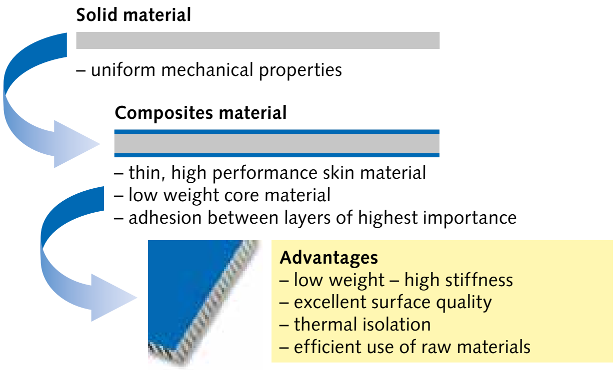
3A Composites

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 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 various niche applications where innovative composite material 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 needs in order to develop 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.

In addition to the clear specialization of the products by market, another of 3A Composites' strengths lies in the synergies generated by the raw materials used and in the cross-segment manufacturing processes it employs. These generate cost advantages over competitors who concentrate on individual markets with a narrow product range.

In certain cases, however, 3A Composites also integrates itself forward and/or backward if this offers strategic added value. To promote the acceptance of sandwich solutions in mass transportation applications, the company also selectively offers functionally integrated systems and whole components made of composite materials.

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

Review of 2019

Market for composite panels and refined semi-finished products

Display

Sales in the display business grew strongly owing to the acquisition of the Perspex companies in the UK at the end of 2018. The integration of the two acquired companies was promoted vigorously, thus raising the costs associated with harmonizing their processes and distribution structure with those of 3A Composites. Perspex, the leading manufacturer of cast acrylics, is a perfect fit for the existing product and brand portfolio.

Overall, the European economy grew sluggishly in 2019, as markets continued to be unsettled by

Group management report

ongoing trade conflicts and uncertainty over Brexit. The ongoing high level of consumer spending – crucial for demand in the display market – had a stabilizing effect.

Price trends in the display business usually track raw material prices with a certain time lag. Falling raw material prices helped the display business to increase its margins in the year under review although organic sales fell well short of the previous year in some cases.

The effect was particularly strong in the area of acryl-based display panels (CRYLON®, AKRYLON®, CRYLUX® and PERSPEX®). Trading demand was subdued as raw material prices in the acrylic segment declined over the course of the year. As a result, inventories across the entire supply chain were reduced to the minimum. The Display business maintained its leading market position in aluminum composite materials (DIBOND®, DILITE®, ALUCORE® and HYLITE®), even slightly improving on the prior year's strong sales volume. The foamsheet business (FOREX®, SMART-X® and FOAMALITE®) defended its market position amid intense competition. In the paperboard segment (KAPA® and DISPA®), in particular DISPA® benefited from the trend to sustainable material solutions for temporary advertising applications. The business posted gratifying sales increases for impact-resistant PET and polycarbonate-based panels (IMPEX®, HIPEX® and LUMEX®) and gained market share.

Sales in America were held back mainly by the generally challenging retail environment. Uncertainty caused by the trade dispute between the USA and China in general and a lack of confidence in the

Installation "Aglow" by Liz West,
coloured acrylic bowls, PERSPEX® Fluorescent

3A Composites

further expansion of the US economy in particular led to a decline in display renewals in the retail sector, which is a key sales driver.
However, the leading market position of 3A Composites, which is based on its comprehensive product portfolio and broad market coverage, gives the business a stable competitive position on both continents despite more difficult market conditions.

Architecture

ALUCOBOND® celebrated its 50th anniversary in 2019. The first major building whose façade was clad in ALUCOBOND® still enjoys a snow-white, timelessly modern appearance. Since 1969 ALUCOBOND® has been offering solutions globally for a wide range of demands in façade design and is unique in combining a high degree of functionality with creative freedom in colors and shapes.

Sales in the Architecture business in the year under review were very mixed regionally. Whereas the USA posted double-digit sales growth, the European and Asian markets lagged behind the strong prior-year figures.

Although the European construction business registered growth in 2019, the momentum slowed down compared with the strong expansion reported in some previous years. Persistently low interest rates, pent-up demand in infrastructure projects plus modernization and maintenance measures in existing construction had a positive impact on building activity. However, in regions with a high level of building activity, further expansion was held in check by builders' capacity limitations.

Sales of ALUCOBOND® in Germany, Switzerland, and Austria were again appreciably higher than the prior year's strong performance. France and Benelux also saw an increase in the number of projects and hence of sales too. Volumes in southern Europe were likewise slightly above the prior year. On the other hand, uncertainty over Brexit led to a slowdown in the construction sector in the UK, which saw a marked downturn in new builds along with postponements of building projects. In addition, the previously booming construction sector in Turkey also reported only a few projects. The same was true for the export market Australia, where muted economic growth and in particular ongoing efforts at the national level to modernize local building regulations had a negative impact.

The Architecture business penetrated further markets in Asia. Two major projects in China that were carried out in the previous year could not be repeated on the same scale in 2019. India had a particularly difficult year in which tougher local competition exacerbated a deteriorating general market situation. Overcapacity in the office building and luxury residence sectors along with financing bottlenecks in the private building sector resulted in postponements of current projects and a downturn

COMFLOOR® - floor panels
with integrated heating system for rail and road vehicles

in the number of new builds. On the other hand, the trend especially in Egypt and Saudi Arabia was encouraging, as were the Far Eastern markets of Vietnam and Malaysia. A positive feature were the numerous airport projects in Asia, where ALUCOBOND® and ALUCORE® are regularly used with success.

Sales in the American market expanded by close to 20%, and the segment gained further market share. 3A Composites holds a leading position in architects' specifications for new builds and renovations. The sales growth was supported by strategically expanded partnerships with selected distribution partners and an improved service offering. Moreover, the sustained trend to high-value, flame-retardant or non-combustible cladding continues to favor 3A Composites' position as the market's quality leader.

Market for core material for sandwich applications

The outstanding feature in the past business year was the very high growth momentum in all regions. In particular, the steep rise in demand for core materials for the wind energy sector led to very high plant capacity utilization, with some facilities working close to their capacity limits. Moreover, the US marine market repeated its success from the previous year, posting further sales gains. What's more, global demand grew for weight-saving solutions for applications in the areas of transportation and construction.

The global increase in demand for core materials in general and for balsa in particular triggered a sharp increase in the price of balsa lumber, which in some cases destabilized the entire supply chain. Thanks to the unique situation of 3A Composites, which satisfies its demand largely with balsa wood from its own plantations in Ecuador and Papua New Guinea, the business was not as seriously affected by higher raw material prices and bottlenecks in balsa wood procurement as were its competitors.

3A Composites is continuing its advance in the area of sustainability by lending its support to developing a more environmentally friendly industry. The division launched the world's first CO_2-neutral core material, BALTEK® SBC Balsa, more than eight years ago; in the second half of 2019, it followed this up with the new AIREX® T92 foam series, manufactured partly from recycled PET bottles.

The business success is built on reliable partnerships with our customers, innovative products, strong brands, and a network of efficient production sites aligned geographically to our main markets, and these factors were instrumental in driving better-than-average profitability in the 2019 business year.

Wind energy

Renewable energies are far and away the fastest growing source of energy; it is expected that the proportion accounted for by wind energy will increase further in the coming years. Against this background, turbine manufacturers are speeding up the launch of new products with the aim of reducing electricity generation costs.

3A Composites remains the clear market leader for core materials for wind turbines, with a systematic focus on PET foams and balsa materials. 3A Composites is the world's largest balsa wood plantation owner, with efficiently managed plantations in Ecuador and Papua New Guinea, and this unique selling proposition enables it to provide a stable and reliable supply of balsa products to its customers.

Demand for core materials for wind turbines grew significantly in all regions. The two largest wind energy markets, China and the USA, were instrumental in generating growth in the double-digit range.

3A Composites

Non-wind – marine, transportation, construction, industry, and fitness

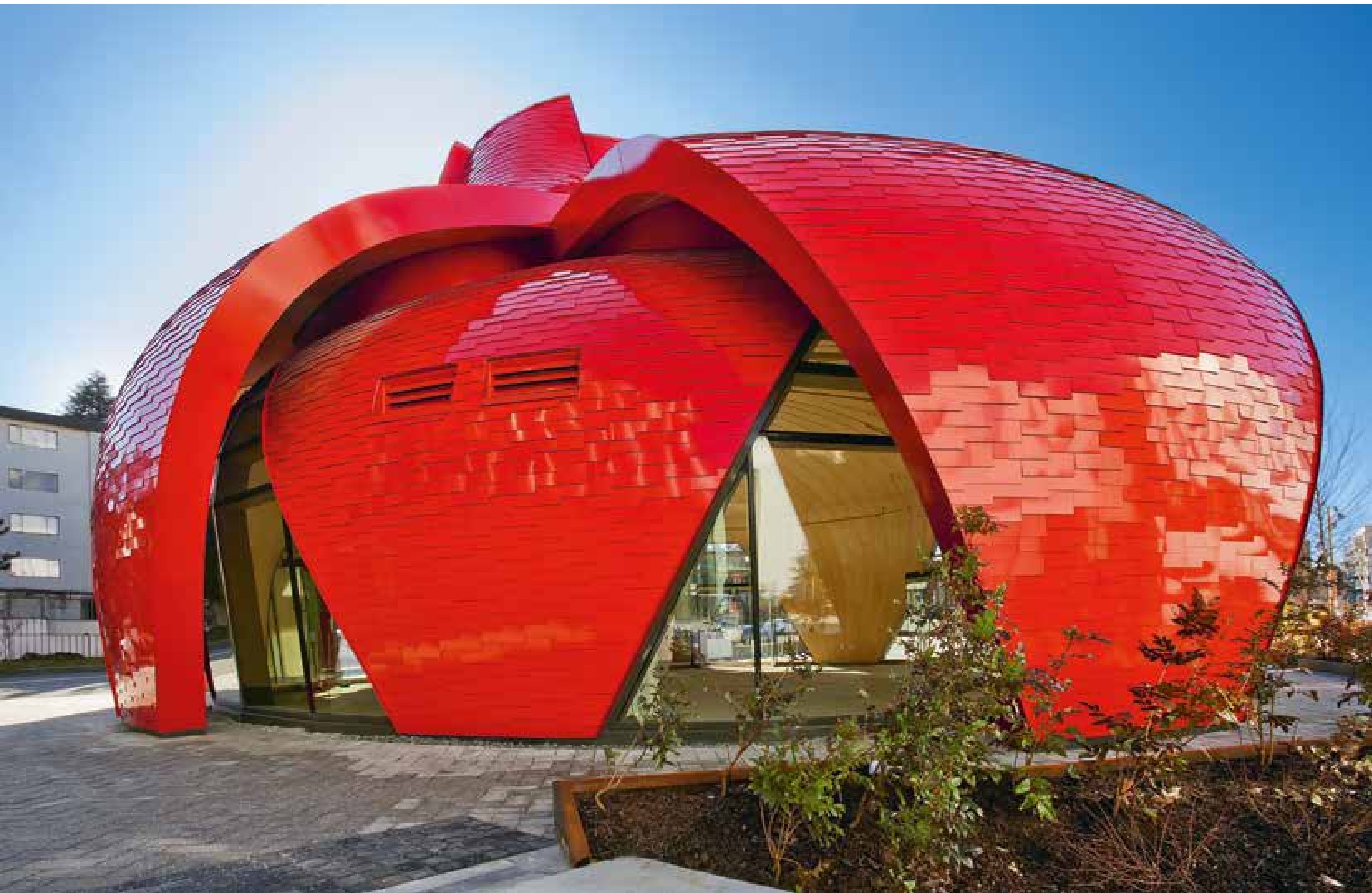
Growth in the global marine market – especially in the USA – continued apace in 2019. According to the National Marine Manufacturers Association (NMMA), 2019 was the second best year for the sale of boats in the USA in the last decade.

In the Automotive segment, contracts have been signed with various European car manufacturers for new models that will incorporate lightweight KAPA® foam boards. The trend to weight-saving solutions for various applications in the transportation sector has been instrumental in lifting sales, although some key areas such as the truck business saw the first signs of an economic downturn in the second half.

The segment of multilayer plastic sheets (ATHLONExtrusions™), which is designed to provide optical quality along with moldability, reported a very positive sales trend. Volumes rose strongly despite the ongoing uncertainty surrounding Brexit in the core market Great Britain. The focus on market opportunities in the area of industrial applications and as a supplier of sanitary ware was stepped up by pooling distribution activities.

Sales of fitness and gymnastic mats increased in 2019 thanks to a greater focus on key markets, closer cooperation with selected distribution partners, and repositioning of the AIREX® brand, which embodies the brand promise of manufacturing Swiss products of the highest quality.

Great Northern Way Pavilion, Vancouver, Canada, ALUCOBOND® Spectra



Market for structural components / system components

The Mobility business posted the most successful year in its history. Sales registered double-digit growth, while profitability grew at a faster rate than it had the previous year thanks to ongoing firm demand for weight-saving solutions for buses, campers, and trains.

With a rise of close to 40%, the Road vehicles market segment, which encompasses systems for buses, campers and electromobility, contributed the lion's share of the sales growth. A number of elements factored into the steep sales increase: customers' continuing good order backlog in general but more particularly rising volumes in the new product group light-weight chassis for bus and camping vehicles along with increasing demand for light-weight components for electric buses.

Rail vehicles with the product groups train front ends, sandwich systems and interior components still represents the largest market segment of the Mobility business and grew overall by more than 20%, though the contribution of the individual product groups was very mixed. The product group of function-integrated sandwich systems such as floors and roofs delivered the highest growth rate in this market segment, close to 60%. This steep increase in sales was due mainly to a build-up of large projects in both Asia and Europe. The train front end business reported growth in the upper single-digit range despite tougher competition from countries such as Turkey. Key factors for this success were once again the close partnership with a major rail vehicle manufacturer plus the focus on challenging projects in which Mobility can reap the full benefits of its engineering competencies. The product group Rail vehicle interiors reported a further decline in sales owing to flagging customer demand. The restructuring of this business began in the previous year, and first signs of success with new metal-based composite systems are already being seen.

Product range / capacity

The expansion of the product range, delivering innovative composites for the market segments Display, Architecture, Transportation and Industry was pushed ahead; new core materials for composite constructions were launched; and new fire-

3A Composites

retardant, function-integrated sandwich systems for floors and roofs of rail vehicles were developed.

Production plants at several sites in Europe, the USA and Asia were upgraded or expanded. These investments will not only enable the Group to increase production capacity and raise production efficiency but at the same time to launch better and more environmentally friendly products on the market. A good example of this development is the new AIREX® T92 foam series, which is manufactured from used PET bottles at the production site in Sins.

Beijing Daxing International Airport, Beijing, China
ALUCOBOND® PLUS, ALUCORE®, Architect: ADP Ingénierie

Organization

There are virtually no changes to the lean, decentralized organization. The Perspex companies in the UK acquired at the end of 2018 were successfully integrated into the European organization.

Another production facility in China – Airex Composites Ltd – was founded that will produce PET foams for the Asian market starting in late 2020. This is a response to the sustained firm demand for core materials for wind energy plants and other applications outside the wind energy business. 3A Composites now has three production plants for high-end PET foams in its main markets Europe, North America, and China.

Outlook

The economic forecasts show a mixed outlook for the European and American display markets. On the one hand, digitization in the commercial field is transforming the classic high-street store, creating larger flagship stores, stronger discount chains, and a greater percentage of sales via the internet. On the other hand, structural growth in the area Hotel & Hospitality is expected to hold up, with a trend to increasingly higher-value and fast-changing interior fittings. 3A Composites, with its comprehensive product portfolio, strong market position, and focused marketing, is well situated to benefit from this trend and at the same time to develop new opportunities in industrial and residential applications.

High priority is given to promoting product innovations while reviewing and adapting the range in line with long-term market trends. Systematic productivity improvements and a reduction in material consumption are required to offset higher production costs and to shape the trend towards sustainable products.

The outlook for Europe's construction market remains upbeat for the coming year, even though growth rates are expected to be modest. Following years of strong growth in new building activity, the maintenance and modernization segment should experience an uptick in demand. In view of the ongoing trend to architecturally challenging façade design, which has to satisfy functional requirements while also lending the building a unique character, digital planning tools and new surfaces have been developed to support both the distribution and architects in implementing their creative concepts.

Further growth is predicted for the US architecture market in 2020. In particular, segments such as

K Fair 2019, Germany, various PERSPEX® acrylic glass sheets

3A Composites

hospitals and airports, which are typically outfitted with façades made of aluminum composites, should witness an increase in demand. As a result, 3A Composites in North America anticipates continued sales growth that will receive support from an expanded product range with new surfaces, an adjusted distribution structure launched the previous year, and a broader customer base.

A number of factors are expected to impact the Asia-Pacific architecture market. The government in India has taken measures to support the private sector, and this should be reflected in postponed projects being restarted. In the Middle East, it is expected that demand for high-end façade elements in the United Arab Emirates will increase.

The main motor for growth in the Asian architecture market will, as in the past, be China, where a full project pipeline with a healthy mix of public and private sector projects is a good indicator of further expansion.

The outlook for the market in core materials for composite constructions calls for continued growth on the strength of ongoing firm demand in wind energy and new applications in the non-wind area. 3A Composites has a strong market position in balsa and PET core materials and is well positioned to maintain a sustainable supply to customers owing to its own balsa plantations in Ecuador and Papua New Guinea and the expansion of PET production capacity.

Management

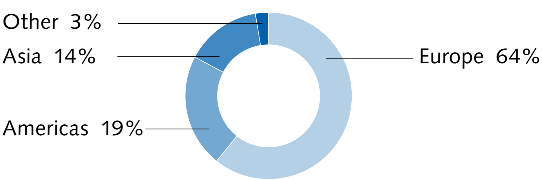
Dr Heinz O. Baumgartner	Chief Executive Officer 3A Composites
Graham Fizer	Chief Executive Officer Display & Architecture Americas
Eric Gauthier	Chief Executive Officer Core Materials
Dr Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Martin Klöti	Chief Financial Officer
Dr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

Employees (at year-end)

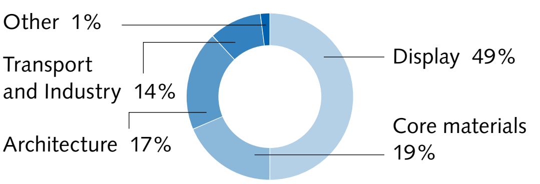
2019	2018	2017	2016	2015
4 178	3 940	3 779	4 080	4 432
[1] 1 235	[1] 946	[1] 1 147	[1] 1 649	[1] 1 977

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

Sales markets 2019 (in %)



Net revenues 2019 by operations (in %)



Consolidated financial statements of Schweiter Technologies AG

Consolidated balance sheet as of 31 December 2019

	Assets (in CHF 1000s)	**2019**	%	2018	%
	Current assets				
1	Cash and cash equivalents	115 745		108 093	
2	Trade receivables	167 780		169 993	
	Current income tax receivables	6 394		5 594	
	Advances to suppliers	5 596		5 492	
3	Other receivables	17 954		16 233	
	Prepaid expenses and accrued income	4 636		6 352	
4	Inventories	180 098		196 879	
	Total current assets	**498 203**	47.4	**508 636**	49.1
	Non-current assets				
5	Property, plant and equipment	301 731		279 179	
6	Biological assets	37 357		34 708	
	Financial assets	890		1 545	
24	Deferred tax assets	18 796		16 845	
7	Intangible assets (incl. goodwill)	193 474		195 903	
	Total non-current assets	**552 248**	52.6	**528 180**	50.9
	Total assets	**1 050 451**		**1 036 816**	
	Liabilities and shareholders' equity (in CHF 1000s)				
	Current liabilities				
8	Current financial liabilities	8 176		1 078	
	Trade payables	51 942		67 965	
	Prepayments received from customers	2 200		3 396	
9	Other payables	11 450		10 734	
10	Accrued expenses and deferred income	54 132		51 325	
15	Current provisions	4 611		5 422	
	Current income tax payables	19 627		18 776	
	Total current liabilities	**152 138**	14.5	**158 696**	15.3
11	Non-current financial liabilities	21 888		1 111	
	Other long-term payables	2 177		0	
24	Deferred tax liabilities	31 146		31 580	
15	Non-current provisions	15 607		18 362	
14	Employee benefits	95 556		75 186	
	Total non-current liabilities	**166 374**	15.8	**126 239**	12.2
	Total liabilities	**318 512**	30.3	**284 935**	27.5
	Shareholders' equity				
16	Share capital	1 432		1 432	
	Retained earnings	775 525		784 251	
	Currency translation adjustments	– 45 018		– 33 802	
	Total shareholders' equity	**731 939**	69.7	**751 881**	72.5
	Total liabilities and shareholders' equity	**1 050 451**		**1 036 816**	

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

Consolidated income statement for the financial year 2019

	(in CHF 1000s)	2019	%	2018	%
18	**Net revenues**	**1 179 602**	101.1	**1 047 390**	99.5
	Change in inventories of semi-finished and finished goods	– 12 794	– 1.1	4 874	0.5
	Total operating income	**1 166 808**	100.0	**1 052 264**	100.0
	Material expenses	– 633 517	– 54.3	– 586 553	– 55.8
	Personnel expenses	– 220 099	– 18.9	– 186 452	– 17.7
19	Other operating expenses	– 195 320	– 16.7	– 177 910	– 16.9
20	Other operating income	8 620	0.7	9 641	0.9
21	Depreciation and amortization	– 37 923	– 3.2	– 28 741	– 2.7
	Operating result (EBIT)	**88 569**	7.6	**82 249**	7.8
22	Financial income	673	0.1	786	0.1
23	Financial expenses	– 7 369	– 0.6	– 5 697	– 0.6
	Income before taxes	**81 873**	7.1	**77 338**	7.3
24	Income taxes	– 19 263	– 1.7	– 17 069	– 1.6
	Net income	**62 610**	5.4	**60 269**	5.7
26	**Earnings per share** (in CHF)				
	– undiluted	43.73		42.10	
	– diluted	43.73		42.09	

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

Consolidated statement of comprehensive income for the financial year 2019

(in CHF 1000s)	**2019**	2018
Net income	**62 610**	**60 269**
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	– 11 216	– 15 805
– Tax effect	0	0
Total	– 11 216	– 15 805
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial (losses) / gains on defined benefit plans	– 18 544	– 5 781
– Tax effect	4 431	585
Total	– 14 113	– 5 196
Total other comprehensive income	**– 25 329**	**– 21 001**
Comprehensive income	**37 281**	**39 268**

Consolidated statement of cash flows for the financial year 2019

	(in CHF 1000s)	**2019**	2018
	Net income	62 610	60 269
21	Depreciation and amortization	37 923	28 741
	Change in provisions and employee benefits	647	– 12 464
	Gain from sale of property, plant and equipment	– 103	– 2 161
	Other positions not impacting cash	– 7 929	– 9 100
22	Financial income	– 673	– 786
23	Financial expenses	7 369	5 697
24	Income taxes	19 263	17 069
	Change in working capital:		
	Change in trade receivables	– 904	737
	Change in other receivables and accruals	– 1 724	4 951
	Change in inventories and work in progress	14 861	– 5 481
	Change in trade payables	– 14 974	– 4 855
	Change in other liabilities	4 143	– 2 494
	Income taxes paid	– 16 244	– 19 427
	Cash flow from operating activity	**104 265**	**60 696**
	Repayment of purchase of subsidiaries	893	0
25	Purchase of subsidiaries	– 1 667	– 105 250
	Purchase of intangible assets	– 318	– 375
	Purchase of property, plant and equipment	– 27 026	– 22 184
	Proceeds from sale of property, plant and equipment	524	11 751
	Repayment of financial assets	932	108
	Increase in financial assets	– 96	– 860
	Interest received	654	765
	Cash flow from investment activity	**– 26 104**	**– 116 045**
	Repayment leasing liabilities	– 8 147	– 1 183
28	Increase in current financial liabilities	20 000	0
28	Repayment of current financial liabilities	– 20 000	0
	Increase in non-current financial liabilities	0	200
	Interest paid	– 2 831	– 933
16	Dividend paid	– 57 269	– 64 423
	Cash flow from financing activity	**– 68 247**	**– 66 339**
	Currency exchange differences on cash and cash equivalent	– 2 262	– 3 370
	Change in cash and cash equivalents	**7 652**	**– 125 058**
	Cash and cash equivalents as of 1 January	108 093	233 151
	Cash and cash equivalents as of 31 December	**115 745**	**108 093**

Amounts reported in previous year have been reclassified to the new presentation of the cash flow statement.

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

Consolidated statement of changes in equity

	(in CHF 1000s)	Share capital	Treasury shares	Retained earnings	Currency translation difference	Total share-holders' equity
	Balance as of 1 January 2018	**1 432**	**– 221**	**793 710**	**– 17 997**	**776 924**
	Net income			60 269		60 269
	Other comprehensive income	*0*	*0*	*– 5 196*	*– 15 805*	*– 21 001*
	Comprehensive income	*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**	**784 251**	**– 33 802**	**751 881**
	Net income			62 610		62 610
	Other comprehensive income	*0*	*0*	*– 14 113*	*– 11 216*	*– 25 329*
	Comprehensive income	*0*	*0*	*48 497*	*– 11 216*	*37 281*
17	Share-based remuneration			49		49
	Dividend			– 57 272		– 57 272
	Balance as of 31 December 2019	**1 432**	**0**	**775 525**	**– 45 018**	**731 939**

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

Notes to the consolidated financial statements 2019

Accounting policies

General

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

The main activities include the development, production and worldwide distribution of extruded and cast plastic sheets, composite panels and core materials for composite structures.

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 2019:

New standards

IFRS 16	Leases	
IFRIC 23	Uncertainty over Income Tax Treatments	[1]

[1] There are no or no material effects on the consolidated financial statements of Schweiter Technologies

IFRS 16 Leases

Schweiter Technologies applied IFRS 16 for the first time as of 1 January 2019, using the modified retrospective approach. Applying this method, the comparative information for the 2018 fiscal year has not been restated. The previous assessment pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease has been maintained for existing contracts. For the measurement of the right-of-use asset at the date of first-time application, initial direct costs were not taken into account.

The following table presents the reconciliation of lease liabilities as of 1 January 2019:

Reconciliation of lease liabilities pursuant to IFRS 16 (in CHF m)

Minimum lease payments under operating leases as of 31 December 2018	39.0
Short-term leases with a lease term of 12 months or less	– 1.2
Leases of low-value assets	– 0.1
Effect from discounting at the incremental borrowing rates as of 1 January 2019	– 6.2
Lease liabilities due to initial application of IFRS 16 as of 1 January 2019	**31.5**
Lease liabilities from finance leases as of 31 December 2018	0.7
Total lease liabilities as of 1 January 2019	**32.2**

The weighted-average incremental borrowing rate for lease liabilities initially recognized as of 1 January 2019 was approximately 9%.

Amendments to standards

IAS 19	Plan Amendments, Curtailment or Settlement	[1]
IAS 28	Long-term Interests in Associates and Joint Ventures	[1]
IFRS 9	Prepayment Features with Negative Compensation	[1]
Miscellaneous	Amendments resulting from the Annual Improvement Projects	[1]

[1] No or no material effects are expected 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 17	Insurance contracts	1 January 2021	Financial year 2021	[1]
Amendments to standards				
IFRS 3	Definition of a Business	1 January 2020	Financial year 2020	[1]
IAS 1 and IAS 8	Definition of Material	1 January 2020	Financial year 2020	[1]
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1 January 2020	Financial year 2020	[1]

[1] 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 2019 and 31 December 2018. 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

Changes in financial year **2019:**

Acquisitions: On 31 July 2019, PGS Ecuador SA was acquired (see note 25).

Spin-offs: As of 24 June 2019, 3A Composites Mobility AG was spun off from Airex AG.

Foundations: As of 11 December 2019, Airex Composites Ltd. was founded.

Liquidations: As of 26 June 2019, Reforestaciones e Industrias Reforei S.A was liquidated.

Changes in financial year 2018:

Acquisitions: On 28 December 2018, Perspex International Ltd. and Perspex Distribution Ltd. were acquired (see note 25).

Mergers: As of 30 June 2018, 3A Technology & Management AG was merged into 3A Composites International AG.
As of 23 November 2018, Polycasa France SARL was merged into Polycasa France SA.

Divestments: As of 30 October 2018, Banova Innovaciones en Balsa S.A. was sold, which did not constitute a major investment.

Scope of consolidation

The following companies were fully consolidated as of 31 December:

				Investments	
Company	Purpose	Share capital in 1000s		**2019**	2018
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	100	100%	100%
Airex AG Sins, Switzerland	Production and distribution	CHF	5 000	100%	100%
3A Composites Mobility AG Altenrhein, Switzerland	Production and distribution	CHF	1 000	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%

Accounting policies

Company	Purpose	Share capital in 1000s		Investments 2019	Investments 2018
Polycasa Nischwitz GmbH Nischwitz, Germany	Production and distribution	EUR	562	100%	100%
Polycasa Holdings GmbH Mainz, Germany	Holding company	EUR	25	100%	100%
Foamalite Ltd. Loch Gowna, Ireland	Production and distribution	EUR	1 905	100%	100%
Athlone Extrusions Ltd. Athlone, Ireland	Production and distribution	EUR	0.001	100%	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%	100%
Perspex Distribution Ltd. Darwen, United Kingdom	Distribution	GBP	1	100%	100%
Polycasa N.V. Geel, Belgium	Distribution	EUR	91 709	100%	100%
Polycasa Spain S.A.U. Montcada i Reixac, Spain	Production and distribution	EUR	12 188	100%	100%
Polycasa Slovakia sro Žilina, Slovakia	Production and distribution	EUR	4 485	100%	100%
Polycasa Ltd. Leeds, 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 2019	Investments 2018
3A Composites Mobility SA Mielec, Poland	Production and distribution	PLN	4124	100%	100%
3A Composites Holding Inc. Wilmington, DE, USA	Holding company	USD	0.1	100%	100%
Baltek Inc. Wilmington, DE, USA	Production and distribution	USD	0.05	100%	100%
3A Composites USA Inc. St. Louis, MI, USA	Production and distribution	USD	1	100%	100%
Alucobond (Far East) Pte. Ltd. Singapore	Distribution	USD	58314	100%	100%
PT. Alucobond Far East Indonesia Tangerang, Indonesia	Distribution	IDR	2500000	100%	100%
Alucobond Asia Pacific Management (Shanghai) Ltd., China	Management	USD	2500	100%	100%
3A Composites (China) Ltd. Shanghai, China	Production and distribution	USD	20000	100%	100%
Alucobond Composites (Jiangsu) Ltd. Changzhou, China	Production and distribution	USD	10000	100%	100%
Airex Composites Ltd. Changzhou, China	Production and distribution	USD	12000	100%	–
3A Composites India Pte. Ltd. Mumbai, India	Production and distribution	INR	70098	100%	100%
3A Composites PNG Ltd. Port Moresby, Papua New Guinea	Production and distribution	PGK	14000	100%	100%
Plantaciones de Balsa Plantabal S.A. Guayaquil, Ecuador	Production	USD	69849	100%	100%
Reforestaciones e Industrias Reforei S.A. Santo Domingo, Ecuador	Production and distribution	USD	50	–	100%
PGS Ecuador S.A. Quevedo, Ecuador	Production and distribution	USD	80	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.

Foreign exchange differences arising from long-term intercompany loans that form part of the net investment in a foreign operation are recognized in other comprehensive income. Foreign exchange differences that were recorded in equity are recognized in the income statement when the Group loses control over a foreign operation.

The following exchange rates were applied (in CHF)				Year-end rate 31.12. for the balance sheet		Average rate for the income statement	
				2019	2018	**2019**	2018
USA	Dollar	USD	1	0.967	0.983	0.994	0.979
EU	Euro	EUR	1	1.085	1.125	1.112	1.155
GB	Pound	GBP	1	1.276	1.249	1.268	1.306
China	Yuan	CNY	1	0.139	0.143	0.144	0.148
India	Rupee	INR	100	1.356	1.410	1.411	1.432

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 recognized and disclosed in accordance with the requirements of IFRS 16 Leases. The leased asset is depreciated over the lease term or, if shorter, over the useful life.

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 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.

Accounting policies

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

The estimated useful life is as follows:

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

Since no end to the useful life of the protected brand names AIREX®, ALUCOBOND®, BALTEK®, DIBOND®, GATOR®, AKRYLON®, 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.

Leases

Leases are recognized in accordance with the requirements of IFRS 16 Leases. All leases and the associated contractual rights and obligations are recognized in the lessee's balance sheet.

For leases with terms not exceeding twelve months and for leases of low-value assets, the Group has exercised the optional application exemptions. The lease payments under these contracts are generally recognized on a straight-line basis over the lease term as other operating expenses. The Group is using the option and recognizes all lease and non-lease components as a lease. A single discount rate is applied to a portfolio of leases with similar characteristics.

Some property leases contain extension options exercisable before the end of the non-cancellable contract period. At the commencement date, it is assessed whether it is reasonably certain to exercise the extension option.

If the expected lease payments change as a result of index-linked considerations, for example, or on the basis of new assessments of contractual options, the liability is remeasured. The adjustment to the new carrying amount generally takes place with no impact on profit or loss, with a corresponding adjustment to the right-of-use asset.

Lease arrangements in which Schweiter Technologies is the lessor are classified as operating leases. The leased asset continues to be presented on the balance sheet and the lease payments are generally recognized as income on a straight-line basis over the lease term.

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. These include 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 at the 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 euro and the US dollar. 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.

Accounting policies

If the Swiss franc had been 5% stronger/weaker against the euro [US dollar] on 31 December 2019 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 3.2 million [CHF 1.0 million] (previous year: CHF 7.6 million [CHF 1.2 million]) and shareholders' equity would have been higher/lower by CHF 10.3 million [CHF 5.2 million] (previous year: CHF 7.0 million [CHF 5.3 million]).

Interest rate risks

As the Group had positive net liabilities as of 31 December 2019, 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 or fall in interest rates would increase/reduce the interest result by around CHF 0.9 million (previous year: CHF 1.1 million).

Credit risks

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

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

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

Liquidity risk

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

As of 31 December 2019 and 31 December 2018, 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 2019: carrying amount and cash outflows

		Cash outflows			
(in CHF 1000s)	Carrying amount **31.12.2019**	Total	Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	267	263	263		
Current leases	7 909	9 938	9 938		
Trade payables	51 942	51 942	51 942		
Other liabilities	6 295	6 295	6 295		
Non-current financial liabilities	160	160		75	85
Non-current leases	21 728	29 394		21 553	7 841
Other non-current liabilities	2 177	2 177		2 177	
Total	**90 478**	**100 169**	**68 438**	**23 805**	**7 926**

Financial liabilities 2018: carrying amount and cash outflows			Cash outflows		
(in CHF 1000s)	Carrying amount 31.12.2018	Total	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**

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.

Accounting policies

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 assessment of volume risks, technical risks, and price-related risks. Where necessary, the parameters are adjusted.

Biological assets

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

Equity-like loans

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

Exchange rate differences arising from such loans are recognized 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 2019

	(in CHF millions) **Operations**	3A Composites	Other/ Eliminations	Group
	Net revenues	1 179.6	0.0	1 179.6
	Operating income	1 166.8	0.0	1 166.8
21	Depreciation and amortization	– 37.9	0.0	– 37.9
21	Impairment	0.0	0.0	0.0
	Operating result (EBIT)	**89.9**	**– 1.3**	**88.6**
	Financial income			0.7
	Financial expenses			– 7.4
	Income before taxes			**81.9**
	Income taxes			– 19.3
	Net income			**62.6**
	Capital expenditure in property, plant and equipment	26.3	0.0	26.3
	Capital expenditure in intangible assets	0.5	0.0	0.5
	Total capital expenditure	**26.8**	**0.0**	**26.8**
	Assets	1 039.2	11.3	1 050.5
	Liabilities	649.7	– 331.2	318.5
	Employees at year-end	4 178	7	4 185

Geographical information 2019 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [1)]	754.7	224.0	169.6	31.3	**1 179.6**
Assets	685.4	237.1	114.6	13.4	**1 050.5**

[1)] The revenues in Switzerland are insignificant.

Information on major customers 2019

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

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.

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2019**	2018
CHF	18 432	16 323
EUR	40 957	42 923
USD	18 535	18 376
CNY	12 616	7 860
Other	25 205	22 611
Total	**115 745**	**108 093**

Cash and cash equivalents consist of cash deposits with banks and in postal check accounts, with an interest range from 0% to 5%. Cash deposits in INR carry the highest interest rate.

2 **Trade receivables** (in CHF 1000s)	**2019**	2018
Total trade receivables	175 880	180 330
– less allowance for doubtful accounts	– 8 100	– 10 337
Total trade receivables – net	**167 780**	**169 993**

Age analysis of trade receivables **2019:** (in CHF 1000s)	Gross **31.12.2019**	Bad debt allowance **31.12.2019**	Net **31.12.2019**
Not due	149 057	0	149 057
Overdue up to one month	14 546	– 734	13 812
Overdue between 1 and 2 months	3 577	– 686	2 891
Overdue between 2 and 3 months	688	– 296	392
more than 3 months overdue	8 012	– 6 384	1 628
Total overdue	*26 823*	*– 8 100*	*18 723*
Total	**175 880**	**– 8 100**	**167 780**

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**

Changes in the value adjustment for doubtful accounts:	**2019**	2018
Balance as of 1 January	10 337	5 865
Change in scope of consolidation	0	1 046
Exchange rate differences	– 216	– 168
Bad debt allowance used	– 1 229	– 8
Bad debt allowance released	– 2 160	– 616
Bad debt allowance increased	1 368	4 218
Balance as of 31 December	**8 100**	**10 337**

Bad debt allowances cover bad debt and credit risks.

3 **Other receivables** (in CHF 1000s)	**2019**	2018
Financial assets:		
– Other receivables	8 006	6 672
Non-financial assets:		
– Receivables from indirect taxes and social insurance schemes	9 948	9 561
Total	**17 954**	**16 233**

4 **Inventories** (in CHF 1000s)	**2019**	2018
Raw materials and production parts	77 336	84 915
Semi-finished goods and work in progress	20 895	22 230
Finished goods and trading goods	81 867	89 734
Total	**180 098**	**196 879**

The net value of the inventories is after value adjustments of CHF 10.2 million (previous year: CHF 10.1 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 2019

(in CHF 1000s)	Land and buildings	Machinery & tools	IT equipment & furnishings	Vehicles	Assets under construction	Total
Cost						
Balance as of 1 January 2019	195666	348456	19381	5295	15723	584521
Recognition of right-of-use asset on initial application of IFRS 16	29587	14	222	1720	0	31543
Adjusted balance as of 1 January 2019	225253	348470	19603	7015	15723	616064
Change in scope of consolidation	0	1421	1	0	0	1422
Additions	5965	10771	785	1487	13228	32236
Disposals	–413	–3085	–239	–568	–20	–4325
New classifications	3855	13963	1030	173	–19021	0
Exchange rate differences	–4274	–7667	–606	–134	–131	–12812
Balance as of 31 Dec. 2019	**230386**	**363873**	**20574**	**7973**	**9779**	**632585**
Accumulated depreciation						
Balance as of 1 January 2019	–65867	–221521	–14667	–3027	–260	–305342
Depreciation for the year	–13709	–19735	–1488	–1546	0	–36478
Disposals	413	2881	179	434	0	3907
New classifications	0	0	0	0	0	0
Exchange rate differences	1457	5042	469	81	10	7059
Balance as of 31 Dec. 2019	**–77706**	**–233333**	**–15507**	**–4058**	**–250**	**–330854**
Net book value 31 Dec. 2019	**152680**	**130540**	**5067**	**3915**	**9529**	**301731**
Net book value of pledged property, plant and equipment						**0**

Information on leased property, plant and equipment can be found in note 12.

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	188908	333013	19038	4273	12712	557944
Change in scope of consolidation	8606	18673	284	842	1850	30255
Additions	1479	7593	912	502	11625	22111
Disposals	–574	–12263	–414	–265	–408	–13924
New classifications	982	8337	182	35	–9536	0
Exchange rate differences	–3735	–6897	–621	–92	–520	–11865
Balance as of 31 Dec. 2018	**195666**	**348456**	**19381**	**5295**	**15723**	**584521**
Accumulated depreciation						
Balance as of 1 January 2018	–61004	–211525	–14304	–2647	–282	–289762
Depreciation for the year	–6262	–18158	–1226	–679	0	–26325
Disposals	242	3929	397	254	0	4822
New classifications	0	0	0	0	0	0
Exchange rate differences	1157	4233	466	45	22	5923
Balance as of 31 Dec. 2018	**–65867**	**–221521**	**–14667**	**–3027**	**–260**	**–305342**
Net book value 31 Dec. 2018	**129799**	**126935**	**4714**	**2268**	**15463**	**279179**

Net book value of pledged property, plant and equipment	**0**
Net book value of leased property, plant and equipment	**4621**
Leasing obligations for property, plant and equipment reported on balance sheet (building)	**661**

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 2019, 3A Composites had 126 planted plantations with a surface area of 10 726 hectares. This makes 3A Composites the largest plantation owner and balsa wood producer. In 2019, a total of 52 104 182 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 122 952 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 five-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 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 five-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 the production company – derived from the Capital Asset Pricing Model.

For the balsa plantations in Papua New Guinea (PNG), no detailed historic information is available. It can take more than 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 3.9 million (previous year: CHF 3.4 million) higher or lower.

	(in CHF 1000s)	2019	2018
	Book value as of 1 January	34 708	30 133
19/20	Gain or loss as a result of change in market value less selling costs	5 343	4 918
	Increase as a result of growth and maintenance measures	2 675	3 294
	Decrease as a result of harvest	– 4 068	– 2 956
	Wind damage	– 606	– 641
	Exchange rate differences	– 695	– 40
	Book value as of 31 December	**37 357**	**34 708**

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 2019 (incl. goodwill)

	(in CHF 1000s)	Goodwill	Patents & brands	Other	Total
	Cost				
	Balance as of 1 January 2019	129 463	67 355	42 258	239 076
25	Change in scope of consolidation	0	– 1 621	2 389	768
	Additions	0	0	543	543
	Exchange rate differences	– 2 057	– 280	– 792	– 3 129
	Balance as of 31 December 2019	**127 406**	**65 454**	**44 398**	**237 258**
	Accumulated amortization				
	Balance as of 1 January 2019	0	– 9 075	– 34 098	– 43 173
	Amortization for the year	0	0	– 1 445	– 1 445
	Exchange rate differences	0	210	624	834
	Balance as of 31 December 2019	**0**	**– 8 865**	**– 34 919**	**– 43 784**
	Net book value as of 31 December 2019	**127 406**	**56 589**	**9 479**	**193 474**

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 56.6 million as of the end of December 2019 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 8.5% to 9.6% p.a. (previous year: 8.8% to 10.1% p.a.). A 1% point increase in the discounting rates would also not result in any impairment.

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

As in the previous year, no development expenses were capitalized in the year under review. Development expenses amounted to CHF 7.0 million (previous year: CHF 7.0 million).

Goodwill: The entire Goodwill is allocated to the cash generating unit 3A Composites Division. The impairment test is calculated by means of the DCF method, and the basis for determining the recoverable amount is value-in-use. The discount rate before taxes is 8.8%, the projection period five 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 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 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
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**

8 **Current financial liabilities** (in CHF 1000s)	**2019**	2018
12 Current lease liabilities	7 909	624
Other current financial liabilities	267	454
Total	**8 176**	**1 078**

The weighted-average interest rate for current lease liabilities is 8.88% (previous year: 2.46%).

9 **Other payables** (in CHF 1000s)	**2019**	2018
Financial liabilities:		
– Other liabilities	6 295	4 822
Non-financial liabilities:		
– Obligations towards social insurance schemes	1 631	2 610
– Obligations resulting from sales taxes	3 524	3 302
Total	**11 450**	**10 734**

10 **Accrued expenses and deferred income** (in CHF 1000s)	**2019**	2018
Outstanding volume discounts and customer credits	13 772	15 794
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	19 545	18 008
Cost of materials / overheads	7 533	5 801
Other accrued expenses and deferred income	13 282	11 722
Total	**54 132**	**51 325**

11 **Non-current financial liabilities** (in CHF 1000s)	**2019**	2018
Non-current lease liabilities	21 728	37
Other non-current liabilities	160	1 074
Total	**21 888**	**1 111**
The maturity of the non-current financial liabilities are as follows:		
– 2 to 5 years	15 780	1 023
– more than 5 years	6 108	88
Total	**21 888**	**1 111**

The weighted-average interest rate for non-current lease liabilities is 8.46% (previous year: 5.90%).

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12 Leases

The main leases are offices and factory facilities, warehouses and land for plantations. These leases typically run for a period of several years. Some leases contain extension options which are exercisable only by the Group and not by the lessor. Some leases provide for rent payments that are based on changes in local price indices.

The warehouse and factory facilities leases were entered as combined leases of land and buildings. Previously, the majority of these leases were classified as operating leases under IAS 17.

Leases for vehicles, IT equipment and furnishings were previously classified as operating leases under IAS 17.

Right-of-use assets 2019 (in CHF 1000s)	Land and buildings	IT equipment & furnishing	Vehicles	**Total**
Balance as of 1 January 2019	4 530	0	91	4 621
Initial recognition of IFRS 16	29 587	236	1 720	31 543
Adjusted opening balance	34 117	236	1 811	36 164
Additions	5 212	11	743	5 966
Depreciation for the year	– 7 957	– 82	– 778	– 8 817
Exchange rate difference	– 494	– 4	– 39	– 537
Balance as of 31 December 2019	**30 878**	**161**	**1 737**	**32 776**

Amounts recognized in income statement (in CHF 1000s)	**2019**
Depreciation of right-of-use assets	– 8 817
Interest expense – leases	– 2 515
Expenses relating to leases of low-value assets	– 37
Expenses relating to short-term leases	– 885
Income from sub-leasing right-of-use assets	0

The rental income from own assets recognized in the year under review was CHF 0.8 million (previous year: CHF 0.5 million).

Amounts recognized in cash flow statement (in CHF 1000s)	**2019**
Total cash-out for leases	10 677

Future minimum sub-lease payments expected to be received under non-cancellable operating leases (in CHF 1000s)	**2019**	2018
– due in one years' time	888	769
– due in 1 to 2 years' time	816	591
– due in 2 to 3 years' time	795	576
– due in 3 to 4 years' time	662	576
– due in 4 to 5 years' time	633	576
– due in more than 5 years' time	3 131	3 722
Total	**6 925**	**6 810**

Obligations arising from finance lease 2018 (in CHF 1000s)	Future minimum lease payments	Interest	Present value of minimum lease payments
– due in one years' time	633	– 9	624
– due in 2 to 5 years' time	37	0	37
– due in more than 5 years' time	0	0	0
Total	**670**	**– 9**	**661**

Future minimum lease payments under non-cancellable operating leases (in CHF 1000s)	2018
– due in one years' time	8 517
– due in 2 to 5 years' time	19 563
– due in more than 5 years' time	9 648
Total	**37 728**

The commitments consisted mainly of rental agreements for buildings used by the company itself. The average term of the agreements was 4.4 years.

In addition, there were leasing obligations amounting to CHF 1.3 million.

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13 **Reconciliation of financial debts 2019** (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	108 093	9 914				−2 262	115 745
Current loans and fixed deposits	8	−2			0	1	7
Current financial assets	429	−432			0	3	0
Total cash and liquid investments	**108 530**	**9 480**			**0**	**−2 258**	**115 752**
Current interest-bearing financial liabilities	−1 078		7 990	134	−15 417	195	−8 176
Non-current interest-bearing financial liabilities	−1 111		157		−21 329	395	−21 888
Borrowings and other financial liabilities	**−2 189**		**8 147**	**134**	**−36 746**	**590**	**−30 064**
Net debt	**106 341**	**9 480**	**8 147**	**134**	**−36 746**	**−1 668**	**85 688**

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				−3 370	108 093
Current loans and fixed deposits	102	−90			0	−4	8
Current financial assets	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		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**

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 2019 financial year, the employer's contribution to defined contribution plans amounted to CHF 706 000 (previous year: 546 000).

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 USA, 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.

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 2019, 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.

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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 USA, 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 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 2019 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 2019 on the basis of the information known at the time when the annual financial statements were prepared.

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

31 December				**2019**				2018
	Switzerland	EU	Americas	Weighted	Switzerland	EU	Americas	Weighted
Discount rate	0.25%	0.98%	2.62%	0.60%	0.90%	1.94%	4.32%	1.39%
Future increases in salaries	1.50%	2.25%	1.96%	1.77%	1.50%	2.25%	2.05%	1.76%
Future pension adjustments	0.00%	1.67%	0.98%	0.59%	0.00%	1.68%	1.03%	0.58%
(in years)								
Life expectancy at age 65								
Year of birth **1954** / 1953								
– Men	23	20	21		23	20	21	
– Women	25	24	23		25	24	23	
Year of birth **1974** / 1973								
– Men	24	23	22		24	23	22	
– Women	26	26	25		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				**2019**				2018
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Service costs								
– Current service costs	2 695	1 125	460	4 280	2 753	1 269	535	4 557
– Past service costs	0	444	0	444	–1 791	95	–6	–1 702
– Plan settlements	0	0	0	0	0	0	–4 357	–4 357
Net interest expense	101	949	345	1 395	30	908	387	1 325
Total pension expense for the period	**2 796**	**2 518**	**805**	**6 119**	**992**	**2 272**	**–3 441**	**–177**

Current service costs include technical administrative expenses of CHF 0.02 million for 2019 and CHF 0.02 million for 2018.

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Remeasurements recognized in other comprehensive income

31 December				2019				2018
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Actuarial (gains) / losses								
– Based on adjustment of demographic assumptions	−618	0	−146	−764	0	558	−24	534
– Based on adjustment of financial assumptions	9263	9747	847	19857	−3697	−1427	−130	−5254
Experience adjustments	2694	36	155	2885	4176	−258	−171	3747
Return on pension assets (excluding amounts in net interest expenses)	−3525	−60	0	−3585	6939	−7	143	7075
Exchange rate differences	0	153	−2	151	0	0	−321	−321
Total expense recognized in the "statement of other comprehensive income"	**7814**	**9876**	**854**	**18544**	**7418**	**−1134**	**−503**	**5781**
Total pension costs	**10610**	**12394**	**1659**	**24663**	**8410**	**1138**	**−3944**	**5604**

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

Changes in the present value of defined benefit obligations

31 December				2019				2018
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Opening present value of defined benefit obligations	106397	52109	8178	166684	101673	54173	33212	189058
Current service cost	2695	1125	460	4280	2753	1269	535	4557
Plan participants' contributions	1667	77	0	1744	1744	56	0	1800
Interest expenses on the present value of the obligations	929	997	345	2271	664	953	725	2342
Actuarial gains / losses	11339	9783	856	21978	479	−1127	−325	−973
Past service costs	0	444	0	444	−1791	95	−6	−1702
Plan settlements	0	0	0	0	0	0	−24762	−24762
Plan curtailments	0	0	0	0	0	0	0	0
Business acquisitions	0	0	0	0	0	0	0	0
Sale of business	0	0	0	0	0	0	−139	−139
Benefits paid and net vested benefits through plan assets	−6524	−57	0	−6581	875	−10	0	865
Benefits paid by employer	0	−1269	−592	−1861	0	−1213	−1028	−2241
Exchange rate differences	0	−2133	−161	−2294	0	−2087	−34	−2121
Closing present value of defined benefit obligations	**116503**	**61076**	**9086**	**186665**	**106397**	**52109**	**8178**	**166684**

Changes in the fair value of plan assets

31 December				2019				2018
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Opening fair value of plan assets	93 645	2 451	0	96 096	95 136	2 322	19 682	117 140
Plan participants' contributions	1 667	77	0	1 744	1 744	56	0	1 800
Employer's contribution	1 598	139	0	1 737	2 195	127	574	2 896
Interest income on assets	828	48	0	876	634	45	338	1 017
Return on plan assets (excl. amounts included in interest)	3 525	60	0	3 585	–6 939	7	–143	–7 075
Assets distributed on settlements	0	0	0	0	0	0	–20 405	–20 405
Sale of business	0	0	0	0	0	0	0	0
Benefits paid and net vested benefits through plan assets	–6 524	–57	0	–6 581	875	–10	0	865
Exchange rate differences	0	–94	0	–94	0	–96	–46	–142
Closing fair value of plan assets	**94 739**	**2 624**	**0**	**97 363**	**93 645**	**2 451**	**0**	**96 096**

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

Amount recognized in the balance sheet

31 December				2019				2018
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Present value of funded obligations	116 503	18 403	0	134 906	106 397	14 973	0	121 370
Fair value of plan assets	–94 739	–2 624	0	–97 363	–93 645	–2 451	0	–96 096
Under / (over) funding	**21 764**	**15 779**	**0**	**37 543**	**12 752**	**12 522**	**0**	**25 274**
Present value of unfunded obligations	0	42 673	9 086	51 759	0	37 136	8 178	45 314
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**21 764**	**58 452**	**9 086**	**89 302**	**12 752**	**49 658**	**8 178**	**70 588**

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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 widely 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				**2019**				2018
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Equities	29032	0	0	29032	26410	0	0	26410
Bonds	21192	0	0	21192	20765	0	0	20765
Alternative financial assets	17271	0	0	17271	15440	0	0	15440
Real estate	11931	0	0	11931	12260	0	0	12260
Qualified insurance paper	0	2624	0	2624	0	2451	0	2451
Cash and cash equivalents and Other investments	15313	0	0	15313	18770	0	0	18770
Total	**94739**	**2624**	**0**	**97363**	**93645**	**2451**	**0**	**96096**

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 2019, the assets generated a gain of CHF 4.5 million (previous year: loss of CHF 6.1 million). In the upcoming year employer's contributions are expected to amount to CHF 1.8 million (previous year: CHF 1.8 million), while pension payments to former employees are expected to amount to CHF 2.3 million (previous year: CHF 2.2 million).

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

31 December				2019				2018
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Active insured members	77643	37281	4986	119910	80869	29882	4121	114872
Former members with vested benefits	0	5071	0	5071	0	4161	0	4161
Members receiving pensions	38860	18724	4100	61684	25528	18066	4057	47651
Total	**116503**	**61076**	**9086**	**186665**	**106397**	**52109**	**8178**	**166684**
(in years)								
Term of obligations	16.6	19.3	10.0	17.2	15.8	18.4	7.0	16.2

A common feature of all plans is that the interest rate for calculation purposes is a key factor in calculating the present value of the pension obligations. The other key factors differ from plan to plan. In the geographical breakdown presented here the plans share the same characteristics and the sensitivities are therefore presented on this basis.
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)			**2019**		2018
		+ 0.25%	– 0.25%	+ 0.25%	– 0.25%
All countries	Discount rate	– 7 516	8 072	– 6 051	6 724
All countries	Development of wages and salaries	921	– 896	922	– 863
Switzerland	Interest on retirement assets	885	– 826	816	– 798
EU	Pension indexation	2 209	– 2 097	1 691	– 1 589

Reconciliation to the balance sheet:

31 December (in CHF 1000s)	**2019**	2018
Pension obligations	89 302	70 588
Other long-term employee benefits	5 038	3 527
Termination benefits	1 216	1 071
Total	**95 556**	**75 186**

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.

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15 **Provisions** (in CHF 1000s)	Guarantees	Litigation	Environmental obligations	Other	Total **2019**	Total 2018
Balance as of 1 January	4 208	2 976	8 900	7 700	23 784	20 361
Change in scope of consolidation	0	0	0	53	53	8 511
Exchange rate differences	– 72	– 5	23	5	– 49	– 434
Consumption with neutral impact on income	– 918	– 1 624	– 11	– 483	– 3 036	– 3 406
Unused amounts reversed and released to income	– 513	– 1 118	– 127	– 244	– 2 002	– 2 210
Additional provisions charged to income	1 291	15	0	162	1 468	962
Balance as of 31 December	**3 996**	**244**	**8 785**	**7 193**	**20 218**	**23 784**
of which: current provisions	1 680	9	722	2 200	4 611	5 422
non-current provisions	2 316	235	8 063	4 993	15 607	18 362
Expected use of provisions:						
– within one year	1 680	9	722	2 200	4 611	5 422
– in 2 to 5 years	2 046	179	5 153	4 779	12 157	13 591
– more than 5 years	270	56	2 910	214	3 450	4 771

Guarantees:

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

Litigation:

Provisions for litigation essentially comprised 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.

16 **Share capital**	**2019**	2018
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 in the previous year, Schweiter Technologies did not hold any treasury shares in the year under review.

Authorized capital:

As of 31 December 2019, there is no authorized capital.

Conditional capital:

As of 31 December 2019, 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 11 April 2019 the shareholders approved the distribution of a dividend of CHF 40.00 per bearer share for the financial year 2018. The distribution amounted to a total of CHF 57.3 million.

For the financial year 2019, the Board of Directors will propose to the Annual General Meeting of 8 April 2020 that a gross dividend of CHF 40.00 per bearer share shall be distributed.

17 **Share-based payments**

As part of the short-term variable compensation for the financial year 2019, the CEO will be issued shares in March 2020. The shares are subject to a vesting period of one year. The fair value of the issued shares will be determined in March 2020.

The expenses for share-based payments settled in equity instruments recognized in the financial year under review amounted to CHF 169 000 (previous year: CHF 120 000).

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18 **Net revenues** (in CHF 1000s)	**2019**	2018
Net revenues from deliveries of goods	1 175 466	1 040 828
Net revenues from services	4 136	6 562
Total	**1 179 602**	**1 047 390**

19 **Other operating expenses** (in CHF 1000s)	**2019**	2018
Direct sales and distribution costs	78 923	71 432
Purchasing and production overheads	76 714	66 085
Sales and marketing overheads	15 238	16 252
Administration overheads and capital taxes	21 489	17 625
Development overheads	1 493	1 536
Cost of premises	922	4 416
Other operating expenses	541	564
Total	**195 320**	**177 910**

	20 **Other operating income** (in CHF 1000s)	**2019**	2018
	Gain on sale of property, plant and equipment	147	2 180
6	Increase in market value of biological assets	5 343	4 918
	Rental income	805	477
	Reversal of recultivation provision	0	300
	Release of provision for legal cases	1 118	0
	Other income	1 207	1 766
	Total	**8 620**	**9 641**

	21 **Depreciation and amortization** (in CHF 1000s)	**2019**	2018
5	Depreciation on property, plant and equipment	36 478	26 325
7	Amortization of intangible assets	1 445	2 416
	Total	**37 923**	**28 741**

22 **Financial income** (in CHF 1000s)	**2019**	2018
Interest income	673	786
Total	**673**	**786**

23 **Financial expenses** (in CHF 1000s)	**2019**	2018
Interest expenses	4 292	2 010
Foreign exchange losses (net)	3 077	3 687
Total	**7 369**	**5 697**

24 **Income taxes** (in CHF 1000s)	**2019**	2018
Current taxes	16 911	16 264
Deferred taxes	2 352	805
Total	**19 263**	**17 069**

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)	**2019**	2018
Income before taxes	81 873	77 338
Income tax rate at Head office	14.7%	14.7%
Tax expense anticipated	12 043	11 376
Differences owing to differing local tax rates	3 897	4 877
Impact of non-taxable income	– 259	– 1 210
Impact of non-tax-deductible expenditure	1 778	1 478
Non-capitalized losses on current results carried forward	502	1 144
Use of non-capitalized tax losses carried forward	– 377	– 777
Impact of non-recoverable withholding taxes	1 204	622
Impact of tax rate changes on deferred taxes	1 479	17
Taxes from previous periods and other influencing factors	– 1 004	– 458
Effective tax expense	**19 263**	**17 069**
Effective tax rate	23.5%	22.1%

Notes to the consolidated financial statements

Deferred tax assets (in CHF 1000s)	Inventories/ work in progress	Pension obligations	Capitalized tax loss carry-forwards	Provisions	Other	Total **2019**	Total 2018
Balance as of 1 January	2 497	11 606	829	2 480	8 402	25 814	22 344
Adjustment on initial application of IFRS 16/9					4 701	4 701	818
25 Change in scope of consolidation	−113	0	0	−7	283	163	1 632
Exchange rate differences	−37	−400	−7	1	−316	−759	−692
Recognized in other comprehensive income	0	4 348	0	0	0	4 348	555
Unused amounts reversed and released to income	151	−27	−636	−188	−748	− 1 448	− 4 574
Additional provisions charged to income	151	444	348	41	92	1 076	5 731
Balance as of 31 December, gross	**2 649**	**15 971**	**534**	**2 327**	**12 414**	**33 895**	**25 814**
Netting						−15 099	−8 969
Balance as of 31 December, net						**18 796**	**16 845**

As of 31 December 2019, the Group had non-capitalized tax loss carry-forwards of CHF 96.1 million (previous year: CHF 99.5 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)	**2019**	2018
– one year	0	0
– 2 to 5 years	0	0
– more than 5 years	0	0
– no expiration	96 143	99 537
Total	**96 143**	**99 537**

Deferred tax liabilities (in CHF 1000s)	Inventories/ work in progress	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2019**	Total 2018
Balance as of 1 January	−1 284	−21 059	−8 199	−5 801	−4 206	−40 549	−33 143
Adjustment on initial application of IFRS 16/9		−4 701				−4 701	0
25 Change in scope of consolidation	0	105	275	0	0	380	−6 085
Exchange rate differences	15	388	−2	89	31	521	610
Recognized in other comprehensive income	0	0	0	0	83	83	30
Unused amounts reversed and released to income	259	480	139	1 005	398	2 281	1 588
Additional provisions charged to income	−247	−383	−255	−1 352	−2 023	−4 260	−3 549
Balance as of 31 December, gross	**−1 257**	**−25 170**	**−8 042**	**−6 059**	**−5 717**	**−46 245**	**−40 549**
Netting						15 099	8 969
Balance as of 31 December, net						**−31 146**	**−31 580**

As of 31 December 2019 the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 23.2 million (previous year: CHF 22.6 million). No deferred taxes were recorded for these taxable temporary differences.

25 Business combinations

The following business combination took place in **2019:**

Acquisition of PGS Ecuador S.A.

As of 31 July 2019, Schweiter Technologies acquired 100% of the shares of PGS Ecuador SA, a specialist in the manufacture of balsa kits based in Quevedo, Ecuador. The preliminary purchase price amounts to CHF 3.9 million. The final purchase price will be determined on the basis of the aggregated operating results for the financial years 2020 and 2021.

The net assets acquired consist mainly of property, plant and equipment of CHF 1.4 million and intangible assets (technology) of CHF 2.4 million.

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 purchase price incl. repayment of pre-existing loans is CHF 112.2 million. The 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 expenses.

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.

Notes to the consolidated financial statements

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

(in CHF 1000s)	Perspex [1)]
Cash and cash equivalents	7 850
Trade receivables	25 843
Advances to suppliers	144
Other receivables	1 831
Prepaid expenses and accrued income	539
Inventories	22 389
Total current assets	**58 596**
Property, plant and equipment	30 255
Intangible assets	21 093
Total non-current assets	**51 348**
Total assets	**109 944**
Trade payables	– 14 391
Other payables	– 3 114
Accrued expenses and deferred income	– 5 988
Current provisions	– 2 333
Current income tax payables	– 345
Total current liabilities	**– 26 171**
Non-current financial liabilities	– 91 044
Deferred tax liabilities	– 3 726
Non-current provisions	– 6 178
Total non-current liabilities	**– 100 948**
Total liabilities	**– 127 119**
Total fair value of net assets acquired	**– 17 175**
Goodwill	38 338
Total consideration	**21 163**
Cash and cash equivalents acquired	– 7 850
Repayment of pre-existing loans	91 044
Cash outflow from purchase of subsidiaries	**104 357**

[1)] After the 12 month measurement period

26 **Earnings per share**		**2019**	2018
Net income	(in CHF 1000s)	62 610	60 269
Average number of shares issued		1 431 808	1 431 808
less average number of treasury shares		0	– 100
Average number of shares outstanding		**1 431 808**	**1 431 708**
Dilution effect resulting from the average number of shares for share-based payments		0	100
Average number of shares outstanding after dilution effect		**1 431 808**	**1 431 808**
Earnings per share (in CHF)			
– undiluted		43.73	42.10
– diluted		43.73	42.09

27 **Categories of financial instruments**

Financial assets

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

(in CHF 1000s)	Cash and cash equivalents	Fair value through profit and loss	Measured at amortized cost	Carrying amount	Fair value
31 December 2019					
Cash and cash equivalents	115 745			115 745	115 745
Trade receivables			167 780	167 780	167 780
Other receivables			8 006	8 006	8 006
Financial assets		0	671	671	671
Total	**115 745**	**0**	**176 457**	**292 202**	**292 202**
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**

Notes to the consolidated financial statements

Financial liabilities

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

(in CHF 1000s)	Fair value through profit and loss	Measured at amortized cost	Carrying amount	Fair value
31 December 2019				
Current financial liabilities		8 176	8 176	8 176
Trade payables		51 942	51 942	51 942
Other liabilities	0	6 295	6 295	6 295
Non-current financial liabilities		21 888	21 888	21 888
Other non-current liabilities	0	2 177	2 177	2 177
Total	**0**	**90 478**	**90 478**	**90 478**
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**

28 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. Beside the compensation and pension benefits mentioned below, a loan of CHF 20.0 million was granted to the company from related parties for about six months. The terms of the loan were more favourable than those offered by financial institutions.

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

(in CHF 1000s)	**2019**	2018
Total compensation Board of Directors	552	609
Total compensation Management	2 236	2 419
Total compensation Board of Directors and Management	**2 788**	**3 028**

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

29 **Share ownership by the Board of Directors and Management**

As of 31 December 2019, a total of 449484 shares were held by members of the Board of Directors or members of Management (31 December 2018: 449459):

Surname	First name	Function	Number of shares **2019**	Number of shares 2018
Siegrist [1)]	Beat	Chairman of the Board of Directors	83916	83916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [2)]	Vanessa	Member of the Board of Directors	364973	364973
Sanche	Jacques	Member of the Board of Directors	25	0
Baumgartner [3)]	Heinz O.	Group CEO	250	250

1) Beat Siegrist is a member of a shareholder group and hold shares via Beat Siegrist Beteiligungen AG
2) Vanessa Frey is a member of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG
3) In addition to the shares listed above, Dr. Heinz O. Baumgartner holds 123 shares that were granted as part of the short-term variable incentive and are blocked until March 2020

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

30 **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)	**2019**	2018
Warranties and guarantees	0	2 647
Total	**0**	**2 647**

In addition, there are contingent liabilities amounting to a maximum of a single-digit millions amount in Swiss francs 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 af-

Notes to the consolidated financial statements

fected 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.

In February 2019, a class action lawsuit in Australia relating to the use of PE aluminum composites panels was filed against Schweiter's German subsidiary 3A Composites GmbH as well as other unrelated parties. The Group believes that the content of the claim is not justified. Schweiter has an international liability insurance policy that covers defense costs as well as the effects of a potential disadvantageous court decision up to the insured amounts.

An estimate of the potential financial impact cannot be made, as it is currently unknown whether the lawsuit will be admitted as a class action, the amount claimed, whether the court will support the plaintiff's claims as well as whether the potential damage exceeds the liability insurance sum.

Commitments to take delivery:
Under purchase contracts for raw materials, commitments to take delivery amounting to CHF 781.8 million (previous year: CHF 1 209.4 million) and with maximum maturities of 9 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 4.6 million (previous year: CHF 2.6 million).

31 Events occurring after the balance sheet date

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 2019.

32 Approval of the annual financial statements

The Board of Directors approved the present consolidated annual financial statements at its meeting on 6 March 2020 and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 8 April 2020 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 at 31 December 2019 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 statements (pages 24 to 74) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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.

Recoverability of intangible assets with indefinite life	
Key audit matter	*How the scope of our audit responded to the key audit matter*
Intangible assets (including Goodwill) amounted to CHF 193.5 Mio as of 31 December 2019 and represent 18% of total assets. Thereof, CHF 127.4 Mio (66%) represent Goodwill and CHF 56.6 Mio (29%) represent intangible assets with an indefinite life. Other intangible assets amounting to CHF 9.5 Mio (5%) have definite lives and are amortised over the useful life.	Our procedures performed to audit management's assessment of the recoverability of intangible assets with an indefinite life comprised the following: • We obtained a comprehensive understanding of the impairment tests performed by the client and assessed them for irregularities and appropriateness.

Goodwill, as well as intangible assets with an indefinite life, are required to be tested for impairment on an annual basis under IAS 36 Impairment of assets (IAS 36). Thereby, the recoverable amount determined by management is compared with the carrying amount to assess the need for an impairment. Should the carrying amount exceed the recoverable amount, an impairment is required. In the absence of plans to dispose of an intangible asset, management has determined the recoverable amount of intangible assets using the Discounted Cash Flow (DCF) method with the exception of trademarks. The recoverable amount of trademarks with indefinite lives is determined using the relief from royalty rate method, which represents its fair value less costs of disposal. The recoverable amount of goodwill is determined by its value in use. The application of the DCF method requires a number of management estimates. The most significant management estimates comprise the forecast of revenue, including royalty rates, as well as the determination of an appropriate discount rate. Due to the magnitude of the balance, as well as the susceptibility of management estimates to bias and estimation uncertainty, we consider the recoverability of Goodwill and intangible assets with an indefinite life as a key audit matter. In this regard, please also refer to the accounting and valuation principles (Assumptions and use of estimates) and Note 7 (Intangible assets) in the consolidated financial statements.	• With the assistance of valuation specialists, we critically challenged base assumptions and estimates such as discount rates, royalty rates and perpetuities, by performing independent recalculations and reviewing the report of the management experts. • Based on publicly available information, as well as on information obtained from Schweiter, we have developed our own expectation, which we have compared to the client analysis. • We assessed the accuracy of prior period management estimates of future cash flows by comparing these to actual results achieved during the current year. • We assessed the appropriateness of management's disclosures in Note 7 of the consolidated financial statements in accordance with IAS 36 requirements. Based on the procedures performed, we have obtained sufficient appropriate audit evidence with regard to the recoverability of intangible assets with an indefinite life, including goodwill, and concur that management's estimates are reasonable. Based on the audit procedures performed for intangible assets with indefinite life and goodwill and the correlating management estimates, we conclude that the risk in connection with the valuation of the intangible assets with indefinite life and goodwill 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	Sarah Sutter
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 6 March 2020

Annual financial statements of Schweiter Technologies AG

Balance sheet as of 31 December 2019

	Assets (in CHF 1000s)	2019	2018
	Cash and cash equivalents	11 282	3 869
	Other current receivables	301	14
	Prepaid expenses and accrued income	13	13
	Current assets	**11 596**	**3 896**
1	Investments	130 723	130 723
	Financial assets (loans to Group companies)	336 585	365 404
	Property, plant and equipment	7	38
	Non-current assets	**467 315**	**496 165**
	Total assets	**478 911**	**500 061**

	Liabilities (in CHF 1000s)	2019	2018
	Other current payables	483	239
	Accrued expenses and deferred income	1 557	1 324
	Current liabilities	**2 040**	**1 563**
2	Provisions	6 977	13 479
	Non-current liabilities	**6 977**	**13 479**
3	Share capital	1 432	1 432
	Statutory reserves:		
	– Reserves from capital contributions	0	63
	– Other capital reserves	3 230	3 167
	Free retained earnings/profit	465 232	480 357
	Shareholders' equity	**469 894**	**485 019**
	Total liabilities and shareholders' equity	**478 911**	**500 061**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2019

	(in CHF 1000s)	2019	2018
	Investment income	40 000	20 000
5	Other financial income	3 612	3 355
	Service income	1 200	1 200
6	Other income	1 166	58
	Total operating income	**45 978**	**24 613**
7	Financial expenses	– 25	– 1 008
	Administrative expenses	– 653	– 806
	Personnel expenses	– 2 796	– 2 569
	Expenses on premises	– 92	– 80
	Total operating expenses	**– 3 566**	**– 4 463**
	Income before taxes	**42 412**	**20 150**
	Income taxes	– 265	– 81
	Net income	**42 147**	**20 069**

▲ 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 2019 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.

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

1 **Investments** (in 1000s)		Share capital	Shareholding		Voting shares	
Company	Domicile	(in 1000)	**2019**	2018	**2019**	2018
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 CHF 1000s)	**2019**	2018
Provisions for unrealized foreign currency gains	3 718	7 537
Other provisions	3 259	5 942
Total	**6 977**	**13 479**

3 **Share capital**	**2019**	2018
Number of bearer shares issued with a par value of CHF 1	1431808	1431808
Share capital as of 31 December (in CHF)	1431808	1431808

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 2019, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent report)	**2019**	2018
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., Toronto, Canada	5.2%	5.2%

[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

On 21 January 2020, the shareholder 1832 Asset Management L.P., Toronto, Canada disclosed that it now holds 10.06% of the shares (31 December 2019: 5.2%).

Notes to the balance sheet and the income statement

4 Own capital shares	Number of treasury shares 2019	2018	Book value (in CHF 1000s) 2019	2018
As of 1 January	0	600	0	221
Shares released from the share-based remuneration scheme	0	– 600	0	– 221
As of 31 December	**0**	**0**	**0**	**0**

5 **Other financial income** (in CHF 1000s)	**2019**	2018
Interest income from Group companies	3 611	3 044
Interest paid by banks	1	32
Other financial income	0	279
Total	**3 612**	**3 355**

6 **Other income** (in CHF 1000s)	**2019**	2018
Release of provisions	1 109	0
Other income	57	58
Total	**1 166**	**58**

7 **Financial expenses** (in CHF 1000s)	**2019**	2018
Foreign exchange losses	20	1 007
Other financial expenses	5	1
Total	**25**	**1 008**

8 Share ownership by the Board of Directors and Management

As of 31 December 2019, a total of 449484 shares were held by members of the Board of Directors or members of Management (31 December 2018: 449459):

Surname	First name	Function	Number of shares 2019	Number of shares 2018
Siegrist [1]	Beat	Chairman of the Board of Directors	83916	83916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [2]	Vanessa	Member of the Board of Directors	364973	364973
Sanche	Jacques	Member of the Board of Directors	25	0
Baumgartner [3]	Heinz O.	Group CEO	250	250

[1] Beat Siegrist is a member of a shareholder group and hold shares via Beat Siegrist Beteiligungen AG
[2] Vanessa Frey is a member of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG
[3] In addition to the shares listed above, Dr. Heinz O. Baumgartner holds 123 shares that were granted as part of the short-term variable incentive and are blocked until March 2020

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

9 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 13.0 million (previous year: CHF 23.0 million). As of 31 December 2019, a credit line of CHF 1.6 million (previous year: CHF 0 million) had been drawn on by subsidiaries for loans, deposits and guarantees.

10 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 6 March 2020 which could have a material impact on the 2019 financial statements.

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

(in CHF 1000s)	**2019**	2018
Unappropriated retained earnings (balance sheet profit) at the beginning of the financial year	**480 357**	**524 719**
Net income	42 147	20 069
Dividend paid	– 57 272	– 64 431
Available unappropriated retained earnings (balance sheet profit)	**465 232**	**480 357**
The Board of Directors proposes to the General Meeting on 8 April 2020 the following appropriation of available earnings:		
Payment of a dividend of CHF 40.00 per bearer share	57 272	
Earnings carried forward	407 960	
Total	**465 232**	

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 15 April 2020.

In the case of safe custody, payment is made by the custodian bank. For shareholders who keep their shares at home or in a bank safe, payment is made upon presentation of Coupon No. 19 to all Credit Suisse branches.

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 2019, and the income statement and notes (pages 80 to 85) 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 2020 comply with Swiss law and the company's articles of incorporation.

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

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Deloitte AG

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

Zurich, 6 March 2020

Compensation Report 2019

The Compensation Report was prepared in compliance with SIX Exchange Regulation on Corporate Governance and the provisions of the Ordinance against Excessive Remuneration in Listed Companies (Ordinance). It is structured as follows:

Compensation Report 2019

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 in the financial year 2019.

The aggregate compensation of the Board of Directors for 2019 was lower than the previous year since the Board of Directors had only four members after the 2019 ordinary General Meeting as opposed to five members the previous year. The compensation system and the individual amounts for the members of the Board remained unchanged in the year under review.

The compensation programs are reviewed and assessed at regular intervals in order to ensure that they are appropriate and in accordance with the interests of our shareholders.

In the year under review 2019, the compensation programs did not change from the previous year. In the business year 2018 the Compensation Committee conducted a review of the short-term and long-term variable incentive programs of Management and decided on the following adjustments:

- Payment of the short-term variable compensation 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.

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 8 April 2020. Shareholders will also be asked to vote on the maximum aggregate compensation to be awarded to the Board of Directors for the 2020–2021 term and on the maximum aggregate compensation of Management for the business year 2021.

Compensation highlights – Board of Directors

(in CHF)	**2019**	2018
Number of members	4 [1)]	5
Aggregate compensation	552 000	609 000
Maximum aggregate compensation amount approved by General Meeting [2)]	630 000	630 000

[1)] Five members until Annual General Meeting 2019
[2)] Maximum aggregate compensation amount for the board term from Annual General Meeting (AGM) to AGM

Compensation highlights – Executive Management

(in CHF)	**2019**	2018
Number of members	2 [1)]	3
Aggregate compensation	2.24 m	2.42 m
Maximum aggregate compensation amount approved by General Meeting	4.0 m	4.0 m

[1)] Three members until retirement of one member of Management on 31 March 2019

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, the aim being to reinforce their focus on the long-term strategy and 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

(in 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) that are 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	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, skill 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 as a % 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 performance is defined for each indicator. 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 was limited to fixed compensation and did not include any performance-based variable compensation elements. This member of Management (CTO) retired on 31 March 2019

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

In the event of voluntary resignation by the member of Management, 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 are 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) cannot 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 (as a % of sales)	Target minus 1% point	Target	Target plus 1% point

LTI: Performance objectives, target and maximum payout

<table>
<tr><th></th><th>Objectives</th><th>Weight</th><th>Target LTI</th><th>Maximum LTI</th></tr>
<tr><td>CEO</td><td rowspan="2">Cum. EBIT
EBIT margin
(3A Composites)</td><td rowspan="2">50%
50%</td><td>125% of fixed salary</td><td>150% of target</td></tr>
<tr><td>Other members of Management[1)]</td><td>109% of fixed salary</td><td>150% of target</td></tr>
</table>

[1)] The compensation for a member of Management with a part-time employment contract was limited to fixed compensation and did not include any performance-based variable compensation elements. This member of Management (CTO) retired on 31 March 2019

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 2019 (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 2019 and 2018.

In the year under review, The Board of Directors consisted of five members until the 2019 Annual General Meeting, thereafter of four members.

The amount of compensation paid to the individual members of the Board of Directors for 2019 was the same as for 2018.

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 2019

(in CHF 1000s)	Function	Fee (Board)	Fee (Committee)	Benefits 3)	Total
Beat Siegrist 1) 2)	Chairman	200	17	36	253
Dr. Lukas Braunschweiler 1)	Member	75	10	6	91
Vanessa Frey 2)	Member	75	10	6	91
Jan Jenisch 2) 4)	Member	21	3	2	26
Dr. Jacques Sanche 2)	Member	75	10	6	91
Total compensation for Board of Directors (5 members until 2019 AGM)		**446**	**50**	**56**	**552**

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 to the pension fund as well
4) Member of the Board until the 2019 AGM

The reported compensation of the Board of Directors for the 2019 financial year is allocated pro-rata to the two respective terms of office as follows:

Compensation of the Board of Directors in 2019
(in CHF 1000s)

Pro-rata 1.1.2019 – 11.4.2019	168
Pro-rata 12.4.2019 – 31.12.2019	384

The total maximum compensation amount of CHF 630 000 as approved by the General Meeting 2019, which may be paid to the Board of Directors for the term of office from the 2019 General Meeting to the 2020 General Meeting, was therefore not exceeded during the portion of the term of office up to the cut-off date of this Annual Report (12.4.2019–31.12.2019). A conclusive assessment for the entire term of office will be included in the Compensation Report 2020.

Compensation Report 2019

The compensation of the Board of Directors for the term of office from the 2018 General Meeting to the 2019 General Meeting was CHF 605 000. 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.

Compensation paid to the Board of Directors for 2018

(in CHF 1000s)	Function	Fee (Board)	Fee (Committee)	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, and for the Board Chairman to the pension fund as well

Compensation of Management

The table below shows the compensation paid to members of Management for the 2019 and 2018 business years.

(in CHF 1000s) 1	**2019**		2018	
Management	2 members since Q2 2019 2)	3) of whom highest individual compensation	3 members	3) of whom highest individual compensation
Fixed basic compensation in cash	1 095	800	1 278	800
Performance-based compensation in cash	580	338	389	239
Long-term Incentive plan (2018–2020) 4)	247	190	299	230
Pension benefits 5)	314	196	453	280
Total compensation of Management	**2 236**	**1 524**	**2 419**	**1 549**

1) The amounts are gross figures
2) 3 members until one Management member retired on 31 March 2019
3) CEO Schweiter Technologies: Dr Heinz O. Baumgartner
4) Long-term Incentive Plan 2018–2020: for details see page 94. Disclosure is based on the accrued and annually updated amounts over the three-year term of the plan. The above-mentioned amounts for the cash portion of the LTI 2018–2020 thus contain the second third of the cash payments on expiry of the three-year plan period, as anticipated from the present point of view. For 2020, the remaining third will be disclosed after adjustment for current expectations of performance and the corresponding future payout amounts.
5) Employer's contribution to social insurance and the pension fund, incl. estimated amounts on the disclosed portions of the LTI 2018–2020

Explanatory notes on the compensation table:

- As of April 1, 2019, Management consisted of two members, the CEO and the CFO (2018: three members: CEO, CFO and CTO).
- One member (CTO) worked part-time, i.e. 75% since 2018.
- The fixed compensation of the CEO and CFO were unchanged from the previous year. The CTO retired on 31 March 2019.
- The payment of the short-term variable compensation for 2019 for Management corresponds to between 0 and 88% of the fixed salary (previous year: between 0 and 55%). For the CEO it corresponded to 42% (previous year: 30%). The difference between the two years is related to the difference in the achievement of 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 third for the 2020 business year will be disclosed in the corresponding year, based again on the up-to-date assessment of performance.
- No bridging pension was paid to members of Management either in 2019 or in 2018.

For the financial year 2019, the members of Management were awarded an aggregate total compensation of CHF 2.236 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 2018.

Georg Reif, CTO, retired on 31 March 2019 and stepped down as a member of Management of Schweiter Technologies. He continued to exercise his function as Managing Director of the Schweiter Pension Fund in 2019 on an external mandate basis. The total compensation for this mandate in 2019 came to CHF 20 000 gross.

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

No compensation was paid to former members of governing and executive bodies during the year under review other than the sum set out in the section "Compensation paid to Management". In the previous year, no compensation was paid to former members of governing and executive bodies or related parties.

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

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 related parties. Advance payments of lawyer fees, court fees and similar cost up to a maximum of CHF 1.0 million in connection with a defense against corporate liability claims are not subject to this provision. No such claims were asserted in the reporting 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 85 of the notes to the 2019 annual financial statements.

Compensation Report 2019

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 who 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.

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 2019

At the ordinary General Meeting of 11 April 2019, Jacques Sanche and Vanessa Frey were individually re-elected as members of the Compensation Committee for a term of office of one year. In addition, Beat Siegrist was elected as a new member of the Compensation Committee for a term of office of one year. Jacques Sanche took on the chairmanship of the Compensation Committee until the next ordinary General Meeting.

In the year under review, the Compensation Committee held two meetings.

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 who 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 made no use of external consultants in the year under review.

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

Benchmarking

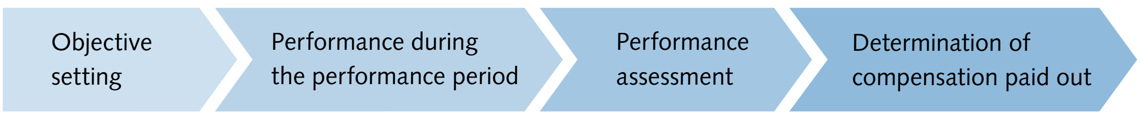
The Compensation Committee periodically reviews the target compensation of members of the Board of Directors and Management whenever it sees need for action. In the year under review no separate analysis was performed.

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 qualities are also considered. The individual performance assessments and the company's results form the basis for determining the compensation actually 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 6 March 2020 of Schweiter Technologies AG for the year ended 31 December 2019. Our audit is limited to the information provided in the tables on page 95 and 96 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 97.

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 2019 of Schweiter Technologies AG complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG

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

Zurich, 6 March 2020

Corporate Governance Schweiter Technologies

Group structure and shareholders

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

Group structure

Schweiter Technologies AG, domiciled in Steinhausen/Switzerland, is organized as a holding company under Swiss law.

Schweiter Technologies is a globally active Group focusing on composites solutions with its division 3A Composites. 3A Composites is the global market leader in core materials for sandwich constructions, particularly for use in wind farms. The company is also a leading player in other areas, such as composite panels for high-quality facades and display applications. Its best-known brands are AIREX®, ALUCOBOND®, BALTEK®, DIBOND®, FOREX®, GATOR®, KAPA®, PERSPEX® and SINTRA®.

An overview of all Group companies can be found in the financial section on page 83.

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 1 226.00 at the end of 2019, the company's market capitalization stood at CHF 1 755.4 million as of 31 December 2019.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2019 and is presented on pages 33 to 35 of the notes to the consolidated annual financial statements.

Treasury shares

No treasury shares were held by Schweiter Technologies AG as of 31 December 2019.

Significant shareholders

As of 31 December 2019, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent disclosure notice)	**2019**	2018
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., Toronto, Canada	5.2%	5.2%

[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

During 2019 financial year, there were no disclosure notices of shareholding in accordance of Art. 120 ff. FMIA (the Financial Market Infrastructure Act).

Disclosure notice after balance sheet date

With disclosure notice dated 21 January 2020, the shareholder 1832 Asset Management L.P., Toronto, Canada, disclosed a participation of 10.06% (31 December 2019: 5.2%).

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 structure

Capital

As of 31 December 2019 the ordinary share capital amounted to CHF 1 431 808. As of 31 December 2019 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 2019 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

Capital structure

market conditions, in which case the exercise price 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 has been 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 CHF 1 431 808 as of 31 December 2019, as well as of the reporting dates of the previous two years.

Conditional capital has remained unchanged at CHF 132 600 for the last three years.

No authorized capital existed as of 31 December 2019, or on the reporting dates of the previous two years.

For details of changes in the consolidated shareholders' equity in financial years 2019 and 2018 reference is made to page 28 of the consolidated financial statements.

The development of consolidated shareholders' equity in financial year 2017 is presented on page 24 of the 2018 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 2017 through 2019:

		Reserves				
			Statutory capital reserves:			
(in CHF 1000s)	Share capital	Agio / Capital contributions	Other capital reserves	Free retained earnings/profit	Own capital shares	Total equity
Balance as of 31 Dec. 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**
Net income 2019				42 147		42 147
Dividend				–57 272		–57 272
Balance as of 31 Dec. 2019	**1 432**	**0**	**3 230**	**465 232**	**0**	**469 894**

Shares, participation certificates and dividend-rights certificates

As of 31 December 2019 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 2019. 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 2018 as well as pages 90 to 101 in the Compensation Report 2019 for details of the long-term incentive plan.

There are no option plans in place.

Board of Directors (as of 31 December 2019)

Dr Jacques Sanche Beat Siegrist Vanessa Frey Dr Lukas Braunschweiler

At the Annual General Meeting held on 11 April 2019, Beat Siegrist, Lukas Braunschweiler, Vanessa Frey, 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 11 April 2019, Jacques Sanche and Vanessa Frey were re-elected individually as members of the Compensation Committee for a one-year term of office, and Beat Siegrist was elected as new member of the Compensation Committee for a one-year term of office. For the 2019 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 (since 2012), KWE Beteiligungen AG (since 2008) and Swiss Small Cap Invest (since 2008). She was member of the Board of Directors of Zur Rose Group AG from 2016 to 2019. 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.

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 2016, having previously been its designated CEO, since 2015. He is also a member of the board of Swissmem (the trade association of the Swiss mechanical, electrical and engineering industries). 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.

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

Changes in the Board of Directors in financial year 2019
Jan Jenisch (previously member) did not stand for re-election and stepped down from the Board of Directors as of the General Meeting of Shareholders on 11 April 2019. Further information on Jan Jenisch is available on page 103 in the Corporate Governance section of the 2018 Annual Report, which can be downloaded from the following link: www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

Changes in the Board of Directors in financial year 2020
The Board of Directors nominated Lars van der Haegen for the Board of Directors of Schweiter Technologies and proposes his election at the next Annual General Meeting on 8 April 2020. Furthermore, the Board of Directors has decided at its meeting on 6 March 2020 to propose Dr Heinz O. Baumgartner,

Board of Directors

CEO of Schweiter Technologies Group, for election to the Board of Directors of Schweiter Technologies AG at the Annual General Meeting on 8 April 2020.

Lars van der Haegen has been CEO of the Belimo Group and Head of the Group Executive Committee since July 2015. He has many years of experience in Building technology and holds Master's degrees from both Columbia Business School in New York and the London Business School.

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 2019 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 three meetings and one conference call.

Representatives of the statutory auditor attended all three meetings. The conference call and the three meetings were attended by the CEO and the CFO. The conference call and the meetings, respectively, 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, Beat Siegrist) has, in particular, the following duties and responsibilities in respect of compensation matters concerning the Board of Directors and Management:

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

As a rule, the Compensation Committee meets two to four times per year (semi-annually to quarterly). In the year under review, the Compensation Committee held two meetings. The meetings lasted up to half a day.

After every meeting, the Chairperson of the Compensation Committee reports on the committee's activities to the Board of Directors. The committee meeting minutes are made available to the members of the Board of Directors. Decision-making powers in relation to compensation are vested in the Board of Directors and in the General Meeting as far as total compensation amounts are concerned. As a rule, the CEO and the CFO participate in the meetings in an advisory capacity. However, they recuse themselves when their own compensation is being discussed and determined. Other invited members of the Management are likewise not present during the part of the meeting where their own compensation is being decided. Both meetings held in the 2019 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 2019, the Board of Directors did not consult external advisors.

Working methods of the Board of Directors

The Board of Directors is responsible for the strategic management of the Group and for the supervision of those entrusted with its management. To this end, the Board of Directors holds meetings at least four times per year (i.e. once a quarter). Meetings last on average one day. In 2019, 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 and the CFO attended all meetings during the financial year 2019. 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 attend division meetings of 3A Composites, which last between half a day and two days. 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 meet-

Board of Directors

ings, the 3A Composite management reports on the operational side of the business and on strategy. The main focus of these meetings is the review of the strategy, with in-depth discussion on focal points in strategic projects. In addition, 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 strategic and operational 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 cover 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 12 in the MD&A and on pages 39 to 41 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 2019)

Dr Heinz O. Baumgartner Martin Klöti

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 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 United Grinding Group since 2018, and he was member of the Board of Directors of Zur Rose Group AG from 2017 to 2019.

Martin Klöti
(born 1973, Swiss citizen)
CFO Schweiter Technologies
Martin Klöti has been CFO of Schweiter Technologies since 2014. Prior to that, he was responsible for Schweiter Management Services and CFO of SSM Textile Machinery from 2011 until 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.

Change in management in financial year 2019
Georg Reif, Chief Technology Officer of 3A Composites and member of the Management of Schweiter Technologies, had decided to take early retirement and resigned from the Executive Board of Schweiter Technologies AG on 31 March 2019. He continued to act as managing director of Schweiter Vorsorgestiftung (pension fund) in 2019 in an external mandate. Further information on Georg Reif is available on page 108 in the Corporate Governance section of the 2018 Annual Report, which can be downloaded from the following link: www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

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 including the statutory rules regarding the principles of compensation, participation plans, loans, credits and pension benefits are set out in the separate Compensation Report on pages 90 to 101 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 11 April 2019, 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 8 April 2020, the company will again make it possible for shareholders to submit their voting instructions to the independent proxy in electronic form via the ShApp platform (www.shapp.ch). The relevant registration and voting procedure using this platform will be explained in the invitation to the General Meeting.

Statutory quorum

Under Art. 703 of the Swiss Code of Obligations, resolutions of the General Meeting must, in principle, be passed by an absolute majority of the voting rights represented. Exceptions to this rule are the eight resolutions listed in Art. 704 of the Swiss Code of Obligations, which require a minimum of two thirds of the votes represented and an absolute majority of the nominal values of the shares represented (any amendment of the company's objects; the introduction of shares with preferential voting rights; any restriction on the transferability of registered shares; an authorized or conditional capital increase; a capital increase funded by equity capital,

Shareholders' participation rights

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 11 April 2019 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)	**2019**	2018
Auditing services [1]	728	695
Audit-related services	5	13
Total	**733**	**708**

[1] Auditing the consolidated financial statements, the holding company statements and the financial statements of the individual Group companies, of which CHF 152 000 is attributable to third-party auditors (in 2018: CHF 90 000)

Additional fees (in CHF 1000s)	**2019**	2018
Tax advice and compliance services	571	330
Transaction advice incl. due diligence	126	259
Total	**697**	**589**

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 2019 financial year, is responsible for supervising and monitoring the audit and regularly reports back to the Board of Directors as a whole. The auditors annually 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 direct 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 8 April 2020.

The 2020 Semi-Annual Report is scheduled for 17 August 2020.

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