Schweiter Technologies

2020

Annual Report 2020

Board of Directors, Group Management, Statutory Auditor

Board of Directors

Term of office 8 April 2020 to 1 April 2021

Beat Siegrist	Chairman
Dr Heinz O. Baumgartner	
Dr Lukas Braunschweiler	
Vanessa Frey	
Dr Jacques Sanche	
Lars van der Haegen	

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

2020 was a year of crisis; we were all put to the test, both privately and in our business. This pandemic has surprised us all; the media-driven paranoia even more; and the far-reaching loss of personal freedom most of all.

Nevertheless, Schweiter posted an outstanding performance thanks to its highly pragmatic and level-headed corporate culture. The key to this success was good fortune born of efficiency and competence along with a hard-working staff that rose to the challenges. The result was a slight dip in total sales coupled with record-high profits. All this in the face of major hindrances such as government-ordered factory closures and difficulties arising from home office and other corona regulations.

The Board of Directors and management are therefore particularly proud of all the company's employees, whom we thank for their outstanding achievements.

In this crisis year, three factors had a positive impact. Firstly, low raw material prices, which resulted in very good gross margins. Secondly, the fortunate circumstance that we entered the clear sheet business a few years back, which produced a boom in demand; and thirdly, the ongoing firm demand in the wind sector.

Of course, there were also setbacks owing to this corona pandemic. The business in non-transparent sheets for trade fairs and shop fittings went into a slump, while the mobility sector was very weak, and the bus segment virtually came to a standstill.

Schweiter boldly made a small acquisition in 2020 and took the opportunity to capitalize on some other options. A new PET factory came on stream in China at year-end. In the Architecture business, Schweiter achieved a strategic breakthrough with a new cladding technology.

Against the backdrop of this unique situation worldwide, 2020 was a very successful year for Schweiter. Revenues rose to CHF 1 160 million and Group EBITDA came in at around CHF 176 million, a new record high. The balance sheet is, as usual, in solid shape with an equity ratio of 67% and cash and cash equivalents of around CHF 164 million.

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. More than CHF 30 million was again invested this past year in new projects and plants, for innovations, capacity expansion and to maintain the efficiency and competitiveness of the means of production.

A few words about sustainability. The pressure for sustainability, particularly in the perception of the public, is increasing for all companies. Schweiter firmly believes that sustainability is crucial for the environment and society and has therefore long been committed to its principles. This commitment is reflected in Schweiter's plantations, recycled materials, and light-weight constructions generally plus the related reduced material consumption and weight savings. Schweiter has therefore now started a specific program to clearly define its sustainability targets and to make them measurable as well. This program is set to become an integral part of Schweiter's business policy.

The company will continue to pay an attractive dividend in addition to its investments in 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. The Board of Directors will propose paying an unchanged dividend of CHF 40 per bearer share at the General Meeting on 1 April 2021. This adds up to a total payout of about CHF 57 million.

It is difficult at the moment to make any reliable forecast for the future. However, the year has started positively and we are upbeat for 2021.

Yours sincerely

Beat Siegrist

Chairman

Financial overview

	2020	2019 [8] (restated)
Income statement (in CHF m)		
Orders received	1 182.1	1 202.3
Net revenues	1 160.2	1 179.6
EBITDA [1]	175.7	123.1
Operating result (EBIT)	137.6	85.2
Net income	103.5	60.0
Balance sheet (in CHF m)		
Total assets	1 097.3	1 052.1
Net operating assets [2]	604.7	590.4
Shareholders' equity	738.0	728.1
Cash and cash equivalents	163.7	115.7
Statement of cash flow (in CHF m)		
Cash flow from operating activity	157.8	104.3
Cash flow from investment activity	– 42.9	– 26.1
Free cash flow [3]	114.9	78.2
Key figures (in %)		
Return on sales [4]	15.1	10.4
RONOA [5]	22.7	14.4
Equity ratio [6]	67.3	69.2
Employees as of 31 December (Number)		
Total employees	4 364	4 185
25 **Ratios per share** (in CHF)		
Earnings per bearer share	72.29	41.89
Equity	515	508
Payout [7]	40.0	40.0
Stock market capitalization as of 31 December (in CHF m)		
Stock market capitalization	2 090.4	1 755.4

[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] 2020: dividend proposal of the Board of Directors
[8] For details to restatement, see page 47

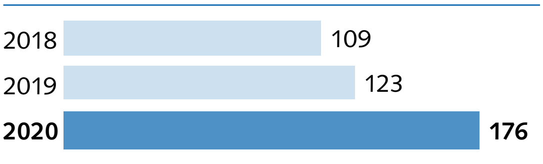
▲ For additional details, see the Notes to the consolidated financial statements

Key figures

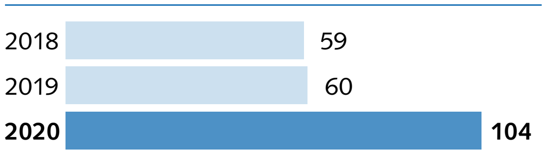
Orders received (in CHF m)

Net revenues (in CHF m)

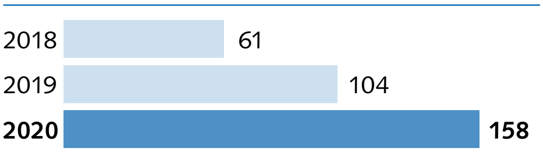
EBITDA (in CHF m) [1]



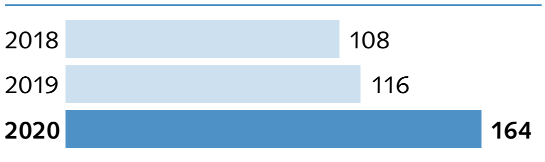
Net income (in CHF m) [1]



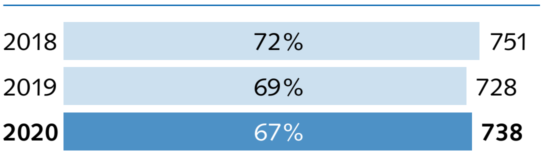
Cash flow from operating activity (in CHF m)



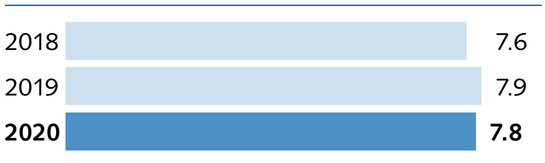
Cash and cash equivalents (in CHF m)



Equity (in CHF m) **/ Equity ratio** [1]

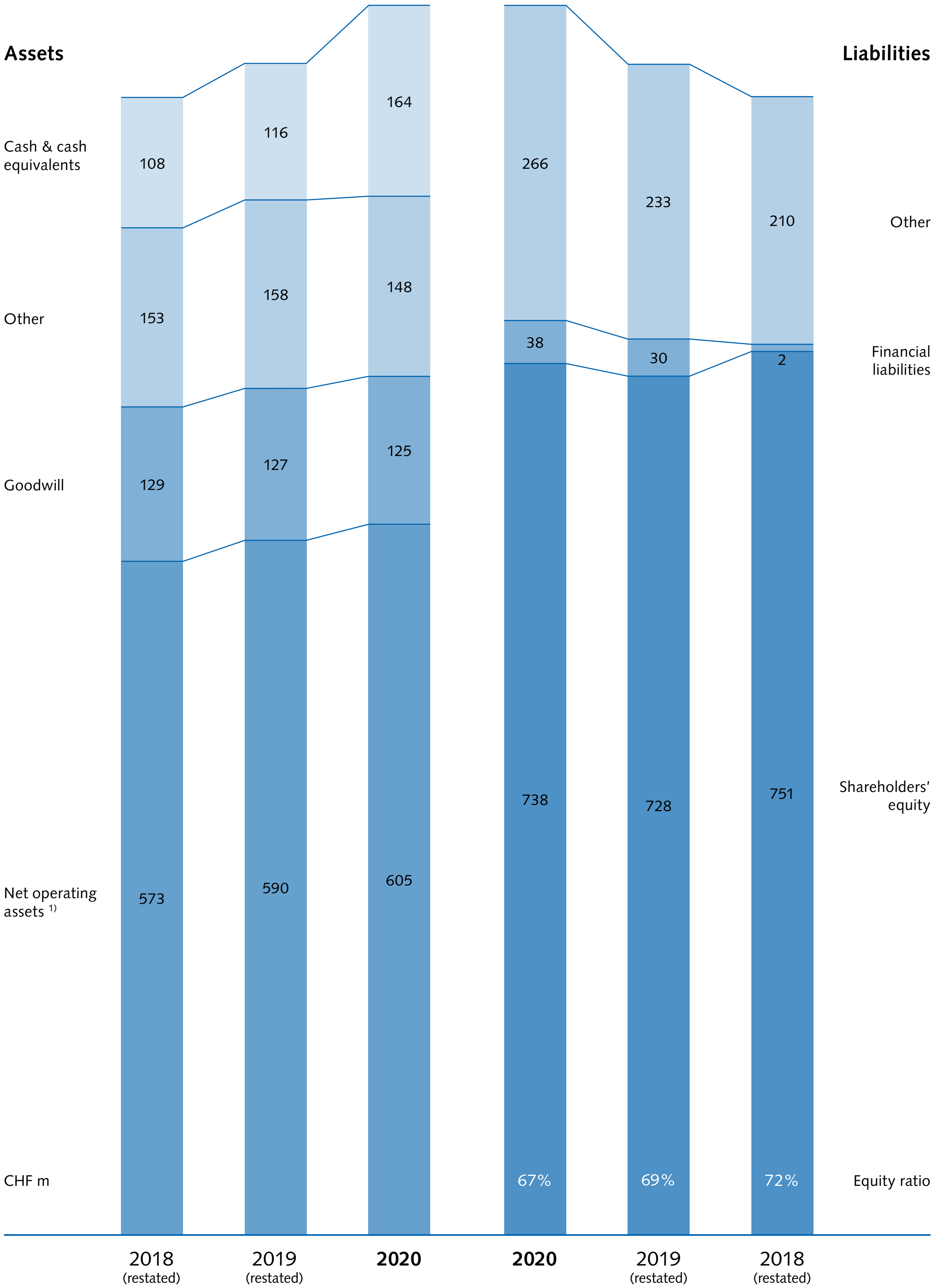


Dividend payout in % of equity [1]



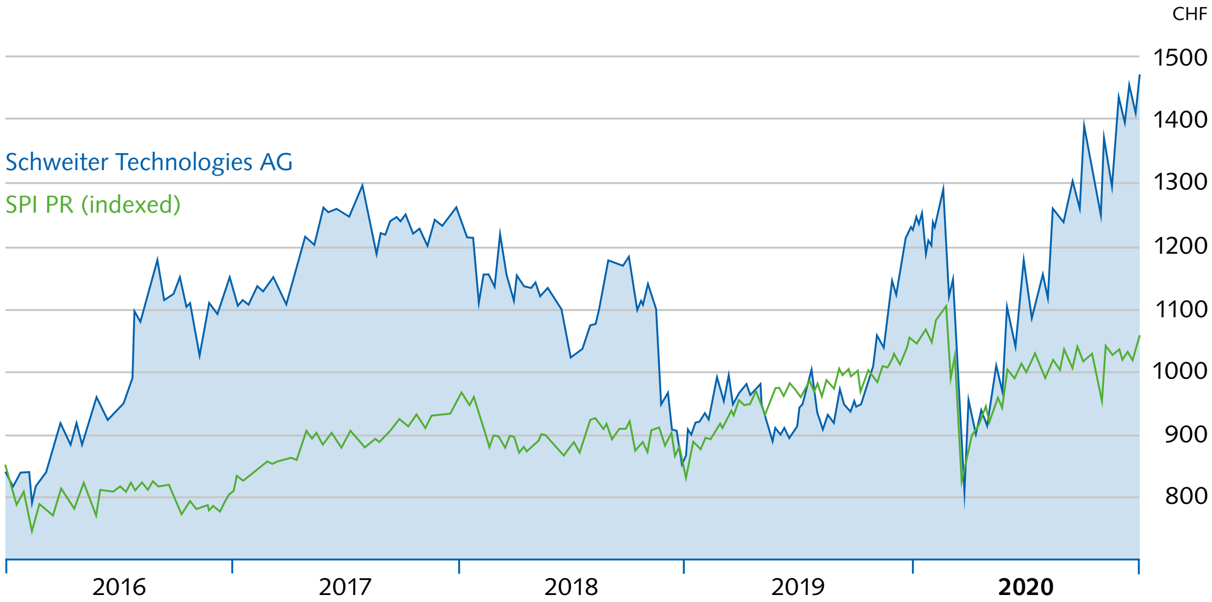
[1] Restated, details see page 47

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	**2020**	2019 (restated)	2018 (restated)	2017	2016
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	0	600	600
Share price					
Share price as of 31 December (in CHF)	1 460	1 226	869	1 264	1 150
Stock market capitalization					
as of 31 December (in CHF m)	2 090	1 755	1 244	1 810	1 647
Net income					
per bearer share (in CHF)	72	42	41	120 [1)]	49
Cash flow from operating activity					
per bearer share (in CHF)	110	73	42	41 [1)]	68
Equity					
per bearer share (in CHF)	515	508	524	545	460
Distribution [2)]					
Total amount (in CHF m)	57.3	57.3	57.3	64.4	57.3
per bearer share (in CHF)	40.0	40.0	40.0	45.0	40.0
Dividend payout					
in % of equity	7.8	7.9	7.6	8.2	8.7

[1)] Including net income / cash flow from discontinued operations (SSM Textile Machinery)
[2)] 2020 – 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 sustainably successful 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, as a company that operates internationally, takes very seriously its responsibility to create sustainable value for customers, employees, and shareholders and to be a reliable partner for suppliers and the public.

Our commitment to sustainability has deep roots in all aspects of Schweiter Technologies' business operations. This commitment ranges from the development of sustainable products to protection of the environment and the cultural heritage of the communities where we work, and to the obligation to comply with local regulations and internal corporate directives. Responsible conduct is one of the core values of our corporate culture.

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)

Based on the four pillars of its sustainability strategy, Schweiter Technologies aims to make a positive contribution in all three areas of sustainability:

Ecological sustainability:
- Reduction of its ecological footprint through the careful and efficient use of resources
- Minimizing of risks for people and the environment

Social sustainability:
- Social responsibility to employees and the communities where we work
- Support of social partnership projects

Economic sustainability:
- Sustainable and profitable corporate growth
- Innovation in eco-friendly products as growth drivers

Schweiter Technologies with its 3A Composites division develops, manufactures, and markets high-quality plastic sheets, foamboards as well as core materials based on balsa wood and PET foam. These materials are used primarily in the areas of visual communication (display), architecture, wind energy, construction, ship-building, and automotive.

The company has offices, distribution facilities and production sites at 40 locations in Europe, America, and the Asia/Pacific region, and employs some 4 300 people.

Ecological sustainability

Careful and efficient use of resources

Our customers look for robust, reliable and yet lightweight materials and products in the industries in which they operate. Renewable raw materials and

Sustainability

materials with the smallest possible environmental footprint that have been obtained from recycling are the ideal solution in such cases. In addition, the recycling of raw materials and delivery to the manufacturers should involve as little energy consumption and expense as possible. With our high-quality products and trail-blazing technologies, we strive to meet the demands of sustainability and eco-compatibility.

3A Composites has undertaken to support and apply the sustainable development targets of the United Nations. We are guided in our business activities in particular by the following United Nations Sustainable Development Goals (https://sdgs.un.org/goals).

- Gender equality (SDG no. 5)
- Decent work and economic growth (SDG no. 8)
- Industry, innovation and infrastructure (SDG no. 9)
- Responsible consumption and production (SDG no. 12)
- Climate action (SDG no. 13)
- Life on land (SDG no. 15)

Furthermore, we comply with the ten FSC® certification principles and rules (Forest Stewardship Council® https://fsc.org/en), which cover areas ranging from compliance with legislation to observance of the rights of indigenous peoples and the maintenance of certain environmental values, ecosystems and habitats.

Sustainability certification and clear guidelines for the reduction of our CO_2 footprint

In the 3A Composites Core Materials market segment, we are pioneers in sandwich technology with more than 75 years of experience. We are world leaders with the broadest portfolio of high-performance and sustainable core materials, with the focus on PET foams and balsa wood from the AIREX® and BALTEK® product families. From the start, our emphasis is on the development of strong, solid, and light-weight core materials that enable our customers to manufacture durable, sustainable, and energy-efficient end products. With our products,

The balsa plantations of 3A Composites in Ecuador and Papua New Guinea are FSC®-certified

we aim to have a lasting and positive impact on the future for today's and future generations, in accordance with our principle "The future is greener".

CO_2 footprint reduced in 2020

BALTEK® SBC
THE FIRST CARBON NEUTRAL CORE MATERIAL IN THE WORLD

The target we set for the period **2013 to 2020** in the Core Materials market segment was to significantly reduce our **CO_2 footprint.**

The calculations made by SCX-Bolsa de Clima de Santiago (Chile) and Factor CO_2 (Ecuador) show that BALTEK® SBC is the world's first CO_2-neutral core material.

BALTEK® SBC is an ideal core material consisting of renewable raw materials and comes from controlled cultivation on 3A Composites Core Materials plantations. All production steps for BALTEK® SBC are subject to strict monitoring. This guarantees the highest-quality balsa wood and the complete traceability of the end product back to the individual plantations.

We manage about 13 000 hectares of FSC®-certified plantations in Ecuador and Papua New Guinea, most of which are planted with balsa trees. The Forest Stewardship Council certification (FSC®) acts as a catalyst to improve standards in forestry. It delivers economic and social benefits for local employees and people, while promoting the ecological interplay of biodiversity and ecosystems.

The group companies of Schweiter Technologies AG enjoy a long tradition of quality certifications. In addition to the certification of the balsa wood plantations in Ecuador and Papua New Guinea under FSC®, a total of 18 companies had been certified by 2020 to DIN EN ISO 9001 (quality management), 15 to DIN EN ISO 14001 (environmental management), 13 to DIN EN ISO 45001 (occupational health and safety), and four to DIN EN ISO 50001 (energy management).

Quality certifications

Type of certification	Number of companies [1]	Year of initial certification
FSC® Forest Management (FSC-C019065), FSC® Forest Management (FSC-C125018) or FSC-STD-40-004 (Version 3.0)	2	2009
DIN EN ISO 9001 – Quality management	18	1993
DIN EN ISO 14001 – Environmental management	15	2002
DIN EN ISO 45001 – Occupational health and safety [2]	13	2002
DIN EN ISO 50001 – Energy management	4	2013
ISO TS 16949 – Automotive quality management	1	2011
IRIS ISO/TS 22163 – Quality management railway applications	2	2015

[1] some sites are certified to several standards
[2] previously OHSAS 18001

In the 3A Composites Architecture market segment, we have more than 50 years of experience with the aluminum composite ALUCOBOND® for façades and we are guided by the needs of architects, manufacturers and façade contractors. We feel an obligation to the environment and future generations – and we've done so for decades.

ALUCOBOND® composites do not release environmentally hazardous substances at any time in their life cycle. Back in the 1970s, we developed a recycling process – in which valuable raw materials are separated out and returned to the material cycle without any loss of value – that we have steadily improved and upgraded to the most recent stand-

Sustainability

ards. ALUCOBOND® has an environmental product declaration (EPD) in accordance with ISO standards that serves as proof when buildings are to receive sustainability certification. ALUCOBOND® is 100% recyclable, in other words, the core material and aluminum cover plates can be returned fully to the material cycle and used for the manufacture of new material.

We have spared no effort to reduce our CO_2 emissions in the production of ALUCOBOND®. The first step that we implemented was aimed at reducing CO_2 emissions generated in the delivery of the product itself. By switching transport from trucks to the railway, we were able to save 54% of the truck distance, resulting in a 17% reduction in CO_2 emissions for deliveries of ALUCOBOND®.

reduction in CO_2 emission for deliveries of ALUCOBOND® **about 17%**

Minimizing of risks for people and the environment

Protection of the environment and natural resources is a major concern for us. The environmental protection goals we have set therefore include various research projects, studies, and campaigns that mainly address environmental and social issues.

At 3A Composites Core Materials, we are supporting projects in **Ecuador** in which protective buffer zones are created to minimize the impact on conservation areas such as rivers and river mouths. We received the SACHA AWARD (SACHA Acknowledgements for Responsible Forest Management and Responsible Wood Innovations Award) for these projects in 2015 and 2016 and again in 2018 and 2020. We also support social studies and georeferencing for the communities located in the vicinity of the plantations we operate and sponsor surveys of important archeological sites. We apply the FSC® precautionary principle whenever extending forestry operations, with special attention being paid to high conservation value forests.

The annual inspection of high conservation value forests (HCV) in the forests we manage in **Papua New Guinea** is another one of the projects we are closely involved in. The focus is on the observation of changes in the flora and fauna and in the ecosystems, including water resources, habitat trees, rare, threatened or endangered species, biodiversity indicators and sites of cultural importance. In addition, regular inspections are conducted so as to ensure compliance with safety and environmental regulations such as the wearing of protective clothing, adherence to buffer zones or the correct disposal of waste by employees of 3A Composites and sub-contractors with whom the company works.

3A Composites relies on **sustainability** and **environmental protection**

Projects to protect the environment

	3A Composites sites	Achievements to date
Development of new products to increase energy efficiency and reduce CO_2 emissions	Sins (Aargau) / Switzerland (Core Materials)	Compared with 2018 total energy consumption was lowered by 10%, CO_2 emissions were cut by 26%, and waste was reduced by about 12%.
Increase in energy efficiency by means of a new LED lighting system Projects for waste-free production	High Point (NC) / USA (Core Materials)	Since 2019 annual power consumption has been reduced by about 78%. A new waste recycling program has been almost fully implemented: all cardboard, paperboard, metal waste and wood pallets are recycled

	3A Composites sites	Achievements to date
Increase in energy efficiency	Ecuador (Core Materials)	Electricity in Ecuador is supplied entirely from hydroelectric power.
	Papua New Guinea (PNG) (Core Materials)	The sawdust from production is used as fuel for the company's own drying ovens in both Ecuador and PNG.
Reduction in water consumption	Statesville (NC) / USA (Display)	Waste water treatment for reuse of the water in the production process; a 21% reduction in the consumption of fresh water in 2020 versus 2019.
Reduction in power consumption		Employment of a new LED lighting system; power consumption reduced by 4% in 2020 versus 2019.
Reduction in water consumption	Glasgow (KY) / USA (Display)	Installation of a filter press with a closed cycle for treatment and reuse of process water; an 8% reduction in water consumption in 2020 versus 2019.
Reduction in natural gas consumption		Replacement of boilers with more efficient solutions; a 17% reduction in natural gas consumption in 2020 versus the previous year.
Reduction in waste disposed in local landfill sites	Benton (KY) / USA (Architecture)	Worn pallets were recycled by a local pallet manufacturer and reused; a 24% reduction in the volume of landfilled waste in 2020 versus 2019.
	Glasgow (KY) / USA (Display)	Increase in paper recycling and reduction in shredded material; the volume of landfilled waste was reduced by about one quarter in 2020 versus the previous year.
	Statesville (NC) / USA (Display)	More efficient separation of waste; the volume of landfilled waste was reduced by about one third in 2020 versus the previous year.

Sustainability

Social sustainability

Social responsibility is part of our corporate culture

At 3A Composites we take our social responsibility in the local communities very seriously.

In Ecuador and Papua New Guinea, the impact of our activities in the Core Materials market segment on employees (in the plantations and in administration), joint venture partners, suppliers, farmers, and local authorities is analyzed every year. Through our cooperation with local small and medium-sized companies in our communities, we also strengthen sensitivity to and awareness of health and occupational safety, in this way contributing to improved conditions of life at the local level in the communities. We regularly conduct surveys of business partners locally and in the communities to gauge cooperation with us and the impact of our activities on living conditions in the local population; these surveys produce very positive results.

promotion of **equal opportunities** and **education** in Ecuador and Papua New Guinea

We are among the largest employers locally both in Ecuador, where we employ more than 600 people, and in Papua New Guinea, where we have more than 700 employees. We are committed to equal opportunity, and now about one quarter of the workforce are women. We support the children of our employees with educational programs at our site in Papua New Guinea. We are furthermore engaged in alphabetization drives for adults in order to improve the overall educational level. Our pilot project started in Papua New Guinea in 2019, and 34 adults already successfully completed the course in the first year.

Support of social partnership projects

We are engaged at the local level in creating stronger communities. An engagement of this kind reflects Schweiter's corporate values, while at the same time setting out clearly formulated goals to the achievement of which our employees contribute greatly on a daily basis.

At 3A Composites Core Materials, for instance, we participated along with the local authorities in repairing a 15 km stretch of an access road in Cotopaxi province in Ecuador. This project has enabled local farmers to transport their produce to the large markets in the vicinity, thereby ensuring an income for the welfare of their families.

Economic sustainability

Sustainable and profitable growth

Long-term and reliable partnerships with our customers form the foundation for the business success of Schweiter Technologies. Our innovative and environmentally friendly products, our strong brands, and our network of efficient manufacturing sites that are geared geographically to the core markets not only enable us to support our customers' success but also to increase our own competitiveness. Schweiter Technologies has been growing profitably for years and has a very solid balance sheet with a high equity ratio and a strong liquidity position.

Further information on the business performance of Schweiter Technologies can be found in the management report on pages 16 to 26 of this Annual Report.

Innovation in
eco-friendly products as growth drivers

Innovation is a key growth driver of our company and forms the basis for the development of sustainable products as part of our efforts to reduce environmental pollution.

Schweiter Technologies, with its 3A Composites division, can look back on a successful history as an innovation leader in improving resource efficiency. The success of the AIREX® and BALTEK®

products, as well as of the ALUCOBOND®, DIBOND®, FOREX®, SMART-X® and KAPA® brands, is founded essentially on the efficient use and intelligent combination of materials (foams and composites). The result is optimized product features combined with reduced consumption of resources. With our innovative and environmentally friendly products, we protect the environment and improve the quality of life of people, while at the same time strengthening our market position.

Governance principles

Ethical conduct towards people and the environment is an essential element of sustainable development at Schweiter Technologies. For us, it goes without saying that we comply with the local legislation in the countries where we operate. In addition, we adhere on a voluntary basis to the stipulations of the UN SDGs (United Nations Sustainable Development Goals) and of the FSC® (Forest Stewardship Council®) and comply with our group-wide code of conduct at all times. These stipulations are binding on the Board of Directors, management, and employees as well as on the consultants and suppliers that work together with Schweiter Technologies and its subsidiaries. The company's Global Code of Conduct can be accessed through the following link: www.schweiter.ch/s1a203/corporategovernance/code-of-conduct.html

Additional information on the "3A Composites Core Materials Quality Policy" and the "3A Composites Core Materials Public Forest Management Summary Ecuador" can be accessed through the following link: https://www.3accorematerials.com/en/sustainability

In addition, we refer to the information available on the links https://alucobond.com/case-studies/forms-elements/no-4-sustainability
and https://www.display.3acomposites.com/company/environment-sustainability.html

Balsa seedlings

Group management report

Business performance

Schweiter Technologies can look back on a successful year amid difficult market conditions. Despite the COVID-19 pandemic, it posted Group sales of CHF 1 160.2 million in 2020, which was only slightly lower than the previous year's CHF 1 179.6 million (-2%). In local currencies, sales were even +3% higher versus 2019.

Group EBITDA improved by a staggering 43% compared with the previous year (+49% in local currencies), reaching a new record high of CHF 175.7 million. The return on net sales rose by close to 5 percentage points to 15.1%. EBIT also rose faster than sales to CHF 137.6 million (previous year: CHF 85.2 million), while net income increased to CHF 103.5 million (previous year: CHF 60.0 million).

Operating cash flow came to about CHF 158 million, equivalent to a year-on-year increase of more than 51%. Cash and cash equivalents rose to around CHF 164 million following a dividend distribution of approximately CHF 57 million.

Headcount stood at 4364 (prior year: 4185), including 1392 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea.

Schweiter Technologies 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. In addition to measures designed to drive organic growth, Schweiter Technologies is making targeted acquisitions to ensure sustained growth in its various business segments. The foamboard business of Newell Brands Inc., acquired in September 2020, will drive the further expansion of the display business in the USA and will make a positive contribution to the Group's profit growth as of 2021.

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 2020.

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. It is regarded as the market leader in all target markets. Suitable combinations of materials are determined on the basis of the requirements of the relevant applications and are transformed into innovative solutions using industrial processes.

In all target markets, 3A Composites offers a unique product range for each particular high-end segment and owns globally renowned brands such as ALUCOBOND®, AIREX®, BALTEK®, CRYLON®, CRYLUX®, DIBOND®, GATOR®, KAPA®, PERSPEX® etc.

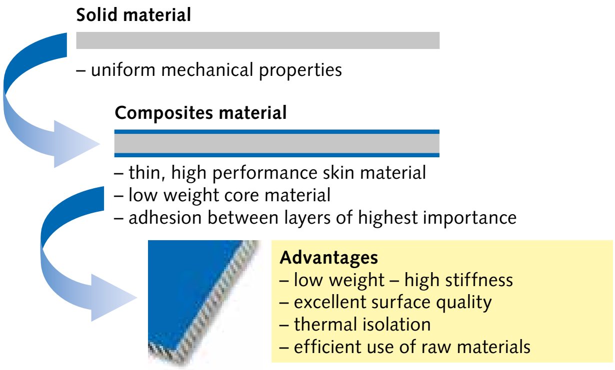
3A Composites

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
– 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 – as a first stage – 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.

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

In addition to the clear specialization of the products by markets, another of 3A Composites' strengths lies in the synergies 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 2020

Market for composite panels and refined semi-finished products

Display

The Display segment suffered significant shifts in demand owing to the COVID-19 pandemic, with two completely different trends predominating. On the one hand, demand in the clear sheet business exceeded all expectations because transparent partitions very soon proved to provide effective protection against infection with COVID-19. On the other hand, demand for display products slumped as of mid-March in the areas of advertising, trade fairs and interior fittings.

Owing to the lockdown measures, demand particularly in trade fair construction came to a standstill. A positive effect, however, was that the same materials were needed for the construction of emergency hospitals and later of vaccination centers. The fall-off in demand in the area of shop fittings/retail was partly compensated by higher demand in DIY stores and food retailing. The third quarter saw an appreciable recovery in demand for the core display applications. However, the second pandemic wave that began in the fourth quarter again led to economic disruptions and a slowdown in the market recovery.

DIBOND® wall at EuroShop 2020, Dusseldorf, Germany

Sales in the Display segment were on the whole on the same level as the previous year despite the far-reaching consequences of the COVID-19 pandemic for the economy. The European display business was the main beneficiary of the clear sheet capacity acquired in recent years, while the American display business was especially hard hit by the temporary decline in demand in the areas of advertising and retailing.

3A Composites strengthened its core display business and expanded its customer base through the acquisition of Newell Brands Inc. in September 2020. At the same time, the acquisition has generated synergies in the manufacture and distribution of foamboards with paper surfaces.

Almost all Schweiter's sites continued production throughout the year despite various restrictions due to anti-COVID-19 measures. Production capacity was promptly adjusted to the rapid shifts in demand. Whereas some locations reduced their production capacity temporarily, others were retooled for the additional manufacture of transparent sheets in order to meet the extraordinarily high demand for COVID-19 protective partitions. Occasional disruptions in the supply of some raw materials were bridged over by alterations to the production profile and by forward planning of inventories.

The Display segment again improved its competitive position owing to its high delivery capacity. The difficult market circumstances are encouraging customers to build ever closer ties with 3A Composites as a strong and reliable business partner.

Price trends in the display business usually track raw material prices with a certain time lag. The fall in raw material prices, which began the previous year, became more precipitous once the COVID-19 pandemic struck. Growth in profitability clearly outpaced sales growth owing to falling raw material prices, high capacity utilization in clear sheet production, a temporary reduction in production capacity at sites with lower capacity utilization, and strict cost discipline.

3A Composites

Architecture

Sales in the Architecture segment were very mixed regionally. Whereas the North American architecture business continued growing following a strong previous year, sales in Europe and Asia failed to reach the year-back level mainly because of the pandemic.

The European construction sector was very mixed, with large country-specific differences. Construction projects in Central Europe, primarily Germany, continued virtually without any disruption, whereas construction activity in some core markets such as France, the United Kingdom, and southern Europe came to a complete standstill at times owing to the pandemic. On top of this, the ongoing uncertainties surrounding Brexit had a negative impact on demand in the UK. Government-decreed building freezes and a slower pace of construction, particularly in the second quarter, resulted in significant delays or project postponements. An appreciable uptick in order intake occurred in the third quarter when construction was resumed, but this gave way in the fourth quarter to a slowdown occasioned by the restrictions caused by the second wave of the pandemic. A patent was submitted for a newly developed and simplified processing and installation technology for ALUCOBOND®, which was launched at year-end.

The construction sector in Asia was also held back by project delays and halts on various building sites, though this varied significantly from region to region. In China, the construction business practically came to a standstill in the first quarter but then recovered gradually, reaching gratifying levels by the fourth quarter; in India, by contrast, the sector reported a very strong first quarter, but demand slumped in the following two quarters. Construction in India, however, picked up again in the fourth

BCF-Arena, Fribourg, Switzerland
ALUCOBOND® A2 metallic colours
Architect: bfik architectes

Group management report

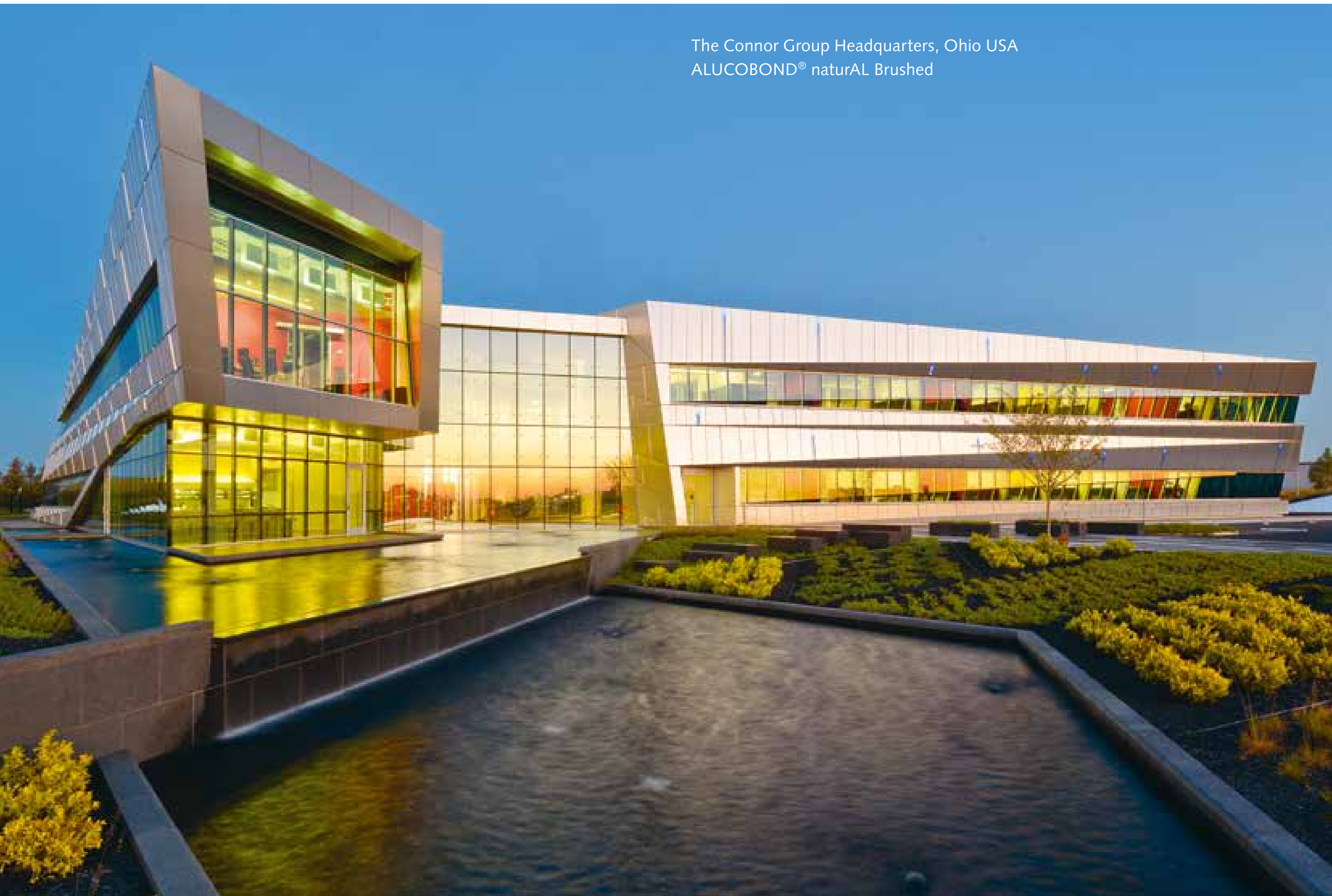
quarter, unlike in the Middle East. In Southeast Asia, the lockdown measures had very differing effects on the various markets. On the one hand, New Zealand reported the best year ever in its history; on the other, Indonesia fell back to the level of earlier years following a period of steady sales growth. The drive in recent years to achieve regional market penetration paid off, especially because having sales staff in key countries meant they were able to provide outstanding local service to customers despite the international travel bans.

The North American construction market was also hit by temporary lockdown measures that had a negative impact on the sector as the whole. Despite these challenges, 3A Composites posted market share gains in the USA along with additional sales growth owing to its strategically expanded customer base, improvements in service levels, and its continued leading position in architecture specifications.

Market for core material for sandwich applications

The Core Materials segment maintained the previous year's strong momentum, posting double-digit revenue growth. In particular, the ongoing firm demand for core materials for the wind energy sector was a key factor in the sales gains and resulted in very high capacity utilization at the production sites.

In regional terms, China again reported the strongest growth following significant increases the previous year. Demand from wind customers in the USA and Europe also trended strongly. While demand from marine customers in the USA outpaced the previous year as of the second quarter, sales in the European marine, transport and construction sectors fell short of the previous year. Nevertheless, the segment further increased its market penetration of composites for weight-saving solutions.


The Connor Group Headquarters, Ohio USA
ALUCOBOND® naturAL Brushed

3A Composites

The sustained rise in demand for core materials largely exhausted the production plants' capacity limits especially for balsa and PET products. At the same time, transport restrictions occasioned by measures to combat the COVID-19 pandemic led to temporary disruptions in the supply chain. In addition, rising balsa raw material costs, a trend that began the previous year, persisted in 2020. However, the segment was less hard hit than its competitors by the rising costs and by bottlenecks in balsa wood procurement owing to its excellent coverage along the entire value chain (from seedlings to its own FSC®-certified plantations in Ecuador and Papua New Guinea, right up to the finished products).

Continued firm demand in the wind energy sector, combined with very high capacity utilization at the production sites, measures to further increase efficiency, and selective price increases produced a disproportionately large jump in profit.

Wind energy

Wind energy continued on its growth trajectory of recent years, driven by the two megatrends decarbonization and electrification. In addition, this source of energy is more competitive than conventionally produced electric power because the power generation costs from wind energy have fallen significantly in recent years.

3A Composites has for years been a pioneer in the development of the Hybrid Core Concept®, in which various core materials are used in a sandwich configuration in order to optimize the three pillars: product properties, costs, and sustainability. 3A Composites, moreover, remains the clear market leader for core materials for wind turbines, with a systematic focus on PET foams (AIREX®) and balsa materials (BALTEK®). 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.

A new PET production facility was brought on stream in China towards the end of the year in order to be closer to Asian customers and to be better able to meet the sharp rise in demand. Furthermore, 3A Composites has developed a surface sealing for its BALTEK® products that enables customers to reduce resin consumption in the processing of the products and thereby to cut costs.

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

COVID-19 had a negative impact on the general economy, but sales in the Non-wind segment nevertheless remained quite firm in 2020. According to statistics of the National Marine Manufacturers Association (NMMA), sales of new boats in the USA as of September reached the highest monthly levels in more than a decade.

In the automotive sector, sales trended satisfactorily on the whole, given the temporary plant closures by customers. 3A Composites is strongly positioned in the transport sector owing to the trend to weight-saving solutions and supply contracts with leading European carmakers for new ranges of models.

Sales of fitness and gymnastic mats continued to grow in 2020. The positive trend was supported by the expansion of the omnichannel strategy and the expansion of the product range through an upgraded selection of yoga and pilates mats.

Group management report

Market for structural components / system components

After the most successful year in its history to date, the Mobility segment reported a double-digit decline in its sales revenue in 2020.

The Road Vehicles business was particularly hard hit by the current crisis because the component market for touring buses collapsed almost completely as of the second quarter and did not stage any significant recovery for the rest of the year. Demand for system solutions for city buses also declined owing to the fall-off in passenger numbers. The main reasons for the fall-off were the prolonged lockdown measures in a number of countries, an upturn in individual traffic owing to fear of infection in public transit, and a significant increase in home office working. The product group of light-weight chassis for buses and campers, by contrast, reported marginal growth, though it was not sufficient to offset the sales declines in the main business areas.

Sales in the rail business with its product groups train front ends, sandwich systems and interior components also failed to match the previous year's level, but the decline was less pronounced than in road vehicles. The train front ends business fell short of the previous year owing to customers postponing projects and as a result of the pandemic-related drop in services such as repairs. Project postponements also impacted revenues from function-integrated sandwich systems such as floors and roofs. Additionally, there were crisis-related delays of up to 3–4 months in the start of new projects. In interior components, the withdrawal from thermoplastic components was finalized, and the product portfolio of metal- and metal-sandwich-based systems was further expanded. Through close cooperation with an East European rail vehicle manufacturer, the product group landed its first major order for these systems; the order was in the mid single-digit million CHF range, which means that in the coming years it can once again count on higher sales revenue.

The Mobility segment managed – in the face of numerous adversities – to maintain its EBIT margin close to the previous year's level thanks its prompt adjustment of production capacity, strict cost management, and optimization along the entire value chain.

PET foams (AIREX®) and balsa wood (BALTEK®) from 3A Composites are used as core materials in wind farm rotor blades and in other applications

3A Composites

Product range / capacity

Further steps were taken in the year under review to expand the product range with innovative composites for the market segments Display, Architecture, Core Materials, Transport and Industry. Paper-based display products (DISPA®) are on (sustainability) trend and enjoy ever greater popularity. In the Architecture segment, new surfaces along with simplified processing and installation technology for ALUCOBOND® products were launched. The segment has developed a new surface sealing for its BALTEK® products that enables customers to reduce resin consumption in the processing of the products and thereby to cut costs. The Mobility segment completed a development program for fire protection in train front ends, which can now also be used in metropolitan railway systems.

Group management report

Production plants at several sites in Europe, the USA, and Asia were either upgraded or expanded. These investments enable us not only to increase production capacity and further raise production efficiency but at the same time to launch better and more environmentally friendly products on the market.

A new PET production plant was brought on stream in China in the fourth quarter to meet the ongoing firm demand for core materials for wind energy facilities and for other applications not related to wind energy. 3A Composites has thus moved closer to its Asian wind customers and now has three production plants for high-end PET foams in its main markets Europe, North America, and Asia.

Organization

There are virtually no changes to the lean, decentralized organization. The restructuring and integration of the foamboard business of Newell Brands Inc., acquired in September 2020, is running according to plan. The acquisition strengthens the core display business in North America and generates synergies in the manufacture and distribution of foamboards with paper surfaces.

Outlook

The economic recovery was interrupted by the second COVID-19 wave at year-end, making reliable forecasts more difficult at present. The overall economic trend and thus the European and American display business will depend to a large extent on epidemiological developments and the related protection measures taken by governments. The brief but strong upturn in demand in the third quarter of 2020 demonstrates that a swift recovery of the markets is possible. Assuming positive news about vaccines, additional economic stimuli, and an end to political uncertainty in the USA, we anticipate a gradual recovery of the general economy in 2021 and, along with that, an upturn in the retail sector and in advertising revenues.

The market for transparent partitions for protection against COVID-19 will remain firm, though we expect demand to return to normal levels. No recovery in trade fair construction can be expected before the second half of the year. Despite the relentless merging of online and in-person shopping, the transition from the classic retail trade to dominant discounter chains, flagship stores, and outlet and DIY centers offers a whole range of opportunities to grow the display products of 3A Composites, especially in the areas in which store design and targeted advertising communicate a customer-oriented lifestyle. The foamboard busi-

3A Composites Display booth
at EuroShop 2020, Dusseldorf, Germany

3A Composites

ness acquired from Newell Brands Inc. expands the customer base in the USA and will make a positive contribution to both sales and profit. On the strength of its broad and complementary product range and its solid distribution network, the Display segment is in a strong position amid a dynamic market environment.

Construction projects typically have a prolonged decision-making and implementation phase, which means that the business cycle is also longer. For the coming business year, we anticipate a certain catch-up effect for projects that have been postponed and expect that projects already underway will be implemented according to plan. There can be no doubt that, given the difficult general economic conditions, there will be some hesitancy to take decisions regarding commercial construction projects. The importance of aesthetic aspects and the building's uniqueness, however, will increase for those projects that are realized. The façade has a decisive impact on a building's character, and ALUCOBOND® offers architects immense functional and creative scope.

In Europe, large-scale construction projects will gain in importance given the building backlog. This development will be further supported by government-subsidized stimulus programs and plans to improve the insulation properties of new builds and renovations. 3A Composites stands out clearly from its competitors for the aesthetic excellence of its product range, the good properties for retrospective fitting of façade insulation, and technical application consulting services designed to implement demanding façade projects.

Great uncertainty surrounds trends on the North American construction market. Major construction projects and plans for new building developments came to a standstill towards the end of the first quarter of 2020 and were only resumed again in the second half of the year. Since façades are installed at a relatively late stage in construction, this stagnation in new projects will probably impact deliveries in the second half of 2021. 3A Composites, however, will endeavor to counteract this trend by gaining further market share – it plans to expand its product range, intensify cooperation with architects, and again broaden its customer base.

The Asia/Pacific architecture market should benefit from a catch-up effect in 2021 in view of the many building projects that were postponed in 2020 and its very healthy project pipeline. Demand for property in most countries should return to pre-pandemic levels; it is assumed, however, that large parts of Southeast Asia will take the pandemic as an opportunity to rethink how projects are to be carried out and designed. This may result in further delays and possibly alterations in façade design. In China, though, a complete recovery is expected, while in the Middle East and India substantially higher sales than the previous year are forecast.

The outlook for the market in core materials for composite constructions anticipates ongoing firm demand in wind energy. Moreover, new applications in the Non-wind business, e.g. microsandwiches for vehicles, hold out the promise of further growth. The investments made in a new PET line in China will enable us to be closer to our Asian customers and to increase sales volume. However, sales prices, especially in China, can be expected to fall owing to changed market conditions and tougher competition. 3A Composites will maintain its strategy for an environment-friendlier future by reducing its CO_2 footprint and developing sustainable products and services.

The Mobility segment forecasts a further weakening of the bus market before any recovery sets in. In the medium term, though, we anticipate a recovery in the bus market because government programs such as the European Clean Vehicle Act will speed up the replacement of conventional vehicles and this new generation of vehicles will require ever more light-weight components in their structure.

The rail vehicle market appears to be more robust compared with the short-term outlook of the bus market, but here too the current situation may result in postponement of infrastructure projects, which would have an immediate effect on demand for trains and railways. On the upside is the expansion of our customer base, which will play a key role in the intercity train segment in the years to come. Likewise, the unit completed a major fire protection development program, which will make it possible to use train fronts in metropolitan transit too.

Management

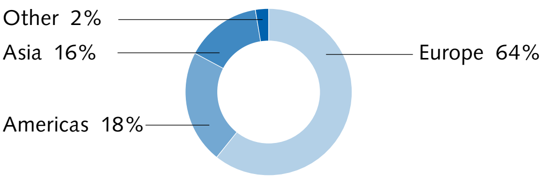
Dr Heinz O. Baumgartner	Chief Executive Officer 3A Composites
Graham Fizer	Chief Executive Officer Display & Architecture Americas
Eric Gauthier	Chief Executive Officer Core Materials
Dr Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Martin Klöti	Chief Financial Officer
Dr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

Employees (at year-end)

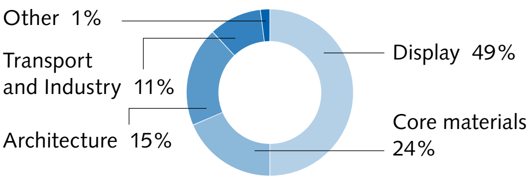
2020	2019	2018	2017	2016
4 357	4 178	3 940	3 779	4 080
[1] 1 392	[1] 1 235	[1] 946	[1] 1 147	[1] 1 649

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

Sales markets 2020 (in %)



Net revenues 2020 by operations (in %)



Consolidated financial statements of Schweiter Technologies AG

Consolidated balance sheet as of 31 December 2020

	Assets (in CHF 1000s)	31 December **2020**	%	31 December 2019 (restated)	%	1 January 2019 (restated)	%
	Current assets						
	Cash and cash equivalents	163 711		115 745		108 093	
1	Trade receivables	184 949		167 780		169 993	
	Current income tax receivables	921		6 394		5 594	
	Advances to suppliers	4 787		5 596		5 492	
2	Other receivables	17 449		17 954		16 233	
	Prepaid expenses and accrued income	4 781		4 636		6 352	
3	Inventories	171 561		181 771		197 907	
	Total current assets	**548 159**	50.0	**499 876**	47.5	**509 664**	49.1
	Non-current assets						
4	Property, plant and equipment	304 258		301 731		279 179	
5	Biological assets	34 680		37 357		34 708	
	Financial assets	666		890		1 545	
23	Deferred tax assets	22 908		18 796		16 845	
6	Intangible assets (incl. goodwill)	186 588		193 474		195 903	
	Total non-current assets	**549 100**	50.0	**552 248**	52.5	**528 180**	50.9
	Total assets	**1 097 259**		**1 052 124**		**1 037 844**	
	Liabilities and shareholders' equity (in CHF 1000s)						
	Current liabilities						
7	Current financial liabilities	12 899		8 176		1 078	
	Trade payables	53 802		58 704		70 742	
	Prepayments received from customers	2 294		2 200		3 396	
8	Other payables	9 436		11 450		10 734	
9	Accrued expenses and deferred income	65 663		54 132		51 325	
14	Current provisions	5 116		4 611		5 422	
	Current income tax payables	30 706		18 405		18 357	
	Total current liabilities	**179 916**	16.4	**157 678**	15.0	**161 054**	15.5
10	Non-current financial liabilities	25 376		21 888		1 111	
	Other long-term payables	1 986		2 177		0	
23	Deferred tax liabilities	29 337		31 146		31 580	
14	Non-current provisions	15 385		15 607		18 362	
13	Employee benefits	107 236		95 556		75 186	
	Total non-current liabilities	**179 320**	16.3	**166 374**	15.8	**126 239**	12.2
	Total liabilities	**359 236**	32.7	**324 052**	30.8	**287 293**	27.7
	Shareholders' equity						
15	Share capital	1 432		1 432		1 432	
	Retained earnings	810 497		771 573		782 928	
	Currency translation adjustments	– 73 906		– 44 933		– 33 809	
	Total shareholders' equity	**738 023**	67.3	**728 072**	69.2	**750 551**	72.3
	Total liabilities and shareholders' equity	**1 097 259**		**1 052 124**		**1 037 844**	

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

Consolidated income statement for the financial year 2020

	(in CHF 1000s)	2020	%	2019 (restated)	%
17	**Net revenues**	**1 160 167**	100.7	**1 179 602**	101.1
	Change in inventories of semi-finished and finished goods	– 8 215	– 0.7	– 12 794	– 1.1
	Total operating income	**1 151 952**	100.0	**1 166 808**	100.0
	Material expenses	– 580 923	– 50.4	– 636 910	– 54.6
	Personnel expenses	– 217 490	– 18.9	– 220 099	– 18.9
18	Other operating expenses	– 183 359	– 15.9	– 195 320	– 16.7
19	Other operating income	5 477	0.4	8 620	0.7
20	Depreciation and amortization	– 38 100	– 3.3	– 37 923	– 3.3
	Operating result (EBIT)	**137 557**	11.9	**85 176**	7.2
21	Financial income	261	0.0	673	0.1
22	Financial expenses	– 7 149	– 0.6	– 7 435	– 0.6
	Income before taxes	**130 669**	11.3	**78 414**	6.7
23	Income taxes	– 27 161	– 2.3	– 18 433	– 1.6
	Net income	**103 508**	9.0	**59 981**	5.1
25	**Earnings per share** (in CHF)				
	– undiluted	72.29		41.89	
	– diluted	72.29		41.89	

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

Consolidated statement of comprehensive income for the financial year 2020

(in CHF 1000s)	2020	2019 (restated)
Net income	**103 508**	**59 981**
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	– 28 973	– 11 124
– Tax effect	0	0
Total	– 28 973	– 11 124
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial (losses) / gains on defined benefit plans	– 9 176	– 18 544
– Tax effect	1 839	4 431
Total	– 7 337	– 14 113
Total other comprehensive income	**– 36 310**	**– 25 237**
Comprehensive income	**67 198**	**34 744**

Consolidated statement of cash flows for the financial year 2020

	(in CHF 1000s)	2020	2019 (restated)
	Net income	103 508	59 981
20	Depreciation and amortization	38 100	37 923
	Change in provisions and employee benefits	3 949	647
	Gain from sale of property, plant and equipment	– 63	– 103
	Other positions not impacting cash	– 5 670	– 7 929
21	Financial income	– 261	– 673
22	Financial expenses	7 149	7 435
23	Income taxes	27 161	18 433
	Change in working capital:		
	Change in trade receivables	– 19 190	– 904
	Change in other receivables and accruals	236	– 1 724
	Change in inventories and work in progress	9 402	14 180
	Change in trade payables	– 4 736	– 10 900
	Change in other liabilities	10 594	4 143
	Income taxes paid	– 12 407	– 16 244
	Cash flow from operating activity	**157 772**	**104 265**
	Repayment of purchase of subsidiaries	0	893
24	Purchase of subsidiaries	– 6 687	– 1 667
	Purchase of intangible assets	– 897	– 318
	Purchase of property, plant and equipment	– 36 482	– 27 026
	Proceeds from sale of property, plant and equipment	824	524
	Repayment of financial assets	86	932
	Increase in financial assets	0	– 96
	Interest received	247	654
	Cash flow from investment activity	**– 42 909**	**– 26 104**
	Repayment leasing liabilities	– 8 433	– 8 147
27	Increase in current financial liabilities	25 424	20 000
27	Repayment of current financial liabilities	– 20 000	– 20 000
	Interest paid	– 2 775	– 2 831
15	Dividend paid	– 57 266	– 57 269
	Cash flow from financing activity	**– 63 050**	**– 68 247**
	Currency exchange differences on cash and cash equivalents	– 3 847	– 2 262
	Change in cash and cash equivalents	**47 966**	**7 652**
	Cash and cash equivalents as of 1 January	115 745	108 093
	Cash and cash equivalents as of 31 December	**163 711**	**115 745**

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

Consolidated statement of changes in equity

	(in CHF 1000s)	Share capital	Retained earnings	Currency translation adjustments	Total shareholders' equity
	Balance as of 1 January 2019	**1 432**	**784 251**	**– 33 802**	**751 881**
	Restatement		– 1 323	– 7	– 1 330
	Adjusted Balance as of 1 January 2019	**1 432**	**782 928**	**– 33 809**	**750 551**
	Net income		59 981		59 981
	Other comprehensive income	*0*	*– 14 113*	*– 11 124*	*– 25 237*
	Comprehensive income	0	45 868	– 11 124	34 744
16	Share-based remuneration		49		49
	Dividend		– 57 272		– 57 272
	Adjusted Balance as of 31 December 2019	**1 432**	**771 573**	**– 44 933**	**728 072**
	Net income		103 508		103 508
	Other comprehensive income	*0*	*– 7337*	*– 28 973*	*– 36 310*
	Comprehensive income	0	96 171	– 28 973	67 198
16	Share-based remuneration		25		25
	Dividend		– 57 272		– 57 272
	Balance as of 31 December 2020	**1 432**	**810 497**	**– 73 906**	**738 023**

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

Notes to the consolidated financial statements 2020

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 2020:

Amendments to standards

IFRS 3	Definition of a Business	[1]
IAS 1 and IAS 8	Definition of Material	[1]
IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform	[1]
IFRS 16	Covid-19-related Rent Concessions	[1]
Miscellaneous	Amendments resulting from the Annual Improvement Projects	[1]

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

Issued standards not yet adopted

The following new and revised standards and interpretations are issued by the IASB. These standards were not effective for the reporting period and have not been early adopted in the present consolidated financial statements.

The following table shows the impact estimated by the Executive Management:

New standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IFRS 17	Insurance contracts	1 January 2023	Financial year 2023	[1]

Amendments to standards				
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022	Financial year 2022	[1]
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1 January 2021	Financial year 2021	[1]

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

Basis of consolidation

The consolidated financial statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, as well as the consolidated statement of cash flows, the consolidated statement of changes in equity and notes are based on the audited annual statements of the companies included as of 31 December 2020 and 31 December 2019. 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.

COVID-19

The broad diversification of 3A Composites proved to be a strength in a business year overshadowed by the COVID-19 pandemic. While some market segments and geographies were affected by the lockdown measures and had to cope with a steep decline in demand, the Display segment, particularly in Europe, with its wide range of clear sheet products, and the segment of Core Materials for the wind energy sector benefited from firm demand. Schweiter Technologies promptly took measures to ensure business continuity, to protect employees' health, and to minimize the negative impact of COVID-19.

In the business year 2020, Group sales revenue came to CHF 1 160.2 million – just below the previous year's CHF 1 179.6 million – despite the pandemic and unfavorable currency effects (-2%). In local currencies, sales were even +3% higher than in 2019.

Schweiter Technologies continues to enjoy a solid balance sheet and it possesses sufficient financial flexibility thanks to its consistent and prudent financing policy. At year-end 2020, the Group had cash and cash equivalents of CHF 163.7 million and an equity ratio of 67.3%.

As in the previous year, Schweiter Technologies did not record any significant bad debt losses nor did it have to make any unplanned valuation adjustments. The annual impairment test did not reveal any need for an impairment of intangible assets.

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.

Accounting policies

Changes in the scope of consolidation

Changes in financial year **2020:**

Acquisitions: As of 31 August 2020, the foam board business of Newell Brands Inc., USA was acquired by way of an asset deal (see note 24).

Foundations: As of 26 November 2020, 3A Composites Malaysia Sdn. Bhd. was founded.

Liquidations: As of 12 February 2020, Athlone Extrusions (ABS) Unlimited and Athlone Extrusions Development Ltd. were liquidated.

Changes in financial year 2019:

Acquisitions: On 31 July 2019, PGS Ecuador SA was acquired (see note 24).

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.

Scope of consolidation

The following companies were fully consolidated as of 31 December:

Company	Purpose	Share capital in 1000s		Investments 2020	Investments 2019
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%	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%

Company	Purpose	Share capital in 1000s		Investments 2020	Investments 2019
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%
Athlone Extrusions Development Ltd. Athlone, Ireland	Development	EUR	60	–	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%

Accounting policies

Company	Purpose	Share capital in 1000s		Investments 2020	2019
3A Composites Mobility SA Mielec, Poland	Production and distribution	PLN	4 124	100%	100%
3A Composites Holding Inc. Wilmington, DE, USA	Holding company	USD	0.1	100%	100%
Baltek Inc. Wilmington, DE, USA	Production and distribution	USD	0.05	100%	100%
3A Composites USA Inc. St. Louis, MI, USA	Production and distribution	USD	1	100%	100%
3A Composites Asia Pacific Pte. Ltd. Singapore	Distribution	USD	58 314	100%	100%
PT. Alucobond Far East Indonesia Tangerang, Indonesia	Distribution	IDR	2 500 000	100%	100%
3A Composites Malaysia Sdn. Bhd. Kuala Lumpur, Malaysia	Distribution	MYR	0.001	100%	–
Alucobond Asia Pacific Management (Shanghai) Ltd., China	Management	USD	2 500	100%	100%
3A Composites (China) Ltd. Shanghai, China	Production and distribution	USD	10 000	100%	100%
Alucobond Composites (Jiangsu) Ltd. Changzhou, China	Production and distribution	USD	10 000	100%	100%
Airex Composites Ltd. Changzhou, China	Production and distribution	USD	12 000	100%	100%
3A Composites India Pte. Ltd. Mumbai, India	Production and distribution	INR	70 098	100%	100%
3A Composites PNG Ltd. Port Moresby, Papua New Guinea	Production and distribution	PGK	14 000	100%	100%
Plantaciones de Balsa Plantabal S.A. Guayaquil, Ecuador	Production	USD	69 849	100%	100%
PGS Ecuador S.A. Quevedo, Ecuador	Production and distribution	USD	80	100%	100%

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	
				2020	2019	**2020**	2019
USA	Dollar	USD	1	0.883	0.967	0.938	0.994
EU	Euro	EUR	1	1.084	1.085	1.071	1.112
GB	Pound	GBP	1	1.199	1.276	1.204	1.268
China	Yuan	CNY	1	0.135	0.139	0.136	0.144
India	Rupee	INR	100	1.205	1.356	1.267	1.411

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.

Accounting policies

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
Assets 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;
- discount rate.

Goodwill

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

Other intangible assets

Research costs are charged to the income statement as incurred. Development costs are charged to the income statement where the conditions for capitalization according to IAS 38 are not satisfied.

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

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

The estimated useful life is as follows:

Development costs	3 to 5 years
Software	3 to 5 years
Patents	life-span of patents

Acquired technologies	5 to 10 years
Acquired customer relationships	3 to 5 years
Acquired brand names	unlimited

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

Government grants

Government grants are recognized in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

The Group is using the option and recognizes government grants in profit or loss.

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.

Accounting policies

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, trade receivables and payables and interest-bearing liabilities are considered to be financial instruments. The carrying amounts of bank balances, trade receivables and 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.

If the Swiss franc had been 5% stronger/weaker against the euro [US dollar] on 31 December 2020 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 1.9 million [CHF 0.5 million] (previous year: CHF 3.2 million [CHF 1.0 million]) and shareholders' equity would have been lower/higher by CHF 10.3 million [CHF 4.9 million] (previous year: CHF 10.3 million [CHF 5.2 million]).

Interest rate risks

As the Group had positive net liabilities as of 31 December 2020, 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 1.3 million (previous year: CHF 0.9 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 2020 and 31 December 2019, 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 2020: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount **31.12.2020**	Cash outflows Total	Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	5 027	5 077	5 077		
Current leases	7 872	9 905	9 905		
Trade payables	53 802	53 802	53 802		
Other liabilities	4 551	4 551	4 551		
Non-current financial liabilities	245	245		176	69
Non-current leases	25 131	31 580		25 603	5 977
Other non-current liabilities	1 986	1 986		1 986	
Total	**98 614**	**107 146**	**73 335**	**27 765**	**6 046**

Accounting policies

Financial liabilities 2019: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount 31.12.2019	Total	Cash outflows 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	58 704	58 704	58 704		
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	**97 240**	**106 931**	**75 200**	**23 805**	**7 926**

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 and adjusted if necessary. Such changes are recognized in the income statement in the period in which the estimate is revised.

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.
The key assumptions are described below.

Receivables

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

Inventories

The valuation of inventories includes estimates in respect to the recoverability based on the expected consumption of the article in question. The value adjustment on inventories is calculated based on an 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.

Accounting policies

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.

Restatement of previous year's figures

In the first half of 2020, it was noted that individual incorrect codes were used for import customs clearance for imports of certain raw materials into the United States, and that import duties were therefore declared incorrectly in some cases. The error was corrected by a subsequent declaration to the customs authority. The Group considers the error to be material and has therefore decided to restate previous years in accordance with IAS 8 as follows:

(in CHF m)	31.12.2019 (published)	Restatement IAS 8 error	31.12.2019 (restated)
Impact on the balance sheet and shareholders' equity			
Inventories	180.1	1.7	181.8
Trade payables	51.9	6.8	58.7
Current income tax payables	19.6	– 1.2	18.4
Shareholders' equity	732.0	– 3.9	728.1
Impact on the income statement and net income			
Material expenses	– 633.5	– 3.4	– 636.9
Financial expenses	– 7.3	– 0.1	– 7.4
Income taxes	– 19.3	0.9	– 18.4
Net income	62.6	– 2.6	60.0
Earnings per share, undiluted (in CHF)	43.73	– 1.84	41.89
Earnings per share, diluted (in CHF)	43.73	– 1.84	41.89
Impact on comprehensive income			
Net income	62.6	– 2.6	60.0
Comprehensive income	37.3	– 2.6	34.7
Impact on the cash flow statement			
Net income	62.6	– 2.6	60.0
Cash flow from operating activity	104.3	0.0	104.3

Change in consolidated shareholders' equity (in CHF m)	Share capital	Retained earnings	Currency translation difference	Total shareholders' equity
Balance as of 31 December 2018 (published)	**1.4**	**784.3**	**– 33.8**	**751.9**
– Restatement IAS 8 error		– 1.3	0	– 1.3
Shareholders' equity as of 1 January 2019 (restated)	**1.4**	**783.0**	**– 33.8**	**750.6**

Operating segments 2020

Note	(in CHF millions) **Operations**	3A Composites	Other/ Eliminations	Group
	Net revenues	1 160.2	0.0	1 160.2
	Operating income	1 152.0	0.0	1 152.0
20	Depreciation and amortization	– 37.8	0.0	– 37.8
20	Impairment	– 0.3	0.0	– 0.3
	Operating result (EBIT)	**141.1**	**– 3.5**	**137.6**
	Financial income			0.2
	Financial expenses			– 7.1
	Income before taxes			**130.7**
	Income taxes			– 27.2
	Net income			**103.5**
	Capital expenditure in property, plant and equipment	36.7	0.0	36.7
	Capital expenditure in intangible assets	0.9	0.0	0.9
	Total capital expenditure	**37.6**	**0.0**	**37.6**
	Assets	1 063.8	33.5	1 097.3
	Liabilities	650.1	– 290.9	359.2
	Employees at year-end	4 357	7	4 364

Geographical information 2020 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [1)]	737.3	208.8	187.0	27.1	**1 160.2**
Assets	721.7	230.1	133.3	12.2	**1 097.3**

[1)] The revenues in Switzerland are insignificant.

Information on major customers 2020

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

Operating segments 2019

(in CHF millions) (restated)

	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
20	Depreciation and amortization	– 37.9	0.0	– 37.9
20	Impairment	0.0	0.0	0.0
	Operating result (EBIT)	**86.5**	**– 1.3**	**85.2**
	Financial income			0.7
	Financial expenses			– 7.5
	Income before taxes			**78.4**
	Income taxes			– 18.4
	Net income			**60.0**
	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	1 040.8	11.3	1 052.1
	Liabilities	655.3	– 331.2	324.1
	Employees at year-end	4 178	7	4 185

Geographical information 2019 (in CHF millions) (restated)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [1]	754.7	224.0	169.6	31.3	**1 179.6**
Assets	685.4	238.7	114.6	13.4	**1 052.1**

[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.

Notes to the consolidated financial statements

1 **Trade receivables** (in CHF 1000s)	**2020**	2019
Total trade receivables	194 257	175 880
– less allowance for doubtful accounts	– 9 308	– 8 100
Total trade receivables – net	**184 949**	**167 780**

Age analysis of trade receivables **2020:** (in CHF 1000s)	Gross **31.12.2020**	Bad debt allowance **31.12.2020**	Net **31.12.2020**
Not due	173 425	0	173 425
Overdue up to one month	12 257	– 2 310	9 947
Overdue between 1 and 2 months	1 272	– 291	981
Overdue between 2 and 3 months	429	– 142	287
more than 3 months overdue	6 874	– 6 565	309
Total overdue	*20 832*	*– 9 308*	*11 524*
Total	**194 257**	**– 9 308**	**184 949**

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**

Changes in the value adjustment for doubtful accounts: (in CHF 1000s)	**2020**	2019
Balance as of 1 January	8 100	10 337
Exchange rate differences	– 235	– 216
Bad debt allowance used	– 158	– 1 229
Bad debt allowance released	– 988	– 2 160
Bad debt allowance increased	2 589	1 368
Balance as of 31 December	**9 308**	**8 100**

Bad debt allowances cover bad debt and credit risks.

2 **Other receivables** (in CHF 1000s)	**2020**	2019
Financial assets:		
– Other receivables	7 003	8 006
Non-financial assets:		
– Receivables from indirect taxes and social insurance schemes	10 446	9 948
Total	**17 449**	**17 954**

3 **Inventories** (in CHF 1000s)	**2020**	2019
Raw materials and production parts	75 316	79 009
Semi-finished goods and work in progress	19 680	20 895
Finished goods and trading goods	76 565	81 867
Total	**171 561**	**181 771**

The net value of the inventories is after value adjustments of CHF 9.8 million (previous year: CHF 10.2 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

4 Property, plant and equipment 2020

(in CHF 1000s)	Land and buildings	Machinery & tools	IT equipment & furnishings	Vehicles	Assets under construction	Total
Cost						
Balance as of 1 January 2020	230386	363873	20574	7973	9779	632585
Change in scope of consolidation	1765	603	0	6	0	2374
Additions	12276	5806	905	2110	28509	49606
Disposals	– 3712	– 8240	– 814	– 377	– 213	– 13356
New classifications	1735	14225	523	128	– 16611	0
Exchange rate differences	– 7774	– 13701	– 408	– 394	– 587	– 22864
Balance as of 31 Dec. 2020	**234676**	**362566**	**20780**	**9446**	**20877**	**648345**
Accumulated depreciation						
Balance as of 1 January 2020	–77706	–233333	–15507	–4058	–250	–330854
Depreciation for the year	– 14339	– 18704	– 1459	– 1744	0	–36246
Impairment	0	– 263	0	0	0	– 263
Disposals	3609	7825	811	349	0	12594
New classifications	0	0	0	0	0	0
Exchange rate differences	2125	8065	236	228	28	10682
Balance as of 31 Dec. 2020	**– 86311**	**– 236410**	**– 15919**	**– 5225**	**– 222**	**–344087**
Net book value 31 Dec. 2020	**148365**	**126156**	**4861**	**4221**	**20655**	**304258**
Net book value of pledged property, plant and equipment						0

Information on leased property, plant and equipment can be found in note 11.

4 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 11.

Notes to the consolidated financial statements

5 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 2020, 3A Composites had 145 (previous year: 126) planted plantations with a surface area of 8 518 hectares (previous year: 10 726 ha). This makes 3A Composites the largest plantation owner and balsa wood producer. In 2020, a total of 52 471 155 board feet (previous year: 41 523 405 FBM) 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 123 818 cubic meters (previous year: 97 983 m^3). 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 about 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. 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 years. Historic inflation rates are considered to forecast the future cost increases;
– Expected harvesting, sawmilling and transportation costs – derived from the average costs paid to independent contractors during the last 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.

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 3.6 million (previous year: CHF 3.9 million) higher or lower.

(in CHF 1000s)		2020	2019
	Book value as of 1 January	37 357	34 708
19/20	Gain or loss as a result of change in market value less selling costs	2 910	5 343
	Increase as a result of growth and maintenance measures	2 311	2 675
	Decrease as a result of harvest	– 3 857	– 4 068
	Wind damage	– 718	– 606
	Exchange rate differences	– 3 323	– 695
	Book value as of 31 December	**34 680**	**37 357**

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.

6 **Intangible assets 2020** (incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as of 1 January 2020	127 406	65 454	44 398	237 258
Additions	0	0	859	859
Disposals	0	0	– 1 665	– 1 665
Exchange rate differences	– 2 901	– 3 818	– 2 407	– 9 126
Balance as of 31 December 2020	**124 505**	**61 636**	**41 185**	**227 326**
Accumulated amortization				
Balance as of 1 January 2020	0	– 8 865	– 34 919	– 43 784
Amortization for the year	0	0	– 1 591	– 1 591
Disposals	0	0	1 665	1 665
Exchange rate differences	0	1 124	1 848	2 972
Balance as of 31 December 2020	**0**	**– 7 741**	**– 32 997**	**– 40 738**
Net book value as of 31 December 2020	**124 505**	**53 895**	**8 188**	**186 588**

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 53.9 million as of the end of December 2020 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,

Notes to the consolidated financial statements

whereby the commercial advantage of the brand owner is determined on the basis of the discounted royalty savings. During the budgeted period of five years, the cash flow forecasts are based on the expected royalty savings of between 1.5% and 3.0%. The savings are consistent with the external information about royalty rates. The constant annual growth rate after the fifth forecasting year is between –1% and 4%. The cash flows calculated in this way are discounted at various rates for each brand name ranging from 8.1% to 9.5% p.a. (previous year: 8.5% to 9.6% 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 7.9 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.

6 **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
24 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**

7 **Current financial liabilities** (in CHF 1000s)	**2020**	2019
Current lease liabilities	7 872	7 909
29 Loans US Paycheck Protection Program (PPP)	5 023	0
Other current financial liabilities	4	267
Total	**12 899**	**8 176**

The weighted-average interest rate for current lease liabilities is 6.82% (previous year: 8.88%).

8 **Other payables** (in CHF 1000s)	**2020**	2019
Financial liabilities:		
– Other liabilities	4 551	6 295
Non-financial liabilities:		
– Obligations towards social insurance schemes	1 636	1 631
– Obligations resulting from sales taxes	3 249	3 524
Total	**9 436**	**11 450**

9 **Accrued expenses and deferred income** (in CHF 1000s)	**2020**	2019
Outstanding volume discounts and customer credits	14 522	13 772
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	25 504	19 545
Cost of materials / overheads	7 347	7 533
Other accrued expenses and deferred income	18 290	13 282
Total	**65 663**	**54 132**

10 **Non-current financial liabilities** (in CHF 1000s)	**2020**	2019
Non-current lease liabilities	25 131	21 728
Other non-current financial liabilities	245	160
Total	**25 376**	**21 888**
The maturity of the non-current financial liabilities are as follows:		
– 2 to 5 years	21 024	15 780
– more than 5 years	4 352	6 108
Total	**25 376**	**21 888**

The weighted-average interest rate for non-current lease liabilities is 7.04% (previous year: 8.46%).

Notes to the consolidated financial statements

11 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.

Right-of-use assets 2020 (in CHF 1000s)	Land and buildings	IT equipment & furnishing	Vehicles	**Total**
Balance as of 1 January 2020	30 878	161	1 737	32 776
Additions	11 381	225	1 299	12 905
Depreciation for the year	– 8 317	– 117	– 898	– 9 332
Disposals	– 45	0	– 16	– 61
Exchange rate difference	– 1 200	– 7	– 41	– 1 248
Balance as of 31 December 2020	**32 697**	**262**	**2 081**	**35 040**

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)	**2020**	**2019**
Depreciation of right-of-use assets	– 9 332	– 8 817
Interest expense – leases	– 2 348	– 2 515
Expenses relating to leases of low-value assets	– 39	– 37
Expenses relating to short-term leases	– 649	– 885
Income from sub-leasing right-of-use assets	8	0

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

Amounts recognized in cash flow statement (in CHF 1000s)	**2020**	**2019**
Total cash-out for leases	10 781	10 677

Future minimum sub-lease payments expected to be received under non-cancellable operating leases (in CHF 1000s)	**2020**	2019
– due in one years' time	756	888
– due in 1 to 2 years' time	676	816
– due in 2 to 3 years' time	587	795
– due in 3 to 4 years' time	558	662
– due in 4 to 5 years' time	558	633
– due in more than 5 years' time	2 779	3 131
Total	**5 914**	**6 925**

12 **Reconciliation of financial debts 2020** (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	115 745	51 813				−3 847	163 711
Current loans and fixed deposits	7	− 8			3	1	3
Total cash and liquid investments	**115 752**	**51 805**			**3**	**−3 846**	**163 714**
Current interest-bearing financial liabilities	−8 176		2 860	99	−8 319	637	−12 899
Non-current interest-bearing financial liabilities	−21 888		149		−4 636	999	−25 376
Borrowings and other financial liabilities	**−30 064**		**3 009**	**99**	**−12 955**	**1 636**	**−38 275**
Net debt	**85 688**	**51 805**	**3 009**	**99**	**−12 952**	**−2 210**	**125 439**

12 **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**

Notes to the consolidated financial statements

13 Employee benefits

The Group operates various employee benefit plans in and outside of Switzerland for employees who 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 2020 financial year, the employer's contribution to defined contribution plans amounted to CHF 683 000 (previous year: 706 000).

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 is 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 2020, the rate was 1.00% (previous year: 1.00%).

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

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

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

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

Americas
In the 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 2020 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 2020 on the basis of the information known at the time when the annual financial statements were prepared.

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

31 December				**2020**				2019
	Switzerland	EU	Americas	Weighted	Switzerland	EU	Americas	Weighted
Discount rate	0.20%	0.55%	1.91%	0.39%	0.25%	0.98%	2.62%	0.60%
Future increases in salaries	1.00%	2.25%	1.65%	1.44%	1.50%	2.25%	1.96%	1.77%
Future pension adjustments	0.00%	1.67%	0.97%	0.60%	0.00%	1.67%	0.98%	0.59%
(in years)								
Life expectancy at age 65								
Year of birth **1955** / 1954								
– Men	23	20	20		23	20	21	
– Women	25	24	22		25	24	23	
Year of birth **1975** / 1974								
– Men	24	23	22		24	23	22	
– Women	26	26	23		26	26	25	

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

Pension expense recognized in the income statement

31 December				**2020**				2019
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Service costs								
– Current service costs	2 895	1 387	583	4 865	2 695	1 125	460	4 280
– Past service costs	0	0	0	0	0	444	0	444
– Plan settlements	0	0	0	0	0	0	0	0
Net interest expense	51	561	224	836	101	949	345	1 395
Total pension expense for the period	**2 946**	**1 948**	**807**	**5 701**	**2 796**	**2 518**	**805**	**6 119**

Current service costs include technical administrative expenses of CHF 0.02 million for 2020 and CHF 0.02 million for 2019.

Remeasurements recognized in other comprehensive income

31 December				2020				2019
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Actuarial (gains) / losses								
– Based on adjustment of demographic assumptions	0	–20	–24	–44	–618	0	–146	–764
– Based on adjustment of financial assumptions	441	5 130	575	6 146	9 263	9 747	847	19 857
Experience adjustments	3 874	–523	–326	3 025	2 694	36	155	2 885
Return on pension assets (excluding amounts in net interest expenses)	74	–25	0	49	–3 525	–60	0	–3 585
Exchange rate differences	0	0	0	0	0	153	–2	151
Total expense recognized in the "statement of other comprehensive income"	**4 389**	**4 562**	**225**	**9 176**	**7 814**	**9 876**	**854**	**18 544**
Total pension costs	**7 335**	**6 510**	**1 032**	**14 877**	**10 610**	**12 394**	**1 659**	**24 663**

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

Changes in the present value of defined benefit obligations

31 December				2020				2019
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Opening present value of defined benefit obligations	116 503	61 076	9 086	186 665	106 397	52 109	8 178	166 684
Current service cost	2 895	1 387	583	4 865	2 695	1 125	460	4 280
Plan participants' contributions	1 665	89	0	1 754	1 667	77	0	1 744
Interest expenses on the present value of the obligations	291	584	224	1 099	929	997	345	2 271
Actuarial (gains) / losses	4 315	4 587	225	9 127	11 339	9 783	856	21 978
Past service costs	0	0	0	0	0	444	0	444
Plan settlements	0	0	0	0	0	0	0	0
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	0	0
Benefits paid and net vested benefits through plan assets	–839	47	0	–792	–6 524	–57	0	–6 581
Benefits paid by employer	0	–1 281	–962	–2 243	0	–1 269	–592	–1 861
Exchange rate differences	0	25	–800	–775	0	–2 133	–161	–2 294
Closing present value of defined benefit obligations	**124 830**	**66 514**	**8 356**	**199 700**	**116 503**	**61 076**	**9 086**	**186 665**

Notes to the consolidated financial statements

Changes in the fair value of plan assets

31 December				2020				2019
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Opening fair value of plan assets	94 739	2 624	0	97 363	93 645	2 451	0	96 096
Plan participants' contributions	1 665	89	0	1 754	1 667	77	0	1 744
Employer's contribution	1 747	139	0	1 886	1 598	139	0	1 737
Interest income on assets	240	23	0	263	828	48	0	876
Return on plan assets (excl. amounts included in interest)	–74	25	0	–49	3 525	60	0	3 585
Assets distributed on settlements	0	0	0	0	0	0	0	0
Sale of business	0	0	0	0	0	0	0	0
Benefits paid and net vested benefits through plan assets	–839	47	0	–792	–6 524	–57	0	–6 581
Exchange rate differences	0	1	0	1	0	–94	0	–94
Closing fair value of plan assets	**97 478**	**2 948**	**0**	**100 426**	**94 739**	**2 624**	**0**	**97 363**

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

Net position of pension obligation in the balance sheet

31 December				2020				2019
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Present value of funded obligations	124 830	20 132	0	144 962	116 503	18 403	0	134 906
Fair value of plan assets	–97 478	–2 948	0	–100 426	–94 739	–2 624	0	–97 363
Under / (over) funding	**27 352**	**17 184**	**0**	**44 536**	**21 764**	**15 779**	**0**	**37 543**
Present value of unfunded obligations	0	46 382	8 356	54 738	0	42 673	9 086	51 759
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**27 352**	**63 566**	**8 356**	**99 274**	**21 764**	**58 452**	**9 086**	**89 302**

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				**2020**				2019
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Equities	30368	0	0	30368	29032	0	0	29032
Bonds	21715	0	0	21715	21192	0	0	21192
Alternative financial assets	18362	0	0	18362	17271	0	0	17271
Real estate	12711	0	0	12711	11931	0	0	11931
Qualified insurance paper	0	1682	0	1682	0	2624	0	2624
Cash and cash equivalents and Other investments	14322	1266	0	15588	15313	0	0	15313
Total	**94478**	**2948**	**0**	**100426**	**94739**	**2624**	**0**	**97363**

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 2020, the assets generated a gain of CHF 0.2 million (previous year: gain of CHF 4.5 million). In the coming 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 2.4 million (previous year: CHF 2.3 million).

Notes to the consolidated financial statements

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

31 December				2020				2019
(in CHF 1000s)	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Active insured members	86269	38952	4028	129249	77643	37281	4986	119910
Former members								
with vested benefits	0	5331	0	5331	0	5071	0	5071
Members receiving pensions	38561	22231	4328	65120	38860	18724	4100	61684
Total	**124830**	**66514**	**8356**	**199700**	**116503**	**61076**	**9086**	**186665**
(in years)								
Term of obligations	16.5	18.8	9.2	16.9	16.6	19.3	10.0	17.2

A common feature of all plans is that the interest rate for calculation purposes is a key factor in calculating the present value of the pension obligations. The other key factors differ from plan to plan. In the geographical breakdown presented here the plans share the same characteristics and the sensitivities are therefore presented on this basis.
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)			**2020**		2019
		+ 0.25%	– 0.25%	+ 0.25%	– 0.25%
All countries	Discount rate	– 7 817	8 383	– 7 516	8 072
All countries	Development of wages and salaries	882	– 862	921	– 896
Switzerland	Interest on retirement assets	955	– 899	885	– 826
EU	Pension indexation	2 273	– 2 160	2 209	– 2 097

Reconciliation to the balance sheet:

31 December (in CHF 1000s)	**2020**	2019
Pension obligations	99 274	89 302
Other long-term employee benefits	6 707	5 038
Termination benefits	1 255	1 216
Total	**107 236**	**95 556**

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.

14 **Provisions** (in CHF 1000s)	Guarantees	Litigation	Environmental obligations	Other	Total **2020**	Total 2019
Balance as of 1 January	3 996	244	8 785	7 193	20 218	23 784
Change in scope of consolidation	113	0	111	116	340	53
Exchange rate differences	– 92	– 13	– 353	– 202	– 660	– 49
Consumption with neutral impact on income	– 591	– 33	– 33	– 68	– 725	– 3 036
Unused amounts reversed and released to income	– 665	– 33	– 33	– 48	– 779	– 2 002
Additional provisions charged to income	1 435	0	125	547	2 107	1 468
Balance as of 31 December	**4 196**	**165**	**8 602**	**7 538**	**20 501**	**20 218**
of which: current provisions	1 759	5	646	2 706	5 116	4 611
non-current provisions	2 437	160	7 956	4 832	15 385	15 607
Expected use of provisions:						
– within one year	1 759	5	646	2 706	5 116	4 611
– in 2 to 5 years	2 437	136	5 033	4 702	12 308	12 157
– more than 5 years	0	24	2 923	130	3 077	3 450

Guarantees:

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

Environmental obligations:

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

Other provisions:

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

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

Notes to the consolidated financial statements

15 **Share capital**	**2020**	2019
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 2020, there is no authorized capital.

Conditional capital:

As of 31 December 2020, 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 8 April 2020 the shareholders approved the distribution of a dividend of CHF 40.00 per bearer share for the financial year 2019. The distribution amounted to a total of CHF 57.3 million.

For the financial year 2020, the Board of Directors will propose to the Annual General Meeting of 1 April 2021 that a gross dividend of CHF 40.00 per bearer share shall be distributed.

16 Share-based payments

As part of the short-term variable compensation for the financial year 2020, the CEO will be issued shares in March 2021. The shares are subject to a vesting period of one year. The fair value of the issued shares will be determined in March 2021.

The expenses for share-based payments settled in equity instruments recognized in the financial year under review amounted to CHF 194 000 (previous year: CHF 169 000).

17 **Net revenues** (in CHF 1000s)	**2020**	2019
Net revenues from deliveries of goods	1 157 338	1 175 466
Net revenues from services	2 829	4 136
Total	**1 160 167**	**1 179 602**

18 **Other operating expenses** (in CHF 1000s)	**2020**	2019
Direct sales and distribution costs	75 783	78 923
Purchasing and production overheads	74 033	76 714
Sales and marketing overheads	10 256	15 238
Administration overheads and capital taxes	19 534	21 489
Development overheads	2 587	1 493
Cost of premises	688	922
Other operating expenses	478	541
Total	**183 359**	**195 320**

	19 **Other operating income** (in CHF 1000s)	**2020**	2019
5	Increase in market value of biological assets	2 910	5 343
	Rental income	841	805
	Release of provision for legal cases	0	1 118
	Bargain Purchase (Newell)	407	0
	Other income	1 319	1 354
	Total	**5 477**	**8 620**

	20 **Depreciation and amortization** (in CHF 1000s)	**2020**	2019
4	Depreciation on property, plant and equipment	36 509	36 478
6	Amortization of intangible assets	1 591	1 445
	Total	**38 100**	**37 923**

21 **Financial income** (in CHF 1000s)	**2020**	2019
Interest income	261	673
Total	**261**	**673**

Notes to the consolidated financial statements

22 **Financial expenses** (in CHF 1000s)	**2020**	2019
Interest expenses	3 634	4 358
Foreign exchange losses (net)	3 515	3 077
Total	**7 149**	**7 435**

23 **Income taxes** (in CHF 1000s)	**2020**	2019
Current taxes	30 234	16 081
Deferred taxes	– 3 073	2 352
Total	**27 161**	**18 433**

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, as acceptable for tax purposes, but are mainly due to provisions for pension liabilities, the capitalization of tax loss carry-forwards 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)	**2020**	2019
Income before taxes	130 669	78 414
Income tax rate at Head office	12.1%	14.7%
Tax expense anticipated	15 824	11 534
Differences owing to differing local tax rates	12 531	3 576
Impact of non-taxable income	– 497	– 259
Impact of non-tax-deductible expenditure	1 609	1 778
Non-capitalized losses on current results carried forward	0	502
Use of non-capitalized tax losses carried forward	– 1 823	– 377
Impact of non-recoverable withholding taxes	700	1 204
Impact of tax rate changes on deferred taxes	363	1 479
Taxes from previous periods and other influencing factors	– 1 546	– 1 004
Effective tax expense	**27 161**	**18 433**
Effective tax rate	20.8%	23.5%

Deferred tax assets (in CHF 1000s)	Inventories	Pension obligations	Capitalized tax loss carry-forwards	Provisions	Other	Total **2020**	Total 2019
Balance as of 1 January	2 649	15 971	534	2 327	12 414	33 895	25 814
Adjustment on initial application of IFRS 16						0	4 701
24 Change in scope of consolidation	0	0	0	0	0	0	163
Exchange rate differences	–118	–71	–28	–115	–685	–1 017	–759
Recognized in other comprehensive income	0	1 839	0	0	0	1 839	4 348
Unused amounts reversed and released to income	113	–333	–427	–120	–1 428	–2 195	– 1 448
Additional provisions charged to income	400	368	194	408	3 459	4 829	1 076
Balance as of 31 December, gross	**3 044**	**17 774**	**273**	**2 500**	**13 760**	**37 351**	**33 895**
Netting						–14 443	–15 099
Balance as of 31 December, net						**22 908**	**18 796**

As of 31 December 2020, the Group had non-capitalized tax loss carry-forwards of CHF 86.9 million (previous year: CHF 96.1 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)	**2020**	2019
– one year	0	0
– 2 to 5 years	0	0
– more than 5 years	0	0
– no expiration	86 924	96 143
Total	**86 924**	**96 143**

Deferred tax liabilities (in CHF 1000s)	Inventories	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2020**	Total 2019
Balance as of 1 January	–1 257	–25 170	–8 042	–6 059	–5 717	–46 245	–40 549
Adjustment on initial application of IFRS 16						0	–4 701
24 Change in scope of consolidation	0	0	0	0	–112	–112	380
Exchange rate differences	32	879	594	587	46	2 138	521
Recognized in other comprehensive income	0	0	0	0	0	0	83
Unused amounts reversed and released to income	265	1 144	105	0	3 138	4 652	2 281
Additional provisions charged to income	–50	–2 592	–353	–924	–294	–4 213	–4 260
Balance as of 31 December, gross	**–1 010**	**–25 739**	**–7 696**	**–6 396**	**–2 939**	**–43 780**	**–46 245**
Netting						14 443	15 099
Balance as of 31 December, net						**–29 337**	**–31 146**

As of 31 December 2020 the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 28.7 million (previous year: CHF 23.2 million). No deferred taxes were recorded for these taxable temporary differences.

Notes to the consolidated financial statements

24 Business combinations

The following business combination took place in **2020:**

Acquisition of Newell

As of 31 August 2020, Schweiter Technologies acquired the foamboard business of Newell Brands Inc., USA by way of an asset deal. With this acquisition, 3A Composites strengthens its US display business. The acquired assets include the production site and assets in Statesville, NC, USA.
The purchase price amounts to CHF 6.7 million.

The transaction costs of CHF 0.1 million are included in the other operating expenses.

Had the business combination already taken place on 1 January 2020, management estimates that the Group's revenues would have reached CHF 1 174.4 million and the net income CHF 102.8 million in the year under review.

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

(in CHF 1000s)	Newell
Cash and cash equivalents	1
Trade receivables	3 240
Prepaid expenses and accrued income	60
Inventories	4 156
Total current assets	**7 457**
Property, plant and equipment	2 374
Total non-current assets	**2 374**
Total assets	**9 831**
Trade payables	– 1 581
Accrued expenses and deferred income	– 707
Current provisions	– 45
Total current liabilities	**– 2 333**
Deferred tax liabilities	– 108
Non-current provisions	– 295
Total non-current liabilities	**– 403**
Total liabilities	**– 2 736**
Total fair value of net assets acquired	**7 095**
Bargain purchase	– 407
Total consideration	**6 688**
Cash and cash equivalents acquired	– 1
Cash outflow from purchase of subsidiaries	**6 687**

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.

25 **Earnings per share**		**2020**	2019
Net income	(in CHF 1000s)	103 508	59 981
Average number of shares issued		1 431 808	1 431 808
less average number of treasury shares		0	0
Average number of shares outstanding		**1 431 808**	**1 431 808**
Earnings per share (in CHF)			
– undiluted		72.29	41.89
– diluted		72.29	41.89

26 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 2020					
Cash and cash equivalents	163 711			163 711	163 711
Trade receivables			184 949	184 949	184 949
Other receivables			7 003	7 003	7 003
Financial assets		0	554	554	554
Total	**163 711**	**0**	**192 506**	**356 217**	**356 217**
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**

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 2020				
Current financial liabilities		12 899	12 899	12 899
Trade payables		53 802	53 802	53 802
Other liabilities	0	4 551	4 551	4 551
Non-current financial liabilities		25 376	25 376	25 376
Other non-current liabilities	0	1 986	1 986	1 986
Total	**0**	**98 614**	**98 614**	**98 614**
31 December 2019				
Current financial liabilities		8 176	8 176	8 176
Trade payables		58 704	58 704	58 704
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**	**97 240**	**97 240**	**97 240**

27 **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 seven 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)	**2020**	2019
Total compensation Board of Directors	648	552
Total compensation Management	3 331	2 236
Total compensation Board of Directors and Management	**3 979**	**2 788**

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

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

As of 31 December 2020, a total of 449 643 shares were held by members of the Board of Directors or members of Management (31 December 2019: 449 484):

Surname	First Name	Funktion	Number of shares **2020**	Number of shares 2019
Siegrist [1)]	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [2)]	Vanessa	Member of the Board of Directors	364 973	364 973
Sanche	Jacques	Member of the Board of Directors	31	25
van der Haegen	Lars	Member of the Board of Directors	30	–
Baumgartner [3)]	Heinz O.	Member of the BoD and Group CEO	373	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
[3)] In addition to the shares listed above, Dr Heinz O. Baumgartner holds 137 shares that were granted as part of the short-term variable incentive and are blocked until March 2021

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

29 **Contingent liabilities and contingent assets**

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.

In the year under review and in the previous year no warranties or guarantees were issued in favour of third parties.

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 affected by the amendment of the classification as well as by the retrospective application of the higher VAT rate. The local Indian company – as well as some competitors – has filed an objection against the new classification of aluminum composite panels and thus

Notes to the consolidated financial statements

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 neither known whether the court will follow the plaintiffs' arguments and admit the claims nor the magnitude of the amount claimed.

A partial loan forgiveness application may be made for the loan under the Paycheck Protection Program (PPP) mentioned in note 7. If the US authorities believe that the conditions for a partial repayment waiver have been met, the corresponding portion of the loan is recognized in profit or loss.

Commitments to take delivery:
Under purchase contracts for raw materials, commitments to take delivery amounting to CHF 649.6 million (previous year: CHF 781.8 million) and with maximum maturities of 8 years have been entered into in the course of ordinary business activities.

Outstanding commitments to take delivery of property, plant and equipment and intangible assets amounted to CHF 9.8 million (previous year: CHF 4.6 million).

30 **Events occurring after the balance sheet date**

In January 2021, the Company has become aware of a class action in New Zealand relating to the use of PE aluminium composites panels. Among others, the class action is naming 3A Composites GmbH as a respondent. However, as of today neither 3A Composites GmbH nor any other subsidiary has been served. Therefore neither the legal basis nor any potential financial impact can be assessed.

No further events occurred between the balance sheet date and the date of publication of this annual report which could have a significant impact on the consolidated financial statements 2020.

31 **Approval of the annual financial statements**

The Board of Directors approved the present consolidated financial statements at its meeting on 2 March 2021 and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 1 April 2021 approves the consolidated 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 2020 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 28 to 76) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) 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) amount to CHF 186.6 Mio as of 31 December 2020 and represent 17% of total assets. Thereof, CHF 124.5 Mio (67%) represent Goodwill and CHF 53.9 Mio (29%) represent intangible assets with an indefinite life. Other intangible assets amounting to CHF 8.2 Mio (4%) have definite lives and are amortised over the useful life.	To audit management's assessment of the recoverability of intangible assets with an indefinite life, we have involved valuation specialists and performed the following procedures: • We obtained a comprehensive understanding of the impairment tests performed by the client and assessed them in regards to conformity, plausibility and accuracy.

Recoverability of Goodwill, as well as of intangible assets with an indefinite life, is tested for impairment on an annual basis. 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. No impairment has been identified by management in the current period. Management applies the Discounted Cash Flow (DCF) method to determine the recoverable amount of Goodwill. 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 application of both, the relief from royalty rate method and the DCF method, requires a number of management estimates. The most significant management estimates comprise the forecast of revenues including perpetual growth, royalty rates, as well as the determination of the discount rate. Due to the magnitude of the balance, as well as the inherent susceptibility of management estimates of the relief from royalty rate and DCF method to bias and estimation uncertainty, we consider the recoverability of intangible assets with indefinite life as a key audit matter. In this regard, please also refer to the accounting and valuation principles (Usage of Management estimates) and Note 6 (Intangible assets) in the consolidated financial statements.	• We critically challenged underlying assumptions and estimates such as forecasts of revenues including perpetual growth, royalty rates and discount rate and, by performing independent calculations respectively 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 the consolidated financial statements in accordance with IAS 36 requirements. • We performed sensitivity analysis, to assess the impact of changes to underlying assumptions such as discount rates and forecasts of revenues including perpetual growth. Based on the procedures performed, we have obtained sufficient appropriate audit evidence with regard to the recoverability of intangible assets with indefinite life, including goodwill, and conclude that the risk in connection with the valuation of the intangible assets with indefinite life and goodwill as well as the disclosure is adequately addressed.

Other Information in the Annual Report

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

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

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

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

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

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

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

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

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

Deloitte AG

Roland Müller
Licensed Audit Expert
Auditor in Charge

Sarah Sutter
Licensed Audit Expert

Zurich, 2 March 2021

Annual financial statements of Schweiter Technologies AG

Balance sheet as of 31 December 2020

	Assets (in CHF 1000s)	**2020**	2019
	Cash and cash equivalents	33 469	11 282
	Other current receivables	265	301
	Prepaid expenses and accrued income	13	13
	Current assets	**33 747**	**11 596**
1	Investments	130 723	130 723
	Financial assets (loans to Group companies)	298 506	336 585
	Property, plant and equipment	0	7
	Non-current assets	**429 229**	**467 315**
	Total assets	**462 976**	**478 911**

	Liabilities (in CHF 1000s)		
	Other current payables	304	483
	Accrued expenses and deferred income	1 977	1 557
	Current liabilities	**2 281**	**2 040**
2	Provisions	8 156	6 977
	Non-current liabilities	**8 156**	**6 977**
3	Share capital	1 432	1 432
	Statutory reserves:		
	– Other capital reserves	3 230	3 230
	Free retained earnings / profit	447 877	465 232
	Shareholders' equity	**452 539**	**469 894**
	Total liabilities and shareholders' equity	**462 976**	**478 911**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2020

	(in CHF 1000s)	2020	2019
	Investment income	40 000	40 000
4	Other financial income	3 349	3 612
	Service income	1 300	1 200
5	Other income	64	1 166
	Total operating income	**44 713**	**45 978**
	Financial expenses	– 11	– 25
	Administrative expenses	– 542	– 653
	Personnel expenses	– 4 037	– 2 796
	Expenses on premises	– 85	– 92
	Total operating expenses	**– 4 675**	**– 3 566**
	Income before taxes	**40 038**	**42 412**
	Income taxes	– 121	– 265
	Net income	**39 917**	**42 147**

▲ 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 2020 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)

Company	Domicile	Share capital (in 1000)	Shareholding 2020	Shareholding 2019	Voting shares 2020	Voting shares 2019
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)

	2020	2019
Provisions for unrealized foreign currency gains	3 639	3 718
Other provisions	4 517	3 259
Total	**8 156**	**6 977**

3 **Share capital**

	2020	2019
Number of bearer shares issued with a par value of CHF 1	1 431 808	1 431 808
Share capital as of 31 December (in CHF)	1 431 808	1 431 808

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

As of 31 December 2020, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent report)	2020	2019
KWE Beteiligungen AG, Wollerau [1)]	25.5%	25.5%
1832 Asset Management L.P., Toronto, Canada	10.06%	5.2%
Beat Siegrist Beteiligungen AG, Zug	5.9%	5.9%
Credit Suisse Funds AG, Zurich	3.06%	< 3%

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

4 **Other financial income** (in CHF 1000s)

	2020	2019
Interest income from Group companies	3 348	3 611
Interest paid by banks	0	1
Other financial income	1	0
Total	**3 349**	**3 612**

Notes to the balance sheet and the income statement

5 **Other income** (in CHF 1000s)	**2020**	2019
Release of provisions	0	1 109
Other income	64	57
Total	**64**	**1 166**

6 Share ownership by the Board of Directors and Management

As of 31 December 2020, a total of 449 643 shares were held by members of the Board of Directors or members of Management (31 December 2019: 449 484):

Surname	First Name	Funktion	Number of shares **2020**	Number of shares 2019
Siegrist [1)]	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [2)]	Vanessa	Member of the Board of Directors	364 973	364 973
Sanche	Jacques	Member of the Board of Directors	31	25
van der Haegen	Lars	Member of the Board of Directors	30	–
Baumgartner [3)]	Heinz O.	Member of the BoD and Group CEO	373	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
[3)] In addition to the shares listed above, Dr Heinz O. Baumgartner holds 137 shares that were granted as part of the short-term variable incentive and are blocked until March 2021

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

7 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 13.0 million). As of 31 December 2020, a credit line of CHF 0.7 million (previous year: CHF 1.6 million) had been drawn on by subsidiaries for loans, deposits and guarantees.

8 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 2 March 2021 which could have a material impact on the 2020 financial statements.

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

(in CHF 1000s)	**2020**	2019
Unappropriated retained earnings (balance sheet profit) at the beginning of the financial year	**465 232**	**480 357**
Net income	39 917	42 147
Dividend paid	– 57 272	– 57 272
Available unappropriated retained earnings (balance sheet profit)	**447 877**	**465 232**

The Board of Directors proposes to the General Meeting on 1 April 2021 the following appropriation of available earnings:		
Payment of a dividend of CHF 40.00 per bearer share	57 272	
Earnings carried forward	390 605	
Total	**447 877**	

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 9 April 2021.

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. 20 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 2020, and the income statement and notes (pages 82 to 86) 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, 2 March 2021

Compensation Report 2020

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 2020

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 2020.

The aggregate compensation of the Board of Directors for 2020 was higher than the previous year since the Board of Directors had six members after the 2020 ordinary General Meeting as opposed to four 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 2020, 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 Long-term incentive 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 1 April 2021. Shareholders will also be asked to vote on the maximum aggregate compensation to be awarded to the Board of Directors for the 2021–2022 term and on the maximum aggregate compensation of Management for the business year 2022.

Compensation highlights – Board of Directors

(CHF)	**2020**	2019
Number of members	6 [2)]	4 [1)]
Aggregate compensation	648 000	552 000
Maximum aggregate compensation amount approved by General Meeting [3)]	730 000	630 000

1) Five members until Annual General Meeting 2019
2) Six members since Annual General Meeting 2020
3) Maximum aggregate compensation amount for the board term from Annual General Meeting (AGM) to AGM

Compensation highlights – Executive Management

(CHF)	**2020**	2019
Number of members	2	2 [1)]
Aggregate compensation	3.33 m	2.24 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 «pay for performance»:
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

(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 generally not insured under the occupational pension fund, with two exceptions. One exception applies to the Chairman of the Board of Directors. Due to his former 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. The second exception applies to the CEO, Dr Heinz O. Baumgartner; he has also been member of the Board of Directors since the Annual General Meet-

Compensation Report 2020

ing 2020; as a member of the Management team he is insured under the occupational pension plan.

No other member of the Board of Directors is insured under the pension fund, and such coverage is not available for members of the Board of Directors who are not former or current 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, skills set, and experience. It is paid in cash, typically monthly.

Benefits

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

Members of Management do not receive any other benefits.

Short-term variable incentive

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

The performance objectives for the STI for each of the members of Management are set at the beginning of the year by the Board of Directors, based on a proposal by 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: performance objectives, target and maximum payout

	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	EBIT MBO	79% 21%	69% of fixed salary	185% of target

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.

Bearer shares for the share portion of the STI for the CEO are purchased on the stock market. Therefore, this share program does not result in a future dilution of share capital or profit for the company.

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 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 Board of Directors intends to establish a new Long-term Incentive plan (LTI) for members of the Management and selected key employees during the business years 2021 to 2023 (duration three business years).

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

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

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 2020 (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 2020 and 2019. Since the 2020 Annual General Meeting, the Board of Directors has comprised six members; previously, the board consisted of four members.

The amount of compensation paid to the individual members of the Board of Directors for 2020 was the same as for 2019. 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 2020

(in CHF 1000s)	Function	Fee (Board)	Fee (Committee)	Benefits [6)]	Total
Beat Siegrist [1) 2)]	Chairman	200	13	37	250
Dr Heinz O. Baumgartner [3) 4)]	Member/CEO	55	–	4	59
Dr Lukas Braunschweiler [5)]	Member	75	10	6	91
Vanessa Frey [1)]	Member	75	10	6	91
Dr Jacques Sanche [1)]	Member	75	10	6	91
Lars van der Haegen [3) 5)]	Member	55	7	4	66
Total compensation for Board of Directors (6 members since 2020 AGM)		**535**	**50**	**63**	**648**

1) Member of the Compensation Committee
2) Member of the Audit Committee until AGM 2020
3) Member of the Board of Directors since AGM 2020
4) The compensation as CEO of Schweiter Technologies is outlined separately in the table “Compensation of the Management for the financial years 2020 and 2019”
5) Member of the Audit Committee
6) Employer’s contribution to social insurance, for the Chairman of the Board to the pension fund as well

The reported compensation of the Board of Directors for the 2020 financial year is allocated pro-rata to the two respective terms of office as follows:

Compensation of the Board of Directors in 2020

(in CHF 1000s)	
Pro-rata 1.1.2020 – 8.4.2020	144
Pro-rata 9.4.2020 – 31.12.2020	504

Compensation Report 2020

The total maximum compensation amount of CHF 730 000 as approved by the General Meeting 2020, which may be paid to the Board of Directors for the term of office from the 2020 General Meeting to the 2021 General Meeting, was therefore not exceeded during the portion of the term of office up to the cut-off date of this Annual Report (08.04.2020–31.12.2020). A conclusive assessment for the entire term of office will be included in the Compensation Report 2021.

The compensation of the Board of Directors for the term of office from the 2019 General Meeting to the 2020 General Meeting was CHF 528 000 (for four members of the Board of Directors). 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.

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, and for the Board Chairman to the pension fund as well
[4] Member of the Board until the 2019 AGM

Compensation of Management

The table below shows the compensation paid to members of Management for the 2020 and 2019 business years.

Compensation of Management in 2020 and 2019

(in CHF 1000s) [1]	**2020**		2019	
Management	2 members	[3] of whom highest individual compensation	2 members since Q2 2019 [2]	[3] of whom highest individual compensation
Fixed basic compensation in cash	1 075	800	1 095	800
Performance-based compensation in cash	662	388	580	338
Long-term Incentive plan (2018–2020) [4]	1 196	920	247	190
Pension benefits [5]	398	264	314	196
Total compensation of Management	**3 331**	**2 372**	**2 236**	**1 524**

[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 final third of the cash payments on expiry of the three-year plan period. For 2020, the remaining third was adjusted on the basis of the actual performance, taking into account the amounts already reported for the two previous years.
[5] Employer's contribution to social insurance and the pension fund, incl. amounts on the disclosed portions of the LTI 2018–2020

Explanatory notes on the compensation table:

- As of 1 April 2019 Management consisted of two members, the CEO and the CFO (the former CTO retired on 31 March 2019).
- The fixed compensation of the CEO and CFO were unchanged from the previous year.
- The payment of the short-term variable compensation for 2020 for Management corresponds to between 164 and 200% of the fixed salary (previous year: between 0 and 88%). For the CEO it corresponded to 164% (previous year: 42%). The year-on-year change is due to the significant increase in EBIT and EBIT margin.
- The LTI value disclosed corresponds to one third of the grant value of the LTI 2018–2020 based on a current assessment of performance. For 2020, the remaining third was adjusted on the basis of the actual performance, taking into account the amounts already reported for the two previous years.
- No bridging pension was paid to members of Management either in 2020 or in 2019.

For the financial year 2020, the members of Management were awarded an aggregate total compensation of CHF 3.331 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 2019.

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 2020 and 2019 on an external mandate basis. The total compensation for this mandate amounted to CHF 20 000 gross per year in each case. The mandate is valid at least until the end of 2021.

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 86 of the notes to the 2020 annual financial statements.

Compensation Report 2020

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 (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 2020

At the ordinary General Meeting of 8 April 2020, Jacques Sanche, Vanessa Frey and Beat Siegrist were individually re-elected as members of the Compensation Committee for a term of office of one year. Jacques Sanche took on the chairmanship of the Compensation Committee 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

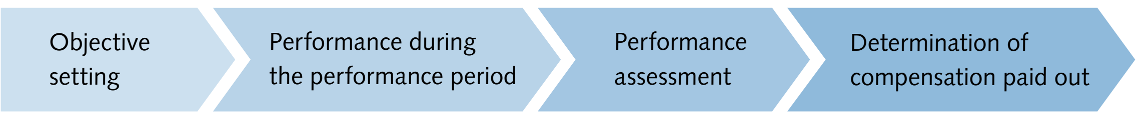
The Compensation Committee periodically reviews the target compensation of members of the Board of Directors and Management whenever it sees need for action. In the year under review no separate analysis was performed for the amounts paid out in 2020.

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 2 March 2021 of Schweiter Technologies AG for the year ended 31 December 2020. 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 2020 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, 2 March 2021

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.

Schweiter Technologies AG adheres to the standards of the Directive on Information relating to Corporate Governance published by SIX Exchange Regulation.

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 85.

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: CH0010754924; Telekurs: SWTQ; Reuters: SWTZ.

Based on its share price of CHF 1 460.00 at the end of 2020, the company's market capitalization stood at CHF 2 090.4 million as of 31 December 2020.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2020 and is presented on pages 36 to 38 of the notes to the consolidated annual financial statements.

Treasury shares

No treasury shares were held by Schweiter Technologies AG or its Group companies as of 31 December 2020.

Significant shareholders

As of 31 December 2020, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent disclosure notice)	**2020**	2019
KWE Beteiligungen AG, Wollerau [1)]	25.5%	25.5%
1832 Asset Management L.P., Toronto, Canada	10.06%	5.2%
Beat Siegrist Beteiligungen AG, Zug	5.9%	5.9%
Credit Suisse Funds AG, Zurich	3.06%	< 3%

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

Capital structure

During 2020 financial year, there were the following disclosure notices of shareholding in accordance of Art. 120 ff. FMIA (the Financial Market Infrastructure Act).

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

With a purchase on 8 October 2020, Credit Suisse Funds AG, Zurich, disclosed a participation of 3.06% (various other disclosure notices of Credit Suisse during the reporting period 2020 of changes in voting rights above and below 3% are available on the SIX Exchange Regulation website).

With a sale on 4 December 2020, UBS Fund Management (Switzerland) AG, Basel, disclosed a participation below 3% (various other disclosure notices of UBS during the reporting period 2020 of changes in voting rights above and below 3% are available on the SIX Exchange Regulation website).

With the disclosure notice dated 24 December 2020, KWE Beteiligungen AG, Wollerau, Switzerland, reported a change in its group composition. The voting rights remained unchanged (as compared to 31 December 2019) at 25.5%.

Details about disclosure of shareholdings are available on the SIX Exchange Regulation website:
https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/

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

Cross-shareholdings

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

Capital

As of 31 December 2020 the ordinary share capital amounted to CHF 1 431 808. As of 31 December 2020 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 2020 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 relating to a maximum of 132 600 bearer shares are excluded. 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 share-

Capital structure

holdings or (ii) be placed with the general public at market conditions, in which case the exercise price for the new shares must be set at least in line with 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 2020, 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 2020, or on the reporting dates of the previous two years.

For details of changes in the consolidated shareholders' equity in financial years 2020 and 2019 reference is made to page 32 of the consolidated financial statements.

The development of consolidated shareholders' equity in financial year 2018 is presented on page 28 of the 2019 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 2018 through 2020:

(in CHF 1000s)	Share capital	Reserves Agio / Capital contributions	Statutory capital reserves: Other capital reserves	Free retained earnings/profit	Own capital shares	Total equity
Balance as of 31 Dec. 2017	**1432**	**63**	**3167**	**524719**	**–221**	**529160**
Net income 2018				20069		20069
Dividend				–64431		–64431
Share-based payments					221	221
Balance as of 31 Dec. 2018	**1432**	**63**	**3167**	**480357**	**0**	**485019**
Net income 2019				42147		42147
Dividend				–57272		–57272
Balance as of 31 Dec. 2019	**1432**	**0**	**3230**	**465232**	**0**	**469894**
Net income 2020				39 917		39 917
Dividend				–57272		–57272
Balance as of 31 Dec. 2020	**1432**	**0**	**3230**	**447 877**	**0**	**452 539**

Shares, participation certificates and dividend-rights certificates

As of 31 December 2020 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 2020. 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 the Management and key employees within the Group, which expired at 31 December 2020. For details of the long-term incentive plan and its payout, see pages 90 to 101 of the Compensation Report 2020 as well as pages 90 to 101 in the Compensation Report 2019 and pages 84 to 95 in the Compensation Report 2018.

The Board of Directors intends to establish a new Long-term Incentive Plan (LTI) for members of the Management and selected key employees during the business years 2021 to 2023 (duration three business years).

There are no option plans in place.

Board of Directors (as of 31 December 2020)

Dr Jacques Sanche Lars van der Haegen Dr Heinz O. Baumgartner Beat Siegrist Vanessa Frey Dr Lukas Braunschweiler

At the Annual General Meeting held on 8 April 2020, 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. Lars van der Haegen and Heinz O. Baumgartner were elected individually as new members of the Board of Directors for a one-year term of office.

At the Annual General Meeting held on 8 April 2020, Jacques Sanche, Vanessa Frey and Beat Siegrist were re-elected individually as members of the Compensation Committee for a one-year term of office. For the 2020 financial year, Jacques Sanche re-assumed office as Chair of the Compensation Committee.

Members of the Board of Directors

Heinz O. Baumgartner is also CEO of the company in addition to his function as a member of the Board of Directors. None of the other members of the Board of Directors hold executive positions with the company, nor do they have any kind of significant business relationship with the company. None of the other members of the Board of Directors was a member of the Group Management nor a member of 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 Heinz O. Baumgartner
(born 1963, Swiss citizen)
Executive member of the Board of Directors since 2020.
He is CEO of the Schweiter Technologies Group and has been elected as an executive member of the Board of Directors in April 2020.
Detailed information on Heinz O. Baumgartner's curriculum vitae can be found in the section "Group Management" on page 115 of this Corporate Governance Report.

Dr Lukas Braunschweiler
(born 1956, Swiss citizen).
Non-executive member of the Board of Directors since 2011.
Dr Lukas Braunschweiler was 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 NASDAQ. Previously, from 1995 to 2002, he worked for Mettler Toledo in various positions in Switzerland and the USA. Lukas Braunschweiler has been 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. 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.

Lars van der Haegen
(born 1968, Swiss citizen)
Non-executive member of the Board of Directors since 2020.
Lars van der Haegen has been CEO of the Belimo Group and Head of the Group Executive Committee since July 2015. Prior to that, he held various management positions at Belimo: Head of Product Management Air Volume Control Europe from 2000 to 2002, Head of Product Management and Marketing at Belimo Americas from 2003 to 2006, Managing Director of Belimo Italy from 2007 to 2010 and Head of Americas and Member of the

Board of Directors

Group Executive Committee from 2011 to June 2015. Lars van der Haegen is a Building Technology Designer who holds master's degrees from both Columbia Business School in New York and London Business School.

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 2020

Lars van der Haegen and Heinz O. Baumgartner were elected as members of the Board of Directors of Schweiter Technologies AG at the Annual General Meeting on 8 April 2020.

Changes in the Board of Directors after the balance sheet date

On 17 February 2021, Schweiter Technologies announced the following changes to the Board of Directors:

Lukas Braunschweiler, member of the Board of Directors of Schweiter Technologies, has decided not to stand for re-election at the forthcoming General Meeting on 1 April 2021.

The Board of Directors will propose to the next General Meeting (1 April 2021) the election of Dr Daniel Bossard and Stephan Widrig as independent directors of the Board of Directors.

Dr Daniel Bossard studied business administration at the University of St. Gallen, where he took his doctorate (Dr. oec. HSG, Technology Management), and has worked in various functions at the Bossard Group since 2000, and as CEO of the Group since 2019.

Stephan Widrig studied International Relations at the University of St. Gallen (lic. rer. publ. HSG) and has been a member of management at Zurich Airport AG since 2008 and its CEO since 2015. Previously, he was responsible, as commercial director, for the development of the new airport in Bangalore, India, and for the real estate business in Zurich.

Independence

With the exception of Dr Heinz O. Baumgartner, CEO of Schweiter Technologies AG, all members of the Board of Directors are non-executive independent members of the Board. They do not carry out any operational functions within the company nor have they been a member of the Group Management of Schweiter Technologies AG or one of its Group companies in the past three years. They also do not have any business relationships with the company (in accordance with Article 14 of the Swiss Code of Best Practice for Corporate Governance).

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 2020 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 Lars van der Haegen). 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 two conference calls. Representatives of the statutory auditor attended all three meetings. The two conference calls and the three meetings were attended by the CEO and the CFO. The conference calls and the meetings, respectively, lasted one to three hours. The full

Board of Directors

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 2020 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 2020 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.

At the Board meetings, the management reports on the operational side of the business. In discussing business performance, the management presents risks that have been identified and are of relevance to the business and assesses their possible impact and presents the resulting measures. In addition, individual strategy meetings are held, usually at times close to the Board of Directors' meeting. Such strategy meetings usually last half a day or one day. In these meetings, specific strategic priorities are discussed in depth.

In 2020, the Board of Directors held six meetings of which two meetings were held as a telephone/video conference. In addition, one strategy meeting was held. In 2020, all members of the Board of Directors attended all meetings (including the strategy meeting); the CEO attended the strategy meeting and five Board meetings; the CFO attended all meetings (including the strategy meeting). 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 the casting vote.

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 (revenues, contribution margin, OPEX, EBITDA, EBIT, net income). Deviations from the budget or from the previous year are presented in detail. Important

Board of Directors

balance sheet figures (cash and cash equivalents, net assets) and headcount data are prepared on a monthly basis.

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 16 in the MD&A and on pages 42 to 44 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.

The company has an effective crisis management system. In spring 2020, Schweiter Technologies responded very quickly to the new requirements, particularly in connection with the lockdowns imposed by the government in many countries, in order to be able to continue to serve customers while complying with all applicable laws and regulations, to guarantee the health and safety of employees worldwide and to safeguard the company's liquidity at all times.

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. During the COVID-19 pandemic in 2020, the ICS of Schweiter Technologies has proven to be successful.

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 2020)

Dr Heinz O. Baumgartner Martin Klöti

Dr Heinz O. Baumgartner
(born 1963, Swiss citizen)
CEO Schweiter Technologies and executive member of the Board of Directors since 2020.
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 has been a member of the Board of Directors of United Grinding Group since 2018, and he was a member of the Board of Directors of Zur Rose Group AG from 2017 to 2019. He also has been an executive member of the Board of Directors of Schweiter Technologies AG since April 2020.

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.

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

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 8 April 2020, re-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.

Annual General Meeting 2020 in the context of the COVID-19 pandemic

The Annual General Meeting on 8 April 2020 was held without the personal participation of shareholders. On 16 March 2020, the Swiss Federal Council had reacted to the development of the COVID-19 pandemic and classified the situation in Switzerland as an "extraordinary situation" according to the Epidemic Law. Based on Art. 6a para. 1 of Ordinance 2 (as of 16 March 2020) on measures to combat the coronavirus, the Board of Directors of Schweiter Technologies AG had decided to hold the Annual General Meeting on 8 April 2020, without the physical participation of shareholders. In addition, the Board of Directors had decided that the General Meeting would be held at the company's registered office. All shareholders had the option of issuing a written or electronic proxy with instructions to the independent voting representative. Upon receipt of the registration, shareholders received the appropriate proxy and the access code for electronic voting.

For the forthcoming Annual General Meeting on 1 April 2021, the company will 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

Shareholders' participation rights

preferential voting rights; any restriction on the transferability of registered shares; an authorized or conditional capital increase; a capital increase funded by equity capital, against contributions in kind or to fund acquisitions in kind and the granting of special privileges; any restriction or cancellation of the subscription right; a relocation of the domicile of the company; the dissolution of the company). The Articles of Incorporation do not provide for any divergent arrangements. See also: www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

Convening of the General Meeting and inclusion of items on the agenda
The General Meeting is convened by the Board of Directors, or if necessary, by the auditors.

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

Extraordinary General Meetings are to 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.

Change of control and defence measures

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

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 19 June 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 8 April 2020 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)	**2020**	2019
Auditing services [1]	769	728
Audit-related services	36	5
Total	**805**	**733**

[1] Auditing the consolidated financial statements, the holding company statements and the financial statements of the individual Group companies, of which CHF 147 000 is attributable to third-party auditors (in 2019: CHF 152 000)

Additional fees (in CHF 1000s)	**2020**	2019
Tax advice and compliance services	494	571
Transaction advice incl. due diligence	47	126
Total	**541**	**697**

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 on the consolidated financial statements.

The Audit Committee, which met the auditors three times during the 2020 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 Exchange Regulation, 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.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/

Information on transactions effected by members of the Board of Directors or Management is available at:
https://www.ser-ag.com/en/resources/notifications-market-participants/official-notices.html#/

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

The address for investor relations matters is:

Schweiter Technologies AG
Martin Klöti, CFO
Hinterbergstrasse 20
6312 Steinhausen
Switzerland
Phone +41 41 757 77 00
Fax +41 41 757 70 01
investor@schweiter.com
www.schweiter.com

The next Annual General Meeting will be held on 1 April 2021.

The 2021 Semi-Annual Report is scheduled for 13 August 2021.

Addresses

Schweiter Technologies AG
Hinterbergstrasse 20
6312 Steinhausen
Switzerland
Tel. +41 41 757 77 00
Fax +41 41 757 70 01
www.schweiter.com

3A Composites Holding AG
Hinterbergstrasse 20
6312 Steinhausen
Switzerland
Tel. +41 41 757 70 00
Fax +41 41 757 70 01
www.3acomposites.com

3A Composites International AG
Hinterbergstrasse 20
6312 Steinhausen
Switzerland
Tel. +41 41 757 70 00
Fax +41 41 757 70 01
www.3acomposites.com

Airex AG
Industrie Nord 26
5643 Sins
Switzerland
Tel. +41 41 789 66 00
Fax +41 41 789 66 60
www.airex.ch

3A Composites Mobility AG
Park Altenrhein
9423 Altenrhein
Switzerland
Tel. +41 71 858 48 48
Fax +41 71 858 48 58
www.3acompositesmobility.com

3A Composites GmbH
Alusingenplatz 1
78224 Singen
Germany
Tel. +49 7731 941 0
Fax +49 7731 941 3510
www.alucobond.com

3A Composites GmbH
Kiefernweg 10
49090 Osnabrück
Germany
Tel. +49 541 12193 0
Fax +49 541 12193 93
www.display.3acomposites.com

Polycasa GmbH
Gassnerallee 40
55120 Mainz
Germany
Tel. +49 6131 6310
Fax +49 6131 631-103
www.polycasa.com

Polycasa Nischwitz GmbH
Manfred-von-Ardenne-Str. 1
OT Nischwitz / 04808 Thallwitz
Germany
Tel. +49 3425 985 300
Fax +49 3425 985 404
www.polycasa.com

Foamalite Ltd.
Loch Gowna
Co. Cavan
Ireland
Tel. +353 43 66835 25
Fax +353 43 66835 23
www.display.3acomposites.com

Athlone Extrusions Ltd.
Grace Road
Athlone
Co. Westmeath
Ireland
Tel. +353 9064 92679
Fax +353 9064 94086
www.athloneextrusions.ie

Athlone Extrusions (UK) Ltd.
Equipoint Coventry Road
Birmingham B25 8AD
United Kingdom
Tel. +44 (0)121 764 4848
Fax +44 (0)121 764 4443
www.athloneextrusions.ie

Perspex International Ltd.
PO Box 34
Darwen
Lancashire BB3 1QB
United Kingdom
Tel. +44 (0)125 487 4000
www.perspex.com

Perspex Distribution Ltd.
Unit D Tower Business Park
Commercial Road
Darwen
Lancashire BB3 0FJ
United Kingdom
Tel. +44 (0)125 427 2800
www.perspex.co.uk

Polycasa N.V.
Van Doornelaan 2A
2440 Geel
Belgium
Tel. +32 1457 6711
Fax +32 1458 1127
www.polycasa.com

Polycasa Spain S.A.U.
Calle Alimentació 6-12 - Pol.Ind.La Ferrería
08110 Montcada i Reixac (Barcelona)
Spain
Tel. +34 93 575 1990
Fax +34 93 564 8700
www.polycasa.com

Polycasa Slovakia s.r.o.
M.R. Štefánika 71
01039 Žilina
Slovakia
Tel. +421 41707 1411
Fax +421 41707 1417
www.polycasa.com

Polycasa Ltd.
c/o Haines Watts
Keepers lane, The Wergs,
Wolverhampton WV6 8UA
United Kingdom
Tel. +32 1457 6711
Fax +32 1458 1127
www.polycasa.com

Polycasa s.r.o.
Obecnická 520
26101 Príbram
Czech Republic
Tel. +420 318 493 911
Fax +420 318 635 635
www.polycasa.com

Polycasa France SA
57, rue d'Amsterdam
75008 Paris
France
Tel. +32 1457 6711
Fax +32 1458 1127
www.polycasa.com

3A Composites Mobility SA
ul. Inwestorów 6
39-300 Mielec
Poland
Tel. +48 17 773 78 00
Fax +48 17 773 78 01
www.3acompositesmobility.pl

3A Composites USA Inc.
Benton Manufacturing Facility
208 West 5th Street
Benton, KY 42025
USA
Tel. +1 270 527 4200
Fax +1 270 527 1552
www.alucobondusa.com

3A Composites USA Inc.
Statesville Manufacturing Facility
3480 Taylorsville Highway
Statesville, NC 28625
USA
Tel. +1 877 424 9860
Fax +1 704 878 0917
www.graphicdisplayusa.com

3A Composites USA Inc.
Glasgow Manufacturing Facility
205 American Avenue
Glasgow, KY 42141
USA
Tel. +1 270 651 3822
Fax +1 270 651 0224
www.3acompositesusa.com

Baltek Inc.
P.O.Box 16148
High Point, NC 27261
USA
Tel. +1 336 398 1900
Fax +1 336 398 1901
www.corematerials.3acomposites.com

3A Composites Asia Pacific Pte. Ltd.
6 Shenton Way, 40-05, OUE Downtown 1
Singapore 068809
Tel. +65 6303 9750
Fax +65 6303 9751
www.alucobond.com.sg

PT. Alucobond Far East Indonesia
Jl. Jalur Sutera Timur Kav 7A,
No 6 Alam Sutera
Tangerang, Banten 15143
Indonesia
Tel. +62 21 977 9583
www.alucobond.com.sg

3A Composites Malaysia Sdn. Bhd.
Upper Penthouse, Wisma Rkt No 2,
Jalan Raja Abdullah Off
Jalan Sultan Ismail
50300 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia
www.alucobond.com.sg

Addresses

Alucobond Asia Pacific Management (Shanghai) Ltd.
Xiu Pu Road 2388
201315 Shanghai,
China
Tel. +86 21 6315 8550
Fax +86 21 6315 8560
www.alucobond.com.cn

3A Composites (China) Ltd.
1902 Hong Kong Prosperity Tower
763 Mengzi Road
Shanghai, China
Tel. +86 21 6315 8550
Fax +86 21 6315 8560
www.alucobond.com.cn

3A Composites (China) Ltd.
Core Materials
Shangfeng Road 955, Building 6
201201 Shanghai
China
Tel. +86 21 5858 6006
Fax +86 21 3382 7298
www.3acorematerials.com

Alucobond Composites (Jiangsu) Ltd.
10 South Hehuan Road
Changzhou 213023
China
Tel. +86 519 8166 5766
Fax +86 519 8166 5999
www.alucobond.com.cn

Airex Composite Ltd.
No.1 Standard Workshop in Changzhou GLP Industrial Park
835 West Hanjiang Road
Changzhou
China
Tel. +86 21 5858 6006
Fax +86 21 3382 7298
www.3acorematerials.com

3A Composites India Pvt. Ltd.
Unit 1112, Building 11, 1th Floor,
Solitaire Corporate Park, Andheri (East)
Mumbai 400 093
India
Tel. +91 22 4005 4500
Fax +91 22 4010 4132
www.alucobond.com

3A Composites PNG Ltd.
Section 72
Allotments 9, 10 & 12
Takubar Industrial Estate
Kokopo, East New Britain Province
Papua New Guinea
Tel. +675 305 6000
Fax +675 320 0588

Plantaciones de Balsa Plantabal S.A.
Edificio del Portal 335
Km 1.5 via Samborondon atras
Village Plaza, Piso 1, Oficina 102
092301 Samborondon
Ecuador
Tel. +593 4 3884 065
www.3acorematerials.com

Design / Production
Mike Aschwanden, Zurich

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Schweiter Technologies.

Schweiter Technologies AG
Hinterbergstrasse 20
6312 Steinhausen
Switzerland
Tel. +41 41 757 77 00
Fax +41 41 757 70 01
info@schweiter.com
www.schweiter.com