ANNUAL REPORT 2021

SCHWEITER TECHNOLOGIES

Schweiter Technologies is a traditional Swiss group which has performed very successfully in the last few years. We systematically pursue our clearly formulated corporate strategy, focusing on the development of business units in the area of composite materials.

Our globally active division 3A Composites enjoys prime positioning as market leader in its target markets. In order to further strengthen the solid market position, we are seeking to grow not only organically but also through targeted acquisitions. In addition, we aim to continue increasing profitability.

We take our responsibility toward our stakeholder groups seriously. Customer centricity and innovation – the key long-term value driver – are core priorities for our businesses.

FINANCIAL OVERVIEW

	2021	2020
INCOME STATEMENT (IN CHF M)		
Net sales	1 226.9	1 160.2
EBITDA	151.5	175.7
Operating result (EBIT)	111.3	137.6
Net income	84.4	103.5
BALANCE SHEET (IN CHF M)		
Total assets	1 143.1	1 097.3
Net operating assets	646.5	604.7
Shareholders' equity	776.6	738.0
Cash and cash equivalents	123.1	163.7
STATEMENT OF CASH FLOW (IN CHF M)		
Cash flow from operating activities	82.8	157.8
Cash flow from investing activities	−53.5	−42.9
Free cash flow	29.3	114.9
KEY FIGURES (IN %)		
Return on sales	12.3	15.1
RONOA	17.2	22.7
Equity ratio	67.9	67.3
EMPLOYEES AS OF 31 DECEMBER (FTE)		
Total employees	4 443	4 364
RATIOS PER SHARE (IN CHF)		
Earnings per bearer share	59.0	72.3
Equity	542	515
Payout[1]	40.0	40.0
STOCK MARKET CAPITALIZATION AS OF 31 DECEMBER (IN CHF M)		
Stock market capitalization	1 935.8	2 090.4

[1] 2021: dividend proposal by the Board of Directors

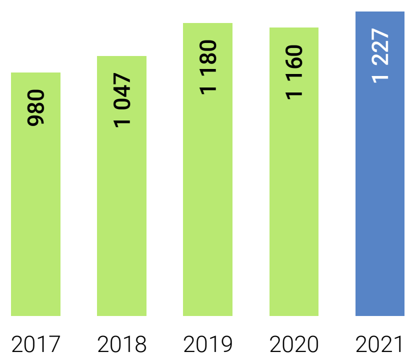
KEY FIGURES

NET SALES
in CHF m

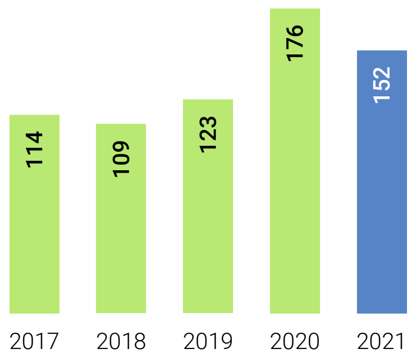
1 227

+6%

NET SALES
in CHF m



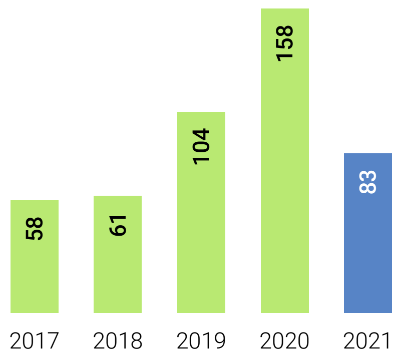
EBITDA
in CHF m



NET INCOME
in CHF m

84

CASH FLOW FROM OPERATING ACTIVITY
in CHF m



SHAREHOLDERS' EQUITY
in CHF m

777

EQUITY RATIO

68%

CASH AND CASH EQUIVALENTS
in CHF m

123

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REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders

2021 was a successful year for Schweiter. Sales hit a record high at over CHF 1.2 billion and operating profit (EBITDA) reached over CHF 150 million – the second highest result in the history of the company. This performance was achieved in spite of numerous adverse circumstances resulting from the pandemic, disruptions to some supply chains and sharp increases in the price of materials. All employees and the management team therefore deserve to be proud of their achievements.

What were the most significant challenges and measures in the past year?

First, the effects of the pandemic and changing rules presented all segments and locations with challenges. Fortunately, high levels of individual initiative and a certain amount of pragmatism in the face of overreactions by the authorities in individual countries enabled all our factories to continue their production. Absences through sickness and quarantine measures were offset thanks to the great flexibility shown by employees and the acceptance of overtime work. The strategic direction previously adopted, combined with a working culture based on individual responsibility, proved successful again in this second year of the crisis. The outstanding reliability of our supply capability reaffirmed our position as dependable partners for our customers.

Second, the soaring prices quoted for some raw materials had a negative impact on margins in the year under review, whereas low material costs had been advantageous the previous year. For example, costs for aluminum and PMMA, two important components used in our products in the Architecture and Display segments respectively, rose by approximately 50%–60%. The higher costs were passed on to customers in negotiations which were sometimes long and difficult, and with a certain time delay.

Some degree of normality returned to the individual markets in 2021. Demand for clear sheets returned to normal, but printed and color display products saw another increase.

The Architecture segment showed significant growth in America during the year under review. It was evident there that the new products and, in particular, a strengthened team were taking business to new levels of success.

The pleasing performance of the Wind segment continued. Sales were at a high level with an above-average margin for the third year in succession. Our balsa and PET products sold well. Our leading position in both these materials was extended, aided by investing further in production facilities. And the investment in JMB Wind Engineering in the Kitting segment proved to be virtually ideal in bringing us closer to our customers.

Once again, investors, customers and the public focused increasingly on issues of sustainability, or ESG, during the reporting year. Many aspects of Schweiter's business activities contribute to the achievement of a sustainable future. The lightweight construction of its products helps to reduce the use of energy and material and cut $C0_2$ emissions as a result. For Schweiter Technologies, social sustainability means accepting social responsibility for its employees and those living in the vicinity of production sites, as well as for partners in the supply chain. It also entails supporting social partnership projects. This is all accomplished on the basis of good governance and fair business practices. During the reporting year, Schweiter identified key elements of ESG in which the company can achieve maximum impact. Schweiter is reporting extensively on these areas for the first time, meeting the standards of the Global Reporting Initiative (GRI).

Considerable investments of around CHF 100 million in product development and plant were either arranged or implemented, thus laying the foundations for further growth.

The balance sheet is practically debt-free and, as usual, in solid shape with an equity ratio of almost 70% and cash and cash equivalents of CHF 123 million. This also makes it possible to realize potential opportunities for acquisitions in the future.

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 6 April, 2022. This adds up to a total payout of about CHF 57 million.

It is always difficult to make reliable forecasts for the future. All segments have made a solid start to 2022, however. It is hoped that the pandemic situation will ease and it will become possible to conduct the trips and interactions required in the Service and Sales departments without difficulty once again. On this basis we are optimistic about our future performance – albeit this is associated with a high degree of uncertainty due to the latest political situation.

Yours sincerely

Beat Siegrist, Chairman

MARKETS AND CUSTOMERS

BUSINESS PERFORMANCE

In a challenging business environment, Schweiter Technologies was once again able to increase sales year on year. Even though the operating result was slightly reduced relative to the exceptionally high basis for comparison, the result was still the second best in the history of the company.

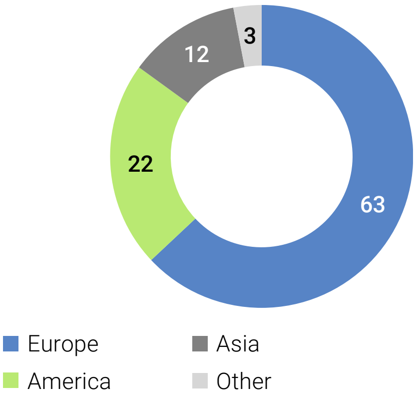
Net sales rose to CHF 1 226.9 million (previous year: CHF 1 160.2 million), corresponding to growth of 6% (5% in local currencies). Group EBITDA fell by 14% to CHF 151.5 million (previous year: CHF 175.7 million), corresponding to a return on sales of 12.3%. EBIT came to CHF 111.3 million (previous year: CHF 137.6 million), while net income was CHF 84.4 million (previous year: CHF 103.5 million).

Cash and cash equivalents came to CHF 123 million and the equity ratio was almost 70%. The Board of Directors will propose paying a dividend of CHF 40 per bearer share at the General Meeting on 6 April, 2022.

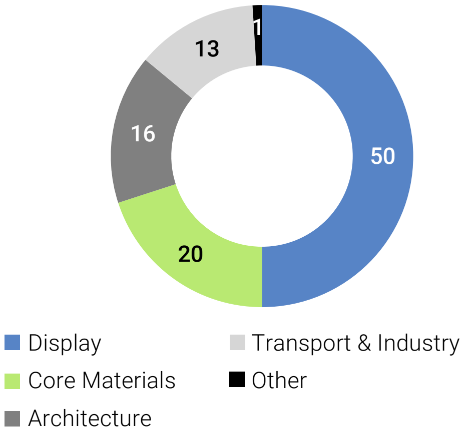
Headcount stood at 4 443 (previous year: 4 364), including 1 398 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea.

Schweiter Technologies once again invested continuously in production capacity and in research and development with the aim of expanding the existing product portfolio and developing new markets 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 40% majority holding in JMB Wind Engineering acquired in April 2021 bolsters the Core Materials segment of 3A Composites and opens up a strategic partnership with one of Europe's leading kitting companies.

NET SALES 2021 BY SALES MARKETS 2021
(in %)



NET SALES 2021 BY MARKET SEGMENTS
(in %)



MANAGEMENT AND RISK ASSESSMENT

MANAGEMENT SCHWEITER TECHNOLOGIES

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

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 2021.

PORTFOLIO STRATEGY

An insight into our profile, our culture and our values.

STRONG PARTNERSHIP

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

SELF-SUFFICIENT UNITS

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

FOCUS ON INNOVATION AND CUSTOMER PROXIMITY

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.

PROMOTION OF THE CULTURE

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.

STREAMLINED STRUCTURES

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

LASTING SUCCESS

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.

INVESTMENT IN THE FUTURE

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

OPERATING SEGMENT 3A COMPOSITES

3A COMPOSITES

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 & industry 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 range of products for each particular high-end segment and owns globally renowned brands such as ALUCOBOND®, AIREX®, BALTEK®, DIBOND®, GATOR®, KAPA®, CRYLON®, CRYLUX®, PERSPEX® among many others.

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.

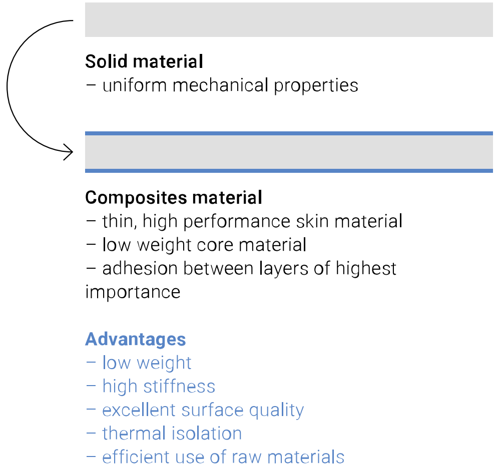
The advantages of the materials and composites lie in

- their decorative and functional surfaces
- the 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.

A compelling business idea



The products are sold mainly 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 2021

DISPLAY

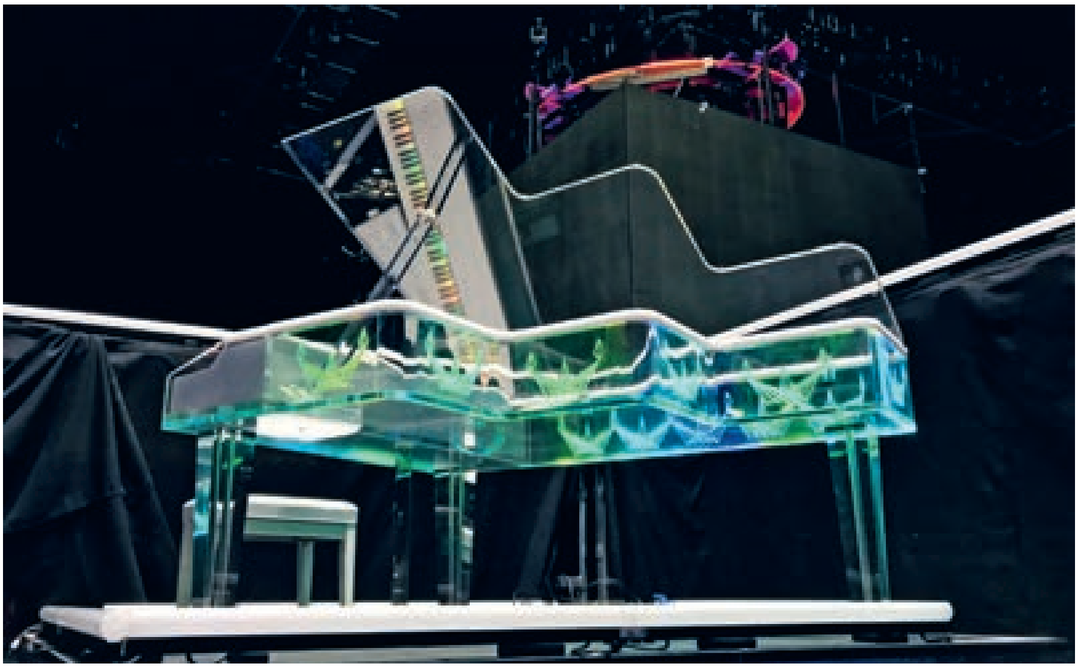
In 2021, 3A Composites' Display segment benefited from a renewed increase in demand in the areas of digital printing and shop design. While sales of transparent sheets returned to normal after the very high demand for protective partitions in the COVID-19 pandemic, traditional display applications benefited from the general recovery of the economy. The sales performance benefited further from price rises in the wake of significant increases in the cost of raw materials, energy and logistics. Overall, sales in the Display segment rose by 10% in 2021.

After a clear downturn in the European economy as a whole the previous year, all the main sales markets contributed to the growth in sales in 2021. There was a perceptible increase in demand for products for traditional display applications such as print, signage, shop front and shop fitting. Trade fair construction was hit hard by Covid restrictions but also showed signs of a moderate recovery. On the other hand, demand for protective hygienic sheets fell off as expected in the first half year, after contributing significantly to the product mix in the previous year. With the recurrence of pandemic-related activities in the fourth quarter, the general market dynamic fell off again in Europe to some extent, with the result that European sales volumes did not quite achieve the levels of the previous year.

By contrast, the Display segment in North America recorded a veritable surge in growth, achieving a jump in sales of almost 50% in 2021. Laminated, printable products for applications in the retail trade continued to account for the majority of sales In the American display market. In this area, the "re-opening effects" after the Covid-related restrictions were particularly apparent. Furthermore, 3A Composites is continually expanding into new neighboring markets, with the result that order volumes reached or even exceeded pre-Covid levels for most product families. The foamboard business of Newell Brands Inc., acquired in September 2020 and since fully integrated into the company, also contributed to the growth in sales.

Persistent disruptions to supply chains and sharply rising costs for raw materials, energy and transport presented a particular challenge to participants in the markets on both sides of the Atlantic. Some customers accumulated large inventories, fearing that supply chains would break down. Despite the shortages in the procurement market and some continuing restrictions on production due to COVID-19, production sites supplied customers on time and without significant restrictions. This reliability of supply enabled 3A Composites to further extend its leading market position. The rising costs for raw materials, transport and energy were transferred to the end market after a certain period of delay. The ongoing sales price increases went a long way to supporting sales growth, but profitability did not increase to the same extent due to the time delays and integration costs for the foamboard business acquired from Newell Brands Inc.

◄ Illuminated Colour Wall, PERSPEX®



▲ Acrylic piano on KYGO World tour, PERSPEX®

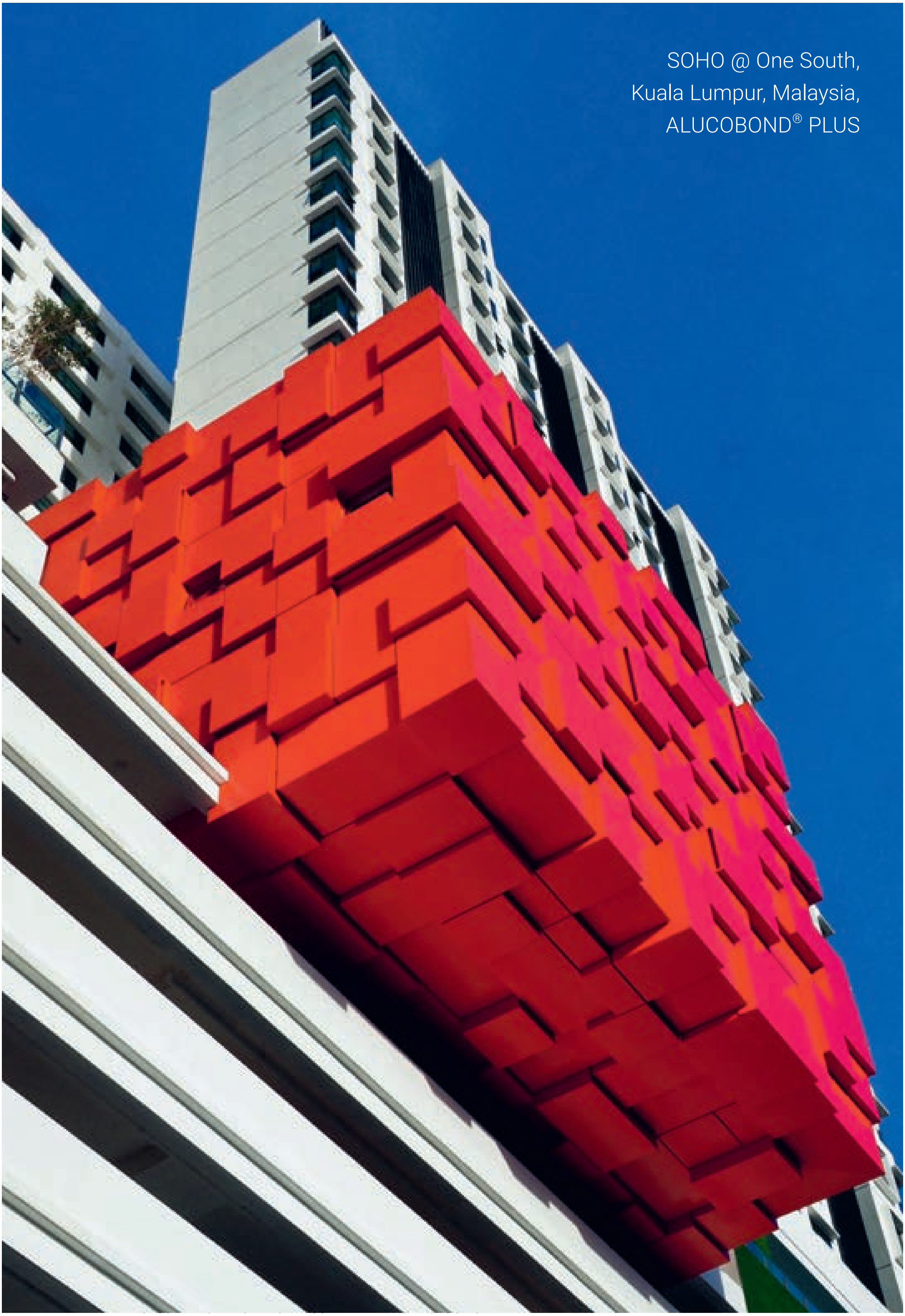
ARCHITECTURE

The Architecture segment can look back on a very successful year in 2021. The European construction industry registered a speedy recovery from the previous year's pandemic-related downturn and achieved percentage sales growth almost in double digits. The North American Architecture segment continued the growth trajectory begun two years ago, achieving a rise in sales of over 30%. The Asian Architecture segment was again hit by lockdown measures in India and delays to projects in China and the Middle East. In addition, a sharp increase in the cost of raw materials and an unfavorable project and product mix resulted in lower profitability compared with 2020. Nevertheless, thanks to a strong second half-year, Architecture sales increased by 7% year on year.

The effects of the pandemic on the European building industry and the subsequent recovery varied greatly from country to country both in character and degree. While the building industry in central and northern Europe (Germany, Austria, Switzerland, Benelux, Scandinavia) came through the crisis year relatively unscathed, western and southern Europe and the UK felt the impact of downturns caused by government-imposed industry shutdowns the previous year. The recovery in western and southern Europe and the UK was therefore more pronounced than in central and northern Europe. In eastern Europe, there was also a perceptible recovery in the construction industry, but it was only enough to partially offset the downturn from 2020. In some countries, government schemes supported rapid recovery of the economy. The continuing shortage of construction materials was a restraining factor, however. Despite the bottlenecks affecting the supply of raw materials across the board, the segment was still able to guarantee quick delivery times for customers and acquire additional projects as a result. Sales in the DACH region (Germany, Austria and Switzerland) remained at the high level of previous years, while pleasing growth in sales was achieved in the Benelux countries, Scandinavia, France, Italy and Poland. Sales also went up in the UK but remained below expectations due to Brexit-related constraints. The introduction of the new patented ALUCOBOND® easy fiX fixing system allows façade panels to be mounted easily and flexibly and addresses a new market segment for compact systems. Despite sharply increasing costs for raw materials, profitability in the European Architecture segment remained at the high level of previous years.

The North American Architecture segment achieved impressive sales growth of over +30% in 2021, despite the American Institute of Architects (AIA) forecasting a downturn in the non-residential building sector, the main market of the Architecture segment of 3A Composites. The marked rise in sales was primarily achieved through the promotion of architect specifications, the expansion of the customer base and manufacturing partners. 3A Composites' premium façade products can be found throughout North America in a wide range of innovative architectural designs, and market share was once again increased in 2021. Sales growth was prevented from being even higher during the reporting year due to the limited availability of construction materials, freight capacity and labor. Profitability of the North American Architecture segment also showed pleasing progress and grew out of proportion to sales.

The Architecture segment in Asia continued to achieve year-on-year growth in an environment which remained difficult. Many countries in the Far East continue to follow a zero-Covid policy, which restricted construction work and prevented in-person visits, consultations and technical support for projects from taking place. Nevertheless, thanks to a well-stocked project pipeline, the segment was able to increase sales, particularly in India and Southeast Asia. Apart from the pandemic-related constraints, further challenges here as elsewhere included the rising cost, and in some cases limited availability of raw materials, which held back growth to some extent and had a dampening effect on profitability.


SOHO @ One South,
Kuala Lumpur, Malaysia,
ALUCOBOND® PLUS

CORE MATERIALS FOR COMPOSITE MATERIAL CONSTRUCTION

The Core Materials segment can look back over a year with two distinct parts. The first half of the year was characterized by high levels of demand from wind energy and marine customers with good utilization of the production sites. In the second half, demand fell off significantly, especially for wind installations. The continuing strain on supply chains, price increases for raw materials and disruptions to business caused by measures to combat the Covid pandemic were further challenges to make themselves felt in the second half-year. The sharp upward trend in the cost of balsa raw material which began in 2019 reached its peak at the end of 2020 / the beginning of 2021. After some delay, the reduced prices for balsa lumber have now affected sales prices.

Nonetheless, in terms both of sales and profit, the segment achieved the second-best performance in its history after the record year of 2020. While sales of balsa products remained below the peak levels of the previous year, the sales volume of PET products saw a double-digit rise. The new PET production facility in China which went into operation at the end of 2020 allowed the high demand from Asian customers to be met more effectively and the increasing replacement of PVC-based products with high-quality alternatives made from PET and balsa to be actively furthered.

From a regional perspective, demand from wind customers in Europe and the USA remained at a high level. Sales in the European marine, transport and construction sectors were affected to some extent by project postponements, yet still achieved the previous year's level. By contrast, non-wind sales in the USA again showed strong growth after the very positive preceding year, achieving record figures in the marine sector. In the Asia/Pacific region, demand continues to come largely from wind energy customers, although the non-wind sector is becoming increasingly important and showed a positive trend. Overall, there was a further increase in the market penetration of composite materials for weight-saving solutions and the share in sales achieved in the marine, transport and construction segment.

Wind energy
Following the record clearly set for the worldwide installation of wind energy facilities in 2020, capacity for new installations fell by around 25% compared with the peak figure of the previous year. While new installations remained at a high level in Europe and the USA, there was a drop-off especially in China after the expiry of a program of subsidies which had been in place for some years. The reduced demand in China along with lower raw material costs for balsa resulted in falling sales prices in this region. However, thanks to multi-year supply contracts with the world's biggest wind energy customers it was possible to keep the effect of falling sales prices reasonably in check.

3A Composites has a major competitive advantage since it covers the entire value chain in the balsa business (BALTEK® Balsa) from seedlings to its own FSC®-certified plantations in Ecuador and Papua New Guinea and right up to the finished products. This makes the business less exposed to fluctuating raw material prices and moreover ensures reliable delivery of balsa products to its customers. The reliable supply capability and product quality along with the regional focus on production again proved to be key factors in the success of the business.

The division works continuously on innovations and the advancement of the current product portfolio – not least with regard to sustainability. In this context, sustainability means the optimization of product characteristics for lower weight and therefore less use of resources. In addition, 3A Composites introduced further innovations for finishing processes (BALTEK® Adaptive ContourKore and Balsa Zero), which allow the customer to reduce the resin used during the infusion process, thus saving resources and costs.

▲ AIREX® and BALTEK® products from 3A Composites offer tailored solutions for the complex requirements of the wind industry and are used for example in wind turbine components, especially in wind rotor blades.

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

Thanks to the economic recovery in the main sales markets and enhanced market penetration, the segment achieved a double-digit increase in percentage sales in its non-wind business. Following an already successful year, sales for the American marine market hit a new record high. Furthermore, the automotive industry provided positive impetus for growth in Europe and Asia. 3A Composites concluded supply contracts with renowned vehicle manufacturers for new model series and the transport segment is benefiting from the megatrend of weight-saving solutions.

Sales of fitness and gymnastic mats (AIREX®) achieved a new record high thanks to strong growth in the USA and Switzerland. On the back of trends in personal fitness and well-being, 3A Composites is expanding its range and marketing of fitness products on an ongoing basis.

STRUCTURAL COMPONENTS / SYSTEM COMPONENTS

Once again, the reporting year was marked by major challenges such as disruptions to production and project postponements implemented by customers as well as sharply rising material and energy costs. On the other hand, the segment recorded the first signs of an imminent recovery in the market. While sales remained roughly at the previous year's level in 2021, the order book showed a significant improvement and at year-end is at approximately one-and-a-half times annual sales. It was possible to transfer some of the cost increases to the market. In addition, operational processes were optimized to limit the negative effects on profitability.

The rail vehicles market segment recorded good order intake figures in the double-digit million CHF range across all product groups. As in the previous year, customers postponed projects, causing sales to be somewhat below expectations, albeit slightly above the figures for the previous year. In addition to the ongoing pandemic-related delays, e.g. to the expansion of the rail infrastructure, blockages caused by objections from rail vehicle manufacturers and geopolitical interference by states in the tendering process are increasingly evident. One particular success was achieved in the UK with high quality interior systems in the strategically important metropolitan transport segment. In addition, a major order to supply several vehicle platforms with train fronts and floor systems was secured with a key customer in the DACH region.

The road vehicles market segment continues to be affected by the current crisis. Sales of components for coaches remain at a low level due to the pandemic. The market is showing increasing interest in the strategic development of lightweight systems for electric buses, e.g. battery chassis, and several development collaborations were agreed with renowned vehicle manufacturers in Europe. In this context, particular mention should be made of the decision of an eastern European bus manufacturer to switch to sandwich roofs from 3A Composites for almost all of its platforms, and of the award of a major order for roof and floor systems to be used in the new double-decker buses for the city of Berlin.

PRODUCT INNOVATIONS / CAPACITIES

The business segments of 3A Composites work continuously to expand the product ranges for the market segments Display, Architecture, Core Materials, and Transport & Industry. In addition, the digital transformation is continuing in order to improve internal processes and customer service.

The Display segment's newly developed DIBOND® digital LX surface coating ensures weatherproof prints with improved scratch resistance and reproduces brilliant colors at the same time. The introduction of wide sheet formats for DIBOND® FR allows greater versatility for applications in areas where more stringent fire prevention regulations are in place. North America saw the introduction of MONARC™ Wall Panel Solutions, giving designers the opportunity to fit interior spaces with high-quality surfaces at a fraction of the usual cost, weight and maintenance requirements. Thanks to the latest technology, high-resolution digital images can be applied to the high-quality surface of the aluminum composite sheets of MONARC™, enabling the appearance of natural materials to be replicated realistically, for example. The FOME-COR® and DISPA® product families were optimized with ColorPRO Technology. Media with ColorPRO meet stringent industry standards and use advanced technologies developed to optimize digital printing performance with HP PageWide XL printers.

In the Architecture segment, the introduction of the new patented ALUCOBOND® easy fiX fixing system allows façade panels to be mounted easily and flexibly. The new fixing solution offers all the advantages of a rear-ventilated façade at an attractive price and addresses the new market segment for compact systems. In addition, the special standardized ALUCOBOND® kit is a system designed to address the private residential building market more effectively. With investment in a new production line at each of the sites in Singen, Germany and Benton, USA, 3A Composites is not only expanding capacity but also extending its product range of fire resistant and non-flammable façade elements as well as effecting improvements to quality and efficiency in the manufacturing process.

The continuing high demand for core materials for wind energy plants and applications outside the wind power sector ensured high levels of utilization of production capacity for AIREX® PET and BALTEK® Balsa. The new PET line in China was successfully brought into operation, enabling 3A Composites to strengthen its global leadership position using local resources. In view of the positive trend in demand for PET-based products, a further PET line is to be installed in Europe, which is expected to start production in the second half of 2022. The new PET line will be installed at the site in Poland, which is located in close proximity to local partners JMB Wind Engineering. The combination of AIREX® PET and kitting makes for a high degree of production efficiency and low logistics costs. Kitting capacities for BALTEK® Balsa were already increased at our production site in Ecuador in 2021.

The Transport & Industry segment saw the development of large-scale structural components for floor systems and lightweight staircases for double-decker trains. The award of a major contract to supply several vehicle platforms with train fronts and floor systems will secure partial utilization of the sites in Switzerland and Poland in the years to come. In addition, supply contracts were concluded with renowned vehicle manufacturers for new model series. With its broad range of lightweight products, 3A Composites is ideally positioned to benefit from the megatrend for weight-saving solutions in the transport industry.

ORGANIZATION

There were virtually no changes to the lean, decentralized organization. The restructuring and integration of the foamboard business of Newell Brands Inc. acquired in September 2020 was successfully completed. The 40% majority holding in JMB Wind Engineering acquired in April 2021 bolsters the Core Materials segment of 3A Composites and opens up a strategic partnership with one of Europe’s leading kitting companies. At the new Airex Poland production site, an additional PET production line is being installed close to the existing JMB site. The geographical proximity and the combination of AIREX® PET production and kitting will enable ideal production opportunities and logistics advantages, allowing both parties to provide their customers with even better service.

▲ Train front ends, INNOCAB®

▲ Transparent sheets for sectional doors in the segment Transport & Industry, POLYCASA® SAN.

OUTLOOK

Despite a slight slowdown in economic momentum in the fourth quarter of 2021, the European economic outlook for 2022 remains positive overall. Demand for consumer goods is expected to recover further as the immunization program continues, and European gross domestic product should increase appreciably in line with forecasts. In the USA, there are also indications that the robust demand for display products will continue in 2022. The spending power of consumers was pent up for the duration of the pandemic to a greater or lesser extent. The expected rise in their willingness to make purchases and the return to normal levels of footfall in shops will have a positive effect on demand in the core markets of print, signage, shop front and shop fitting.

After months of pandemic-related restrictions, the need to enjoy in-store shopping experiences and restaurant visits is clearly evident again. This calls out for appealing designs which increasingly form part of the customer experience. Flagship stores, leading discount chains, outlet centers and DIY stores offer wide-ranging growth opportunities for 3A Composites' products. In addition, demand for trade fair construction is expected to revive gradually, although a return to pre-Covid sales levels is not anticipated before 2023. Customers are alert to and informed by sustainability issues in their consumer choices and this is behind an increasing demand for resource-friendly product solutions and concepts. With paper-based display products (DISPA®), 3A Composites is ideally positioned in the market for sustainable solutions and is systematically developing new products and possible applications in this area.

The supply bottlenecks for certain raw materials for display products will continue to some extent at the beginning of the year and will be associated with procurement costs remaining significantly higher. Energy costs are also expected to rise further and transport costs to remain at a high level. 3A Composites adjusts sales prices to the prevailing market conditions on an ongoing basis and is committed to transferring the higher manufacturing costs onto the customer in a timely manner. To further minimize the negative effect of the higher variable costs on profitability, the production sites are resolute in the management of costs and measures to increase efficiency and reduce the use of energy and materials are applied continually.

With a healthy order book at the beginning of 2022, the European construction industry can anticipate sustained growth. Demand in the public construction segment remains volatile depending on the type of building, although state infrastructure programs and grant schemes are having a stabilizing effect here. In addition, 3A Composites will address the private residential construction market segment more effectively with ALUCOBOND® kit, a special standardized system. There is also increasing demand for all-in-one renovation concepts that enable climate targets to be met on existing buildings. With an ALUCOBOND® front-mounted, rear-ventilated façade, new builds and existing buildings alike can benefit from an appropriate insulation concept. ALUCOBOND® façade solutions combine high durability with low maintenance costs. More than that, the façades can also be recycled at the end of their service life.

In the USA, uncertainties associated with COVID-19 prompted a longer delay in planning by building contractors and architects. This interruption is now being followed by a hiatus in the commencement of new building projects which is expected to have an effect on the non-residential construction market until the end of 2022. For some existing construction projects, persistent delays are expected due to limited availability of materials and a shortage of labor. 3A Composites is well positioned to continue supplying customers on time, but projects delayed by construction-related issues will limit the opportunities for growth in traditional markets and regions. Nevertheless, the Division anticipates sustained sales growth in North America in 2022, supported by broadening the product range and expanding into neighboring markets.

The Asian Architecture segment expects the market environment in 2022 to be similar to that of 2021. On one hand, there is the possibility that further outbreaks of COVID-19 and the emergence of new variants will most likely lead to the same restrictions as those imposed in the past two years, while on the other hand, the segment should be able to profit from catch-up effects in China, Thailand and other countries due to the many delays and postponements to projects there. All in all, a positive performance is expected from the Architecture segment in Asia/Pacific.

The limited availability of materials in the Architecture segment eased somewhat by the end of 2021, but the procurement market remained challenging at the beginning of 2022. Accordingly, prices for raw materials and continued increases in energy costs are expected in Europe and the USA. In the Asian region, we anticipate a gradual relaxation of aluminum prices and ocean freight rates which had a major impact on supply capabilities and costs last year. The production sites at Singen, Germany and Benton, USA are currently seeing the implementation of two of the biggest individual investments in the history of ALUCOBOND®. Not only will the two new production lines bring improvements to efficiency and quality, they will also expand the product range for fire-resistant and non-flammable façade elements.

Forecasts for the core materials market envisage that the capacity of the newly installed wind energy plants will stabilize over the next two–three years at the level of 2021, after which the new installations will continue on the trajectory of previous years, driven by the decarbonization and electrification megatrends. The modernization of existing wind energy plants and weight-saving solutions for applications in the marine and automotive sectors, in construction and in industry will open up further growth opportunities. The investment in the new PET line in Poland and the collaboration with JMB are making it possible to provide European customers with even better service and increase sales volumes. At the same time, a moderate fall in sales prices is anticipated due to the increasing level of competition, particularly in China. 3A Composites will continue to pursue its strategy to create a more environmentally friendly future. With innovative product developments, the input of resources can be reduced as well as offering customers solutions that preserve resources and cut costs.

The structural components / system components segment expects the demand for rail vehicles and buses to remain at a high level in the coming year. The segment is benefiting from the award of major projects and a healthy order book, while the market for structural components / system components is also being driven by a large number of infrastructure programs and the megatrend for sustainable mobility solutions. Product innovations, such as the large-scale components for floor systems developed during the reporting year and lightweight staircases for double-decker trains, are opening up new growth opportunities. In the short term, the shortage of raw materials for lightweight construction, e.g. magnesium, and the pandemic-related labor shortfall will have a negative effect. However, there are pleasing prospects of growth in the segment.

3A COMPOSITES 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 Architecture & Display Asia / Pacific
Martin Klöti	Chief Financial Officer 3A Composites
Dr Armin Raiber	Chief Executive Officer Mobility
Dr Joachim Werner	Chief Executive Officer Architecture & Display Europe

HEADCOUNT

Year end

2021	2020	2019	2018	2017
4 436	4 357	4 178	3 940	3 779
1 398[1]	1 392[1]	1 235[1]	946[1]	1 147[1]

1 Employees in balsa plantations and sawmills in Ecuador and Papua New Guinea included in the headline figure.

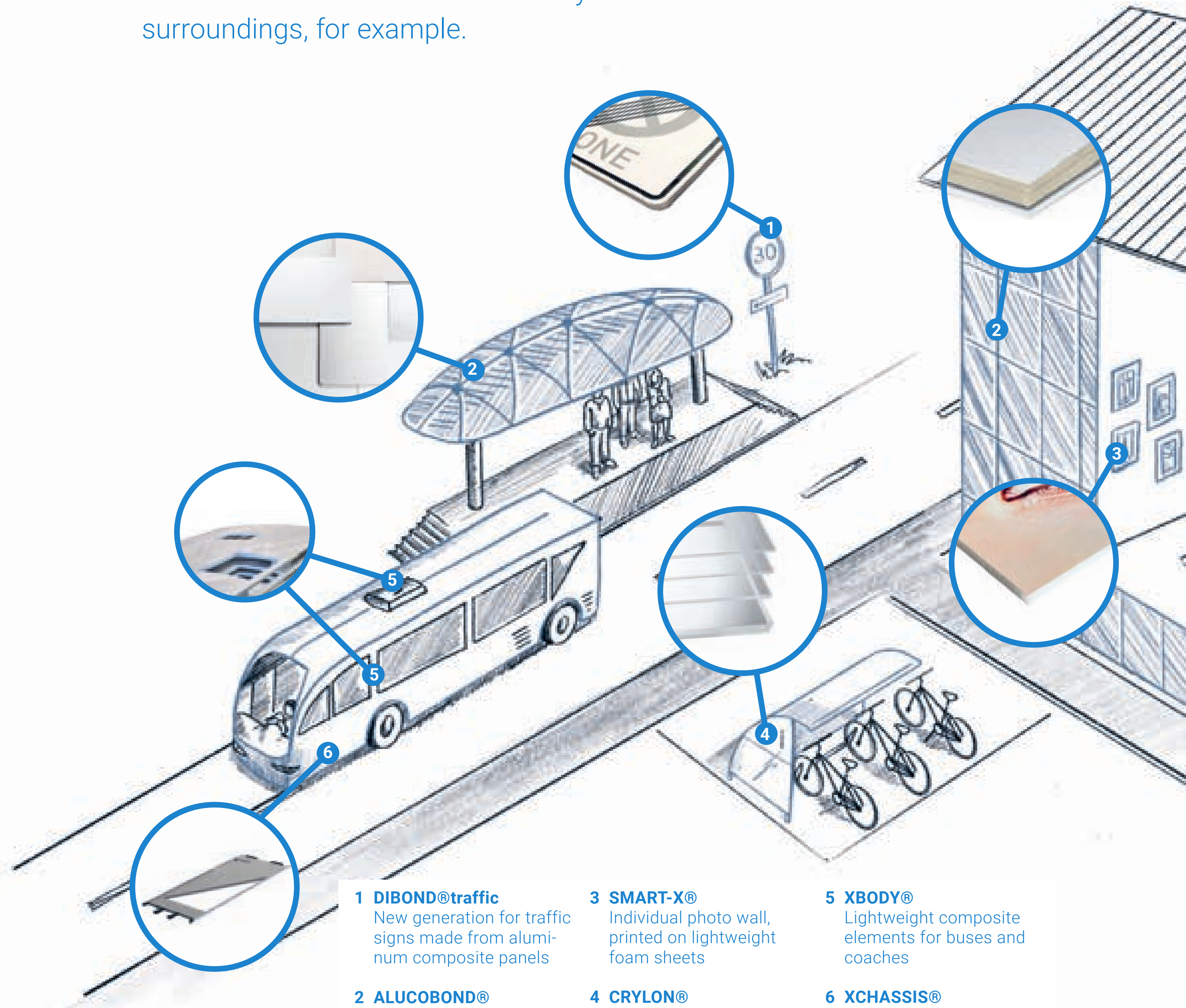
HEADCOUNT

Year end

4 436

AN ELEMENT OF SCHWEITER

As a manufacturer of plastic sheets, composite panels and core materials for composite structures, Schweiter sells its products predominately to distributors and OEMs. Whether visibly or unseen, many everyday objects contain an element of Schweiter – items in your home or local surroundings, for example.



1 DIBOND®traffic
New generation for traffic signs made from aluminum composite panels

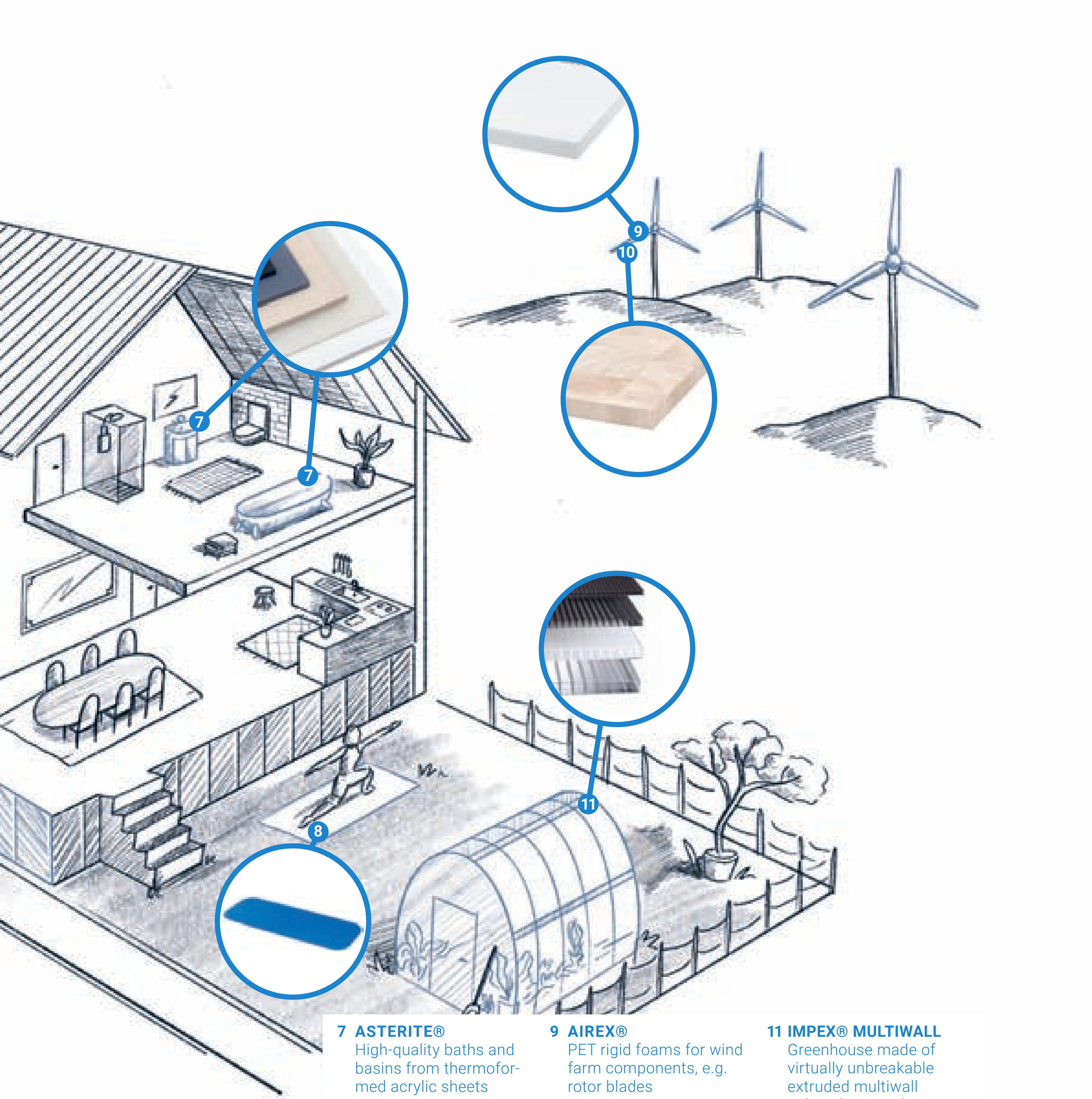
2 ALUCOBOND®
Decorative façade material and innovative roof cladding made from aluminum composite panels

3 SMART-X®
Individual photo wall, printed on lightweight foam sheets

4 CRYLON®
Cycle shelter with optimum weather protection from extruded acrylic sheets

5 XBODY®
Lightweight composite elements for buses and coaches

6 XCHASSIS®
Lightweight chassis for city buses



7 ASTERITE®
High-quality baths and basins from thermoformed acrylic sheets

8 AIREX®
Mats and balance pads for the fitness/sports and physio market

9 AIREX®
PET rigid foams for wind farm components, e.g. rotor blades

10 BALTEK®
Structural balsa wood for wind farm components, e.g. rotor blades

11 IMPEX® MULTIWALL
Greenhouse made of virtually unbreakable extruded multiwall polycarbonate sheets

SUSTAINABILITY

SUSTAINABILITY AT SCHWEITER TECHNOLOGIES

As an internationally active company, Schweiter Technologies creates sustainable value for its customers, employees and shareholders. At the same time, Schweiter Technologies is a reliable partner for suppliers and for the public. This commitment is evident in all aspects of the company's business activity. A responsible, dedicated approach is firmly rooted in its corporate culture.

Schweiter Technologies has been working towards a sustainable future for some time. The lightweight construction of its products helps to reduce the amount of energy they consume during operation and to cut CO_2 emissions. Products from Schweiter Technologies are primarily used in the fields of visual communication (display), architecture, construction, wind energy and the automotive, rail vehicle and marine engineering industries.

The report on sustainability has been considerably expanded for the 2021 Annual Report and meets the GRI Standards of the Global Reporting Initiative for the first time.

APPROACH TO SUSTAINABILITY

At Schweiter Technologies, sustainability means keeping a watchful eye not only on commercial factors but also on the ecological, social and governance-related aspects of its business activity.

Along with its commitment to sustainable and profitable growth, Schweiter Technologies also sets great store by the innovation of eco-friendly products as a growth driver. The ecological aspect of the company's business involves reducing its environmental footprint through the careful and efficient use of resources and by minimizing risks for people and the environment. Social sustainability at Schweiter Technologies means accepting social responsibility for employees and those living in the vicinity of production sites, as well as for partners in the supply chain. It also entails supporting social partnership projects. This is all accomplished on the basis of good governance and fair business practices.

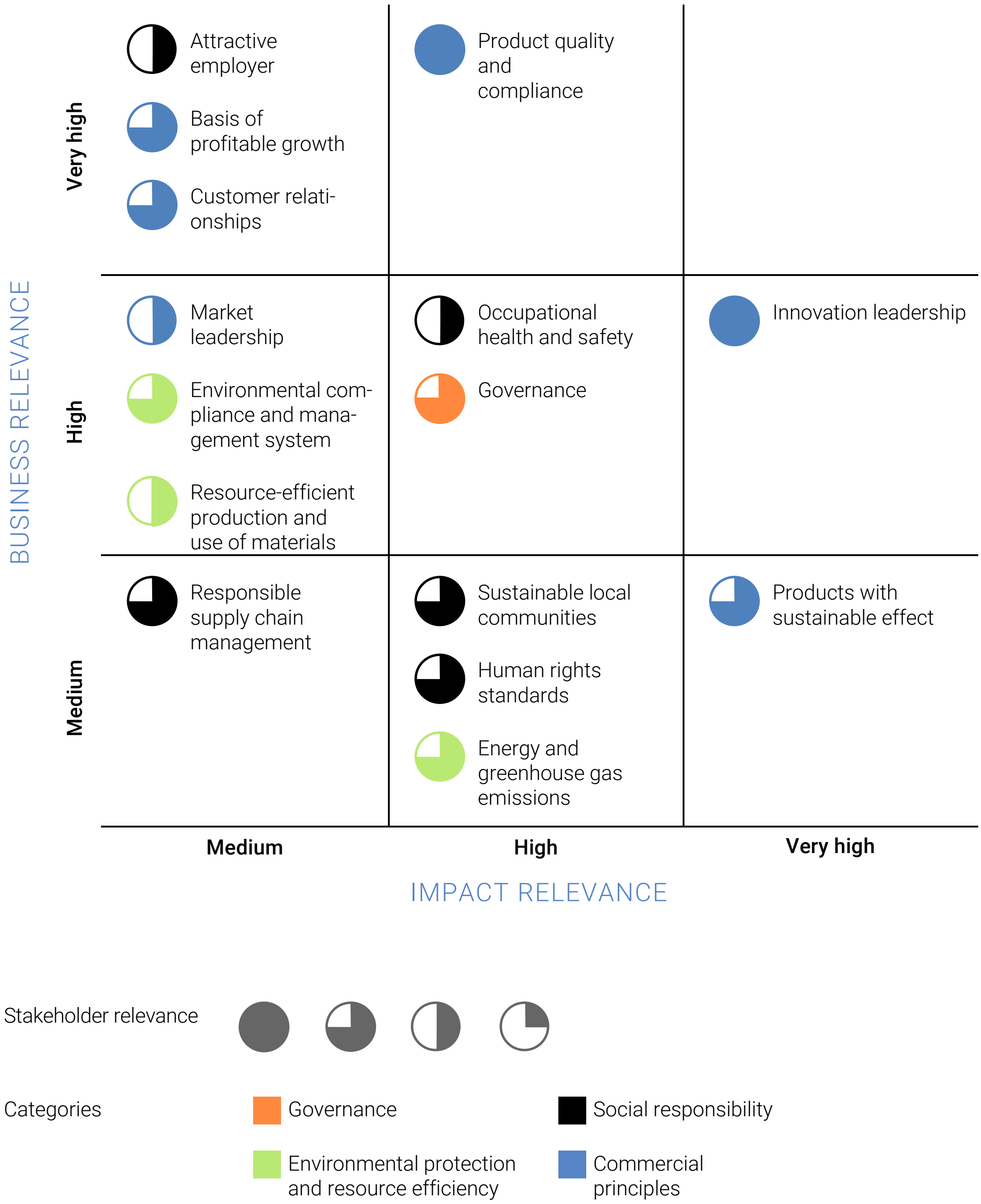
The approach to sustainability practiced by Schweiter Technologies is guided by the 17 United Nations Sustainable Development Goals (UN SDGs). Of these, the focus is on the five SDGs the company can implement most effectively:

- SDG 8 Decent work and economic growth
- SDG 9 Industry, innovation and infrastructure
- SDG 12 Responsible consumption and production
- SDG 13 Climate action
- SDG 15 Life on land

Material topics

In order to identify the most important sustainability issues, a materiality analysis was conducted in 2021 (GRI 102-46). The starting point for this was a wide-ranging list covering topics from an analysis of comparable companies, internal sources (documents, guidelines, directives), sustainability standards and industry-specific information. The topics were then evaluated in a management team workshop. They were assessed according to their relevance to the business success of Schweiter Technologies, their relevance to stakeholders and their relevance in terms of impacts on sustainable development. The process was supported by an external specialist and the result presented in a matrix.

MATERIALITY MATRIX



The materiality matrix presents the fifteen topics which are most relevant to Schweiter Technologies (GRI 102-47). These material topics are systematically explained in the following report. The structure of the report is based around these topics. The material topics "Customer relations" and "Products with sustainable effect" do not have a chapter of their own as they are incorporated in other texts.

Stakeholder management

The establishment and maintenance of good relationships with all stakeholders is a key factor in sustainable business activity. The most important stakeholders include customers, employees, suppliers and shareholders (GRI 102-40). Stakeholders are identified and prioritized within the business segments through management reviews, SWOT analyses and/or specific stakeholder analyses carried out in the course of certification processes (GRI 102-42).

Schweiter Technologies conducts regular exchanges with all stakeholders in order to understand the individual needs of each interest group and identify new developments and market requirements at an early stage. This contact occurs in various ways and at different levels, depending on the group. Day-to-day communication is considered to be the most important form of interaction. Regular contact with customers and suppliers and in-person discussions with employees are essential for assessing satisfaction and well-being – and can uncover issues of relevance to the business (GRI 102-43).

Schweiter Technologies' customers demand materials and products for their applications that are reliable yet lightweight. Renewable raw materials and recycled materials that have the minimum environmental impact are of key importance here (GRI 102-44). Schweiter Technologies is committed to meeting the customer's needs with regard to sustainability and environmental compatibility – with trail-blazing technologies that enable the manufacture of high-quality products.

COMMERCIAL PRINCIPLES

A basis of profitable growth

Lasting and reliable partnerships with long-standing customers form the basis for Schweiter Technologies' business success. Innovative, environmentally friendly products, strong brands and production sites in close proximity to the main sales markets increase competitiveness and make an important contribution to the success of Schweiter Technologies' customers. Thanks to sustainable commercial practices, Schweiter Technologies has been expanding profitably for years: the company has a solid balance sheet with a high equity ratio and a strong liquidity position. As a global industrial company, Schweiter Technologies targets continued above-average growth, with sights set on EBITDA margins in double-digit figures.

Market leadership

The individual business segments of Schweiter Technologies focus on applications in which innovative composite material solutions replace traditional materials. With a consistent focus on the end customer and excellent service availability, the business segments have acquired a detailed understanding of the requirements of the market. Once developed, new materials and composites are introduced on the global market and continually refined. Products are sold mainly through distribution partners. Thanks to its well-established brands and broad product range, Schweiter Technologies has access to the leading distribution channels.

In addition to specialization by the segments, synergies in the use of raw materials and manufacturing processes also occur between them, resulting in clear cost advantages over competitors who concentrate on a narrow product offering for specific markets. To achieve strategic added value, Schweiter Technologies is committed to an approach of forward or backward integration as appropriate. Good examples of this include offering selected functionally integrated systems and whole components made of composite materials in order to promote the acceptance of sandwich solutions in mobility applications, or controlling the entire balsa supply from seedling to saleable semifinished product.

Balsa wood in wind turbine blades

The products of the Core Materials segment include balsa wood and PET foam for manufacturing hybrid wind turbine blades. Rotor blades for wind turbines are getting longer in the quest to absorb more energy and transfer greater torque to the hub. To reduce net weight, the blades must be as light as possible. Balsa wood is much lighter than any other type of wood or any high-density foam with similar characteristics. By using balsa wood from certified sources, Schweiter Technologies can provide its customers with the assurance that they are not contributing to the destruction of biodiversity or supporting any illegal forestry practices.

Innovation leadership

For Schweiter Technologies, innovation is more than a growth driver. Innovation is the basis of the development of sustainable products with the stated aim of further reducing environmental impact. Schweiter Technologies can look back on a successful history as an innovation leader in improving resource efficiency. The products of the AIREX®, BALTEK®, ALUCOBOND®, DIBOND®, FOREX®, SMART-X® and KAPA® lines are essentially based on an intelligent combination of materials (foams and composite materials). Efficient amalgamation of the individual raw and other materials yields optimized product characteristics despite the reduced use of resources.

The research and development departments at Schweiter Technologies work continuously to improve technologies. Innovation does more than enable new markets to be tapped and better products to be developed: replacing materials which are less sustainable also reduces demand for resources. Furthermore, innovations make it possible to achieve better profit margins and provide opportunities for differentiation in an intensely competitive field. They also create attractive job openings and career development opportunities for highly qualified employees.

In the Transport & Industry segment, innovation leadership is assured by several teams of developers and engineers. They ensure a structured development process with specific stages of approval in the decision-making procedure. The segment is committed to innovative designs using environmentally friendly materials. The aim is to offer lightweight solutions which can make a major contribution to energy saving. In addition, by using recycled materials and recyclable components, they can offer sustainable alternatives.

In the Core Materials segment, im@c (Innovation Management At Composites) is a clearly defined innovation management process which covers every step from scouting through to development and series production. As pioneers of solutions based on PET and balsa wood, the segment continually strives to achieve the next level of optimization, for the benefit of customers and the environment. For example, during the year under review the segment managed to surpass its own record on resin absorption in its AIREX® product line thanks to the introduction of SealX technology.

The quality of development processes is monitored through the management assessment program and with the help of KPIs. In the Display segment, targets for innovation are checked by monitoring regrinding rates, production costs, thickness reports and customer satisfaction.

Schweiter Technologies provided evidence of its innovation leadership with a large number of new and enhanced products during the year under review. Apart from SealX, examples include the further development of ALUCOBOND® with its outstanding fire protection characteristics for use in building construction, ContourKore, the adaptive finishing option for balsa wood, the replacement of FRP interior fittings with recyclable components, a new flooring concept for the COMFLOOR® family with environmentally friendly materials, and the optimization of the use of resources in various product lines.

ALUCOBOND® façades

ALUCOBOND® façades consist of an extremely durable material with high levels of resistance to weather and dirt. They offer architects a maximum of design freedom with guaranteed functional reliability. The façades have a lifespan of 50+ years whilst being virtually maintenance-free – factors which have made the brand the undisputed leader in this market. The front-mounted, rear-ventilated façade design reduces heat transfer coefficients (U values) by around 45%, leading to better heat protection in the summer and improved thermal output in the winter. The core and aluminum panels of an ALUCOBOND® façade can be recycled in full at the end of their useful life. This is particularly sustainable, as melting down aluminum saves 95% of the energy that would be used in the initial extraction process for the material.

Product quality and compliance

The highest quality standards and associated certification are of key importance at Schweiter Technologies – not least because in some areas only qualified materials may be supplied. The objective of quality assurance is to ensure compliance with all required standards. This is primarily a question of acquiring certification for materials such as architectural products or foams. The relevant processes for standardization are the responsibility of the product management team or local research and development departments. The approach to quality management is handled separately by the various production sites – except for the FSC certification process, which is set out for the whole of the Core Materials segment. By methodically interlinking management systems for quality (ISO 9001), environmental protection (ISO 14001) and occupational safety (ISO 45001), Schweiter Technologies can integrate environmental tasks smoothly into its operating processes. These industry norms are incorporated into a company-wide management system for safety, health and environmental protection which is applied at all Group locations. The management system established by Schweiter Technologies also provides a framework for promoting responsible activity by all employees.

Bus roofs using XBODY® sandwich technology

Despite being low in weight, structural foam in the XBODY® sandwich technology has good insulating characteristics, leading to reduced auxiliary energy consumption in mobility applications. A bus roof using XBODY® sandwich technology has the optimum ratio of weight to rigidity. It is around 160 kg lighter than a steel roof and helps to reduce the amount of transport energy required per passenger. In the course of its service life, the roof can cut CO_2 emissions by up to 40 tonnes per vehicle. At the end of its lifespan, most of the aluminum in it can be recycled. The foam core consists of PET and PS and is also recyclable.

Quality certification

Type of certification	Number of sites[1]
FSC Forest Management (FSC-CO19065), FSC Forest Management (FSC-C125018), FSC-STD-40-004 (Version 3.0)	4
DIN EN ISO 9001 – Quality management	22
DIN EN ISO 14001 – Environmental management	14
DIN EN ISO 45001 – Occupational health and safety2	12
DIN EN ISO 50001 – Energy management	4
ISO TS 16949 – Automotive quality management	1
IRIS ISO/TS 22163 – Railway applications quality management	2

[1] Some sites are certified to several standards
[2] Previously OHSAS 18001

ENVIRONMENTAL PROTECTION AND RESOURCE EFFICIENCY

Environmental compliance and management system

More and more stakeholders are taking an interest in the environmental performance of Schweiter Technologies' products – and of the company itself. A prime example of this is the wind energy segment, which is essentially driven by political decision-making. Expectations of suppliers such as Schweiter Technologies regarding environmental protection, resource efficiency and sustainability are correspondingly high. Overall, Schweiter Technologies primarily operates in sectors in which environmental management systems are expected or even prescribed by customers. In the mobility industry, the standards relating to this are a basic condition for even being accepted into the circle of approved providers. In the European local public transport sector, development, supply chains and manufacturing all have to meet international railway industry standards (IRIS/ISO TS 22163) and/or the specific requirements of bus manufacturers. In 2010, the Core Materials segment was the first global producer to be certified by the Forest Stewardship Council (FSC). Since then, the certification for both balsa wood plantations in Ecuador and Papua New Guinea has been maintained without interruption.

In the emerging economies too, compliance with environment laws and relevant requirements is strictly adhered to. Thanks to its company-wide environmental management system, Schweiter Technologies is in possession of the data required by local authorities, including those in China and India.

Schweiter Technologies targets continual improvement in areas such as environmental impact, energy consumption, waste management, production, productivity, operating costs and customer image. In the Core Materials segment, the environment program is managed primarily by staff at the local production sites. The aim is to certify the sites to ISO 14001 by the end of 2022. In the Transport & Industry segment, this has already been achieved, with the exception of the site in Poland. The same applies to the Architecture segment in China (Changzou and Shanghai) and all sites in the Display segment.

Key figures for areas of environmental concern including water and energy consumption, waste, production efficiency and emissions of volatile substances, etc., are recorded and monitored at Schweiter Technologies within the framework of ISO 14001. The respective impacts are assessed in an annual management report. Appropriate measures for rectification and improvement are identified through ISO audits or on the basis of feedback from the authorities.

The discussion surrounding hazardous materials has intensified in recent years and has become a significant factor in customers' decision-making. The gradual introduction of the REACH regulation (governing the registration and authorization of chemicals) has brought about a far-ranging restructuring of European chemicals policy, with the main aim being to protect human health and the environment. Schweiter Technologies sees its top priority as the elimination of all hazardous processes and materials – substrates are only manufactured from raw materials that do not pose any risk to humans or the environment. In addition, the Core Materials segment has further increased its efforts as part of Operation Clean Sweep (OCS): the campaign issues guidelines aimed at helping plant managers at production sites in the plastics industry to reduce the leakage of pellets into the environment. Schweiter Technologies prevents the release of plastic particles and powder at its production sites through the installation of sophisticated filters.

COMFLOOR® heated floor systems

The COMFLOOR® design combines lightweight sandwich technology with integrated functionality. The panel's integrated foam core insulates the heating system from other elements capable of transferring heat, while an aluminum layer on top optimizes thermal distribution to the passenger area. COMFLOOR® combines superior thermal comfort with a minimum of energy consumption. Metal cover sheets on both sides ensure optimal protection against moisture, scratches and other mechanical damage. Use of the COMFLOOR® system enables a reduction in vehicle weight of up to 750 kg per carriage. The lower weight of each unit saves energy and significantly reduces wear on vehicle wheels, axles and brakes. Strong, durable construction provides reliable, maintenance-free operation for periods of up to 30 years. The floor modules are made of eco-friendly, recyclable materials.

Resource-efficient production and use of materials

At Schweiter Technologies, a particular focus is placed on the systematic and sustainable protection of natural resources. Because resource efficiency has always been equated with cost efficiency, this is a subject that has already attracted a great deal of attention in the past. A general reduction in consumption – for example by systematically reducing and recycling waste metal – can lower production costs considerably. At the production sites there are several initiatives for continually improving waste reduction and re-using materials in the production processes with the aim of reducing Schweiter Technologies' environmental footprint. In the business segments, resource efficiency is increasingly being seen as an essential component in the effective and sustainable manufacture of a quality product.

Schweiter Technologies is committed to reducing the use of raw materials while maintaining product performance. In addition, manufacturing processes are consistently being optimized to reduce waste and re-use waste materials or convert them into other products. The business segments set specific targets for each production site and each product. These are monitored regularly and form the basis for decisions on the implementation of measures for improvement. It is a key concern of Schweiter Technologies to make all stages in the production process as environmentally friendly and efficient as possible. The main focus here is on the targeted prevention of wastefulness. The recycling of raw materials in the manufacturing process and the recovery of production waste have been standard practice in the individual business segments for years. A further target is to eliminate hazardous substances as far as possible in all manufacturing processes. Research into potential substitutes for the remaining critical components is ongoing.

In the year under review, the Transport & Industry segment was able to substantially reduce the amount of single-use packaging materials along the entire supply chain, in consultation with suppliers and customers. The market launch of a floor system based on recycled material has been considered a major success.

In China, the Architecture segment succeeded in testing ALUCOBOND® A2 manufacture using recycled core material and transferring it into production. A whole series of products in China now enjoy certification with the maximum three green stars from the quality control body China Green Building Materials. The award is given to energy-saving, practical and recyclable products and guarantees that the use of resources and the environmental impact of the product over its full life cycle are kept to a minimum. Schweiter Technologies is one of the first companies ever to receive this certification.

Environmentally friendly balsa wood plantations

With 11,000 hectares under cultivation in Ecuador and around 3,000 in Papua New Guinea, Core Materials segment is one of the world's biggest balsa wood producers. The segment controls the whole balsa value chain, covering planting, cultivation using the best forestry practices, harvesting, and the production processes of the Forest Management Units (FMUs), which are all FSC-certified. Supplementing global sustainability concepts and guided by the objectives of the sustainability strategy, the segment has developed a policy on environmental monitoring and resource optimization for the forestry plantations in Ecuador and Papua New Guinea that concords with the United Nations SDGs and the aspirations of the FSC. The aims are sustainable management of the plantations, protection and preservation of the forests, improvement of forestry practices and the protection of land and water resources and biodiversity. Both locations invest annually in reforestation and genetic programs to increase the biomass per hectare. External and internal studies have confirmed that the balsa wood plantations in Ecuador and Papua New Guinea have an extremely positive impact on the environment.

In the Display segment, key improvements in the areas of waste reduction and the consumption of resources were made at every production site. Several products (e.g. ALUCOBOND® and SINTRA®) are fully recyclable: the respective resources can be fed back into the production cycle at the end of the lifecycle without difficulty. In the USA, new ways are being explored of increasing the proportion of recycled material used in product manufacture.

In the Core Materials segment, research and development teams are working continuously to optimize combinations of quality and properties to make PET and balsa wood products even more lightweight, greener and more sustainable. The PET foams have been developed to absorb substantially less resin when processed into composite material components by the customer, thus preventing excessive consumption of materials. During the reporting year, further work on developing products with reduced raw materials (BALTEK® SealX, BALTEK® Zero) was carried out and is now in its final phase.

Each site uses the performance of the previous year as a benchmark and attempts to raise employees' awareness of resource efficiency. At the appropriately certified sites, figures on the consumption of materials are recorded in line with the requirements of ISO 14001. By comparing performance against production-related targets and guidelines, progress can be accurately monitored. For example, in the Core Materials segment it was possible to reduce the amount of waste in the 2020 reporting year by 8%, despite achieving a considerable increase in production. At the High Point site, the production volume was increased by 44% – with water consumption 16% below the level of 2019.

Key figures: waste management[1]

	2020
Waste (total) in t	**19 285**
Commercial waste[2]	**18 322**
Incineration	6 646
Landfill	5 455
Recycling	6 221
Hazardous waste	**963**
Incineration	579
Landfill	34
Recycling	349

1 The figures for commercial and hazardous waste include all manufacturing companies in the Schweiter Technologies Group. Distribution companies and the headquarters in Steinhausen are not included.
2 Not all manufacturing companies recorded commercial and hazardous waste separately. 1 562 t of a total 18 322 t of commercial waste therefore contains small quantities of hazardous waste.

Energy and greenhouse gas emissions

Schweiter Technologies' customers increasingly now expect products to have the minimum possible carbon footprint. One focus at Schweiter Technologies is therefore on reducing operational greenhouse gas emissions (scope 1 and 2). To check the effectiveness of measures to reduce energy consumption and greenhouse gas emissions, Schweiter Technologies constantly monitors the relevant key figures at production-site level and compares them against results from previous years. In the year under review, the environmental indicators were recorded and collated consistently across all production sites and the results presented for the Group as a whole for the first time.

Key figures: environment[1]

	2020
ENERGY	
Energy consumption (total) in MWh	**415 056**
Of which renewable	65 243
Electricity	**175 862**
Total renewable electricity	47 117
Heating	**212 505**
Natural gas	196 666
Oil	647
District heating	15 192
Fuels	**26 688**
Diesel	24 367
Petrol and LPG	2 322
GREENHOUSE GAS EMISSIONS[2]	
Greenhouse gas emissions (total) in tCO_2e	**110 645**
Scope 1	**47 556**
Natural gas	40 310
Heating oil	173
Diesel	6 515
Petrol and LPG	558
Scope 2	**63 089**
Electricity	59 716
District heating	3 373

1 The environment figures are for all manufacturing companies in the Schweiter Technologies Group. Distribution companies and the headquarters in Steinhausen are not included because of their relatively low environmental impact.
2 The greenhouse gas inventory was calculated in line with WRI/WBCSD Greenhouse Gas Protocol guidelines. Scope 1: emissions from the companies' own heating systems. Scope 2: emissions arising from the production of electricity and district heating purchased by the companies. Emissions factors used: current versions of IEA and DEFRA.

Projects to reduce energy consumption and greenhouse gas emissions are being implemented at most locations. For example, some of the lighting in the production halls at a number of sites has been replaced with energy-saving intelligently controlled LED systems. In Switzerland, a new vacuum pump regulator with a selective control system and a new panel saw with a nesting program for reducing foam waste were successfully put into operation. In the Architecture segment's sites in China, the recycling of core materials continued to be a priority during the reporting year. In India, an extensive overhaul and improvement of existing production lines was carried out, resulting in a reduction of energy consumption. At some plants in the Display segment, a decrease in energy consumption was achieved despite increased production.

In Switzerland, 100% of the electricity required already comes from hydropower. At other locations, the use of renewable energy sources is being vigorously pursued on an ongoing basis. The balsa wood operation in Ecuador can be carried out sustainably thanks to the ready availability of hydroelectric power. Both in Ecuador and in Papua New Guinea, wood-drying processes are fueled by burning biomass.

For all manufacturing processes at Schweiter Technologies, energy consumption is also a significant cost factor. Energy costs have seen a sharp increase worldwide – especially during the year under review. Reducing the consumption of electricity and gas not only leads to a fall in CO_2 emissions but also helps keep production costs under control. As CO_2 emissions are increasingly subject to taxation in many countries, reducing greenhouse gas emissions as a direct result of lower energy consumption offers further possible cost reductions.

The CO_2 footprint of the products is not only generated by operational emissions, of course. As a company that processes a lot of material – including large quantities of plastic and aluminum – another priority at Schweiter Technologies is the optimization of the use of materials in its products. Success has also been achieved in this area during the reporting year.

For example, Schweiter Technologies achieved a high level of market acceptance for its CO_2-free product DISPA® and its sustainable ALUCOBOND® façade panels. A focus is also being placed on the development of new products which use reduced quantities of raw materials or CO_2-free raw materials, and on manufacturing that uses the maximum amount of recycled material. The segments are also working to adapt existing raw materials to achieve CO_2-neutrality and to develop the opportunities to systematically recycle products at the end of their service life.

SOCIAL RESPONSIBILITY

Occupational health and safety

One of Schweiter Technologies' fundamental values is to uphold the highest standards of health and safety. Schweiter Technologies provides its employees with a safe and healthy working environment in order to protect their health and well-being. Complex manufacturing processes and working with large, sophisticated production plants requires a constant focus on safety measures and relevant training courses. The most important aims of Schweiter Technologies are simple and clear: the target is a safe and healthy working environment with a zero-accident policy and the lowest possible number of absences.

Schweiter Technologies has developed a number of guidelines, protocols, procedures and programs designed to increase awareness of the company's mission and objectives, minimize accidents and raise employee awareness of health and safety issues at work, at home and during leisure time. The programs for compliance with safety regulations are led and coordinated by an EHS manager at the individual production sites. Employees are heavily involved in the creation and implementation of the health and safety system.

Using Ocean PET for a camper van that runs on solar power

The Core Materials and Transport & Industry segments are official technical partners in the "Solar Butterfly" project. This involves constructing a camper van that runs on self-generated solar energy, with the aim of increasing public awareness of solar power and environmental protection. Ocean PET, a raw material made from plastic waste recovered from the ocean, was used to manufacture a high-quality AIREX® foam, which is going to be incorporated in the lightweight sandwich panels of the camper van. The business segments are making an important contribution to the success of the project in this way.

Examples include risk analyses, investigation of accidents and incidents, definition of standard operating procedures (SOP), EHS courses and inclusion in safety committees. Depending on the location, potential risks are identified, mechanisms for prevention and control formulated, regular safety inspections conducted, and safety training and emergency drills carried out in line with an occupational safety management system that meets the requirements of ISO 45001. An external audit of the occupational safety management system is carried out every year at locations which have the relevant certification.

Depending on the segment and location, various courses and training sessions are held for employees – as well as for suppliers and visitors. In the year under review, most of the courses and training sessions took place online due to the Covid pandemic.

The following topics are covered:

- First aid
- Ear protection
- Fall prevention
- Working with electricity
- Cutting and hot work
- Fire prevention
- Working with hazardous materials
- Working with forklifts and cranes
- Personal protective equipment
- Weather emergencies

Employees are obliged to report all near-accidents, first-aid incidents and accidents involving injuries, as well as any environmental incidents. In addition to talking to a line manager or a safety or HR manager, employees can also make use of the hotline provided. This reporting procedure forms part of the company's safety culture.

The key figures regularly recorded at the locations include the number of incidents, near-accidents and accidents (Recordable Case Rate; RCR) or absenteeism (Lost Time Injury and Illness Rate; LTIIR). The reports, including cause analysis and preventive measures, are forwarded to the locations in order to prevent similar incidents from occurring. In addition to this, an annual EHS management inspection takes place at the production sites.

Schweiter Technologies employees also have access to a range of occupational health services, including health promotion programs. These also vary depending on the segment and location, and cover topics such as:

- Health check-up at the workplace
- Free vaccinations (flu, Covid)
- Covid prevention program
- Health advice
- Financial incentives for sporting activities
- Financial support for private medical care
- Access to company doctors or telemedicine services

Schweiter Technologies recorded a number of advances in the area of health and safety at work in 2021. For example, in the Transport & Industry and Display segments, not one accident involving serious injury was reported during the year. Several locations recorded no accidents at all, so no accident-related absences were registered. The 5-S method is used as an instrument to ensure workplaces and their surroundings are kept safe, clear and clean. This is the basis for continually improving work processes. At the locations in Switzerland, the accident rate remained at the consistently low level of previous years: there were no serious injuries and only a small number of work-related absences. SUVA, the compulsory accident insurance fund, consequently gave the production companies a lower risk rating, which in turn meant a reduction in insurance premiums. The Statesville production site in the Display segment was rated as a leader in safety by the North Carolina Department of Labor and received a "Gold Award". The Benton site won the "Governor's Award" in recognition of 500,000 working hours with no accident-related absences. In the Core Materials segment, too, the number of accidents in the reporting year continued to fall thanks to increased awareness.

Key figures: occupational safety[1]

	2020
Number of employees covered by a management system for occupational safety and health	4 214
Number of occupational accidents	28
Absences due to occupational accidents (days)	736.5

1 The figures for occupational safety include employees at all manufacturing companies in the Schweiter Technologies Group. Distribution companies and the headquarters in Steinhausen are not included.

Attractive employer

Only by being an attractive employer is it possible to attract, retain and develop employees in the various regions around the world. Good employer branding has a positive impact on staff recruitment and loyalty. Important requirements include creating a good working environment, improving the quality and efficiency of work and maintaining a strong team spirit. Every employee wants to work in a company that not only offers appropriate payment but also respectful interaction, a friendly environment and transparent communications.

One of the fundamental principles of Schweiter Technologies is that employees of all levels and at all locations should be paid fairly and in line with the market. The good image of the company is further reinforced through established brands or locations named after the product manufactured there (Airex in Switzerland, Alucobond in China, Plantabal in Ecuador).

The basis for employer branding is the Schweiter Technologies Code of Conduct. During the reporting year, an initiative was launched to optimize employer branding. It includes online job portals, an online tool for the application process and a digital employee survey. The segment in Asia has launched a plan in China to encourage the continued employment of staff in key positions. In India, flexible working arrangements were promoted, with greater consideration given to work-life balance.

To meet recruitment and retention targets, the relevant figures are monitored in an HR cockpit. For example, staff turnover is monitored on a quarterly basis at all locations and compared with the figures for the market concerned. Schweiter Technologies uses a wide range of processes to record and assess the attractiveness of the working environment, from annual staff interviews with line managers to discussions about professional development, absences and leaving, to employee satisfaction surveys. During the reporting year, employee satisfaction was at a high level compared with other industrial companies. The best scores were achieved for strategy, vision and culture, targets and performance, and for relationships with colleagues; the lowest-scoring area was health, undoubtedly overshadowed by the Covid situation at the time. A great majority of employees would recommend Schweiter Technologies to a friend or acquaintance.

In the wake of the Covid pandemic, various locations in the USA and in parts of Europe and Asia found themselves confronted with serious staff shortages during the reporting year. Short-time working at some sites and the demand for overtime at others required intelligent solutions. The company was able to cope with the situation thanks to the willingness of some employees to move to other locations, even in other countries, where legal constraints permitted. Schweiter Technologies aims to meet similar challenges in the future by continuing to promote greater flexibility of personnel resources – for example by optimizing the ratio of short-term and permanent contracts and through personnel leasing.

Key figures: employees, including trainees and limited contracts

	2021		2020	
	Salaried employees	Waged employees	Salaried employees	Waged employees
Number of employees	**1 209**	**3 273**	**1 212**	**3 187**
male	733	3 012	727	2 932
female	476	261	485	255
New appointments (total)	**183**	**745**	**137**	**773**
internal	51	76	21	53
external	132	669	116	720
Departures (total)[1]	**139**	**706**	**144**	**594**
Turnover (total)[2]	**6.9%**	**7.7%**	**5.5%**	**5.3%**
Average age	**43.2**	**39.0**	**42.9**	**39.0**
Average length of service	**10.9**	**8.3**	**11.2**	**8.6**

1 All employees leaving the Group, including retirements, resignations and dismissals
2 Turnover defined as “unintended”, i.e. exclusively resignations

Investment in initial training and further development

Because Schweiter Technologies operates in an extremely dynamic environment, initial training and further professional development of employees is a significant factor in our success. Qualified staff with up-to-date specialist knowledge are the basis for quality, productivity and efficiency, and they are also an explicit requirement of audits and customers alike.

Professional training ensures continuity and guarantees that the Group always has the next generation of qualified employees at its disposal. Wherever possible, staff are offered dual training or an alternative adapted to the local situation. Continuing training helps to maintain a high level of quality and a common culture within the organization and ensures that skills and knowledge are preserved and enhanced. Schweiter Technologies offers specific training to ensure that all employees are equipped with the skills required to pursue the company's strategies, both today and in the future. Staff must also be given the motivation to increase their own levels of expertise and further their own careers.

Schweiter Technologies works with a large number of training tools, covering all business segments with annual training plans and matrices. Effective initial and further training is guaranteed by programs including:

- Employee induction
- Initial training at the workplace
- Ongoing professional training
- EHS training
- Training on compliance with regulations
- Leadership development

Schweiter Technologies gives periodic presentations at schools and universities to attract young talent. A special trainee program ensures that talented employees are given particular encouragement – for example, through high-potential workshops, in projects, or with job rotation opportunities. The “Talk to the CEO” program gives talented young employees worldwide a chance to communicate directly with top management.

HR managers at the various locations are responsible for identifying training needs. They also carry out qualification programs and assess how well knowledge is being transferred and applied in day-to-day business activities. The training and qualification matrix is updated every year. Assessment of training quality and the relevant outcomes is completed as part of the annual employee interviews and surveys.

Human rights standards

Schweiter Technologies respects human rights. The rights and dignity of all workers are recognized in the conduct of business throughout the world and in all segments. Furthermore, Schweiter Technologies ensures that this also applies to the activities of business partners (see “Responsible supply chain management”).

Respect for human rights and consistent compliance with all related legislation is set out in the Schweiter Technologies Code of Conduct: “We treat all people equally and with dignity. We respect, protect and promote human rights without differentiation on the grounds of race, color, gender, language or religion.” Supplementing the Code of Conduct and locally applicable legislation, there are guidelines and handbooks as well as specific regulations at each location.

In the year under review, the plant in India set up a POSH (Prevention of Sexual Harassment Act) committee. No cases have been reported to date. No other Schweiter Technologies location reported any cases of discrimination during the reporting year either. Internal measures taken to safeguard the dignity and rights of employees are monitored at Schweiter Technologies through regular audits and checks and management visits to the locations of the various segments. Specific disciplinary procedures are available to deal with any misconduct.

Responsible supply chain management

Schweiter Technologies has business relationships with over 5 000 suppliers in total, and in the year under review paid out a total of CHF 678.3 million on materials. The company operates in numerous countries worldwide, where local laws, rules and regulations must naturally be strictly adhered to. In addition, the company has introduced a Group-wide Code of Conduct that also applies to all external suppliers and consultants.

In order to ensure responsible management of the supply chain, Schweiter Technologies supports local procurement wherever possible. The collaboration with known partners allows short response times in time-critical projects. Risks such as supply delays, currency fluctuations or stock shortages are reduced with a local procurement policy. Favoring local suppliers also helps reduce CO_2 emissions and is an important social and economic factor in the communities around the respective company location. Procurement by local purchasers is monitored by the relevant business segments concerned.

The selection of suppliers and products is sometimes limited due technological constraints or various stipulations. In the Transport & Industry segment, for example, all goods, production processes and supply chain management must meet international rail industry standards or the specific requirements of bus manufacturers based on ISO 9001, 14001 and 45001. The Transport & Industry segment procures raw materials for the product lines manufactured in Switzerland and Poland from European suppliers. In the Core Materials segment, a global coordination system covers key elements. In Architecture, aluminum sheet materials are of particular importance – followed by plastic resins; the Display segment is mainly concerned with plastic resins and paper materials. A proportion of the raw materials used by both segments consists of recycled material. The selection of suppliers involves the application of company-wide criteria regardless of the segment and location. All procurement categories are governed by a comprehensive package of measures containing procedures for tenders, quotes and quality control. The performance of all Schweiter Technologies’ suppliers is continuously assessed through regular audits and/or by means of key figures.

Schweiter Technologies Worldwide Code of Conduct
https://www.schweiter.ch/s1a203/corporategovernance/ code-of-conduct.html

BALTEK® is the only structural core material made from a natural, renewable raw material: balsa wood. Schweiter Technologies is committed to sustainable forestry management – from the selection of the balsa seed to raising the seedlings (see photo) and growing the trees in Ecuador and Papua New Guinea with CoC (Chain of Custody) certificates.

With disruption to some international supply chains experienced in 2021, the advantage of local procurement at Schweiter Technologies was evident through its extremely stable supply of materials. In view of the supply bottlenecks caused by the Covid pandemic, maintaining stable and secure supplies can be chalked up as a major success in the reporting year. In Switzerland, the Transport & Industry segment also succeeded in acquiring a major local supplier for time- and cost-critical extruded products, thus effecting a reduction in costs. In the Display segment, the qualification process for a local aluminum sheet plant was completed.

Schweiter Technologies can only achieve its own sustainability targets if all suppliers play their part. Procurement follows a principle of “we source responsibly”, and Schweiter Technologies is actively committed to partnerships with suppliers for whom sustainability is important. All Schweiter Technologies’ suppliers are obliged to monitor their supplier management system and inform Schweiter Technologies of any challenges affecting their plants and supply chain. This ensures that customers of Schweiter Technologies are guaranteed premium quality products manufactured to the highest standards. Furthermore, sustainability and traceability throughout the entire supply chain reinforce the competitiveness of the company. For example, the Transport & Industry and Display segments in Europe are targeting a reduction in CO_2 emissions in the production processes of their suppliers. This involves systematically recording and analyzing emissions figures per product and supplier. They also chart whether the use of recycled materials contributes to a further reduction in the CO_2 emissions. All suppliers are encouraged to invest in their production processes to further reduce any emissions.

Suppliers are not only selected and assessed on the basis of economic criteria at Schweiter Technologies’ business segments: ensuring that all partners comply with regulations, guidelines and procedures and operate with integrity, openness and professionalism is also a major priority. In addition to the Code of Conduct, information on the behavior expected of suppliers can also be found in their framework agreements and detailed contracts, which always refer to ecological and social responsibility. Infringements of the Schweiter Technologies Code of Conduct or any additional contractual agreements have consequences. For example, in the Architecture segment in China, a cooperation with an at-fault supplier was discontinued during the reporting year. And at the European locations in the Transport & Industry and Display segments, far greater emphasis was placed on assessing the social and environmental credentials of suppliers, further increasing awareness among the employees responsible for carrying it out.

Sustainable local communities

In all countries in which the company operates, Schweiter Technologies is not only committed to preserving the natural environment, but also to promoting local communities and preserving their cultural heritage. Positive effects are achieved through the provision of local jobs as well as a large number of commercial, social and cultural projects and direct support for communities in the area.

In Europe, interaction with local communities encompasses close collaboration with schools and universities as well as support for numerous local organizations and social, cultural and sports projects. In Ecuador, Core Materials helps fund a number of vaccination and immunization programs. The decision to employ more local smallholders improved relationships in the communities and helped contribute to social equality. The same applies to a variety of infrastructure works (road building, bus stops) given active support by the segment. In Papua New Guinea, the segment is working to improve living standards in the surrounding communities: securing water, food and housing for employees, suppliers and partners is a permanent area of focus in the segment's business activity. To monitor the success of this commitment, employees are regularly asked to provide feedback about local living conditions. In China, the construction of a road for a care home with over 600 elderly residents was financed during the reporting year. The new stretch of road, the full length of which has a pavement suitable for wheelchair use, was named 3A Composites Avenue in recognition of the contribution. In the Display segment, every plant is engaged in charitable projects in the local community, such as toy and food banks, fund-raising campaigns and volunteer work at community events.

GOVERNANCE

One of the basic prerequisites for sustainable governance at Schweiter Technologies is its ethical conduct with regard to people and nature. Naturally the company meets the legal requirements in all countries without question. In addition, Schweiter Technologies has a Group-wide Code of Conduct which applies not only to the Board of Directors, Group management and employees but also to the consultants and suppliers of Schweiter Technologies and all its subsidiaries. Compliance with regulations is monitored both within the company and in the supply chain – fair business practices are essential, particularly in dealings with major customers and public authorities.

The Code of Conduct (CoC) is handed to all employees, usually as part of their induction program, and is a component of all procurement contracts. To ensure that activities are guided by the Code of Conduct, there is a process at Schweiter Technologies to make certain that all employees are familiar with it.

During the reporting year, no cases of corruption, no legal violations and no cases of anticompetitive conduct were recorded. There were also no known infringements of environmental regulations during the reporting year.

GRI REPORTING

ABOUT THE REPORT

This report was compiled in accordance with GRI Standards: core option. The report covers the period from 1 January 2021 to 31 December 2021. The figures on the environment and occupational health and safety are for 2020. Reporting takes place on an annual basis, and the latest report was published on March 5, 2021. Around 37% of employees are covered by collective bargaining agreements (GRI 102-41). Entities included in the consolidated financial statements (GRI 102-45) are shown on page 91. This is the first report to be compiled according to GRI Standards; there are therefore no restatements of information (GRI 102-48) and no changes in reporting (GRI 102-49). No external assurance of the sustainability report was carried out. Memberships are regulated locally by Group companies.

GRI CONTENT INDEX

For the materiality disclosures service, GRI Services checked that the GRI content index is presented clearly and the references in disclosures 102-40 to 102-49 concord with the corresponding content in the report. The GRI Materiality Disclosures Service was conducted on the German version of the report.

UNIVERSAL STANDARDS

GRI 101:2016 FOUNDATION
GRI 102:2016 GENERAL DISCLOSURES

GRI standard	Title	Further information*
	1. Organizational profile	
102-1	Name of the organization	last page
102-2	Activities, brands, products and services	4, 27
102-3	Location of headquarters	46
102-4	Location of operations	93
102-5	Ownership and legal form	46
102-6	Markets served	4
102-7	Scale of the organization	first inside pages
102-8	Information on employees and other workers	36
102-9	Supply chain	37
102-10	Significant changes to the organization and its supply chain	92
102-11	Precautionary principle or approach	28
102-12	External initiatives	24, 29
102-13	Membership of associations	40
	2. Strategy	
102-14	Statement from senior decision-maker	2
	3. Ethics and integrity	
102-16	Values, principles, standards, and norms of behavior	39
	4. Governance	
102-18	Governance structure	53
	5. Stakeholder engagement	
102-40	List of stakeholder groups	26
102-41	Collective bargaining agreements	40
102-42	Identifying and selecting stakeholders	26
102-43	Approach to stakeholder engagement	26
102-44	Key topics and concerns raised	26

GRI standard	Title	Further information*
	6. Reporting practice	
102-45	Entities included in the consolidated financial statements	40
102-46	Defining report content and topic boundaries	24
102-47	List of material topics	25
102-48	Restatements of information	40
102-49	Changes in reporting	40
102-50	Reporting period	40
102-51	Date of most recent report	40
102-52	Reporting cycle	40
102-53	Contact point for questions regarding the report	149
102-54	Claims of reporting in accordance with the GRI Standards	40
102-55	GRI content index	40
102-56	External assurance	40

TOPIC-SPECIFIC STANDARDS

GRI 200 ECONOMIC

Reference	Disclosure	Further information*	Reason for omission
GRI 201:2016	**Economic Performance**		
GRI 103:2016 103-1/103-2/103-3	Management approach	26	
201-1	Direct economic value generated and distributed	84, 85	
GRI 204:2016	**Procurement Practices**		
GRI 103:2016 103-1/103-2/103-3	Management approach	37	
204-1	Proportion of spending on local suppliers	37	
GRI 205:2016	**Anti-corruption**		
GRI 103:2016 103-1/103-2/103-3	Management approach	39	
205-2	Communication and training about anti-corruption policies and procedures	39	
GRI 206:2016	**Anti-competitive Behavior**		
GRI 103:2016 103-1/103-2/103-3	Management approach	39	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	39	

GRI 300 ECOLOGICAL

Reference	Disclosure	Further information*	Reason for omission
GRI 302:2016	**Energy**		
GRI 103:2016 103-1/103-2/103-3	Management approach	31	
302-1	Energy consumption within the organization	32	
302-4	Reduction of energy consumption	32	
GRI 305:2016	**Emissions**		
GRI 103:2016 103-1/103-2/103-3	Management approach	31	
305-1	Direct (Scope 1) GHG emissions	32	
305-2	Energy indirect (Scope 2) GHG emissions	32	
305-5	Reduction of GHG emissions	32	

Reference	Disclosure	Further information*	Reason for omission
GRI 306:2020	**Waste**		
GRI 103:2016 103-1/103-2/103-3	Management approach	29	
306-1	Waste generation and significant waste-related impacts	29	
306-2	Management of significant waste-related impacts	29	
306-3	Waste generated	31	
GRI 307:2016	**Environmental Compliance**		
GRI 103:2016 103-1/103-2/103-3	Management approach	28	
307-1	Non-compliance with environmental laws and regulations	39	
GRI 308:2016	**Supplier Environmental Assessment**		
GRI 103:2016 103-1/103-2/103-3	Management approach	37	
308-1	New suppliers that were screened using environmental criteria	37	

GRI 400 SOCIAL

Reference	Disclosure	Further information*	Reason for omission
GRI 401:2016	**Employment**		
GRI 103:2016 103-1/103-2/103-3	Management approach	34	
401-1	New employee hires and employee turnover	36	
GRI 403:2018	**Occupational Health and Safety**		
GRI 103:2016 103-1/103-2/103-3	Management approach	33	
403-1	Occupational health and safety management system	33	
403-2	Hazard identification, risk assessment, and incident investigation	33	
403-3	Occupational health services	33	
403-4	Worker participation, consultation, and communication on occupational health and safety	33	
403-5	Worker training on occupational health and safety	33	
403-6	Promotion of worker health	33	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	33	
403-9	Work-related injuries	34	
GRI 404:2016	**Training and Education**		
GRI 103:2016 103-1/103-2/103-3	Management approach	36	
404-2	Programs for upgrading employee skills and transition assistance programs	36	
404-3	Percentage of employees receiving regular performance and career development reviews	36	
GRI 406:2016	**Non-discrimination**		
GRI 103:2016 103-1/103-2/103-3	Management approach	37	
406-1	Incidents of discrimination and corrective actions taken	37	
GRI 412:2016	**Human Rights Assessment**		
GRI 103:2016 103-1/103-2/103-3	Management approach	37	
412-2	Employee training on human rights policies or procedures	37, 39	
GRI 413:2016	**Local Communities**		
GRI 103:2016 103-1/103-2/103-3	Management approach	37, 39	
413-1	Operations with local community engagement, impact assessments, and development programs	39	

Reference	Disclosure	Further information*	Reason for omission
GRI 414:2016	**Supplier Social Assessment**		
GRI 103:2016 103-1/103-2/103-3	Management approach	37	
414-1	New suppliers that were screened using social criteria	37	
GRI 419:2016	**Socioeconomic Compliance**		
GRI 103:2016 103-1/103-2/103-3	Management approach	39	
419-1	Non-compliance with laws and regulations in the social and economic area	39	

* Page numbers refer to the Annual Report 2021 of Schweiter Technologies AG

CORPORATE GOVERNANCE

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 Association of the company and 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 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. 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 139.

The bearer shares of Schweiter Technologies AG, Steinhausen, are listed at 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 1 352 at the end of 2021, the company's market capitalization stood at CHF 1 935.8 million as of 31 December 2021.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2021 and is presented on pages 93 to 94 of the notes to the consolidated annual financial statements.

TREASURY SHARES

No treasury shares are held by Schweiter Technologies AG or its Group companies as of 31 December 2021.

SIGNIFICANT SHAREHOLDERS

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

PERCENTAGE OF SHARES HELD (ACCORDING TO MOST RECENT DISCLOSURE NOTICE)	2021	2020
KWE Beteiligungen AG, Wollerau[1]	25.5%	25.5%
1832 Asset Management L.P., Toronto, Canada	10.06%	10.06%
Beat Siegrist Beteiligungen AG, Zug	5.9%	5.9%
UBS Fund Management (Switzerland) AG, Basel	3.0%	–
Credit Suisse Funds AG, Zurich	< 3%	3.06%

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

During 2021 financial year, there were the following disclosure notices of shareholding in accordance with Article 120 ff. FMIA (Financial Market Infrastructure Act):

- With disclosure notice as of 12 May, 2021, the shareholder UBS Fund Management (Switzerland) AG, Basel again disclosed a shareholding of 3.0% (for previous notifications of this shareholder in the reporting year, see the disclosure platform of SIX Exchange Regulation).
- With disclosure notice as of 25 August 2021, the shareholder Credit Suisse Funds AG, Zurich, disclosed a new participation of below 3.0% (as of 31.12.2020: 3.06%).

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 shareholder agreements between the significant shareholders.

CROSS-SHAREHOLDINGS

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

CAPITAL STRUCTURE

CAPITAL

As of 31 December 2021 the ordinary share capital amounts to CHF 1 431 808. As of 31 December 2021 there is no authorized capital. Conditional capital amounts to a total of CHF 132 600.

AUTHORIZED AND CONDITIONAL CAPITAL IN PARTICULAR

Authorized capital
As of 31 December 2021 there is no authorized capital.

Conditional capital
Conditional capital amounts 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 warrants 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 at international capital markets.

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

The ordinary share capital of Schweiter Technologies AG is CHF 1 431 808 as of 31 December 2021, 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 exists as of 31 December 2021, or on the reporting dates of the previous two years.

For details of changes in the consolidated shareholders' equity in financial years 2021 and 2020 reference is made to page 88 of the consolidated financial statements. The development of consolidated shareholders' equity in financial year 2019 is presented on page 32 of the 2020 consolidated financial statements.

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

Changes in the shareholders' equity in financial years 2019 through 2021:

		Reserves			
		Statutory capital reserves			
(in CHF m)	Share capital	Capital contribution reserves	Other capital reserves	Free retained earnings	Total equity
Balance as of 31 December 2018	**1.4**	**0.1**	**3.1**	**480.5**	**485.1**
Net income 2019				42.2	42.2
Reclassification capital contribution reserves		−0.1	0.1		0.0
Dividend				−57.3	−57.3
Balance as of 31 December 2019	**1.4**	**0.0**	**3.2**	**465.4**	**470.0**
Net income 2020				39.9	39.9
Dividend				−57.3	−57.3
Balance as of 31 December 2020	**1.4**	**0.0**	**3.2**	**448.0**	**452.6**
Net income 2021				39.0	39.0
Dividend				−57.3	−57.3
Balance as of 31 December 2021	**1.4**	**0.0**	**3.2**	**429.7**	**434.3**

SHARES, PARTICIPATION CERTIFICATES AND DIVIDEND-RIGHTS CERTIFICATES

As of 31 December 2021 the share capital consists 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 Association. There are no restrictions in relation to nominee registrations.

CONVERTIBLE BONDS, LONG-TERM INCENTIVE PLAN AND OPTIONS

No convertible bonds are outstanding as of 31 December 2021. 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 by 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 2021 financial year, the Board of Directors approved a long-term incentive plan (LTI) over three financial years (2021 – 2023) for the members of the Group Management and key employees within the Group. The future payment of the LTI will be in cash and will therefore not lead to a future dilution of earnings.

For details of the long-term incentive plan, see the Compensation Report 2021 on pages 68 to 81. For details of the expired long-term incentive plan (2018 – 2020) and its payout, see the Compensation Report 2021 pages 68 to 81 as well as the Compensation Reports 2020 and 2019 pages 90 to 101.

There are no option plans in place.

BOARD OF DIRECTORS (AS OF 31 DECEMBER 2021)

from left to right

DR DANIEL BOSSARD
Non-executive member since 2021

LARS VAN DER HAEGEN
Non-executive member since 2020

DR HEINZ O. BAUMGARTNER
Executive member since 2020

BEAT SIEGRIST
Non-executive member since 2011

VANESSA FREY
Non-executive member since 2014

DR JACQUES SANCHE
Non-executive member since 2011

STEPHAN WIDRIG
Non-executive member since 2021

Members

Name	Function	Member since AGM	Committees	
Board of Directors			Audit Committee	Compensation Committee
Beat Siegrist	Chairman	2008 Chairman 2011	–	Member
Dr Heinz O. Baumgartner	Member	2020	–	–
Dr Daniel Bossard	Member	2021	–	–
Vanessa Frey	Member	2014	–	Member
Dr Jacques Sanche	Member	2011	–	Chair
Lars van der Haegen	Member	2020	Chair	–
Stephan Widrig	Member	2021	Member	–
Number of meetings in financial year 2021	**6**		**3**	**2**
Average attendance ratio[1]	**100%**		**100%**	**100%**

[1] The average attendance ratio regarding the Committees refers directly to the members of the respective Committee. Additional participants who participate as guests in the Committee meetings are not included in the percentage calculations. For the newly elected Board members, their attendance ratio is calculated as of the date of election at the AGM.

At the Annual General Meeting held on 1 April 2021 Beat Siegrist, Heinz O. Baumgartner, Vanessa Frey, Jacques Sanche and Lars van der Haegen 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. Daniel Bossard and Stephan Widrig 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 1 April 2021, 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 2021 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 or a member of the management of a Group company during the three financial years preceding the period under review.

BEAT SIEGRIST

1960, Swiss citizen
Non-executive Chairman 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, and 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.

Beat Siegrist holds a degree in engineering (dipl. Ing. ETH) and an MBA from INSEAD Fontainebleau.

DR HEINZ O. BAUMGARTNER

1963, Swiss citizen
Executive member since 2020

Dr Heinz O. Baumgartner 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 59 of this Corporate Governance Report.

DR DANIEL BOSSARD

1970, Swiss citizen
Non-executive member since 2021

Dr Daniel Bossard has been CEO of the Bossard Group since 2019, having been CEO Northern and Eastern Europe from 2009 to 2018. From 2006 to 2008, he served as Sales & Marketing Manager of Bossard Group and was responsible for the realignment of Bossard's sales strategy as well as the development of international customer relations. From 2003 to 2006 he was CEO of Bossard Denmark. Daniel Bossard joined Bossard in 2000 as an E-Business Manager, after having worked as a consultant for Andersen Consulting (today Accenture).

Daniel Bossard holds a degree in business administration and a subsequent doctorate in technology management from the University of St. Gallen.

VANESSA FREY

1980, Swiss citizen
Non-executive member 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 Tata 1mg Technologies Private Limited (since 2021), 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.

Vanessa Frey 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

1965, Canadian and Swiss citizen
Non-executive member 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. From 1990 to 1997 he was an advisor at IMG, St. Gallen and the Boston Consulting Group, Munich.

Jacques Sanche holds a business management degree and a doctorate in economics from the University of St. Gallen.

LARS VAN DER HAEGEN

1968, Swiss citizen
Non-executive member 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 Group Executive Committee from 2011 to June 2015.

Lars van der Haegen is a Building Technology Designer who holds a Master of Business Administration (MBA) from the Columbia Business School in New York and an MBA from the London Business School.

STEPHAN WIDRIG

1972, Swiss citizen
Non-executive member since 2021

Stephan Widrig has been CEO of the Zurich Airport AG since 2015, and was member of the Management Board from 2008 to 2014 in his functions as Chief Commercial Officer (2010-2014) and as Chief Development Officer (2008-2010). From 2005 to 2008, Stephan Widrig was Chief Financial and Commercial Officer at Bangalore International Airport Ltd. (BIAL) in India and prior to that Head of Real Estate Management at Zurich Airport. He has worked for Zurich Airport AG since 1999.

Stephan Widrig holds a master's degree in international relations from the University of St. Gallen.

Other activities and vested interests

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

Stipulations in the Articles of Association on the number of permissible additional activities and interests

According to the Articles of Association, 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:
https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.html

Changes in the Board of Directors in financial year 2021

Dr Daniel Bossard and Stephan Widrig were newly elected as members of the Board of Directors of Schweiter Technologies AG at the Annual General Meeting on 1 April 2021.

Dr Lukas Braunschweiler (previous member of the Board of Directors) did not stand for re-election and stepped down from the Board of Directors as of the Annual General Meeting of Shareholders on 1 April 2021. Further information on Lukas Braunschweiler is available on page 109 in the Corporate Governance section of the 2020 Annual Report, which can be downloaded from the following link:
http://www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

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 has any of them 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 Association, 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 Association 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:
https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.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 "Working methods of the Board of Directors").

Committees of the Board of Directors
In the 2021 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 (Lars van der Haegen, Chair, and Stephan Widrig). The Board of Directors has determined that both committee members have proven experience and skills in the area of finance 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. The full Board of Directors is informed of the Audit Committee's activities following each meeting. As a rule, the Audit Committee meets three to five times per year (at least once every four months).

During the year under review, the Audit Committee held three meetings and one conference call. Representatives of the statutory auditor attended all three meetings. The conference call and the three meetings were attended by the CEO and the CFO. The conference call and the meetings, respectively, lasted one to three hours.

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 Association *(https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.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 Association with regard to the compensation system in place for remunerating the Board of Directors and Management.

In addition to the tasks relating to compensation, the Board of Directors has also assigned additional tasks in the area of nomination and succession planning to the Compensation Committee.

After every meeting, the Chairman 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 also not present during the part of the meeting where their own compensation is being decided.

As a rule, the Compensation Committee meets two to four times per year (semi-annually to quarterly). The Compensation Committee is free to call upon external consultants to address specific compensation matters.

In the year under review, the Compensation Committee held two meetings. The meetings lasted up to half a day. Both meetings held in the 2021 reporting year were attended by the CEO and the CFO. In 2021 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, 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. 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.

In 2021 the Board of Directors held six meetings of which two meetings were held as a video conference. In addition, one strategy meeting was held. In 2021, all members of the Board of Directors attended all meetings (including the strategy meeting); the CEO and the CFO attended all meetings (including the strategy meeting).

Definition of areas of responsibility

Unless the law or the Articles of Association provide otherwise, the Board of Directors delegates operational management entirely to the Management. The Board of Directors exercises overall leadership, supervises and oversees business operations. It issues business policy guidelines and ensures that it is kept regularly informed of business performance (see also section "Working methods of the Board of Directors" and the company's Articles of Association *https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.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, which were not approved in the budget
- determination of the individual compensation of the members of the Board of Directors and the Group Management within the scope of the total amounts approved by the General Meeting
- proposing to the General Meeting the total amounts of compensation to be paid to the Board of Directors and the Group Management and amendments to the Articles of Association regarding the compensation system for the Board of Directors and the Group Management
- appointing and dismissing persons entrusted with the management of the Group, regulation on the authority to sign

- ultimate supervision of the persons entrusted with the management of the company, specifically in view of their compliance with the law, the Articles of Association, 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 Association
- verifying compliance with legal requirements governing the appointment, election and professional qualifications of the statutory auditor.

Group 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, Group Management reports to the Board on the following matters in particular:

- business policy from the perspective of Group Management
- progress of business and financial situation of the Group
- outlook and measures to be taken in the near future
- development projects and status
- 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. Group Management is responsible for identifying and assessing significant risks (see also section "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 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. Group 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 5 in the Group management report and on pages 99 to 101 of the notes to the financial statements.

Internal Control System (ICS)

Schweiter Technologies has an Internal Control System (ICS). The ICS follows a risk-oriented approach, under which – on the basis of a risk assessment – key controls in significant internal business processes are systematically monitored with regard to existence, compliance, and documentation. All Group companies have an ICS, the scope of the ICS depends on size and risks. ICS documentation and test programs are in place for the following processes, which have been defined as financially relevant: purchasing, inventories, production, property, plant and equipment, payroll, finances, information technology, preparation of financial statements and consolidation.

Group Controlling monitors the Group companies' ICS documentation, is responsible for company-wide controls, and ensures that effective controls are performed in respect to 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 implemented. During the COVID-19 pandemic in financial years 2020 and 2021, 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.

GROUP MANAGEMENT (AS OF 31 DECEMBER 2021)

DR HEINZ O. BAUMGARTNER
CEO

MARTIN KLÖTI
CFO

DR HEINZ O. BAUMGARTNER

1963, Swiss citizen
CEO and since 2020 executive member of the Board of Directors

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.

Heinz O. Baumgartner holds a degree in business management (specializing in accountancy) and a doctorate in economics from the University of St. Gallen.

He 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. Heinz O. Baumgartner also has been an executive member of the Board of Directors of Schweiter Technologies AG since April 2020. In April 2021, he was elected to the Board of Directors of Bystronic AG (former Conzzeta AG).

MARTIN KLÖTI

1973, Swiss citizen
CFO

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.

Planned change in the Group Management in the financial year 2022

Dr Heinz O. Baumgartner, CEO of the Schweiter Technologies Group since 2008, will step down from his role as CEO at his own request in mid 2022. As Board member, elected for the first time at the 2020 Annual General Meeting, he will continue to provide Schweiter with his long-term professional experience and industry knowledge in the upcoming years.

The Board of Directors of Schweiter Technologies AG has appointed Roman Sonderegger (1976, Swiss citizen) as the new CEO of the Schweiter Technologies Group and member of the Group Management. He will take up his new position on 1 May 2022, succeeding Heinz O. Baumgartner, who will continue to lead the Group until his departure. Roman Sonderegger has a master's degree in Industrial Management and Manufacturing from the Swiss Federal Institute of Technology (ETH) Zurich. After occupying a number of management positions in supply chain management and working as a consultant at the Boston Consulting Group, he has been employed in various roles at the Bühler Group since 2010, including as Head of Sales & Services Operations Group and Managing Director of Bühler Southern Africa. Since 2019, he has been Head of Business Unit Wheat & Rye and Customer Service Milling Solutions of Bühler Group.

Other activities and vested interests

During the year under review, the members of the Group 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 Association on the number of permissible additional activities and interests

Members of Group 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:
https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.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 68 to 79 of this annual report.

SHAREHOLDERS' PARTICIPATION RIGHTS

Restriction of voting rights and representation
There are no voting-right restrictions under the Articles of Association. 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 Association do not contain any restrictions on the representation of voting rights. Shareholders' participation rights are governed by the company's Articles of Association:
https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.html

Independent proxy
The Articles of Association 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 1 April 2021 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 card 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 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 2021 in the context of the COVID-19 pandemic
As in the previous year, the situation regarding the coronavirus did not allow the ordinary General Meeting 2021 to be held as usual. On 11 September 2020, the Swiss Federal Council decided to extend COVID-19 Ordinance 3, dated 19 June 2020, until the end of 2021. Based on this, the Board of Directors of Schweiter Technologies AG decided to again hold the Annual General Meeting on 1 April 2021 without the physical participation of shareholders.

In addition, the Board of Directors decided that the General Meeting is 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 6 April 2022, 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
Pursuant to Article 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 Article 704 of the Swiss Code of Obligations, which require a minimum of two thirds of the votes represented and an absolute majority of the nominal values of the shares represented: any amendment of the company's objects; the introduction of shares with preferential voting rights; any restriction on the transferability of registered shares; an authorized or conditional capital increase; a capital increase funded by equity capital, against contributions in kind or to fund acquisitions in kind and the granting of special privileges; any restriction or cancellation of the subscription right; a relocation of the domicile of the company; the dissolution of the company. The Articles of Association do not provide for any divergent arrangements. See also:
https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.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 is added to the agenda. A request to add an item to the agenda must be submitted to the Board of Directors in writing at least 45 days in advance of the General Meeting, specifying the subject to be discussed and the proposals.

Registrations in the share register

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

CHANGE OF CONTROL AND DEFENSE MEASURES

Duty to make an offer

An acquirer of shares of the company is not obliged to submit a public purchase offer pursuant to Articles 135 and 163 of the Financial Market Infrastructure Act of 19 June 2015 (Article 4 of the Articles of Association “Opting out”), see also: *https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.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 Article 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. In accordance with Article 730a of the Swiss Code of Obligations, the auditor in charge rotates every seven years.

At the Annual General Meeting on 1 April 2021, KPMG AG, Zug, was elected as the new statutory auditor of Schweiter Technologies AG for a one-year term, as proposed by the Board of Directors. Since 1 April 2021, the auditor in charge has been Toni Wattenhofer of KPMG AG. The mandate for the auditors was newly advertised after Deloitte AG, Zurich had served as statutory auditor for the company since 1994 up to and including the 2020 financial year.

Auditing fee

The following fees were paid to the auditing companies in financial year 2021:

(in 1000 CHF)	2021[2]	2020[3]
Auditing services[1]	781	769
Audit-related services	0	36
Total	**781**	**805**

1 Auditing the consolidated financial statements, the holding company statements and the financial statements of the individual Group companies, of which CHF 199 000 is attributable to third-party auditors (in 2020: CHF 147 000)
2 Auditing fee KPMG AG (statutory auditor since AGM 2021) for financial year 2021
3 Auditing fee Deloitte AG (statutory auditor until AGM 2021) for financial year 2020 including final audit for financial year 2020

Additional fees

In financial year 2021, KPMG AG was paid additional fees for tax advice and other services in the total amount of CHF 112 000.

Until the 2021 Annual General Meeting, Deloitte AG was paid additional fees for tax advice totaling CHF 78 000 in financial year 2021 (2020: CHF 541 000).

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 2021 financial year (Deloitte AG until 1 April 2021 and KPMG since 1 April 2021), is responsible for supervising and monitoring the audit and regularly reporting back to the Board of Directors as a whole. The statutory auditor annually prepares a comprehensive report on the outcome of the auditing activities. The statutory auditor's 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 statutory auditor's 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.

After Deloitte AG had been the company's auditors for 26 years, the Board of Directors decided in the context of good corporate governance to put the audit mandate out to tender. After careful consideration of the mandate offers, the Board of Directors proposed KPMG AG as the new statutory auditor to the Annual General Meeting on 1 April 2021. KPMG was elected by the Annual General Meeting.

In respect to the year under review, the Audit Committee and Board of Directors have concluded that the independence of the auditor 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: *https://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:
https://www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

At the General Meeting, the Board of Directors and Group 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:
https://www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

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

The company's Articles of Association (in German) can be found at:
https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.html

The address for investor relation matters is:

Schweiter Technologies AG
Martin Klöti, CFO
Hinterbergstrasse 20
6312 Steinhausen, Switzerland
T +41 41 757 77 00

investor@schweiter.com
www.schweiter.com

The next Annual General Meeting will be held on 6 April 2022.

The 2022 Semi-Annual Report is scheduled for 17 August 2022.

BLACKOUT PERIODS

Schweiter Technologies AG has defined the following rules on trading blackout periods in its Principles on Management Transactions and Insider Dealing:

During 30 calendar days prior to publication of the company's semi-annual and annual results, no securities transactions may be carried out, nor may trading in the company's securities be recommended to other persons. The dates of publication of all financial results are published on the website *https://www.schweiter.ch/s1a13/investors/financial-calendar.html*.

Trading blackout periods also include the period between the internal notification of information leading to "ad hoc publicity" (e.g. profit changes, important personnel changes, company takeovers, etc.) and the announcement of this information.

The trading blackout periods apply to all members of the Board of Directors and Group Management of Schweiter Technologies AG as well as to persons who, by virtue of their shareholding or activity, have direct access to confidential information relevant to the share price.

No exceptions are granted.

COMPENSATION REPORT 2021

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).

COMPENSATION REPORT

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 Group Management of Schweiter Technologies AG. It also provides information on the compensation awarded in the financial year 2021.

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

At the beginning of 2021, the Compensation Committee conducted a benchmarking of the fees for the Board of Directors, which have remained unchanged since 2011, and proposed to the Board of Directors to increase the fees for the members of the Board of Directors. The Board of Directors followed the request of the Compensation Committee; further details are available in the section "Compensation Policy - Board of Directors" on page 69. Furthermore, a fee for the chair of a committee was approved. The fee for the Chairman of the Board of Directors and the fee for serving on a committee remain unchanged. As a result of these adjustments, the total compensation for the Board of Directors for the 2021 financial year is higher than in the previous year. In addition, since the 2021 Annual General Meeting the Board of Directors is comprised of seven members, compared with six members in the previous year.

The Compensation Committee reviewed the short- and long-term variable compensation of the Group Management at the beginning of 2021 and maintained the compensation model compared to the previous year. The Board of Directors confirmed the following rules:
- Payment of the short-term variable compensation of the CEO in cash and restricted share units;
- Malus and clawback clauses ("clawback") on the CEO's share-based compensation;
- Variable Long-term Incentive plan for members of the Group Management for a performance period of three financial years each in the form of deferred cash compensation.

In accordance with the Articles of Association, the Compensation Committee performed in 2021 its regular activities such as setting the performance objectives for the members of Group 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 Group 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 2021 will be submitted to a consultative vote at the ordinary General Meeting on 6 April 2022. Shareholders will also be asked to vote on the maximum aggregate compensation to be awarded to the Board of Directors for the 2022-2023 term and on the maximum aggregate compensation of Group Management for the financial year 2023.

Compensation overview Board of Directors

(in CHF)	2021	2020
Number of members	7[1]	6[2]
Aggregate compensation	944 000	648 000
Maximum aggregate compensation amount approved by AGM[3]	1 100 000	730 000

1 Seven members since Annual General Meeting (AGM) 2021
2 Six members until AGM 2021
3 Maximum aggregate compensation for the board term from one ordinary AGM to the next

Compensation overview Group Management

(in CHF)	2021	2020
Number of members	2	2
Aggregate compensation	2 710 000	3 330 000
Maximum aggregate compensation amount approved by AGM	4 000 000	4 000 000

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 Group Management in exercising their supervisory duties.

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

The compensation of the members of the Board of Directors reflects the responsibility and complexity of their respective function, the professional and personal requirements placed on them and the expected time required to fulfill their duties.

The fees of the Board of Directors have not been adjusted since 2011. At the beginning of 2021, the Compensation Committee conducted a benchmarking[1] of the fees for the Board of Directors and proposed to the Board of Directors to adjust the fees for the members of the Board of Directors. The Board of Directors followed this proposal and increased the fees at its own discretion by CHF 35 000 to CHF 110 000 (previously CHF 75 000) per member, effective as of the Annual General Meeting 2021. In addition, the Board of Directors also followed the proposal by the Compensation Committee to compensate the chair of a Committee with a fee of CHF 20 000. The fee for the Chairman of the Board of Directors and the fee for serving on a committee remain unchanged. Since the Annual General Meeting 2021, the compensation consists of an annual Board fee, a fee for committee work and a fee for chairing a committee, as shown in the table below.

Board and committee fees

(CHF)	Annual Board fee	Fee for the committee chair	Fee for committee work
Board chairman	200 000	n/a	10 000
Board member	110 000	20 000	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 Meeting 2020; as a member of the Group Management 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 is subject to shareholders' approval at the General Meeting.

COMPENSATION POLICY – GROUP MANAGEMENT

In line with the principles of alignment with the business strategy and pay-for-performance, a significant portion of the compensation of Group 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 performance-based short-term compensation and long-term incentives. According to the Articles of Association, the variable compensation is capped at 200% of the fixed compensation.

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

[1] Orientation was the median compensation for members of the Board of Directors (fixed plus variable compensation) of SPI companies mainly from the industrial goods and industrial services sector according to the 2019 compensation reports.

Overview of elements of Group Management compensation

	Purpose	Instrument	Performance indicators	Performance period	Drivers	Max. payout opportunity[1]
Fixed base salary	Attract, retain, motivate	Cash payments	–	–	Position, skill set	–
Benefits	Protect against risks	Insurances, retirement plan	–	–	Local legislation and market practice	–
Short-term variable incentive	Pay for annual performance	Bonus in cash (CEO: cash and shares)	EBIT EBIT margin individual objectives	1 year	Financial and individual performance	CEO: 143% of target Other members of Group 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 Group 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 Group 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 Group Management do not receive any other benefits.

Short-term variable incentive

The short-term variable incentive (STI) rewards 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 Group 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. 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 Group 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	36%	35% of fixed salary	143% of target
	EBIT margin	36%		
	MBO	28%		
OTHER MEMBERS OF GROUP MANAGEMENT	EBIT	79%	69% of fixed salary	185% of target
	MBO	21%		

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 Group 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 performance achieved 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 of the CEO 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 a 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 Group 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 2021, the Board of Directors decided to grant an LTI award for members of Group Management and selected key employees within the Group. The LTI covers a three-year performance period from 2021 to 2023. In addition, the Board of Directors has also granted a member of the Group Management a retention bonus in the amount of CHF 100 000 for the performance period 2021 to 2023. The cash payment will be made in March 2024 if the employment contract continues.

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 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.

LTI 2021–2023: 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 1.5% points	Target	Target plus 1.5% points

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 GROUP MANAGEMENT			109% of fixed salary	150% of target

The target and maximum payout levels of the LTI for the members of Group Management, as well as the performance indicators and their weighting, are illustrated in the table on page 73.

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 2024 according to the achievement of performance objectives.

Employment agreements

Employment agreements with the members of Group 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 2021 (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 2021 and 2020. Since the 2021 Annual General Meeting, the Board of Directors has comprised seven members; previously, the board consisted of six members. As explained in the section "Compensation Policy - Board of Directors" on page 69, the fees for the members of the Board of Directors, with the exception of the Chairman's fee, were increased in 2021. In addition, a separate fee was paid to the committee chairs. 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 of the Board of Directors in 2021

(in CHF 1000s)	Function	Fee (Board)	Fee (Committee)	Benefits[6]	Total
Beat Siegrist[1]	Chairman	200	10	36	246
Dr Heinz O. Baumgartner[2]	Member/CEO	101	0	8	109
Dr Daniel Bossard[3]	Member	83	0	7	90
Dr Lukas Braunschweiler[4]	Member	19	2	2	23
Vanessa Frey[1]	Member	101	10	9	120
Dr Jacques Sanche[1]	member	101	18	10	129
Lars van der Haegen[5]	Member	101	18	10	129
Stephan Widrig[3, 5]	Member	83	8	7	98
Total compensation for Board of Directors (7 members since 2021 AGM)		**789**	**66**	**89**	**944**

1 Member of the Compensation Committee
2 The compensation as CEO of Schweiter Technologies is outlined separately in the table “Compensation of Group Management in 2021 and 2020”
3 Member of the Board of Directors since AGM 2021
4 Member of the Board of Directors and the Audit Committee until AGM 2021
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 2021 financial year is allocated pro-rata to the two respective terms of office as follows:

Compensation of the Board of Directors in 2021

(in 1000 CHF)	
Pro rata 1.1.2021 – 1.4.2021	170
Pro rata 2.4.2021 – 31.12.2021	774

The total maximum compensation amount of CHF 1 100 000 as approved by the Annual General Meeting 2021, which may be paid to the Board of Directors for the term of office from the 2021 General Meeting to the 2022 General Meeting, was therefore not exceeded during the portion of the term of office up to the cut-off date of this Annual Report (1 April 2021 – 31 December 2021). A conclusive assessment for the entire term of office will be included in the Compensation Report 2022.

The compensation of the Board of Directors for the term of office from the 2020 General Meeting to the 2021 General Meeting was CHF 674 000 (for six members of the Board of Directors). 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.

Compensation of 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	0	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 2021 and 2020"
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

Compensation of Group Management

The table below shows the compensation paid to members of Group Management for the 2021 and 2020 financial years.

Compensation of Group Management in 2021 and 2020

(in CHF 1000s)[1]	2021		2020	
Group Management	2 members	of whom highest individual compensation[2]	2 members	of whom highest individual compensation[2]
Fixed basic compensation in cash	1 075	800	1 075	800
Performance-related compensation	811	391	662	388
Long-term Incentive Plan (2021–2023)[3]	470	340	0	0
Long-term Incentive Plan (2018–2020)[4]	0	0	1 196	920
Pension benefits[5]	354	219	398	264
Total compensation of Group Management	**2 710**	**1 750**	**3 331**	**2 372**

1 The amounts are gross figures
2 CEO Schweiter Technologies: Dr Heinz O. Baumgartner
3 Long-term Incentive Plan 2021–2023: for details see page 72. 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 2021–2023 thus contain the first third of the cash payments expected from today's perspective at the end of the three-year term of the plan. For the years 2022 and 2023, the other two thirds, adjusted on the basis of current performance expectations and corresponding future payout amounts, will be disclosed, for details see page 73. The amounts shown in the table also include the cash portion of the first third of the 2021 – 2023 retention bonus for one member of the Group Management.
4 Long-term Incentive Plan 2018–2020: Disclosure is based on the accrued and annually updated amounts over the three-year term of the plan. The amounts for the cash portion of the LTI 2018 – 2020 thus include the final third of the cash payments after the end of the three-year plan. For 2020, the remaining third was adjusted on the basis of actual target performance, taking into account the amounts already reported for the previous two years. Details of the LTI 2018 – 2020 are available in the 2020 Annual Report on page 94.
5 Employer's contribution to social insurance and the pension fund, incl. amounts on the disclosed portions of the LTI 2018 – 2020 as well as the estimated amounts on the disclosed portions of the LTI 2021 – 2023.

Explanatory notes on the compensation table:

- As of 1 April 2019, Group Management has been consisting of two members, the CEO and the CFO.
- The fixed compensation of the CEO and CFO were unchanged from the previous year.
- The payment of the variable compensation (short-term performance-based compensation plus LTI) for 2021 for Group Management corresponds to between 92% and 200% of the fixed salary (previous year: between 164% and 200%). For the CEO it corresponded to 92% (previous year: 164%). The year-on-year change is due to the fact that in 2020 the share of the LTI in the variable compensation was significantly higher than in 2021 (the remaining third of the LTI 2018-2020 was very high in 2020 due to the actual target performance of the three-year plan).
- The LTI value disclosed corresponds to one third of the grant value of the 2021-2023 LTI based on a current assessment of performance. The remaining two-thirds for financial years 2022 and 2023 will again be disclosed in the corresponding years based on the most current performance appraisals. In addition, one-third of the retention bonus for a member of the Group Management was disclosed. The remaining two-thirds for financial years 2022 and 2023 will be disclosed in the respective years if the employment contract continues.
- No bridging pension was paid to members of Group Management either in 2021 or in 2020.

For the financial year 2021, the members of Group Management were awarded an aggregate total compensation of CHF 2.71 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 2020.

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

Georg Reif, CTO, retired on 31 March 2019 and stepped down as a member of Group Management of Schweiter Technologies. He continued to exercise his function as Managing Director of the Schweiter Pension Fund from 2019 until 2021 on an external mandate basis. The total compensation for this mandate amounted to CHF 20 000 gross per year in each case.

No further compensation was paid to former members of governing and executive bodies during the year under review other than the sum set out above. In the previous year, no further 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 Association, 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 Group 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 Group Management

Information on the shares held by members of the Board of Directors and Group Management can be found on page 140 of the notes to the 2021 annual financial statements.

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 Group 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 Association (*https://www.schweiter.ch/s1a127/corporate-governance/articles-of-association.html*, available in German only):

Articles of Association: 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 Group Management (Articles 27b, 27c, 27d and 27e)	Compensation of the members of Group 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 Group Management, due consideration being given to Group-wide and individual criteria. In order to encourage members of Group Management 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. The specific period and vesting conditions are determined by the Compensation Committee.
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 Group Management.
Vote on the maximum total compensation amounts for the Board of Directors and Group 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 Group Management that may be paid for the subsequent financial year.
Provisions for new members of Group Management (Article 10b)	In the event that new members are appointed to the Group Management and if the total amount of compensation for Group 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 Group Management approved by the General Meeting. Schweiter Technologies AG may grant new members of Group 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 Association 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 Association with regard to the compensation system applicable to the Board of Directors and Management.

In addition to the tasks relating to compensation, the Board of Directors has also assigned additional tasks in the area of nomination and succession planning to the Compensation Committee.

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 for Board of Directors and Group 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 other members of Group Management	CEO	Compensation Committee	Board of Directors

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

At the ordinary General Meeting of 1 April 2021, 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 Group Management who are invited to the meetings are not present during the meetings, or the part thereof, when their own compensation is being discussed.

PROCESS FOR DETERMINING THE COMPENSATION FOR THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

Benchmarking

The Compensation Committee periodically reviews the target compensation of members of the Board of Directors and Group Management whenever it sees need for action.

As proposed by the Compensation Committee, the Board of Directors increased the fee for the members of the Board of Directors in 2021 for the first time since 2011 and also approved a separate fee for the chairmanship of a committee, valid from the 2021 Annual General Meeting. See the comments in the section "Compensation Policy - Board of Directors" on page 69.

The compensation model for the Group Management was also reviewed at the beginning of 2021 and retained; see further details on page 70. No separate analysis was carried out for the amounts paid out to the members of the Group Management in the reporting year 2021.

Performance management process

The actual compensation paid to the individual members of Group 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 Group 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 accompanying remuneration report of Schweiter Technologies AG for the year ended 31 December 2021. The audit is limited to the information provided in the tables on page 74 and 75 in accordance with the articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies 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 76.

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 2021 of Schweiter Technologies AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Other Matter

The remuneration report of Schweiter Technologies AG for the year ended 31 December 2020 was audited by another auditor who expressed an unmodified opinion on this report on 2 March 2021.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Kevin Aregger
Licensed Audit Expert

Zug, 1 March 2022

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS (IN CHF M)	31 December 2021	%	31 December 2020	%	
CURRENT ASSETS					
Cash and cash equivalents	123.1		163.7		
Trade receivables	189.3		185.0		1
Current income tax receivables	2.7		0.9		
Advances to suppliers	3.7		4.8		
Other receivables	18.0		17.4		
Prepaid expenses and accrued income	5.3		4.8		
Inventories	215.8		171.6		2
Total current assets	**557.9**	**48.8**	**548.2**	**50.0**	
NON-CURRENT ASSETS					
Property, plant and equipment	325.0		304.4		3
Biological assets	37.9		34.7		4
Investments in associated companies	17.3		0.0		5
Financial assets	0.8		0.5		
Deferred tax assets	19.9		22.9		22
Intangible assets (incl. goodwill)	184.3		186.6		6
Total non-current assets	**585.2**	**51.2**	**549.1**	**50.0**	
Total assets	**1 143.1**		**1 097.3**		

LIABILITIES AND SHAREHOLDERS' EQUITY (IN CHF M)	31 December 2021	%	31 December 2020	%	
LIABILITIES					
Current financial liabilities	9.2		12.9		7
Trade payables	79.2		53.8		
Prepayments received from customers	4.5		2.4		
Other payables	11.8		9.4		
Accrued expenses and deferred income	64.2		65.7		8
Current provisions	5.6		5.1		13
Current income tax payables	18.1		30.7		
Total current liabilities	**192.6**	**16.8**	**180.0**	**16.4**	
Non-current financial liabilities	32.2		25.4		9
Other non-current liabilities	0.0		2.0		
Deferred tax liabilities	31.5		29.3		22
Non-current provisions	14.6		15.4		13
Employee benefits	95.6		107.2		12
Total non-current liabilities	**173.9**	**15.2**	**179.3**	**16.3**	
Total liabilities	**366.5**	**32.1**	**359.3**	**32.7**	
SHAREHOLDERS' EQUITY					
Share capital	1.4		1.4		14
Retained earnings	844.2		810.5		
Currency translation adjustments	–69.0		–73.9		
Total shareholders' equity	**776.6**	**67.9**	**738.0**	**67.3**	
Total liabilities and shareholders' equity	**1 143.1**		**1 097.3**		

CONSOLIDATED INCOME STATEMENT

(in CHF m)	2021	%	2020	%	
Net sales	**1 226.9**	**100.0**	**1 160.2**	**100.0**	16
Change in inventories of semi-finished and finished goods	33.0	2.7	−8.2	−0.7	
Material expenses	−678.3	−55.3	−580.9	−50.1	
Personnel expenses	−230.0	−18.7	−217.5	−18.7	
Other operating expenses	−211.8	−17.3	−183.4	−15.8	17
Other operating income	11.7	1.0	5.5	0.5	18
Depreciation and amortization	−40.2	−3.3	−38.1	−3.3	19
Operating result (EBIT)	**111.3**	**9.1**	**137.6**	**11.9**	
Financial income	0.3	0.0	0.2	0.0	20
Financial expenses	−5.2	−0.4	−7.1	−0.6	21
Share of result of associated companies	1.9	0.2	0.0	0.0	5
Income before taxes	**108.3**	**8.8**	**130.7**	**11.3**	
Income taxes	−23.9	−1.9	−27.2	−2.3	22
Net income	**84.4**	**6.9**	**103.5**	**8.9**	
EARNINGS PER SHARE (IN CHF)					24
– undiluted	59.0		72.3		
– diluted	59.0		72.3		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in CHF m)	2021	2020
Net income	**84.4**	**103.5**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	4.9	−29.0
– Tax effects	0.0	0.0
Exchange differences reclassified to the statement of income	0.0	0.0
Total	**4.9**	**−29.0**
Items that will not be reclassified subsequently to the statement of income:		
– Revaluation of defined benefit plans	9.1	−9.1
– Tax effects	−2.5	1.8
Total	**6.6**	**−7.3**
Total other comprehensive income	**11.5**	**−36.3**
Comprehensive income	**95.9**	**67.2**

CONSOLIDATED STATEMENT OF CASH FLOWS

(in CHF m)	2021	2020	Note
Net income	**84.4**	**103.5**	
Depreciation and amortization	40.2	38.1	19
Change in provisions and employee benefits	−0.6	3.9	
Gain from sale of property, plant and equipment	−1.4	−0.1	
Other positions not impacting cash	−7.5	−5.6	
Financial income and share of result of associated companies	−2.2	−0.2	20
Financial expenses	5.2	7.1	21
Income taxes	23.9	27.2	22
Change in working capital			
– Change in trade receivables	−2.7	−19.2	
– Change in other receivables and prepaid expenses	0.4	0.2	
– Change in inventory and work in progress	−45.4	9.4	
– Change in trade payables	25.8	−4.7	
– Change in other liabilities and deferred income	−0.8	10.6	
Income taxes paid	−36.5	−12.4	
Cash flow from operating activities	**82.8**	**157.8**	
Purchase of subsidiaries	0.0	−6.7	23
Purchase of associated companies	−15.4	0.0	5
Purchase of property, plant and equipment	−42.2	−36.5	
Proceeds from sale of property, plant and equipment	4.6	0.8	
Purchase of intangible assets	−0.6	−0.9	
Repayment of financial assets	0.0	0.1	
Increase in financial assets	−0.2	0.0	
Interest received	0.3	0.3	
Cash flow from investing activities	**−53.5**	**−42.9**	
Repayment of lease liabilities	−10.4	−8.4	
Increase in financial liabilities	0.2	25.4	
Repayment of financial liabilities	0.0	−20.0	
Interest paid	−2.7	−2.8	
Dividend paid	−57.3	−57.3	14
Cash flow from financing activities	**−70.2**	**−63.1**	
Currency exchange differences on cash and cash equivalents	0.3	−3.8	
Change in cash and cash equivalents	**−40.6**	**48.0**	
Cash and cash equivalents as of 1 January	163.7	115.7	
Cash and cash equivalents as of 31 December	**123.1**	**163.7**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in CHF m)	Share capital	Retained earnings	Currency translation adjustments	Total share-holders' equity	
Balance as of 1 January 2020	**1.4**	**771.6**	**−44.9**	**728.1**	
Net income		103.5		103.5	
Other comprehensive income		−7.3	−29.0	−36.3	
Comprehensive income		**96.2**	**−29.0**	**67.2**	
Share-based remuneration		0.0		0.0	15
Dividend		−57.3		−57.3	
Balance as of 31 December 2020	**1.4**	**810.5**	**−73.9**	**738.0**	
Net income		84.4		84.4	
Other comprehensive income		6.6	4.9	11.5	
Comprehensive income		**91.0**	**4.9**	**95.9**	
Share-based remuneration		0.0		0.0	15
Dividend		−57.3		−57.3	
Balance as of 31 December 2021	**1.4**	**844.2**	**−69.0**	**776.6**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021:

Amendments to standards

IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform – Phase 2	1
IFRS 16	COVID-19-Related Rent Concessions	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

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

Amendments to standards

IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	Financial year 2022	1
IAS 37	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022	Financial year 2022	1
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	Financial year 2023	1
IAS 1	Disclosure of Accounting Policies	1 January 2023	Financial year 2023	1
IAS 8	Definition of Accounting Estimate	1 January 2023	Financial year 2023	1
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Financial year 2023	1
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1 January 2022	Financial year 2022	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 2021 and 31 December 2020. The statements of the individual companies, which follow local requirements and customary practices, have been adapted to IFRS on the basis of standard Group-wide accounting and valuation principles and have been combined into the consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

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

Entities over which the Group has significant influence (generally companies in which the Group holds more than 20% of voting rights, but not more than 50%) are accounted for using the equity method, provided there is no possibility to exercise control in some other way. They are reported in the balance sheet at acquisition value, adjusted for dividend payments and the Group’s shares in the accumulated comprehensive income 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. All intercompany transactions and balances between Group companies are eliminated in full. The individual financial statements of the Group companies as of 31 December are prepared using uniform accounting policies.

The goodwill is tested annually for impairment or whenever there are impairment indicators. Any impairment is immediately recognized as an expense and will never be reversed. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement as other operating income.

CHANGES IN THE SCOPE OF CONSOLIDATION

Changes in financial year 2021:

Foundations:
As of 5 October 2021, Airex Poland Sp. z o.o. was founded.

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 23).

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.

SCOPE OF CONSOLIDATION

The following companies were fully consolidated as of 31 December:

Company	Purpose	Share capital in 1000s		Investments 2021	Investments 2020
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 %
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 (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 %
3A Composites Mobility SA Mielec, Poland	Production and distribution	PLN	4 124	100 %	100 %
Airex Poland Sp. z o.o. Goleniów, Poland	Production and distribution	PLN	10	100 %	–

Company	Purpose	Share capital in 1000s		Investments 2021	Investments 2020
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	45 114	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 %	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. Kokopo, Papua New Guinea	Production and distribution	PGK	35 700	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

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.

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the time of the transaction. Foreign exchange differences arising from such transactions as well as from the translation of monetary assets and liabilities denominated in foreign currencies maintained at the closing date are recognized in the income statement.

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 main foreign currency rates have been applied:

				Year-end rate 31.12. for the balance sheet		Average rate for the income statement	
				2021	2020	2021	2020
USA	Dollar	USD	1	0.913	0.883	0.914	0.938
EU	Euro	EUR	1	1.038	1.084	1.081	1.071
GB	Pound	GBP	1	1.233	1.199	1.258	1.204
China	Yuan	CNY	1	0.143	0.135	0.142	0.136
India	Rupee	INR	100	1.226	1.205	1.237	1.267

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenues are recognized in accordance with the requirements of IFRS 15 Revenues from Contracts with Customers. The revenues mainly contain physical sale of goods from the own production. The sales are recognized at the point in time when the power of disposal of the products is transferred in accordance with the agreed conditions and Incoterms. The sale usually comprises a single performance obligation and is based almost exclusively on fixed prices without variable consideration.

As in prior years, it is common in the industry to grant revenue-related reimbursements to individual distribution customers. This reimbursement is included in the revenues and is calculated using the most likely amount.

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.

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 the current circumstances and future potential losses. The assessment includes the expected economic conditions as well as the future financial performance of the contracting party.

INVENTORIES

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

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

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.

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 and installation	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

The right-of-use assets are 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

Other intangible assets are stated at acquisition costs and amortized on a straight-line basis over their estimated useful life. Development costs are charged to the income statements where the conditions for capitalization according to IAS 38 are not satisfied. The estimated useful life is as follows:

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

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

The test for impairment is calculated on the basis of the smallest cash-generating unit.

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.

The lease liability is initially measured at the present value of future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an incremental borrowing rate. Generally, a regional-specific incremental borrowing rate is used.

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.

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. Income taxes are recognized in profit or loss except to the extent that they relate to a business combination, or are items recognized directly in equity or in other comprehensive income.

Deferred taxes are calculated according to the balance sheet liability approach. 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. Deferred income tax assets and liabilities are measured using enacted, or substantively enacted, tax rates anticipated to apply to taxable income in the periods in which the temporary differences are expected to be recovered or settled.

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 the significant risks.

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 2021 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 2.6 million [CHF 1.6 million] (previous year: CHF 1.9 million [CHF 0.5 million]) and shareholders' equity would have been lower/higher by CHF 9.9 million [CHF 5.1 million] (previous year: CHF 10.3 million [CHF 4.9 million]).

Interest rate risks

As the Group had no outside financing and had a diversified portfolio of cash and cash equivalents as of 31 December 2021, there are no material interest rate risks.

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

A 1%-point rise or fall in interest rates would increase/reduce the interest result by around CHF 0.8 million (previous year: CHF 1.3 million).

Credit risks

- Cash and cash equivalents: As a component of risk policy, the Group's cash and cash equivalents are invested with various first-class banks, mainly in the form of term deposits or current account balances. The Group is exposed to credit risks in the event of banks failing to fulfill their obligations. The banks' credit ratings are regularly reviewed, as are the sums invested with each bank.
- Receivables: There is no concentration of credit risks relating to trade accounts receivable. To minimize default risks, additional collateral (e.g. irrevocable confirmed documentary credits, bank guarantees, credit risk insurances 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 2021 and 31 December 2020, 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: carrying amount and cash outflows

2021 (in CHF m)	Carrying amount 31.12.2021	Cash outflows Total	Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	0.1	0.1	0.1		
Current lease liabilities	9.1	11.1	11.1		
Trade payables	79.2	79.2	79.2		
Other liabilities	7.8	7.8	7.8		
Non-current financial liabilities	0.4	0.4		0.2	0.2
Non-current lease liabilities	31.8	39.3		26.8	12.5
Other non-current liabilities	0.0	0.0		0.0	
Total	**128.4**	**137.9**	**98.2**	**27.0**	**12.7**

2020 (in CHF m)	Carrying amount 31.12.2020	Cash outflows Total	Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	5.0	5.0	5.0		
Current lease liabilities	7.9	9.9	9.9		
Trade payables	53.8	53.8	53.8		
Other liabilities	4.6	4.6	4.6		
Non-current financial liabilities	0.3	0.3		0.3	0.0
Non-current lease liabilities	25.1	31.6		25.6	6.0
Other non-current liabilities	2.0	2.0		2.0	
Total	**98.7**	**107.2**	**73.3**	**27.9**	**6.0**

Capital management

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

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

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

Fair Value Measurement

IFRS 13 Fair Value Measurement requires the disclosure of fair value measurements for financial instruments and the classification in accordance with the fair value measurement hierarchy.
The fair value hierarchies are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

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 key assumptions are described below.

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:

- 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

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. Tax losses and deductible temporary differences are only capitalized as deferred tax assets to the extent, that it is probable, that future profits will be generated against which the corresponding assets can be used for tax purposes. The book value of the deferred tax assets is reviewed each closing date and reduced to the extent, that it is no longer probable, that there will be sufficient future taxable profits.

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 amongst others 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 is possible. These assessments are periodically reviewed and adjusted if necessary.

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 only operating segment consists of the operationally active division 3A Composites. The 3A Composites division is managed as an operating segment.

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. Geographical information is broken down into the regions Europe, Americas, Asia, and the rest of the world. The geographical allocation of net sales is based on the domicile of the customers, that of the assets is based on the domicile of the Group companies.

OPERATING SEGMENTS AND GEOGRAPHICAL INFORMATION

Operating segments 2021

Operations (in CHF m)	3A Composites	Other/Eliminations	Group	
Net sales	1 226.9	0.0	1 226.9	
Depreciation and amortization	−38.9	0.0	−38.9	19
Impairment	−1.3	0.0	−1.3	19
Operating result (EBIT)	**114.6**	**−3.3**	**111.3**	
Financial income			0.3	
Financial expenses			−5.2	
Share of result of associated companies			1.9	
Income before taxes			**108.3**	
Income taxes			−23.9	
Net income			**84.4**	
Capital expenditure in property, plant and equipment	43.9	0.0	43.9	
Capital expenditure in intangible assets	0.6	0.0	0.6	
Total capital expenditure	**44.5**	**0.0**	**44.5**	
Assets	1 131.9[1]	11.2	1 143.1	
Liabilities	658.2	−291.7	366.5	
Employees as of 31 December	4 436	7	4 443	

1 thereof investments in associated companies: CHF 17.3 million

Geographical information 2021

Regions (in CHF m)	Europe	Americas	Asia	Other	Total
Net sales[1]	774.9	271.8	143.4	36.8	1 226.9
Assets	736.9	259.8	132.3	14.1	1 143.1

1 Net sales in Switzerland are insignificant

Information on major customers 2021
There are no individual customers who account for more than 10% of Group’s net sales.

Operating segments 2020

Operations (in CHF m)	3A Composites	Other/Eliminations	Group	
Net sales	1 160.2	0.0	1 160.2	
Depreciation and amortization	–37.8	0.0	–37.8	19
Impairment	–0.3	0.0	–0.3	19
Operating result (EBIT)	**141.1**	**–3.5**	**137.6**	
Financial income			0.2	
Financial expenses			–7.1	
Share of result of associated companies			0.0	
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	–290.8	359.3	
Employees as of 31 December	4 357	7	4 364	

Geographical information 2020

Regions (in CHF m)	Europe	Americas	Asia	Other	Total
Net sales[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 Net sales in Switzerland are insignificant

Information on major customers 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. TRADE RECEIVABLES

(in CHF m)	2021	2020
Total trade receivables	198.9	194.3
– less allowance for doubtful accounts	−9.6	−9.3
Total trade receivables – net	**189.3**	**185.0**

Age analysis of trade receivables:

2021 (IN CHF M)	Gross 31.12.2021	Bad debt allowance 31.12.2021	Net 31.12.2021
Not due	173.3	−1.7	171.6
Overdue up to one month	14.2	−0.5	13.7
Overdue between 1 and 2 months	3.1	−0.9	2.2
Overdue between 2 and 3 months	0.5	−0.1	0.4
more than 3 months overdue	7.8	−6.4	1.4
Total overdue	*25.6*	*−7.9*	*17.7*
Total	**198.9**	**−9.6**	**189.3**

2020 (in CHF m)	Gross 31.12.2020	Bad debt allowance 31.12.2020	Net 31.12.2020
Not due	173.4	−1.7	171.7
Overdue up to one month	12.3	−1.3	11.0
Overdue between 1 and 2 months	1.3	−0.2	1.1
Overdue between 2 and 3 months	0.4	−0.1	0.3
more than 3 months overdue	6.9	−6.0	0.9
Total overdue	*20.9*	*−7.6*	*13.3*
Total	**194.3**	**−9.3**	**185.0**

Changes in the value adjustment for doubtful accounts:

(in CHF m)	2021	2020
Balance as of 1 January	−9.3	−8.1
Bad debt allowance used	0.2	0.2
Bad debt allowance released	1.7	1.0
Bad debt allowance increased	−2.0	−2.6
Exchange rate differences	−0.2	0.2
Balance as of 31 December	**−9.6**	**−9.3**

The credit risks were taken into account by means of appropriate bad debt allowances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. INVENTORIES

(in CHF m)	2021	2020
Raw materials and production parts	94.3	75.3
Semi-finished goods and work in progress	29.3	19.7
Finished goods and trading goods	92.2	76.6
Total	**215.8**	**171.6**

The net value of the inventories is after value adjustments of CHF 11.3 million (previous year: CHF 9.8 million). As in prior year, all finished goods are stated at manufacturing cost. The value adjustment was determined on the basis of the turnover and range of the inventories. As in prior year, no reinstatements were recorded as income.

As in previous year, no inventories are encumbered by rights of lien.

3. PROPERTY, PLANT AND EQUIPMENT

2021 (IN CHF M)	Land and buildings	Machinery & tools	IT equipment & furnishings	Vehicles	Assets under construction	Total
COST						
Balance as of 1 January 2021	234.7	362.6	20.8	9.4	20.9	648.4
Additions	20.8	8.7	1.0	1.6	32.8	64.9
Disposals	−9.9	−1.4	−0.7	−1.0	0.0	−13.0
New classifications	4.1	9.3	0.1	0.0	−13.5	0.0
Exchange rate differences	0.0	0.5	−0.4	0.1	−0.4	−0.2
Balance as of 31 Dec 2021	**249.7**	**379.7**	**20.8**	**10.1**	**39.8**	**700.1**
ACCUMULATED DEPRECIATION						
Balance as of 1 January 2021	−86.3	−236.4	−15.9	−5.2	−0.2	−344.0
Depreciation for the year	−14.9	−19.1	−1.4	−1.9	0.0	−37.3
Impairment	0.0	−1.3	0.0	0.0	0.0	−1.3
Disposals	4.6	0.6	0.6	0.8	0.0	6.6
New classifications	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate differences	0.1	0.4	0.4	0.0	0.0	0.9
Balance as of 31 Dec 2021	**−96.5**	**−255.8**	**−16.3**	**−6.3**	**−0.2**	**−375.1**
Net book value 31 Dec 2021	**153.2**	**123.9**	**4.5**	**3.8**	**39.6**	**325.0**
Net book value of pledged property, plant and equipment						0.0

Information on leased property, plant and equipment can be found in note 10.

2020 (in CHF m)	Land and buildings	Machinery & tools	IT equipment & furnishings	Vehicles	Assets under construction	Total
COST						
Balance as of 1 January 2020	230.4	363.9	20.6	8.0	9.8	632.7
Change in scope of consolidation	1.8	0.6	0.0	0.0	0.0	2.4
Additions	12.3	5.8	0.9	2.1	28.5	49.6
Disposals	−3.7	−8.2	−0.8	−0.4	−0.3	−13.4
New classifications	1.7	14.2	0.5	0.1	−16.5	0.0
Exchange rate differences	−7.8	−13.7	−0.4	−0.4	−0.6	−22.9
Balance as of 31 Dec 2020	**234.7**	**362.6**	**20.8**	**9.4**	**20.9**	**648.4**
ACCUMULATED DEPRECIATION						
Balance as of 1 January 2020	−77.7	−233.3	−15.5	−4.1	−0.2	−330.8
Depreciation for the year	−14.3	−18.7	−1.5	−1.7	0.0	−36.2
Impairment	0.0	−0.3	0.0	0.0	0.0	−0.3
Disposals	3.6	7.8	0.8	0.4	0.0	12.6
New classifications	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate differences	2.1	8.1	0.3	0.2	0.0	10.7
Balance as of 31 Dec 2020	**−86.3**	**−236.4**	**−15.9**	**−5.2**	**−0.2**	**−344.0**
Net book value 31 Dec 2020	**148.4**	**126.2**	**4.9**	**4.2**	**20.7**	**304.4**
Net book value of pledged property, plant and equipment						0.0

Information on leased property, plant and equipment can be found in note 10.

4. BIOLOGICAL ASSETS

The balsa wood which 3A Composites uses as core material for composite material 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 2021, 3A Composites had 141 (previous year: 145) planted plantations with a surface area of 9 322 hectares (previous year: 8 518 ha). This makes 3A Composites the largest plantation owner and balsa wood producer. In 2021, a total of 52 876 081 board feet (previous year: 52 471 155 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 124 774 cubic meters (previous year: 123 818 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, based on an internal assessment of the future price development;
- 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 3.1 million (previous year: CHF 3.6 million) higher or lower.

(in CHF m)	**2021**	2020	
Book value as of 1 January	34.7	37.4	
Gain or loss as a result of change in market value less selling costs	1.3	2.9	18
Increase as a result of growth and maintenance measures	4.9	2.3	
Decrease as a result of harvest	−3.5	−3.9	
Wind damage	−0.8	−0.7	
Exchange rate differences	1.3	−3.3	
Book value as of 31 December	**37.9**	**34.7**	

The effects from growth and maintenance measures, harvest as well as wind damage are recognized in material expenses.

The key risks to balsa 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.

5. INVESTMENTS IN ASSOCIATED COMPANIES

Since 8 April 2021, the Group holds an investment in the associated company JMB Wind Engineering, Goleniów, Poland in the amount of 40%, the purchase price amounted to CHF 15.4 million. The associated company, with operations in Poland and Portugal, is a leading company in core material kit design and production, mainly for wind turbines. The income statement information for 2021 includes the results for the period from 8 April until 31 December 2021.

Aggregated information of JMB Wind Engineering:

(In CHF m)	2021	2020
Current assets	21.1	0
Non-current assets	3.0	0
Total assets	**24.1**	**0**
Current liabilities	9.5	0
Non-current liabilities	0.5	0
Total liabilities	**10.0**	**0**
Net assets	**14.1**	**0**
Net sales	52.0	0
Net income	**4.8**	**0**
Book value of the associated company at year-end	17.3	0
Share of profit/(loss) recognized by the Group	1.9	0

6. INTANGIBLE ASSETS (INCL. GOODWILL)

2021 (IN CHF M)	Goodwill	Patents & brands	Other	Total
COST				
Balance as of 1 January 2021	124.5	61.6	41.2	227.3
Additions	0.0	0.0	0.6	0.6
Disposals	0.0	0.0	−0.5	−0.5
Exchange rate differences	−2.4	1.3	0.4	−0.7
Balance as of 31 December 2021	**122.1**	**62.9**	**41.7**	**226.7**
ACCUMULATED AMORTIZATION				
Balance as of 1 January 2021	0.0	−7.7	−33.0	−40.7
Amortization for the year	0.0	0.0	−1.6	−1.6
Disposals	0.0	0.0	0.5	0.5
Exchange rate differences	0.0	−0.4	−0.2	−0.6
Balance as of 31 December 2021	**0.0**	**−8.1**	**−34.3**	**−42.4**
Net book value as of 31 December 2021	**122.1**	**54.8**	**7.4**	**184.3**

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

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acquisition value of CHF 54.8 million as of the end of December 2021 will therefore not be amortized on a planned basis.

The Goodwill and the capitalized brand names with indefinite useful life are allocated to the cash-generating unit (CGU) 3A Composites Division. The CGU represents the lowest level at which goodwill is monitored by management.

The impairment test for the goodwill and the capitalized brand names with indefinite useful life is calculated annually or at the time of changes in circumstances by means of the DCF method. The basis for determining the recoverable amount is value-in-use. An impairment is recognized for the amount by which the book value exceeds the recoverable amount.

The impairment test was calculated using cash flow projections covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated growth rates. The underlying financial data consists of one budget year and four plan years. The discount rate used for the impairment test is 8.6% (previous year: 8.8%) and the long-term growth rate is 1% (previous year: 1%).

Budgeted cash flows are based on expectations for the market development and the growth rate is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and 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.

As in the previous year, no development expenses were capitalized in the year under review. Development expenses amounted to CHF 7.5 million (previous year: CHF 7.9 million).

2020 (in CHF m)	Goodwill	Patents & brands	Other	Total
COST				
Balance as of 1 January 2020	127.4	65.5	44.4	237.3
Additions	0.0	0.0	0.9	0.9
Disposals	0.0	0.0	−1.7	−1.7
Exchange rate differences	−2.9	−3.9	−2.4	−9.2
Balance as of 31 December 2020	**124.5**	**61.6**	**41.2**	**227.3**
ACCUMULATED AMORTIZATION				
Balance as of 1 January 2020	0.0	−8.9	−34.9	−43.8
Amortization for the year	0.0	0.0	−1.6	−1.6
Disposals	0.0	0.0	1.7	1.7
Exchange rate differences	0.0	1.2	1.8	3.0
Balance as of 31 December 2020	**0.0**	**−7.7**	**−33.0**	**−40.7**
Net book value as of 31 December 2020	**124.5**	**53.9**	**8.2**	**186.6**

7. CURRENT FINANCIAL LIABILITIES

(in CHF m)	2021	2020	
Current lease liabilities	9.1	7.9	
Loans US Paycheck Protection Program (PPP)	0.0	5.0	28
Other current financial liabilities	0.1	0.0	
Total	**9.2**	**12.9**	

8. ACCRUED EXPENSES AND DEFERRED INCOME

(in CHF m)	2021	2020
Outstanding volume discounts and customer credits	14.4	14.5
Personnel costs (holidays/flexitime/overtime/bonuses/etc.)	25.3	25.5
Cost of materials/overheads	6.0	7.4
Other accrued expenses and deferred income	18.5	18.3
Total	**64.2**	**65.7**

9. NON-CURRENT FINANCIAL LIABILITIES

(in CHF m)	2021	2020
Non-current lease liabilities	31.8	25.1
Other non-current financial liabilities	0.4	0.3
Total	**32.2**	**25.4**
The maturity of the non-current financial liabilities are as follows:		
– 1 to 5 years	21.5	21.0
– more than 5 years	10.7	4.4
Total	**32.2**	**25.4**

10. 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 companies and not by the lessor. Some leases provide for rent payments that are based on changes in local price indices.

The leases for warehouse and factory facilities were entered as combined leases of land and buildings.

Right-of-use assets

2021 (IN CHF M)	Land and Buildings	IT equipment & furniture	Vehicles	Total
Balance as of 1 January 2021	32.7	0.3	2.1	35.1
Additions	20.1	0.2	0.8	21.1
Depreciation for the year	–9.3	–0.1	–1.1	–10.5
Disposals	–3.0	0.0	0.0	–3.0
Exchange rate differences	0.3	–0.1	0.0	0.2
Balance as of 31 December 2021	**40.8**	**0.3**	**1.8**	**42.9**

2020 (in CHF m)	Land and Buildings	IT equipment & furniture	Vehicles	Total
Balance as of 1 January 2020	30.9	0.2	1.7	32.8
Additions	11.4	0.2	1.3	12.9
Depreciation for the year	–8.3	–0.1	–0.9	–9.3
Disposals	0.0	0.0	0.0	0.0
Exchange rate differences	–1.3	0.0	0.0	–1.3
Balance as of 31 December 2020	**32.7**	**0.3**	**2.1**	**35.1**

Amounts recognized in income statement

(in CHF m)	2021	2020
Depreciation of right-of-use assets	−10.5	−9.3
Interest expense – leases	−2.3	−2.3
Expenses relating to leases of low-value assets	−0.1	0.0
Expenses relating to short-term leases	−0.9	−0.6
Income from sub-leasing right-of-use assets	0.0	0.0

The rental income from own assets recognized in the year under review was CHF 0.7 million (previous year: CHF 0.8 million).

Amounts recognized in cash flow statement

(in CHF m)	2021	2020
Total cash-out for leases	−13.7	−11.5

Future minimum lease payments expected to be received under non-cancellable operating leases

(in CHF m)	2021	2020
– due in one year	0.6	0.8
– due in 1 to 2 years	0.6	0.7
– due in 2 to 3 years	0.6	0.6
– due in 3 to 4 years	0.6	0.5
– due in 4 to 5 years	0.6	0.5
– due in more than 5 years	2.5	2.8
Total	**5.5**	**5.9**

11. RECONCILIATION OF FINANCIAL LIABILITIES

2021 (IN CHF M)	Balance as of 1 January	Cash inflow from financing activities	Cash outflow from financing activities	Purchase of intangible assets	Other non-cash movements	Exchange rate differences	Balance as of 31 December
Current interest-bearing financial liabilities	12.9	0.0	−10.3	0.0	6.4	0.2	9.2
Non-current interest-bearing financial liabilities	25.4	0.2	−0.1		6.5	0.2	32.2
Total	**38.3**	**0.2**	**−10.4**	**0.0**	**12.9**	**0.4**	**41.4**

2020 (in CHF m)	Balance as of 1 January	Cash inflow from financing activities	Cash outflow from financing activities	Purchase of intangible assets	Other non-cash movements	Exchange rate differences	Balance as of 31 December
Current interest-bearing financial liabilities	8.2	25.4	−28.3	−0.1	8.3	−0.6	12.9
Non-current interest-bearing financial liabilities	21.9	0.0	−0.1		4.6	−1.0	25.4
Total	**30.1**	**25.4**	**−28.4**	**−0.1**	**12.9**	**−1.6**	**38.3**

12. 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 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 2021 financial year, the employer's contribution to defined contribution plans amounted to CHF 0.7 million (previous year: CHF 0.7 million).

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 2021, 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.

Pension plans in 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.

Pension plans in 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 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 2021 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 2021 on the basis of the information known at the time when the annual financial statements were prepared.

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

				2021				2020
31 December	Switzerland	EU	Americas	Weighted	Switzerland	EU	Americas	Weighted
Discount rate	0.30%	1.05%	2.57%	0.64%	0.20%	0.55%	1.91%	0.39%
Future salary increases	1.25%	2.25%	1.91%	1.58%	1.00%	2.25%	1.65%	1.44%
Future pension adjustments	0.00%	1.66%	0.00%	0.50%	0.00%	1.67%	0.97%	0.60%
(in years) Life expectancy at age 65 Year of birth 1956 / 1955								
– Men	23	21	21		23	20	20	
– Women	24	24	22		25	24	22	
Year of birth 1976 / 1975								
– Men	25	23	22		24	23	22	
– Women	26	26	24		26	26	23	

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 (in CHF m)				2021				2020
	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Service costs								
– Current service costs	2.9	1.4	0.7	5.0	2.9	1.4	0.6	4.9
– Past service costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
– Plan settlements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net interest expense	0.1	0.4	0.1	0.6	0.1	0.5	0.2	0.8
Total pension expense for the period	**3.0**	**1.8**	**0.8**	**5.6**	**3.0**	**1.9**	**0.8**	**5.7**

Current service costs include technical administrative expenses of CHF 0.04 million for 2021 and CHF 0.02 million for 2020.

Remeasurements recognized in other comprehensive income

31 December (in CHF m)				2021				2020
	Switzerland	EU	Americas	Total	Switzerland	EU	Americas	Total
Actuarial (gains) / losses								
– Based on adjustment of demographic assumptions	−5.4	0.0	0.1	−5.3	0.0	0.0	0.0	0.0
– Based on adjustment of financial assumptions	0.3	−5.8	0.9	−4.6	0.4	5.1	0.5	6.0
Experience adjustments	3.5	0.4	0.4	4.3	3.9	−0.5	−0.3	3.1
Return on pension assets (excluding amounts in net interest expenses)	−3.1	−0.4	0.0	−3.5	0.0	0.0	0.0	0.0
Total expense recognized in the statement of other comprehensive income	**−4.7**	**−5.8**	**1.4**	**−9.1**	**4.3**	**4.6**	**0.2**	**9.1**
Total pension costs	**−1.7**	**−4.0**	**2.2**	**−3.5**	**7.3**	**6.5**	**1.0**	**14.8**

The effect of the adjustment of demographic assumptions in Switzerland is (primarily) based on the first-time adoption of the BVG2020 tables. Schweiter applies BVG2020 in connection with the BfS model.

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

Changes in the present value of defined benefit obligations

31 December (in CHF m)	2021 Switzerland	2021 EU	2021 Americas	2021 Total	2020 Switzerland	2020 EU	2020 Americas	2020 Total
Opening present value of defined benefit obligations	124.8	66.5	8.4	199.7	116.5	61.1	9.1	186.7
Current service cost	3.0	1.4	0.6	5.0	2.9	1.4	0.6	4.9
Plan participants’ contributions	1.7	0.2	0.0	1.9	1.6	0.1	0.0	1.7
Interest expenses on the present value of the obligations	0.2	0.4	0.2	0.8	0.3	0.6	0.2	1.1
Actuarial (gains) / losses	−1.6	−5.4	1.4	−5.6	4.3	4.6	0.2	9.1
Past service costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plan settlements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plan curtailments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Benefits paid and net vested benefits through plan assets	−0.7	0.0	0.0	−0.7	−0.8	0.0	0.0	−0.8
Benefits paid by employer	0.0	−1.4	−0.7	−2.1	0.0	−1.3	−0.9	−2.2
Exchange rate differences	0.0	−2.7	0.3	−2.4	0.0	0.0	−0.8	−0.8
Closing present value of defined benefit obligations	**127.4**	**59.0**	**10.2**	**196.6**	**124.8**	**66.5**	**8.4**	**199.7**

Changes in the fair value of plan assets

31 December (in CHF m)	2021 Switzerland	2021 EU	2021 Americas	2021 Total	2020 Switzerland	2020 EU	2020 Americas	2020 Total
Opening fair value of plan assets	97.5	2.9	0.0	100.4	94.7	2.6	0.0	97.3
Plan participants’ contributions	1.7	0.2	0.0	1.9	1.7	0.1	0.0	1.8
Employer’s contribution	1.7	0.2	0.0	1.9	1.8	0.1	0.0	1.9
Interest income on assets	0.2	0.0	0.0	0.2	0.2	0.1	0.0	0.3
Return on plan assets (excl. amounts included in interest)	3.1	0.4	0.0	3.5	−0.1	0.0	0.0	−0.1
Assets distributed on settlements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Benefits paid and net vested benefits through plan assets	−0.7	0.0	0.0	−0.7	−0.8	0.0	0.0	−0.8
Exchange rate differences	0.0	−0.2	0.0	−0.2	0.0	0.0	0.0	0.0
Closing fair value of plan assets	**103.5**	**3.5**	**0.0**	**107.0**	**97.5**	**2.9**	**0.0**	**100.4**

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 (in CHF m)	Switzerland	EU	Americas	2021 Total	Switzerland	EU	Americas	2020 Total
Present value of funded obligations	127.4	18.5	0.0	145.9	124.8	20.1	0.0	144.9
Fair value of plan assets	–103.5	–3.5	0.0	–107.0	–97.5	–2.9	0.0	–100.4
Under/(over) funding	**23.9**	**15.0**	**0.0**	**38.9**	**27.3**	**17.2**	**0.0**	**44.5**
Present value of unfunded obligations	0.0	40.5	10.2	50.7	0.0	46.4	8.4	54.8
Assets not available to company	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognized pension liabilities	**23.9**	**55.5**	**10.2**	**89.6**	**27.3**	**63.6**	**8.4**	**99.3**

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 (in CHF m)	Switzerland	EU	Americas	2021 Total	Switzerland	EU	Americas	2020 Total
Equities	33.6	0.0	0.0	33.6	30.4	0.0	0.0	30.4
Bonds	24.1	0.0	0.0	24.1	21.7	0.0	0.0	21.7
Alternative financial assets	15.2	0.0	0.0	15.2	18.4	0.0	0.0	18.4
Real estate	19.1	0.0	0.0	19.1	12.7	0.0	0.0	12.7
Qualified insurance paper	0.0	1.9	0.0	1.9	0.0	1.7	0.0	1.7
Cash and cash equivalents and Other investments	11.5	1.6	0.0	13.1	14.3	1.2	0.0	15.5
Total	**103.5**	**3.5**	**0.0**	**107.0**	**97.5**	**2.9**	**0.0**	**100.4**

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 2021, the assets generated a gain of CHF 3.7 million (previous year: gain of CHF 0.2 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 2.4 million).

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

31 December (in CHF m)	2021 Switzerland	2021 EU	2021 Americas	2021 Total	2020 Switzerland	2020 EU	2020 Americas	2020 Total
Active insured members	88.6	33.5	6.2	128.3	86.3	39.0	4.0	129.3
Former members with vested benefits	0.0	4.7	0.0	4.7	0.0	5.3	0.0	5.3
Members receiving pensions	38.8	20.8	4.0	63.6	38.5	22.2	4.4	65.1
Total	**127.4**	**59.0**	**10.2**	**196.6**	**124.8**	**66.5**	**8.4**	**199.7**
(in years)								
Term of obligations	15.2	17.9	11.7	15.8	16.5	18.8	9.2	16.9

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 m)		2021 +0.25%	2021 −0.25%	2020 +0.25%	2020 −0.25%
All countries	Discount rate	−7.1	7.7	−7.8	8.4
All countries	Future salary increases	0.8	−0.8	0.9	−0.9
Switzerland	Interest on retirement assets	1.0	−0.9	1.0	−0.9
EU	Future pension adjustments	2.0	−1.9	2.3	−2.2

Reconciliation to the balance sheet:

31 December (in CHF m)	2021	2020
Pension obligations	89.6	99.3
Other long-term employee benefits	4.5	6.6
Termination benefits	1.5	1.3
Total	**95.6**	**107.2**

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

13. PROVISIONS

(in CHF m)	Guarantees	Litigation	Environmental obligations	Other	**Total 2021**	Total 2020
Balance as of 1 January	4.2	0.2	8.6	7.5	20.5	20.2
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.3
Consumption with neutral impact on income	−0.9	0.0	−0.2	−0.9	−2.0	−0.7
Unused amounts reversed and released to income	−1.3	0.0	−0.1	−0.4	−1.8	−0.8
Additional provisions charged to income	1.9	0.0	0.0	1.5	3.4	2.1
Exchange rate differences	0.0	0.0	0.0	0.1	0.1	−0.6
Balance as of 31 December	**3.9**	**0.2**	**8.3**	**7.8**	**20.2**	**20.5**
of which:						
– current provisions	1.6	0.0	0.7	3.3	5.6	5.1
– non-current provisions	2.3	0.2	7.6	4.5	14.6	15.4
Expected use of provisions:						
– within one year	1.6	0.0	0.7	3.3	5.6	5.1
– in 2 to 5 years	2.2	0.2	4.9	4.4	11.7	12.3
– more than 5 years	0.1	0.0	2.7	0.1	2.9	3.1

Guarantees
The provision for guarantees considers any costs arising from the warranty given on products sold. The calculation is based on turnover, past experience and on individual cases.

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 and various risks that could arise in the normal course of business.

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

14. SHARE CAPITAL

	2021	2020
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 AG and its Group companies did not hold any treasury shares in the year under review.

Authorized capital:
As of 31 December 2021, there is no authorized capital.

Conditional capital:
As of 31 December 2021, 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 1 April 2021 the shareholders approved the distribution of a dividend of CHF 40.00 per bearer share for the financial year 2020 (previous year: CHF 40.00 per bearer share). The distribution amounted to a total of CHF 57.3 million.

For the financial year 2021, the Board of Directors will propose to the Annual General Meeting of 6 April 2022 that a gross dividend of CHF 40.00 per bearer share shall be distributed.

15. SHARE-BASED PAYMENTS

As part of the short-term variable compensation for the financial year 2021, the CEO will be issued shares in March 2022. The shares are subject to a vesting period of one year. The fair value of the issued shares will be determined in March 2022.

The expenses for share-based payments settled in equity instruments recognized in the financial year under review amounted to CHF 196 000 (previous year: CHF 194 000).

16. NET SALES

(in CHF m)	2021	2020
Net sales from deliveries of goods	1 222.9	1 157.4
Net sales from services	4.0	2.8
Total	**1 226.9**	**1 160.2**

17. OTHER OPERATING EXPENSES

(in CHF m)	2021	2020
Direct sales and distribution costs	−94.2	−75.8
Purchasing and production overheads	−82.4	−74.0
Sales and marketing overheads	−10.7	−10.3
Administration overheads and capital taxes	−20.4	−19.5
Development overheads	−2.3	−2.6
Cost of premises	−1.0	−0.7
Other operating expenses	−0.8	−0.5
Total	**−211.8**	**−183.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. OTHER OPERATING INCOME

(in CHF m)	2021	2020	
Gain on sale of property, plant and equipment	1.5	0.2	
Increase in market value of biological assets	1.3	2.9	4
Rental income	0.7	0.8	
Insurance reimbursement	1.5	0.0	
Income from US Paycheck Protection Program (PPP)	5.2	0.0	
Bargain Purchase (Newell)	0.0	0.4	
Other income	1.5	1.2	
Total	**11.7**	**5.5**	

19. DEPRECIATION AND AMORTIZATION

(in CHF m)	2021	2020	
Depreciation on property, plant and equipment	−38.6	−36.5	3
Amortization of intangible assets	−1.6	−1.6	6
Total	**−40.2**	**−38.1**	

20. FINANCIAL INCOME

(in CHF m)	2021	2020
Interest income	0.3	0.2
Total	**0.3**	**0.2**

21. FINANCIAL EXPENSES

(in CHF m)	2021	2020
Interest expenses	−3.2	−3.6
Foreign exchange losses (net)	−2.0	−3.5
Total	**−5.2**	**−7.1**

22. INCOME TAXES

(in CHF m)	2021	2020
Current taxes	−21.9	−30.3
Deferred taxes	−2.0	3.1
Total	**−23.9**	**−27.2**

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 fair value measurement of the biological assets, 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 m)	2021	2020
Income before taxes	108.3	130.7
Income tax rate at Head office	12.1%	12.1%
Tax expense anticipated	−13.1	−15.8
Differences owing to differing local tax rates	−9.8	−12.5
Impact of non-taxable income	1.8	0.5
Impact of non-tax-deductible expenditure	−2.6	−1.6
Non-capitalized losses on current results carried forward	−0.4	0.0
Use of non-capitalized tax losses carried forward	0.8	1.8
Impact of non-recoverable withholding taxes	−1.1	−0.7
Impact of tax rate changes on deferred taxes	−1.4	−0.4
Taxes from previous periods and other influencing factors	1.9	1.5
Effective tax expense	**−23.9**	**−27.2**
Effective tax rate	22.1%	20.8%

Deferred taxes

The deferred tax assets and liabilities are attributable to the following balance sheet positions:

	31.12.2021		31.12.2020	
(in CHF m)	Assets	Liabilities	Assets	Liabilities
Inventories	3.4	1.3	3.0	1.1
Property, plant and equipment	0.3	26.7	0.5	25.8
Intangible assets	0.1	8.9	0.1	7.7
Biological assets	0.0	6.9	0.0	6.4
Pension obligations	14.7	0.0	17.8	0.0
Provisions	2.6	0.1	2.5	0.1
Capitalized tax loss carry-forwards	0.1	0.0	0.2	0.0
Other	14.4	3.3	13.3	2.7
Total, gross	**35.6**	**47.2**	**37.4**	**43.8**
Netting	−15.7	−15.7	−14.5	−14.5
Total, net	**19.9**	**31.5**	**22.9**	**29.3**

The deferred tax assets and liabilities developed as follows:

(in CHF m)	2021	2020
Balance as of 1 January	−6.4	−12.3
Change in scope of consolidation	0.0	−0.1
Recognized in the income statement	−2.0	3.1
Recognized in other comprehensive income	−2.5	1.8
Exchange rate differences	−0.7	1.1
Balance as of 31 December	**−11.6**	**−6.4**

As of 31 December 2021, the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 33.1 million (previous year: CHF 28.7 million). No deferred taxes were recorded for these taxable temporary differences.

As of 31 December 2021, the Group had non-capitalized tax loss carry-forwards, 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 m)	2021	2020
– one year	0.0	0.0
– 2 to 5 years	1.8	0.0
– more than 5 years	0.0	0.0
– no expiration	79.7	86.9
Total	**81.5**	**86.9**

23. 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 sales 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 m)	Newell[1]
Cash and cash equivalents	0.0
Trade receivables	3.2
Prepaid expenses and accrued income	0.1
Inventories	4.1
Total current assets	**7.4**
Property, plant and equipment	2.4
Total non-current assets	**2.4**
Total assets	**9.8**
Trade payables	−1.6
Accrued expenses and deferred income	−0.7
Current provisions	0.0
Total current liabilities	**−2.3**
Deferred tax liabilities	−0.1
Non-current provisions	−0.3
Total non-current liabilities	**−0.4**
Total liabilities	**−2.7**
Total fair value of net assets acquired	**7.1**
Bargain purchase	−0.4
Total consideration	**6.7**
Cash and cash equivalents acquired	0.0
Cash outflow from purchase of subsidiaries	**6.7**

1 After the 12-month measurement period

24. EARNINGS PER SHARE

	2021	2020
Net income (in CHF million)	84.4	103.5
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**

(in CHF)	2021	2020
Earnings per share		
– undiluted	58.96	72.29
– diluted	58.96	72.29

25. CATEGORIES OF FINANCIAL INSTRUMENTS

In the previous year and the year under review, the financial assets comprise cash and cash equivalents, trade and other receivables and financial assets. The financial liabilities include trade and other payables and financial liabilities.

With the exception of cash and cash equivalents, which are recognized at nominal value, all other financial instruments are measured at amortized costs. Their carrying amount is a reasonable approximation of fair value. The Group makes use of the exception not to disclose the fair value of lease liabilities.

26. 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 as well as pension funds. In principle, transactions with related parties are conducted at market terms.

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

(in CHF m)	2021	2020
Salaries and other short-term employee benefits	3.0	3.3
Post-employment benefits	0.5	0.5
Share-based payments	0.2	0.2
Total	**3.7**	**4.0**

Further information about the remuneration of the Board of Directors and Management is disclosed in the Compensation Report.

27. SHARE OWNERSHIP BY THE BOARD OF DIRECTORS AND MANAGEMENT

As of 31 December 2021, a total of 449 480 shares were held by members of the Board of Directors or members of Management (31 December 2020: 449 643):

Name	First name	Function	Number of shares 2021	Number of shares 2020
Siegrist[1]	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler[2]	Lukas	Member of the Board of Directors	–	320
Frey[3]	Vanessa	Member of the Board of Directors	364 973	364 973
Sanche	Jacques	Member of the Board of Directors	31	31
van der Haegen	Lars	Member of the Board of Directors	50	30
Baumgartner[4]	Heinz O.	Member of the BoD and Group CEO	510	373

1 Beat Siegrist is a member of a shareholder group and hold shares via Beat Siegrist Beteiligungen AG.
2 Lukas Braunschweiler stepped down as a member of the Board of Directors as of 1 April 2021.
3 Vanessa Frey is a member of a shareholder group and hold shares via KWE Beteiligungen AG.
4 In addition to the shares listed above, Dr Heinz O. Baumgartner holds 123 shares that were granted as part of the short-term variable incentive and are blocked until March 2022.

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

28. 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 favor 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 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. The company still assumes that a future cash outflow is not probable.

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.

In June 2021, a class action lawsuit in New Zealand relating to the use of PE and Plus 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 (i) the jurisdiction of New Zealand courts is disputed, (ii) it is not yet determined whether any competent court will follow the plaintiffs' arguments and (iii) the magnitude of the amount claimed is unknown.

The application for a loan forgiveness for the loan under the Paycheck Protection Program (PPP) mentioned in prior year in note 7 was granted. The US authorities considered that the conditions for a repayment waiver are met and the loan was recognized in profit or loss.

Commitments to take delivery:

Under purchase contracts for raw materials, commitments to take delivery amounting to CHF 926.2 million (previous year: CHF 649.6 million) and with maximum maturities of 7 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 24.9 million (previous year: CHF 9.8 million).

29. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events occurred between the balance sheet date and the date of publication of this Annual Report which could have a significant impact on the consolidated financial statements 2021.

30. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Board of Directors approved the present consolidated financial statements at its meeting on 1 March 2022 and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 6 April 2022 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 balance sheet as at 31 December 2021 and the consolidated income statement, 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 84 to 129) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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

REVENUE RECOGNITION

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.

KPMG AG
Zug, 1 March 2022

REVENUE RECOGNITION

Key Audit Matter

Consolidated net revenues for the year ended 31 December 2021 amounted to CHF 1 226.9 million. Revenues are an important metric to evaluate the Group's business performance and are therefore considered by internal and external stakeholders.

Revenues primarily include physical sales of products manufactured by the Group. Revenue is recognized when control of the products is transferred in accordance with the agreed conditions and incoterms.

The fact that different delivery times, contractual terms and incoterms have to be taken into account in determining the correct timing of revenue recognition results in a significant audit risk.

There is an additional risk that revenues may be deliberately over- or understated in order for management to achieve planned results. This could for example occur by manipulating inputs in the Group's accounting system.

Based on this rationale, we consider revenue recognition as a key audit matter.

Our response

We obtained an understanding of the revenue recognition process from initiating sales orders to payment receipts. Based on this we critically assessed whether transactions are completely and accurately recorded in the consolidated financial statements.

We considered the existence (design and implementation) of the relevant key controls relating to revenue recognition within the Group.

We assessed the appropriateness of accounting policies for revenue recognition and, specifically, for the appropriate sales cut-off.

In addition, our procedures included, among others, the following:

– On a sample basis, we reconciled sales transactions before and after the balance sheet date with delivery bills and customer contracts. Based on this, we verified the transfer of control to the buyer and thus the recognition in the correct reporting period in accordance with the agreed terms.

– On a sample basis, we reconciled the accounts receivable balance as of the balance sheet date to accounts receivable confirmations or, alternatively, to delivery documents, invoices and/or payments received.

– On a sample basis, we assessed the appropriateness of credit notes issued as well as payments received after year end.

– In addition, we performed analytical procedures on the level of various entities. These included analyses of margin developments.

In addition to the procedures described above, we further addressed the risk of management override of controls by analysing manual journal entries related to revenue accounts.

For further information on Revenue Recognition refer to the following:

— Summary of Significant Accounting Policies on page 90

— Segment Information on page 104

— Details to net revenues on page 122

Other Matter

The consolidated financial statements of Schweiter Technologies AG for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 2 March 2021.

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.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Kevin Aregger
Licensed Audit Expert

Zug, 1 March 2022

KPMG AG, Landis + Gyr-Strasse 1, CH-6302 Zug

ANNUAL FINANCIAL STATEMENTS OF SCHWEITER TECHNOLOGIES AG

BALANCE SHEET

ASSETS (IN CHF M)	31 December 2021	31 December 2020	
Cash and cash equivalents	10.9	33.5	
Other current receivables	0.4	0.3	
Current assets	**11.3**	**33.8**	
Investments	130.7	130.7	1
Financial assets (loans to Group companies)	297.8	298.5	
Non-current assets	**428.5**	**429.2**	
Total assets	**439.8**	**463.0**	

LIABILITIES (IN CHF M)			
Other current payables	0.3	0.3	
Accrued expenses and deferred income	2.0	1.9	
Current liabilities	**2.3**	**2.2**	
Provisions	3.2	8.2	2
Non-current liabilities	**3.2**	**8.2**	
Share capital	1.4	1.4	3
Statutory reserves:			
– Other capital reserves	3.2	3.2	
Free retained earnings / profit	429.7	448.0	
Shareholders' equity	**434.3**	**452.6**	
Total liabilities and shareholders' equity	**439.8**	**463.0**	

INCOME STATEMENT

(in CHF m)	2021	2020	
Investment income	40.0	40.0	
Other financial income	3.0	3.3	4
Service income	1.3	1.3	
Other income	0.1	0.1	
Total operating income	**44.4**	**44.7**	
Financial expenses	−0.8	0.0	
Administrative expenses	−0.6	−0.6	
Personnel expenses	−3.8	−4.0	
Expenses on premises	−0.1	−0.1	
Total operating expens	**−5.3**	**−4.7**	
Income before taxes	**39.1**	**40.0**	
Income taxes	−0.1	−0.1	
Net income	**39.0**	**39.9**	

NOTES TO BALANCE SHEET AND 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 2021 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 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

Company	Domicile	Share capital (in 1000)		Shareholding 2021	Shareholding 2020	Voting shares 2021	Voting shares 2020
3A Composites Holding AG	Steinhausen, CH	CHF	10 000	100%	100%	100%	100%
3A Composites Holding Germany GmbH	Singen, D	EUR	25	10%	10%	10%	10%

2. PROVISIONS

(in CHF m)	2021	2020
Provisions for unrealized foreign currency gains	0.0	3.7
Other provisions	3.2	4.5
Total	**3.2**	**8.2**

3. SHARE CAPITAL

	2021	2020
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, the following shareholders held more than 3% of voting rights:

Percentage of shares held (according to most recent report)

	2021	2020
KWE Beteiligungen AG, Wollerau[1]	25.5%	25.5%
1832 Asset Management L.P., Toronto, Canada	10.06%	10.06%
Beat Siegrist Beteiligungen AG, Zug	5.9%	5.9%
UBS Fund Management (Switzerland) AG, Basel	3.0%	–
Credit Suisse Funds AG, Zurich	< 3%	3.06%

[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 m)	2021	2020
Interest income from Group companies	3.0	3.3
Total	**3.0**	**3.3**

5. SHARE OWNERSHIP BY THE BOARD OF DIRECTORS AND MANAGEMENT

As of 31 December 2021, a total of 449 480 shares were held by members of the Board of Directors or members of Management (31 December 2020: 449 643):

Name	First name	Function	Number of shares 2021	Number of shares 2020
Siegrist[1]	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler[2]	Lukas	Member of the Board of Directors	–	320
Frey[3]	Vanessa	Member of the Board of Directors	364 973	364 973
Sanche	Jacques	Member of the Board of Directors	31	31
van der Haegen	Lars	Member of the Board of Directors	50	30
Baumgartner[4]	Heinz O.	Member of the BoD and Group CEO	510	373

[1] Beat Siegrist is a member of a shareholder group and hold shares via Beat Siegrist Beteiligungen AG.
[2] Lukas Braunschweiler stepped down as a member of the Board of Directors as of 1 April 2021.
[3] Vanessa Frey is a member of a shareholder group and hold shares via KWE Beteiligungen AG.
[4] In addition to the shares listed above, Dr Heinz O. Baumgartner holds 123 shares that were granted as part of the short-term variable incentive and are blocked until March 2022.

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

6. 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 2021, a credit line of CHF 0.5 million (previous year: CHF 0.7 million) had been drawn on by subsidiaries for loans, deposits and guarantees.

7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events occurred between the balance sheet date and the approval of these annual financial statements by the Board of Directors on 1 March 2022 which could have a material impact on the 2021 financial statements.

PROPOSAL OF THE BOARD OF DIRECTORS CONCERNING THE APPROPRIATION OF THE AVAILABLE EARNINGS

(in CHF m)	2021	2020
Unappropriated retained earnings (balance sheet profit) at the beginning of the financial year	**448.0**	**465.4**
Net income	39.0	39.9
Dividend paid	−57.3	−57.3
Available unappropriated retained earnings (balance sheet profit)	**429.7**	**448.0**
THE BOARD OF DIRECTORS PROPOSES TO THE GENERAL MEETING ON 6 APRIL 2022 THE FOLLOWING APPROPRIATION OF AVAILABLE EARNINGS:		
Payment of a dividend of CHF 40.00 per bearer share	57.3	
Earnings carried forward	372.4	
Total	**429.7**	

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 12 April 2022.

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. 21 to all Credit Suisse branches.

Statutory Auditor's Report

To the General Meeting of Schweiter Technologies AG, Steinhausen

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Schweiter Technologies AG, which comprise the balance sheet as at 31 December 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 136 to 141) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession 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.

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 judgment, 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.

Other Matter

The financial statements of Schweiter Technologies AG for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 2 March 2021.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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

KPMG AG
Zug, 1 March 2022

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law 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 financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

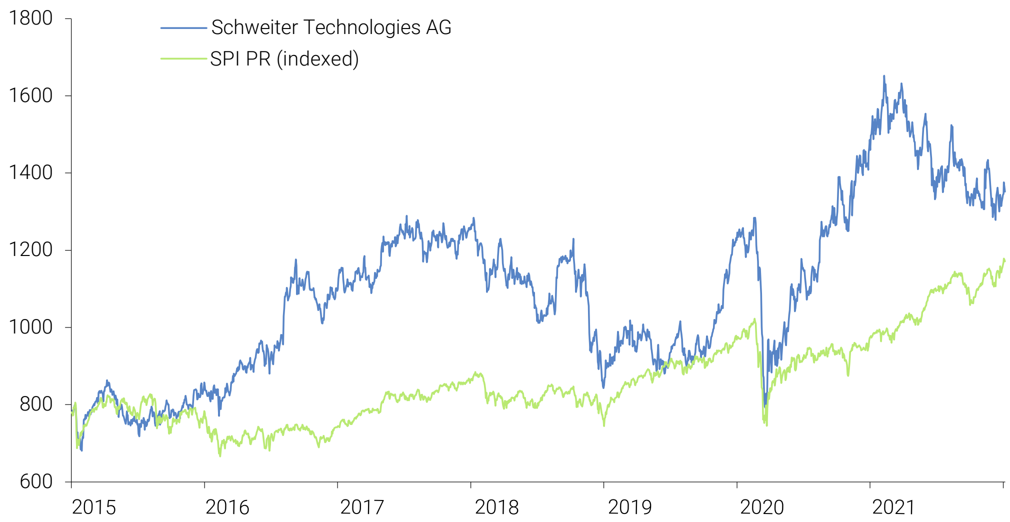
KPMG AG

Toni Wattenhofer Licensed Audit Expert Auditor in Charge	Kevin Aregger Licensed Audit Expert

Zug, 1 March 2022

KPMG AG, Landis + Gyr-Strasse 1, CH-6302 Zug

INFORMATION FOR INVESTORS



	2021	2020	2019	2018	2017
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
SHARE PRICE					
Share price as of 31 December (in CHF)	1 352	1 460	1 226	869	1 264
STOCK MARKET CAPITALIZATION					
as of 31 December (in CHF m)	1 936	2 090	1 755	1 244	1 810
NET INCOME					
per bearer share (in CHF)	59	72	42	41	120[1]
CASH FLOW FROM OPERATING ACTIVITY					
per bearer share (in CHF)	58	110	73	42	41[1]
EQUITY					
per bearer share (in CHF)	542	515	508	524	545
DISTRIBUTION[2]					
Total amount (in CHF m)	57.3	57.3	57.3	57.3	64.4
per bearer share (in CHF)	40.0	40.0	40.0	40.0	45.0
DIVIDEND PAYOUT					
in % of equity	7.4%	7.8%	7.9%	7.6%	8.2%

1 including net income/cash flow from discontinued operations (SSM Textile Machinery)
2 2021: proposal of the Board of Directors

FIVE-YEAR REVIEW

(in CHF m)	**2021**	2020	2019	2018	2017[1]
INCOME STATEMENT					
Net sales	1 226.9	1 160.2	1 179.6	1 047.4	980.2
EBITDA	151.5	175.7	123.1	109.3	114.4
EBITDA in % of net sales	*12.3%*	*15.1%*	*10.4%*	*10.4%*	*11.7%*
Operating result (EBIT)	111.3	137.6	85.2	80.6	87.3
EBIT in % of net sales	*9.1%*	*11.9%*	*7.2%*	*7.7%*	*8.9%*
Income before taxes	108.3	130.7	78.4	75.6	96.7
Income taxes	−23.9	−27.2	−18.4	−16.7	−19.8
Income taxes in % of income before taxes	*22.1%*	*20.8%*	*23.5%*	*22.1%*	*20.5%*
Net income	84.4	103.5	60.0	58.9	77.0
BALANCE SHEET					
Current assets	557.9	548.2	499.9	509.7	595.4
Non-current assets	585.2	549.1	552.2	528.2	455.6
Total assets	1 143.1	1 097.3	1 052.1	1 037.9	1 051.0
Current liabilities	192.6	180.0	157.7	161.1	145.1
Non-current liabilities	173.9	179.3	166.4	126.2	124.9
Shareholders' equity	776.6	738.0	728.1	750.6	781.0
Equity ratio	*67.9%*	*67.3%*	*69.2%*	*72.3%*	*74.3%*
Net operating assets	646.5	604.7	590.4	572.9	532.3
RONOA	*17.2%*	*22.7%*	*14.4%*	*14.1%*	*16.4%*
CASH FLOW STATEMENT					
Cash flow from operating activities	82.8	157.8	104.3	60.7	59.4
Cash flow from investing activities	−53.5	−42.9	−26.1	−116.0	49.3
Free cash flow	29.3	114.9	78.2	−55.3	108.7
Investments in property, plant and equipment and intangible assets	−42.8	−37.4	−27.3	−22.6	−26.1
EMPLOYEES AS OF 31 DECEMBER (FTE)					
Total employees[2]	4 443	4 364	4 185	3 947	3 786

[1] Continuing operations
[2] Including workers in balsa wood plantations and sawmills in Ecuador and Papua New Guinea

DATES AND CONTACTS

PUBLICATIONS AND DATES

6 April 2022
General Meeting at the Theater Casino Zug

17 August 2022
Publication Semi-Annual Report 2022

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GLOSSARY

EBIT Operating result

EBITDA Operating result plus depreciation of property, plant and equipment, impairment and amortization of intangible assets

Equity ratio Shareholders' equity divided by balance sheet total

Free cash flow Cash flow from operating activities plus cash flow from investing activities

Net operating assets Trade receivables plus inventories plus property, plant and equipment minus trade payables minus prepayments received from customers

RONOA EBIT divided by net operating assets

Return on sales EBITDA divided by net sales

LEGAL NOTICE

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Disclaimer
All statements in this Annual Report that do not refer to historical facts are forward-looking statements which are no guarantee of future performance. They are based on assumptions and involve risks and uncertainties as well as other factors beyond the control of the company.

English translation
This is an English translation of the German Annual Report. The German text is the official version.

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