SCHWEITER TECHNOLOGIES

2012

Annual Report 2012

Board of Directors, Group Management, Auditors

Board of Directors

Term of office May 9, 2012 to May 8, 2013

Beat Siegrist	Chairman
Dr. Lukas Braunschweiler	
Heinrich Fischer	
Beat Frey	
Dr. Jacques Sanche	

Group Management

Dr. Heinz O. Baumgartner	Chief Executive Officer Group
Ernesto Maurer	Chief Executive Officer SSM Textile Machinery
Lorenzo Giarrè	Chief Executive Officer Ismeca Semiconductor (until December 31, 2012)
Georg Reif	Chief Technology Officer 3A Composites
Martin Klöti	Head of Management Services and CFO SSM Textile Machinery
Ian von Fellenberg	Head of Corporate Development (until December 31, 2012)

Auditors

Deloitte AG, Zurich

Report of the Board of Directors

Dear Shareholders

In a generally challenging global economic situation and without Ismeca Semiconductor, a consolidated EBITDA of more than CHF 80 million represents a gratifying result. This includes an improvement in earnings amounting to around CHF 10 million thanks to reduced staff pension obligations. The result nevertheless provides impressive confirmation of our strategy. And an operating cash flow of approximately CHF 80 million neatly rounds off the picture.

3A Composites in particular has made tremendous progress, with EBITDA up more than 11% on revenues of CHF 600 million. Architecture and displays reported growth in revenues and income, while under difficult market conditions core materials experienced only a moderate decline in revenues accompanied by a respectable EBITDA. On a regional level, it is also gratifying to note the double-digit growth posted in Asia. A targeted strengthening of the display business was achieved via a small acquisition in Ireland, while the automotive section of the business was sold as the achievable margins were not in line with our expectations. Innovations in the mass transportation sector should more than compensate for this loss of revenues in the coming years.

SSM has coped well during the low point of the textile cycle. Revenues were maintained. The only factor which led to a temporary deterioration in the result was the preliminary investment required to strengthen Giudici, which was acquired at the beginning of 2012. However, after a difficult start, SSM Giudici reported a very pleasing level of new orders toward the end of the year. This was attributable to the drive and perseverance of management and all employees.

In 2012, Schweiter Technologies underwent a change of structure. To enable the company to focus its energies on 3A Composites, Ismeca Semiconductor was sold to a more suitable owner. Although this division had consistently delivered positive results, we came to the conclusion that Schweiter Technologies was not the best business owner for Ismeca. We wish the team at Ismeca all the best and would like to thank management and staff for the long journey we have taken together.

With almost CHF 400 million in cash at our disposal, the way is now open for us either to embark on a substantial strengthening of 3A Composites or to pursue other opportunities. However, the aim must be to employ these resources in a manner which will generate profits on a sustainable basis.

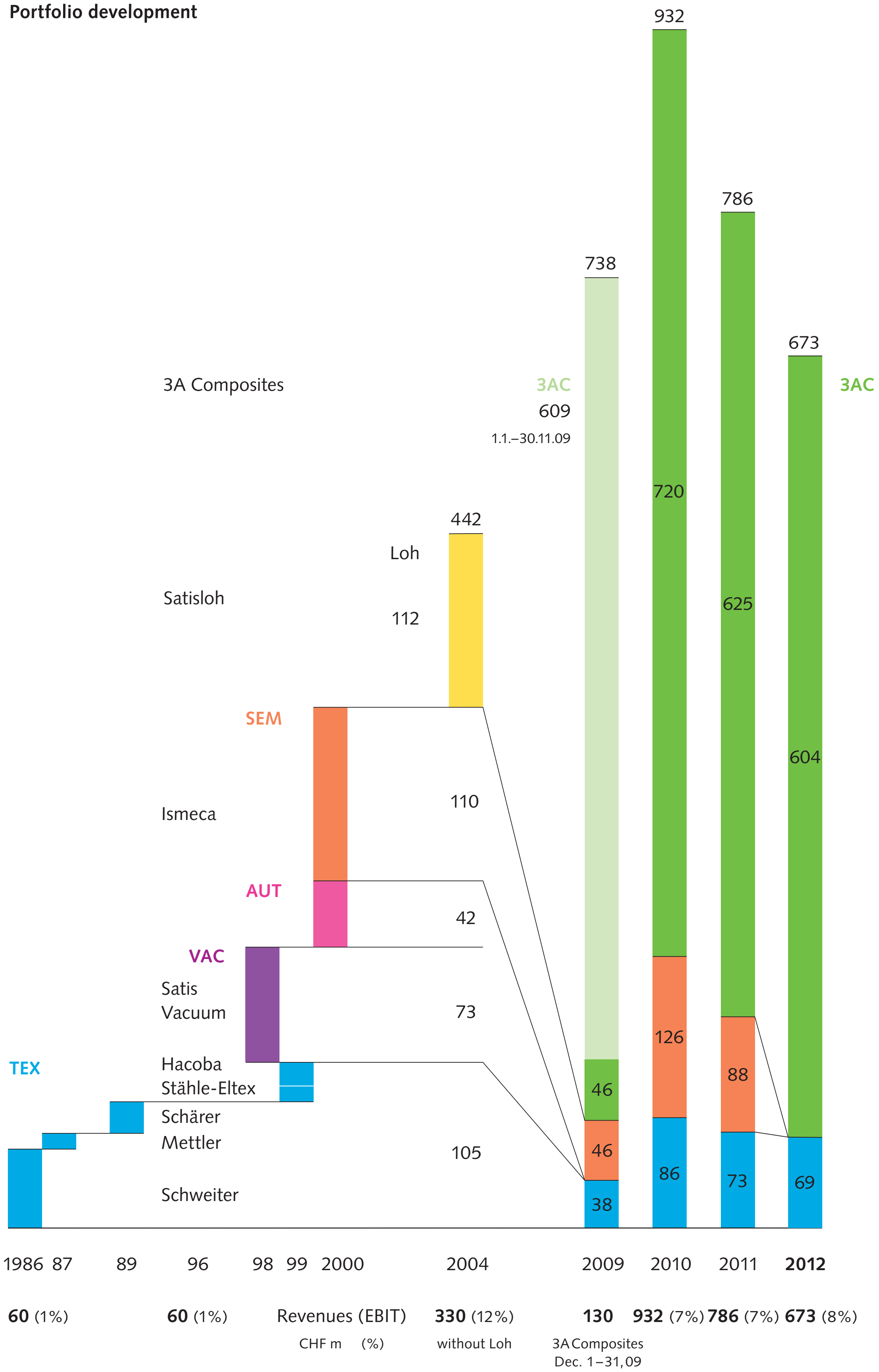
In 2012, we decided to return a proportion of the liquidity to our shareholders via a special dividend and a share buyback program. This program will continue into the new year.

With an outstanding management team, a clear, focused strategy and lean structures, we can look ahead to the future with confidence. 3A Composites and SSM have gained in strength and are well prepared for growth projects.

The Board of Directors and Management particularly wishes to thank all our staff for this solid performance. The Board is aware of and appreciates how much heartfelt dedication lies behind this result.

Yours sincerely

Portfolio development



Key figures

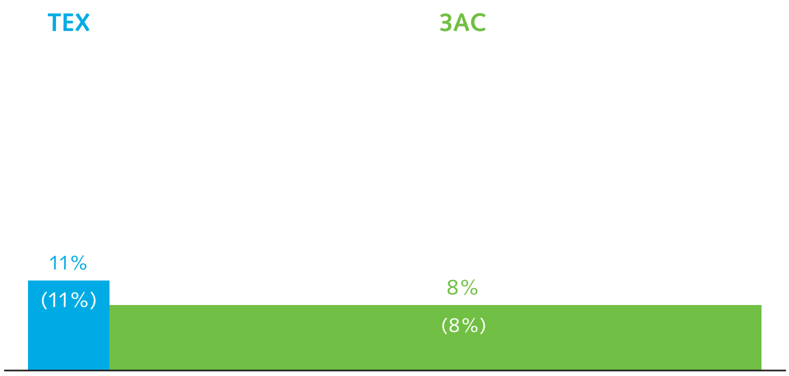
Group		2012	2011
Orders received – continuing operations	in CHF 1000s	666 091	781 661
Net revenues – continuing operations	in CHF 1000s	**673 523**	**698 043**
EBITDA – continuing operations	in CHF 1000s	81 114	82 024
Operating result – continuing operations	in CHF 1000s	54 236	54 567
	as % of net revenues	8.1	7.8
Net income – continuing operations	in CHF 1000s	**40 148**	**41 699**
	as % of net revenues	6.0	5.9
Net income	in CHF 1000s	**60 833**	**47 502**
Investments in property, plant and equipment – continuing operations	in CHF 1000s	17 784	15 632
Overall balance sheet total	in CHF 1000s	**884 095**	**859 774**
Shareholders' equity	in CHF 1000s	667 205	637 183
	as % of assets	75.5	74.1
Average headcount – continuing operations		2 641	3 148
Average net revenues per employee – continuing operations	in CHF 1000s	255	222
Stock market capitalization as at December 31	in CHF 1000s	**757 928**	**727 611**
34 **Earnings per share**			
From continuing operations:			
– undiluted	in CHF	28.44	30.53
– diluted	in CHF	28.40	30.51
From continuing and discontinued operations:			
– undiluted	in CHF	43.09	34.78
– diluted	in CHF	43.02	34.76

Holding		2012	2011
Net income	in CHF 1000s	**34 992**	**20 870**
Share capital as at December 31 subdivided into bearer shares with a par value of CHF 1 each	in CHF 1000s	**1 444**	**1 444**
Conditional share capital	in CHF 1000s	**133**	**133**
– for share option plan	in CHF 1000s	33	33
– for bonds or similar issues	in CHF 1000s	100	100
Authorized share capital	in CHF 1000s	**300**	**300**
Proposal of the Board of Directors			
– Distribution of a dividend (gross)	in CHF per share	12.20	–
– Repayment of reserves from capital contributions	in CHF per share	27.80	12.00
– Distribution of treasury shares at a rate of 18:1	in CHF per share	–	27.26

▲ For additional details see notes to the consolidated financial statements

Division performance

Operating result
as % of net revenues
(previous year)



(in CHF m)	SSM Textile Machinery	3A Composites
Orders received	71.6	594.5
(compared with previous year)	(– 2%)	(– 16%)
Net revenues	69.3	603.8
(compared with previous year)	(– 5%)	(– 3%)
Operating result	7.4	50.4
as % of net revenues	11%	8%
(previous year)	(11%)	(8%)
Headcount (December 31)	256	2 151
(compared with previous year)	(+ 10%)	(– 14%)
Net assets[1)]	21	279
(previous year)	(23)	(322)
RONA[2)]	35%	18%
(previous year)	(43%)	(15%)

[1)] Net assets = Trade receivables, inventories and property, plant and equipment minus trade payables and payments on account received from customers

[2)] RONA = Operating profit as % of the average net assets (return on net assets)

Group

Portfolio strategy

1. Schweiter Technologies is developing business in the composite and mechanical engineering segments. A maximum of customer needs are covered with a minimum of standardized and modularized components and machinery. This is the basis for quality, cost-effectiveness and reliable procurement.

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

3. The core of each strategy consists of innovation (starting point for all success to date), proximity to customers via an in-house sales and service system or distribution partner (3AC), as well as concentration on critical value creation. Structures are lean and communications direct.

4. The same care is applied to management development as to business development. A management culture is promoted which goes beyond product or even company cycles. In this way, limits are determined not by market segments, technologies or locations, but by these very management assets.

5. The holding company is not interested in buying and selling businesses, but aims to develop them beyond the timespan of those currently in executive posts. Acquisitions are primarily intended to strengthen current positions: divestments take place if there are better owners than Schweiter, or if there is no prospect of market leadership.

6. The only posts in the holding company are those of CEO / CFO (currently held by one and the same person), Group Controller and Head of Corporate Development. Apart from supervising executive functions, the Board of Directors is mainly involved in preparing and implementing the acquisition strategy.

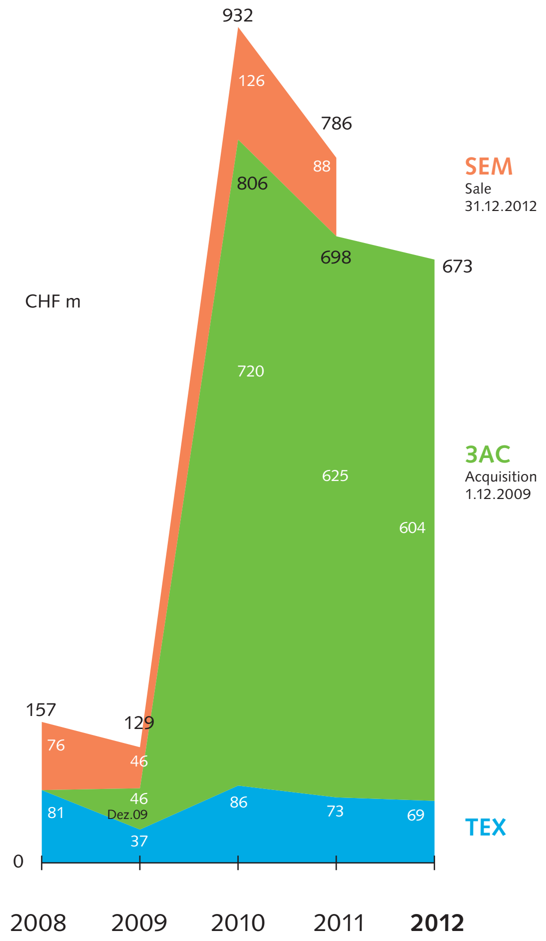
Current situation

In addition to traditional machine construction, the portfolio is concentrated primarily on the composites business in the core materials, architecture and display sectors. As far as possible, the still high cash holding is to be used for future-proof acquisitions in existing and/or new areas of business.

Essentials of the consolidated income statement

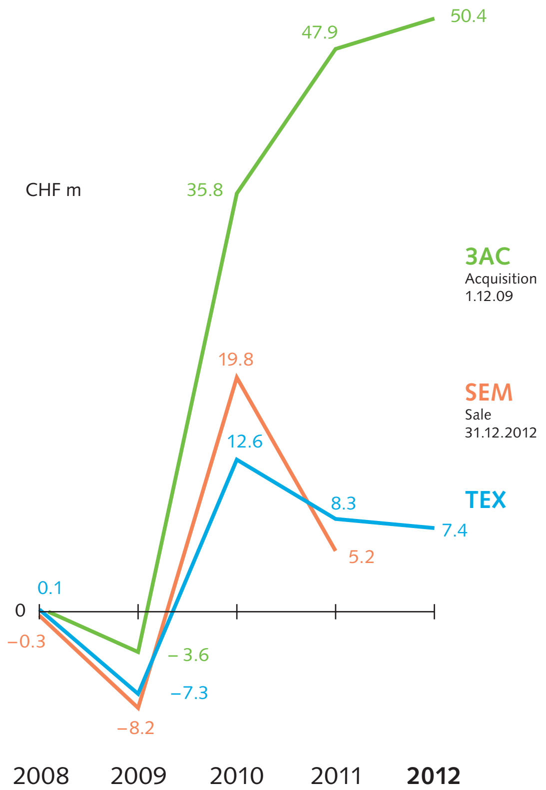
Net revenues

Decrease in revenues owing to the sale of Ismeca Semiconductor (SEM) as well as moderately lower revenues at SSM Textile Machinery (TEX) and 3A Composites (3AC).



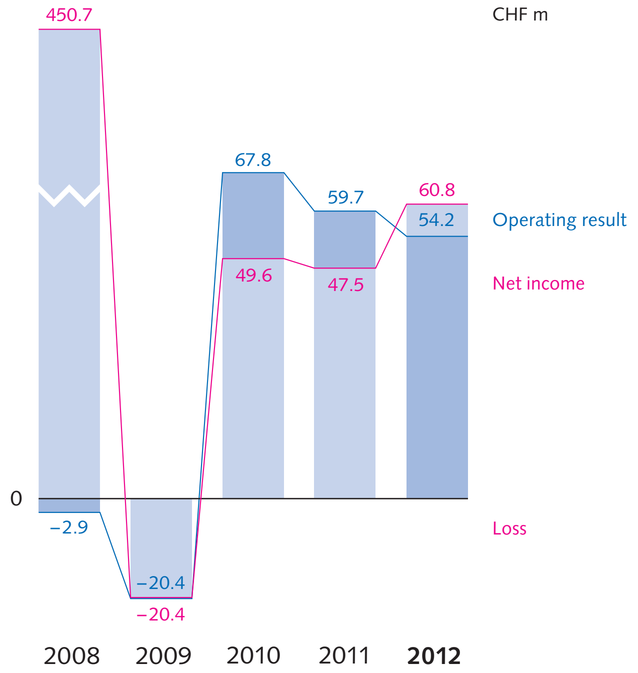
Operating result

Stable EBIT at TEX and 3AC. Earnings higher at 3AC with smaller positive one-off effects than in the previous year.



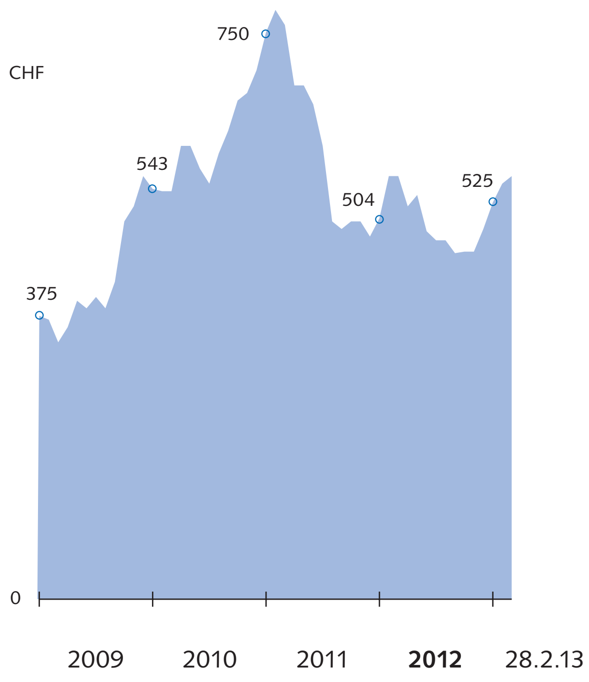
Net income

Net income of CHF 60.8 million. Stable net income from continuing operations, and income of CHF 20.7 million from discontinued operations.



Bearer shares

As of December 31, 2012, 1.44 million shares were outstanding (nominal value: CHF 1.00). The price on 31.12.2012 was CHF 525.00.



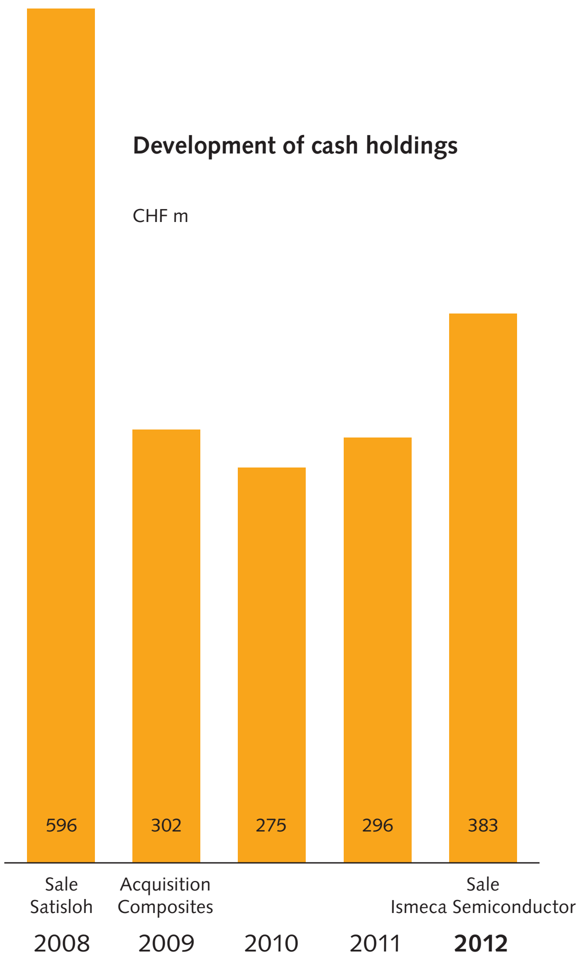
Essentials of the consolidated balance sheet

Assets

Cash and cash equivalents
At the end of 2012, the Group posted a substantial cash position of around CHF 383 million.
High cash flow from operating activity as well as proceeds from the sale of Ismeca Semiconductor increased liquidity significantly.

Net assets
Trade receivables CHF 70 million (previous year: 101), inventories CHF 110 million (126), property, plant and equipment CHF 201 million (208), trade payables CHF 42 million (39) and payments on account received from customers CHF 9 million (15).

Goodwill
Goodwill is approximately CHF 10 million.

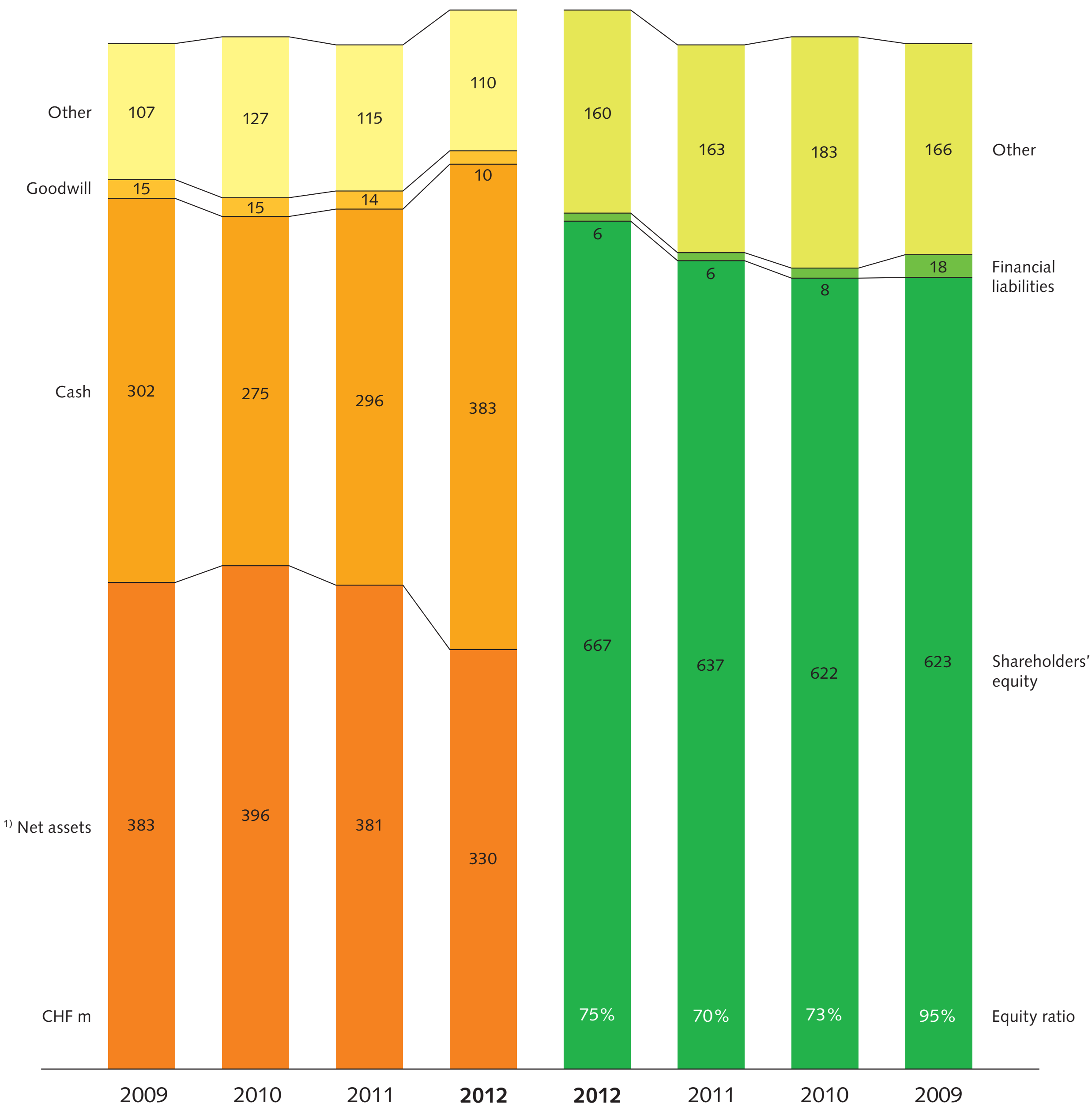


Liabilities

Interest-bearing liabilities
Current and non-current financial liabilities amount to around CHF 6 million.

Shareholders' equity
Shareholders' equity amounts to CHF 667 million with an equity ratio of 75%.

Assets **Liabilities**



[1] Net assets = Trade receivables, inventories and property, plant and equipment minus trade payables and payments on account received from customers


SSM

SSM Textile Machinery

Markets

The slowdown which began to emerge in a number of key Asian markets (e.g. China) at the end of 2011 led to a sharp decline in revenues in the second half of 2012. While the cotton/staple sector virtually ground to a halt, this drastic downturn was only partially offset by the man-made fibers sector. The previously stable markets of North Africa and the Middle East, including Tunisia, Egypt and Syria, were virtually non-existent. Iran, which is an important market for SSM (especially for carpet yarns), suffered hugely under the trade embargo. While there is still demand, it is no longer possible to process payment transfers.

In addition to the two main Asian markets, China and India, Taiwan also played an important part during the year under review. Fortunately, SSM very successfully tapped into the emerging recovery in two other countries, Bangladesh and Turkey, where significant orders were secured even though neither country ranks as a direct core market.

A large-scale sales drive was rolled out for the new product line acquired through the takeover of Giudici (false-twist texturing), in the knowledge that this in effect represented a new launch with turnaround status in certain regions. The major effort made proved worthwhile: on the strength of contracts for several very attractive projects concluded in the second half of the year, the Galbiate plant, will operate at full capacity in the first half of 2013.

2012 confirmed our belief that despite the continuing shift in our main markets toward Asia – a trend which entails considerable risks – there should never be any let-up in our intensive efforts to develop our "old markets". The signs of success for SSM in Central and Eastern Europe first evident in 2010 remained visible. In various Asian countries, SSM was able to expand its market share in the dyeing spools segment. In many locations, the rise in cotton prices mentioned above is encouraging manufacturers to diversify into man-made fibers – a segment in which SSM's air texturizing machines are excellently positioned.

The general outpourings of dismay over the high value of the Swiss franc have abated slightly since the Swiss National Bank's successful imposition of an exchange rate cap. SSM's results are proof that even at a level of CHF 1.20 per euro it is still possible to do business successfully. The expansion of the globalized sourcing network will continue to be a key theme for the coming years.

A very large number of major trade fairs were held in 2012. These events follow their own rules and are seldom driven by market needs. Increasingly, the key is to have the courage to stay away instead of trying to have a presence with new products at every trade fair.

Revenues and income

At CHF 69.3 million (previous year: CHF 72 million), revenues are down slightly year-on-year. Giudici was unable to make any significant contribution to revenue during the year under review and depressed the result with integration costs. Nevertheless, or perhaps for this very reason, it can be rated as a success that SSM was able to post an impressive EBIT of CHF 7.4 million (previous year: CHF 8.3 million) despite a highly unfavorable currency and economic environment.

Product range

2012 saw a continuation of the two-pronged focus of product development on our main Asian markets and on the rapidly growing man-made fibers market. The necessary product streamlining following the Giudici acquisition was started immediately and is scheduled for completion in the first quarter of 2013. At the same, this has also made SSM a full-liner in the high-end man-made fiber texturizing segment. The campaign launched in 2009 to port existing older machinery to new modular platforms was also systematically pursued in 2012. The resulting reduction in our product range enhanced our efficiency from development and production through to after-sales operations.

International organization

SSM's acquisition of Giudici in Galbiate (Northern Italy) gave the company a third production site and means that, together with our subsidiary in Zhongshan (Southern China), we now have a presence in three key regions.

The two existing companies (Horgen and Zhongshan) continued to generate encouraging levels of income in 2012. SSM machines manufactured in Zhongshan have gained full acceptance in our three main Asian markets.

SSM's production strategy is based on a strong international network, in which semi-finished products are made by manufacturers in Eastern Europe and elsewhere, before subsequently undergoing final assembly in Switzerland using sophisticated core components which ensure compliance with SSM's high quality standard.

Outlook

The sizeable order backlog of CHF 16.7 million (previous year: CHF 14.1 million) will ensure that 2013 gets off to a good start. The markets of China and India are showing measuredly positive signs of a recovery.

While 2013 is not likely to see any great growth in the textile industry, neither is it expected to witness any marked downturn. A key question that remains is not only how Asia will develop, but also the markets of Turkey and Eastern Europe ("resurrected" in 2011) as well as Latin America.

Over the past few years, SSM has retained and continuously improved its lean structure. We can therefore look forward to a welcome result even if the markets stagnate.

Sales markets

Europe	27%	(incl. Turkey)
Americas	11%	
Asia	60%	(incl. Indian subcontinent)
Other	2%	

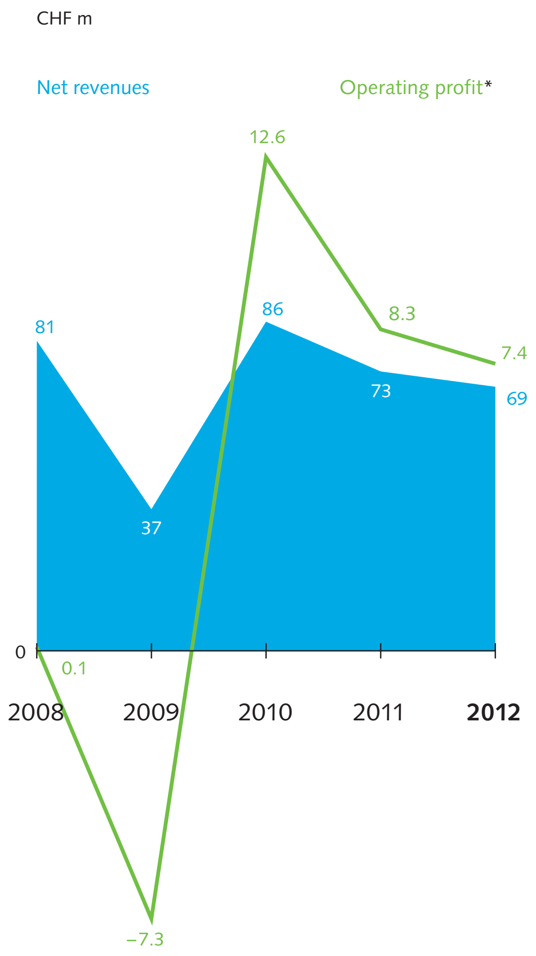
Management

Ernesto Maurer	Chief Executive Officer
Martin Klöti	Chief Financial Officer
Davide Maccabruni	Head of R&D
Christian Widmer	Head of Operations
Ernesto Maurer	Head of Marketing & Sales
Martin Toti	Head of Aftersale Services

Machine program
Machines for the following applications/segments in the textile sector:
– Rewinding and dyeing – Doubling – Sewing threads
– Air texturing – Air covering
– False twist texturing – Singeing
– Yarn preparation – Elastane preparation

Employees at year-end

202	192	235	233	256



* Scale 10 times revenues

3A Composites

3A Composites makes composite panels and materials for sandwich solutions and is focused on the architecture, display, marine, transportation and wind power markets. The company is regarded as the market leader in all target markets. Suitable combinations of materials are formulated on the basis of the requirements of the relevant applications and are manufactured in large volumes using industrial processes.

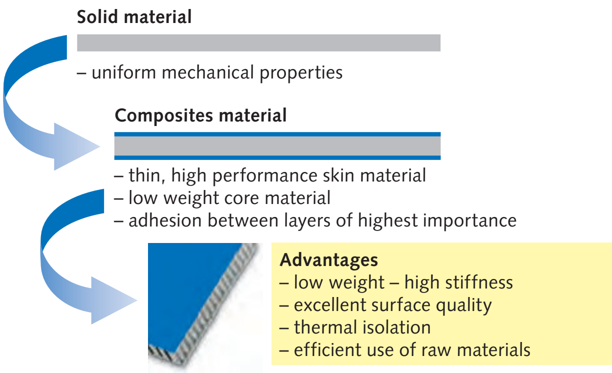
In all target markets, 3A Composites offers a unique product range for the respective high-end segment and owns the brands that define the category, such as Alucobond, Airex, Baltek, Dibond, Gator, Kapa etc.

Vision and strategy

The division sees itself as a global industrial company which aims to grow at 2 to 3 times the rate of the global economy, while at the same time achieving solid, double-digit EBITDA margins.

As a global composites company, its success is founded on a well-developed understanding of
- the current and anticipated future needs of selected attractive markets
- materials and composite materials
- the most efficient industrial and appropriate manufacturing processes.

3A Composites focuses on a series of niche applications where innovative composite materials solutions are substitutes for traditional materials.



The advantages of the materials and composites lie in
- their decorative and functional surfaces
- structural properties and high rigidity and strength of low-weight materials and composites
- the ease with which they lend themselves to further processing
- other specific properties, such as thermal insulation, absorption of structure-borne sound etc.

3A Composites' strong focus on end users and its high standard of service enable it to gain the necessary understanding of market requirements with a view to the first stage of developing suitable new materials and composites. These are then offered globally and undergo further adaptation. The main focus here is on the production of semi-finished products.

The products are sold to fabrication and 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 power sector, products are supplied directly to leading global OEMs.

In addition to the clear specialization of the products by markets, another of 3A Composites' strengths lies in the synergies achieved in the raw materials used and in the manufacturing processes which it deploys across segments. This results in cost advantages over competitors who concentrate on individual markets and have a narrow product range.

However, in exceptional cases, 3A Composites also integrates itself forward and/or backward.

For example, to promote the acceptance of sandwich solutions in mass transportation applications and associated sales of materials the company also selectively offers whole components made of composite materials.

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

Review of 2012

Market

Display

The display markets are closely linked to general economic performance. While Southern Europe saw further declines in market activity, a growing reticence also made itself felt in Central, Northern and Eastern Europe.

Despite the unfavorable economic environment, 3A Composites was able to strengthen its market position and increase its revenues in the display sector. Thanks to a discernible market shake-out among competitors, additional market share could be gained.

3A Composites' successful acquisition of Foamalite Ltd. in Ireland expanded its product range and generally strengthened its competitive position.

In North America, moves to expand or upgrade existing retail sales areas with new display products are making only sluggish headway owing to low US GDP growth.

New 3AC products launched in the mid-range performance and price segment have been targeted at current market needs and are meeting with good levels of acceptance.

Architecture

In the US architecture segment, growth has been driven by demand for customer-specific façade solutions. In a difficult environment, 3AC's target segments have proved more resilient than the general building materials markets. The smoldering debt crisis in Europe is compelling more and more countries to implement consolidation measures which are associated with an appreciable reduction in European construction volume and a deterioration in the economic outlook. In Southern Europe, while Spain and Portugal are still in a deep recession, construction activity in Italy has now also entered a sharp downtrend. Central Europe has not been left completely unscathed by the economic downturn either. There are also still signs of a slowdown in construction projects in Eastern Europe.

By strengthening its regional market presence, 3AC has been able to maintain its positions in the core markets of Central Europe and expand its market share despite the economic downturn. This contrasts with cyclical declines in revenues in Southern and Eastern Europe.

In the Middle East, 3A Composites continued to gain market share. Progress was made mainly in Saudi Arabia – currently the engine of growth in the Middle East – and the UAE. Despite the sharp decline in demand in Iran, Syria and Egypt, the overall results were good and exceeded 2011 levels.

In India, a combination of the weakening of the rupee, persistently high inflation and not least inconsistent tax policies resulted in a decline in investment in the real estate sector. In anticipation of this market downturn, 3AC increasingly focused on the Corporate Identity Design segment in 2012, a strategy which generated net year-on-year growth.

Asia Pacific and China made solid progress despite the repeated postponement of a number of large projects in China.

While Malaysia, Indonesia and Korea stood out in a positive light, in the first half of the year Thailand was still suffering from the aftermath of the 2011 flooding disaster.

Marine

Growth in the marine and industrial markets was achieved against the background of a continued weak marine market in the US and Europe. Overall, there was a shift in revenues toward the non-wind markets.

Transportation

3A Composites supplies transportation markets not only with core materials and semi-finished sheets, but also with integrated system solutions from Airex Composite Structures for rail vehicles and buses.

The integrated lightweight modules, such as the "COMFLOOR" floor system featuring a sandwich construction style incorporating an integrated heating system, are meeting with growing interest not only in European markets, but also in the growth regions of Asia and South America. Among the new orders secured was a contract for a tram system from Chinese rolling stock manufacturer CNR.

In Europe, the phasing in of new emissions standards is leading to a sharp increase in interest in lightweight components for road vehicles.

As part of the shift toward focusing on the core business of lightweight components for mass transportation and industry, the automotive subsector was sold.

Wind power

The consolidation underway in the global market for wind turbines and the resulting pressure on all OEMs and their suppliers is continuing without let-up. Globally, growth is still in evidence, albeit with major regional differences. At present, only annual contracts with terms of 1–3 years are being concluded, rather than long-term contracts.

The expected expiry of the US government's Production Tax Credit (PTC) program led to an increase in volumes in 2012. The decision to extend the PTC by one year came very late and may only have the anticipated positive effect from the second half of 2013 onward.

As projected, market activity in China was muted in 2012, marked by strong pressure on prices.

Market performance in Europe was heartening, The offshore market in particular opens up some attractive growth options.

Revenues and income

Breakdown of revenues in 2012	
Display	38%
Core materials	21%
Architecture	28%
Transport and industry	10%
Other	3%

Net revenue declined by 3% to CHF 604 million. Without the previous year's one-off effects, the EBITDA margin fell slightly to 11%.

Product range

In the US, a new production line was commissioned for GatorPlast with the aim of strengthening its position in the mid-range lightweight display panels segment. By contrast, production of lightweight extruded polypropylene sheets, which was unsatisfactory in terms of profitability, was outsourced. They will continue to be stocked as commercial products in the 3AC range.

In China, there was a further increase in the proportion of high value-added products such as modular wall components and acoustic ceiling solutions. On the basis of the positive experience gained, efforts were begun to export to Asia Pacific and the Middle East.

At Europe's most important trade fair for composite materials, the JEC in Paris, 3A Composites launched a number of new products. These included Seal-X, a PET core material with greatly reduced resin absorption for infusion processes and, under the new brand name BANOVA, two globally unique product lines based on FSC-certified rotary-cut balsa veneer:

– Balsa-based structural core materials with improved mechanical properties
– Rigid lightweight balsa multilayer composite panels for the transportation and industrial markets

Already in 2012, the novel core materials were successfully used for alpine skis and composite road bridges.

Following intensive development work, 3AC achieved a major success with the installation of Switzerland's first composite sandwich road bridge. The installation was developed, produced and overseen by a 3AC team which supplies integrated lightweight solutions for construction and civil engineering projects under the brand name COLEVO.

Organization

Following extensive organizational streamlining and process efficiency enhancement measures in 2011, efforts were made in the year under review to gear the organization even better to customers and markets. This involved investing in additional marketing and sales resources mainly in growth markets, while bringing capacity in Ecuador into line with demand.

Outlook

The low economic growth in the US poses an ongoing challenge for the 3AC markets. In the architecture and display sectors, growth is expected to be on the same scale as in 2012 thanks to targeted work on regional projects. Moderate growth compared to 2012 is also projected in the core materials business.

In Europe, the architectural façades market is likely to stagnate. The aim is to increase our market share through a redoubling of our marketing efforts. By contrast, we expect our new products to enjoy further growth.

While the growth outlook for the regions Middle East, India, Southeast Asia and China is expected to remain at a good level, these countries are also very much dependent on developments in the West.

The debt crises in Europe and the US are dampening investment in Asia, as well as demand for exports from the region. However, thanks to solid domestic demand in China and other regional growth drivers, 3A Composites is expected to continue to post solid growth in this region in 2013. Overall, the core materials business is projected to see a slight increase compared with 2012.

Management

Dr. Joachim Werner	Chief Executive Officer Architecture & Display Europe
Brendan Cooper	Chief Executive Officer Display & Architecture Americas
Dr. Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Roman Thomassin	Chief Executive Officer Core Materials (from June 1, 2012)
Georg Reif	Chief Technology Officer
Ashwin Shanbhag	Chief Financial Officer

Sales markets

Europe	53%
Americas	31%
RoW	16%

Employees at year-end

2008	2009	2010	2011	**2012**
3 345	3 045	3 142	2 495	2 151
of which in balsa wood plantations and sawmills in Ecuador:				
1 651	1 359	1 471	953	696

Consolidated financial statements of Schweiter Technologies AG

Consolidated balance sheet as at December 31, 2012

	Assets (in CHF 1000s)	**2012**	%	2011	%
	Current assets				
1	Cash and cash equivalents	382 604		295 800	
2	Trade receivables	70 485		101 283	
	Current income taxes receivables	4 412		4 030	
	Advances to suppliers	4 100		3 691	
3	Other receivables	18 733		18 098	
	Prepaid expenses and accrued income	791		1 476	
4	Inventories	110 048		126 178	
	Total current assets	**591 173**	66.9	**550 556**	64.0
	Non-current assets				
5	Property, plant and equipment	165 091		185 642	
6	Investment property	35 611		22 168	
7	Biological assets	14 452		15 638	
8	Investment in associated companies	4 325		6 632	
9	Financial assets	1 253		1 783	
30	Deferred tax assets	19 346		19 676	
10	Intangible assets	52 844		57 679	
	Total non-current assets	**292 922**	33.1	**309 218**	36.0
	Total assets	**884 095**		**859 774**	

	Liabilities (in CHF 1000s)				
	Current liabilities				
11	Current financial liabilities	2 236		1 552	
	Trade payables	42 385		39 228	
	Prepayments received from customers	8 603		14 933	
12	Other payables	7 267		8 433	
13	Accrued expenses and deferred income	33 534		37 835	
17	Current provisions	3 056		4 667	
	Current income taxes	10 953		6 658	
	Total current liabilities	**108 034**	12.2	**113 306**	13.2
15	Non-current financial liabilities	3 352		3 911	
31	Deferred tax liabilities	22 572		21 711	
17	Non-current provisions	16 098		13 555	
16	Pension obligations	66 834		70 108	
	Total non-current liabilities	**108 856**	12.3	**109 285**	12.7
	Total liabilities	**216 890**	24.5	**222 591**	25.9
	Shareholders' equity				
18	Share capital	1 444		1 444	
18	Treasury shares	– 2 500		– 28 690	
	Reserves from capital contributions	39 845		93 555	
	Retained earnings	657 730		600 717	
	Currency translation adjustments	– 29 314		– 29 843	
	Total shareholders' equity	**667 205**	75.5	**637 183**	74.1
	Total liabilities and shareholders' equity	**884 095**		**859 774**	

▲ For additional details see notes to the consolidated financial statements

Consolidated income statement for the financial year 2012

	(in CHF 1000s)	2012	%	2011	%
	Continuing operations:				
22	**Net revenues**	**673 523**	100.9	**698 043**	97.8
	Change in inventories of semi-finished and finished goods	– 6 207	0.9	15 619	2.2
	Total operating income	**667 316**	100.0	**713 662**	100.0
	Cost of materials	–338 735	– 50.8	– 368 486	– 51.6
16	Personnel expenses	– 127 696	– 19.1	– 131 530	– 18.4
23	Other operating expenses	– 126 669	– 19.0	– 133 969	– 18.8
24	Income/expenses from investment property – net	445	0.0	– 421	0.0
25	Other operating income	6 453	1.0	2 768	0.4
26	Depreciation and amortization	– 26 878	– 4.0	– 27 457	– 3.9
	Operating result	**54 236**	8.1	**54 567**	7.7
27	Financial income	2 134	0.3	1 104	0.1
28	Financial expenses	– 3 558	– 0.5	– 6 045	– 0.8
8	Share of result of associated companies	– 1 990	– 0.3	855	0.1
	Income before taxes	**50 822**	7.6	**50 481**	7.1
29	Income taxes	– 10 674	– 1.6	– 8 782	– 1.2
	Net income from continuing operations	**40 148**	6.0	**41 699**	5.9
	Discontinued operations:				
32	**Net income from discontinued operations**	**20 685**	3.1	**5 803**	0.8
	Net income	**60 833**	9.1	**47 502**	6.7
34	**Earnings per share** (in CHF)				
	From continuing operations:				
	– undiluted	28.44		30.53	
	– diluted	28.40		30.51	
	From continuing and discontinued operations:				
	– undiluted	43.09		34.78	
	– diluted	43.02		34.76	

Consolidated statement of comprehensive income for the financial year 2012

(in CHF 1000s)	2012	2011
Net income	**60 833**	**47 502**
Items of other comprehensive income:		
Foreign currency translation differences recognized in the reporting period	– 6 753	– 1 829
Foreign currency translation differences transferred to the income statement	7 282	–
Actuarial losses on defined benefit plans	– 15 252	– 21 374
Income tax on items of other comprehensive income	2 699	4 857
Total other comprehensive income net of income taxes	– 12 024	– 18 346
Comprehensive income	**48 809**	**29 156**

▲ For additional details see notes to the consolidated financial statements

Consolidated cash flow statement for the financial year 2012

	(in CHF 1000s)	2012	2011
	Net income from continuing operations	40 148	41 699
	Net income from discontinued operations	20 685	5 803
	Net income	**60 833**	**47 502**
	Non-cash items:		
26	Depreciation and amortization	27 875	28 436
	Depreciation on properties held as financial investments	480	229
	Change in provisions and pension obligations	– 17 143	– 27 686
32	Gain from sale of business operations	– 17 637	–
	Other positions not impacting cash	– 2 441	– 1 435
27	Financial income	– 2 155	– 1 111
28	Financial expenses	3 528	6 315
29	Income taxes	11 079	7 891
	Change in working capital:		
	Change in trade receivables	16 828	32 026
	Change in other receivables and accruals	– 1 075	9 302
	Change in inventories and work in progress	9 609	– 10 306
	Change in trade payables	5 187	– 18 755
	Change in other liabilities and deferrals	– 9 859	– 9 057
	Interest paid	– 615	– 600
	Income taxes paid	– 4 801	– 9 212
	Cash flow from operating activity	**79 693**	**53 539**
33	Purchase of business operations	– 13 021	–
32	Sale of business operations	48 814	–
	Purchase of intangible assets	– 18	–
	Purchase of property, plant and equipment	– 17 670	– 15 514
	Proceeds from sale of property, plant and equipment	5 476	44
	Investments in investment property	–	– 36
	Increase financial assets	–	– 999
	Proceeds from derivative financial instruments	671	–
	Repayment financial assets	420	1 992
	Investments in associated companies	–	– 3 371
	Dividend of associated companies	141	444
	Interest received	1 412	1 158
	Cash flow from investment activity	**26 225**	**– 16 282**
	Repayment leasing liabilities	–	– 558
	Repayment of current loans on current accounts with banks	– 978	– 2 771
	Increase in current bank loans	1 118	993
	Purchase of treasury shares	– 935	–
	Sale of treasury shares	19	–
18	Repayment of reserves from capital contributions	– 16 946	– 13 659
	Cash flow from financing activity	**– 17 722**	**– 15 995**
	Currency exchange differences on cash and cash equivalents	– 1 392	– 625
	Change in cash and cash equivalents	**86 804**	**20 637**
	Cash and cash equivalents as at January 1	295 800	275 163
	Cash and cash equivalents as at December 31	**382 604**	**295 800**
	The figures given above include the following cash flows from		
	discontinued operations: – Net cash flow from operating activity	11 486	14 384
	– Cash flow from investment activity	– 210	1 132
	– Cash flow from financing activity	–	– 19

▲ For additional details see notes to the consolidated financial statements

Change in consolidated shareholders' equity

	(in CHF 1000s)	Share capital	Treasury shares	Reserves capital contributions	Retained earnings	Currency translation difference	Total shareholders'equity
	Balance as at January 1, 2011	**1444**	**–28690**	**107381**	**569463**	**–28014**	**621584**
	Net income				47502		47502
	Items of other comprehensive income:						
	Foreign currency translation differences					–1829	–1829
16	Actuarial losses on defined benefit plans				–21374		–21374
	Income tax on items of other comprehensive income				4857		4857
	Total other comprehensive income net of income taxes	*–*	*–*	*–*	*–16517*	*–1829*	*–18346*
	Comprehensive income	*–*	*–*	*–*	*30985*	*–1829*	*29156*
19	Share-based remuneration				102		102
	Repayment of reserves from capital contributions			–13659			–13659
	Reclassification of non-approved capital contribution reserves			–167	167		0
	Balance as at December 31, 2011	**1444**	**–28690**	**93555**	**600717**	**–29843**	**637183**
	Net income				60833		60833
	Items of other comprehensive income:						
	Foreign currency translation differences recognized in the reporting period					–6753	–6753
	Foreign currency translation differences transferred to the income statement					7282	7282
16	Actuarial losses on defined benefit plans				–15252		–15252
	Income tax on items of other comprehensive income				2699		2699
	Total other comprehensive income net of income taxes	*–*	*–*	*–*	*–12553*	*529*	*–12024*
	Comprehensive income	*–*	*–*	*–*	*48280*	*529*	*48809*
19	Share-based remuneration				305		305
	Repayment of reserves from capital contributions						
	– Distribution in cash			–16961			–16961
	– Distribution in form of treasury shares		27612	–36749	8423		–714
	Change in treasury shares		–1422		5		–1417
	Balance as at December 31, 2012	**1444**	**–2500**	**39845**	**657730**	**–29314**	**667205**

▲ For additional details see notes to the consolidated financial statements

Accounting policies

General

Schweiter Technologies AG is a company established under Swiss law domiciled in Horgen. Its main activities are the development, manufacture and global distribution of technologically high-grade machines and composite materials.

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 also presents the information required by Swiss company law.

The consolidated annual financial statements are presented in Swiss francs (CHF). The Swiss franc (CHF) is both the functional and the reporting currency of Schweiter Technologies AG.

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 January 1, 2012:

New and revised standards adopted

IAS 12	Deferred Tax: Recovery of Underlying Assets
IAS 19	(amendment) Employee Benefits (early application in the financial year 2011)
IFRS 7	Disclosures – Transfers of Financial Assets
Miscellaneous	Amendments resulting from the Annual Improvement Project

IAS 19, which was applied for the first time in 2011, resulted in a revaluation of pension obligations as well as changes to the notes to the financial statements. The first-time adoption of the other standards did not lead to any material changes in the presentation of the financial position, the results of operations and the cash flows.

Issued standards not yet adopted

The following new and revised standards and interpretations were issued by the IASB. These standards were not effective for the reporting period and have not been adopted early in the present consolidated financial statements. The following table shows the impact estimated by the Executive Management:

New standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IFRS 9	Financial Instruments	January 1, 2015	Financial year 2015	2)
IFRS 10	Consolidated Financial Statements	January 1, 2013	Financial year 2013	1)
IFRS 11	Joint Arrangements	January 1, 2013	Financial year 2013	1)
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013	Financial year 2013	2)
IFRS 13	Fair Value Measurement	January 1, 2013	Financial year 2013	2)

1) No or no material effects are expected on the consolidated financial statements of Schweiter Technologies.
2) Above all, additional disclosures or amendments in the presentation of the consolidated financial statements of Schweiter Technologies are expected.

Amendments to standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IAS 1	Presentation of Items of Other Comprehensive Income	July 1, 2012	Financial year 2013	2)
IAS 27	Separate Financial Statements	January 1, 2013	Financial year 2013	1)
IAS 28	Interests in Associates and Joint Ventures	January 1, 2013	Financial year 2013	1)
IAS 32	Offsetting Financial Assets and Financial Liabilities	January 1, 2014	Financial year 2014	2)
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	July 1, 2013	Financial year 2013	2)
Miscella-neous	Amendments resulting from the Annual Improve-ment Project	January 1, 2013	Financial year 2013	1)

1) No or no material effects are expected on the consolidated financial statements of Schweiter Technologies.
2) Above all, additional disclosures or amendments in the presentation of the consolidated financial statements of Schweiter Technologies are expected.

Basis of consolidation

The Group's consolidated financial statements, comprising the balance sheet, income statement, consolidated statement of comprehensive income, as well as the cash flow statement and change in consolidated shareholders' equity are based on the audited annual statements of the companies included as at December 31, 2012 and December 31, 2011. 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 accounts of Schweiter Technologies AG encompass all companies in which the Group holds more than 50% of voting rights or has a possibility to exercise control in some other form. Newly acquired companies are consolidated from the date of acquisition. The results of companies disposed of are included up until the date of the sale.

Companies in which the Group holds more than 20% of voting rights, but not more than 50%, are reported according to the equity method, provided there is no possibility to exercise control in some other way. Thus, they are reported in the balance sheet at acquisition value, corrected for dividend payments and the Group's shares in the accumulated profit or loss after the acquisition. Joint ventures under common control are reported according to the equity method.

The capital consolidation is performed based on the purchase method. The assets and liabilities of newly acquired companies are stated at their fair value at the time of acquisition. When an acquisition is made (first-time consolidation), with respect to the valuation of minority interests a new assessment is made of whether the fair value at the time of acquisition or the share of equity capital is to be used to determine said minority interests. Minority interests are subsequently adjusted for their share in income and other income. In performing the consolidation, all transactions and balances between the consolidated companies are eliminated. The annual accounts included in the consolidation are prepared according to standard valuation principles as at December 31.

Operating segments

In line with the management structure and the procedures for reporting to Management and the Board of Directors, the operating segments comprise the two operationally active divisions SSM Textile Machinery and 3A Composites and the segment "Other/Eliminations", which contains the central management and financial functions of Schweiter Technologies AG (Holding) and eliminations from consolidation. The Group's chief deci-

Accounting policies

sion maker is the Board of Directors of Schweiter Technologies AG. There are no differences between the accounting and valuation principles applied to segment reporting and those applied to the consolidated financial statements. Geographic information is broken down into the regions Europe, Americas, Asia and the rest of the world.

Changes in the scope of consolidation

As of January 31, 2012, SSM Giudici S.r.l. in Sala al Barro, Galbiate (LC), Italy, was taken over and is now part of the SSM Textile Machinery division. As of June 13, 2012, Foamalite Limited of Loch Gowna, Ireland, was taken over and integrated into the 3A Composites division.

As of December 31, 2012, the 100% shareholding in Ismeca Semiconductor Holding SA – which comprises the entire Ismeca Semiconductor segment – was sold to the Cohu Group. The impact on cash flow and the income statement is shown in note 32.

Scope of consolidation

The following companies were fully consolidated as at December 31, 2012:

Company	Purpose	Share capital in 1000s		Shareholding
Schweiter Technologies AG Horgen, Switzerland	Holding company	CHF	1 444	–
Nerwal SA La Chaux-de-Fonds, Switzerland	Property management	CHF	1 000	100%
SSM Schärer Schweiter Mettler AG Horgen, Switzerland	Development, production and distribution	CHF	6 000	100%
SSM Vertriebs AG Baar, Switzerland	Distribution	CHF	100	100%
SSM (Zhongshan) Ltd. Zhongshan, China	Production and distribution	USD	500	100%
SSM Giudici S.r.l. Galbiate, Italy	Production and distribution	EUR	100	100%
3A Composites Holding AG Steinhausen, Switzerland	Holding company	CHF	10 000	100%
3A Composites International AG Steinhausen, Switzerland	Distribution and management	CHF	100	100%

3A Technology & Management AG Neuhausen, Switzerland	Development and property management	CHF	600	100%
Airex AG Sins, Switzerland	Production and distribution	CHF	5000	100%
3A Composites Germany GmbH Singen, Germany	Holding company	EUR	25	100%
3A Composites Holding Germany GmbH Singen, Germany	Holding company	EUR	25	100%
Foamalite Ltd. Loch Gowna, Ireland	Production and distribution	EUR	1905	100%
3A Composites GmbH Osnabrück, Germany	Production and distribution	EUR	2556	100%
3A Composites Holding Inc. Wilmington, DE, USA	Holding company	USD	0.1	100%
Baltek Inc. Wilmington, DE, USA	Production and distribution	USD	0.05	100%
3A Composites USA Inc. St. Louis, MI, USA	Production and distribution	USD	1	100%
Alucobond (Far East) Pte. Ltd. Singapore	Distribution	SGD	15800	100%
3A Composites (China) Ltd. Shanghai, China	Production and distribution	USD	20000	100%
3A Composites India Pte. Ltd. Mumbai, India	Production and distribution	INR	65693	100%
Plantaciones de Balsa Plantabal S.A. Guayaquil, Ecuador	Production	USD	42.4	100%
Balmanta S.A. Guayaquil, Ecuador	Production	USD	3018	100%
3A Composites do Brasil Ltda. Cuiabá, MG, Brazil	Production	BRL	340	100%

Accounting policies

Net revenues and realization of income

Net revenues include all invoiced sales of finished products, trading goods, machines, spare parts, services and rental income. Discounts, sales tax, losses on bad debts and other revenue reductions in connection with the sale have been deducted. Income is recognized on transfer of the ownership rights and risks or on rendering of the service respectively. Appropriate provisions have been set aside for anticipated warranty claims arising from the rendering of services.

Income from rental income is recognized in the period it is earned in accordance with the relevant agreement.

Interest income is recognized in the period it is earned, factoring in the amount of outstanding loan and the applicable interest rate.

Conversion of foreign currencies

The annual statements of foreign subsidiaries are prepared in the functional currency of the subsidiary in question, which will normally be the national currency, and converted into Swiss francs for consolidation purposes: The balance sheet is translated at year-end exchange rates, and the income statement at the average exchange rate for the financial year. Resulting foreign currency translation differences are recognised in other comprehensive income and presented as a separate component in shareholders' equity. Other exchange rate differences, including those arising from foreign currency transactions in connection with normal business activities, are recognised in the income statement, with the exception of exchange rate differences on equity-like intragroup loans which are recognised in other comprehensive income.

Financial instruments

The financial instruments used are recorded on the balance sheet as of the trading date.

Derivative financial instruments are recorded in the balance sheet at market values in accordance with IAS 39. The Group mainly uses forward exchange contracts as a means of hedging foreign currency risks. A forward exchange contract used to hedge an underlying transaction, in particular an ongoing order or a trade receivable denominated in a foreign currency, constitutes a fair value hedge. In this case the changes in market value arising from the hedging transaction and the change in the value of the underlying transaction arising from the hedged risk are taken to income under consideration of deferred taxes. The classification of financial instruments is set out in note 35.

The following exchange rates were applied (in CHF)				Year-end rate 31.12. for the balance sheet		Year-average rate 31.12. for the income statement	
				2012	2011	**2012**	2011
USA	Dollar	USD	1	0.913	0.938	0.938	0.887
EU	Euro	EUR	1	1.207	1.216	1.205	1.233
China	Yuan	CNY	1	0.145	0.149	0.148	0.137
Malaysia	Ringgit	MYR	1	0.294	0.296	0.305	0.289
Hong Kong	Dollar	HKD	1	0.118	0.120	0.121	0.114
Singapore	Dollar	SGD	1	0.746	0.724	0.751	0.705
India	Rupee	INR	100	1.671	1.770	1.744	1.880

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

The reported value corresponds to the invoiced amounts less allowance for bad debts.

Inventories

Purchased goods are reported at acquisition costs, self-produced goods are measured at production costs. If the net sales value is lower, corresponding value adjustments are made. The production costs include the full costs of the material, the proportionate manufacturing costs and the proportionate general overheads.

Inventories are measured using the weighted average costs method. For non-marketable parts held in inventory an appropriate allowance is recognised on the basis of frequency of turnover.

Allowances are recognised for customer-specific, finished machines which remain in inventory and for all machines kept for demonstration purposes. Intercompany profits in inventory are eliminated through the income statement.

Property, plant and equipment

Land is measured at acquisition cost. Impairments are recognised for any decrease in value which has occurred. Buildings, machinery, vehicles and operating equipment are measured at acquisition costs less accumulated depreciation.

Depreciation is calculated using the straight-line method over the following estimated useful life:

Land	no depreciation
Buildings	20 to 40 years
Conversions & installations	10 years or period of rental
Machines & tools	5 to 15 years
Furnishings	8 to 10 years
Computer systems & software	3 to 5 years
Vehicles	3 to 5 years
Plant under construction	no depreciation

Property, plant and equipment financed through long-term leasing agreements (financial leasing) are capitalized and written down like other investments. The cash value of the respective leasing obligations is carried under liabilities. Short-term leasing (operating leasing) costs are charged directly to the income statement. The corresponding liabilities are disclosed in the notes.

Investment property

Investment properties are undeveloped land and separable, rented out residential, office and warehouse space and technical laboratories held for the purpose of generating rental income. These buildings are not used by Schweiter Technologies or only to an insignificant degree. Properties without land held as investment property are carried at historical cost less commercially necessary straight-line depreciations. Current market values are periodically determined by independent experts and disclosed in the notes.

Biological assets

3A Composites uses and processes balsa wood cultivated at its own plantations.

Tree plantings aged two years or less are stated at cost. These amortized acquisition and production costs essentially include the cost of wages and materials, as well as operating resources and agents for preparation and maintenance such as the disinfection and irrigation of the young plantations.

Accounting policies

Tree plantings older than two years are regularly adjusted to market value, as calculated on the basis of the market price for green balsa sawn timber. In principle, the market valuation is restated whenever there is a significant price change, but at least at the end of each quarter.

The market price corresponds to the average price paid to independent balsa wood traders. When calculating the market price of standing trees, the necessary forestry and transport costs are also deducted. The change in market value is taken to the income statement under other operating expenses or income.

Investments in associated companies

Investments in associated companies are recognized at cost at the time of acquisition and are subsequently measured using the equity method.

Goodwill

Goodwill is to the amount by which the total consideration given exceeds the amount of all non-controlling interests in the acquired entity, the fair value of the equity previously held by the acquirer in the acquired entity (where applicable) and the net amount of the identifiable assets acquired and liabilities assumed at the time of acquisition.

The recoverable amount of goodwill is reviewed for impairment annually and whenever there is an indication of impairment. Any impairments are immediately recognised as an expense and will never be reversed. Negative goodwill is directly recognized in the income statement.

Other intangible assets

Research and development costs – Research costs are charged to the income statement of the current year. Development costs are charged to the income statement where the conditions for capitalization within the meaning of IAS 38 are not satisfied. The conditions for the capitalization of development costs include evidence of technical feasibility, the will and financial resources to complete the development, the reliable measurement of the costs attributable to the intangible asset and evidence of a future economic benefits.

Other intangible assets are stated at acquisition costs and amortised on a straight-line basis over their estimated useful life. The estimated useful life is as follows:

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

Since no end to the useful life of the protected brand names AIREX, ALUCOBOND, BALTEK, DIBOND, GATOR and KAPA is foreseeable, they are defined as assets with an indefinite useful life. Accordingly, the asset is not amortized but tested at least yearly for impairment.

Income tax

Taxes incurred on the basis of the business results will be accrued regardless of when such payment obligations become due and allowing for any tax-deductible losses carried forward.

In addition, provisions for deferred taxes will be made. Such provisions are the result of temporary differences between the carrying amount for Group purpose and the tax valuation in the separate financial statements which lead to shifts in the timing of taxation. The calculation is made according to the liability method. The calculation is based on the local tax rate expected to apply on the balance sheet date.

No provisions are made for taxes which would be incurred on the distribution of retained profits of subsidiaries, except in cases in which a distribution is likely to be forthcoming in the foreseeable future or has been decided upon.

Deferred tax assets for temporary differences and tax losses carried forward are recognised only where future taxable profits could reasonably be expected to materialize and where temporary differences are realizable.

The Group assesses the recoverability of deferred tax assets resulting from tax losses carried forward separately for all tax objects, basing its assessment on all available evidence, including the most recent results and expected future taxable income.

Impairment

On each balance sheet date, an assessment is made of whether assets that account for significant sums show signs of impairment. If so, the recoverable amount is defined as the higher of the estimated net selling price and the ascertained value in use. The value in use corresponds to the net present value of the estimated future cash flows calculated using a standard risk-adjusted discount rate (WACC). If the recoverable amount thus determined is lower than the carrying value, an impairment loss is recognised. Except in the case of an impairment of goodwill, any recorded decrease in value that ceases to be justified is reversed and the respective amount taken to the income statement.

Employee benefits

Pension plans and employee stock option plan

Within the Group, a number of different pension plans are in place in compliance with the relevant legal requirements. The assets of most of these pension plans are reported separately under legally independent pension institutions. In addition to salary-dependent employer's contributions, some pension plans also require employees to pay contributions.

For defined benefit pension plans, pension costs are calculated on the basis of various economic and demographic assumptions using the projected unit credit method. The number of insured years up until the valuation cut-off date is also taken into account. The calculation assumptions the Group needs to assess include the expected future trend of earnings, long-term interest on retirement savings, staff turnover and life expectancy. Valuations are calculated annually by independent actuaries. Pension plan assets are measured at fair value. Pension costs consist of three components:

- Service costs, which are recognized in the income statement;
- Net interest expense, which is also recognized in the income statement, and
- Remeasurements, which are recognized in other comprehensive income.

Service costs include current service costs, past service costs and gains and losses on non-routine settlements. Gains and losses on plan curtailments are treated the same way as past service costs.

Employee contributions and contributions from third parties reduce service costs and are deducted from them if they are a result of the pension regulations or a de facto obligation.

Net interest expense is the amount obtained by multiplying the discount rate by the net pension liability or asset. Capital flows and changes occurring with timescales less than one year are taken into account on a weighted basis.

Remeasurements comprise actuarial gains and losses from the development of the present value of the pension obligations resulting from changes in assumptions and experience adjustments and from returns on plan assets less the amounts which are included in net interest expenses and changes in unrecognized assets less effects included in net interest expenses.

Remeasurements are recognized in other comprehensive income and cannot be recycled. The amounts recognized in other comprehensive income can be shifted within shareholders' equity.

In the consolidated financial statements service costs are recognized under personnel expenses and net interest expenses are recognized in the financial result. Remeasurements are recognized in other comprehensive income.

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.

Accounting policies

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 earliest 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.

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

Share-based payments

Employee services received in exchange for share-based payments settled in equity instruments are recognized under personnel expenses. The expenses to be recognized are measured as the fair value of the equity instruments at the time they are granted multiplied by the best possible estimate of the number of vestable instruments at the end of the vesting period or the number of equity instruments vested. The fair value of the equity instruments granted is calculated on the basis of the share price at the time of granting.

Provided they comply with standard market practice, vesting conditions attached to the granting will be factored into the calculation of the fair value of the equity instruments granted. Vesting conditions which are tantamount to service conditions or non-market performance conditions will not be factored into the calculation of the fair value but into the estimate of the number of vestable options or the number of equity instruments vested at the end of the vesting period. The expenses thus calculated are distributed over the entire vesting period. An amount equal to the expenses incurred is taken to the Group's retained earnings.

Risk assessment

The company has an implemented risk management system. On the basis of a periodic systematic risk identification process, the key risks to which the company is exposed are assessed in terms of their likelihood and impact. Appropriate measures, decided by the Board of Directors, are taken to avoid, diminish or shift these risks.

Risks borne by the company itself are strictly monitored. The most recent risk assessment by the Board of Directors was performed in October 2012.

Financial risk management

Market risks and
risk management basic principles

The Group is subject to market risks, credit risks and liquidity risks. The market risk consists primarily of foreign currency risks and, to a lesser degree, interest rate risks. There are no significant other price risks.

The Board of Directors is responsible for overseeing the Group's internal controlling systems which monitor, but cannot rule out, the risk of inadequate business performance. These systems provide appropriate, though not absolute, security against significant inaccuracies and material losses. Management is responsible for identifying and assessing risks that are of significance for the division in question.

In addition to quantitative approaches and formal guidelines – which are only part of a comprehensive risk management approach – it is also considered important to establish and maintain a corresponding risk management culture.

Financial instruments should be considered in particular to be bank balances, receivables, trade payables and interest-bearing liabilities. The carrying amounts of the bank balances, receivables and trade payables is largely the same as their fair value.

Foreign currency risk

As the Group engages in international operations, it is exposed to exchange rate risks. These risks relate primarily to the US dollar and the euro. Some forward exchange transactions are used to hedge exchange rate risks. These instruments are not used for speculative purposes.

Foreign currency risks arising from the conversion of items in the income statements and balance sheets of foreign Group companies are not hedged.

If the Swiss franc had been 5% stronger against the euro (US dollar) on December 31, 2012 with all other variables unchanged, the pre-tax result of the Schweiter Technologies Group would have been lower by CHF 0.6 million (CHF 2.4 million) (previous year: CHF 3.5 million (euro) and CHF 7.0 million (US dollar)) and shareholders' equity would have been lower by CHF 1.8 million (CHF 5.8 million).

Conversely, if the Swiss franc had been 5% weaker against the euro (US dollar) on December 31, 2012 with all other variables unchanged, the pre-tax result of the Schweiter Technologies Group would have been higher by CHF 0.6 million (CHF 2.4 million) (previous year CHF 3.5 million (euro) and CHF 7.0 million (US dollar)) and shareholders' equity would have been higher by CHF 1.8 million (CHF 5.8 million).

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% rise in interest rates would push up the interest rate result by around CHF 3.8 million (previous year: CHF 2.9 million). By the same token, a 1% fall in interest rates would reduce the interest rate result by CHF 0.9 million (previous year: CHF 0.5 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 are no cluster risks relating to trade accounts receivable. To minimize default risks, where appropriate additional collateral (e.g. irrevocable confirmed documentary credits, bank guarantees, credit risk insurance etc.) is agreed upon based on specific industry, country and customer analyses.

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.

Accounting policies

As of December 31, 2012 and December 31, 2011, 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 2012: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount 31.12.2012	Cash outflows Total	Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	2 236	2 303	2 303		
Trade payables	42 385	42 385	42 385		
Other liabilities	4 707	4 707	4 707		
non-current financial liabilities	3 352	3 694	–	2 548	1 146
Total	**52 680**	**53 089**	**49 395**	**2 548**	**1 146**

Financial liabilities 2011: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount 31.12.2011	Cash outflows Total	Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	1 552	1 592	1 592		
Trade payables	39 228	39 228	39 228		
Other liabilities	6 121	6 121	6 121		
non-current financial liabilities	3 911	4 577	–	2 751	1 826
Total	**50 812**	**51 518**	**46 941**	**2 751**	**1 826**

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.

Assumptions and use of estimates

The preparation of 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 results subsequently achieved may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and are adjusted appropriately if new information or findings come to light. Such changes are recognized in the income statement in the period in which the estimate is revised.

The key assumptions are described below and are also outlined in the respective notes.

Revenue recognition

Revenue is only recognized when, in management's judgement, the significant risks and rewards of ownership have been transferred to the customer. For some transactions this can result in cash receipts being initially recognized as deferred income and then released to income over subsequent periods on the basis of the performance of the conditions specified in the agreement. Management believes that the total accruals and provisions for these items are adequate, based upon currently available information.

Property, plant and equipment,
goodwill and intangible fixed assets

Goodwill and brand names with an unlimited useful life are reviewed annually for impairment, property, plant and equipment and other intangible fixed assets are reviewed when there are signs of impairment. To determine whether any impairment exists, management estimates and assesses future cash flows expected to result from the use of the assets or their possible disposal. In the same way, the assumed periods of use are based on empirical values and management's assessments.

Income taxes

Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. In particular, this also relates to the application of deferred tax assets for any future use of existing losses carried forward. Some of these estimates are based on interpretations of existing tax laws or regulations. Management believes that the estimates are reasonable and that the recognized assets and liabilities for income tax-related uncertainties are adequately recognized.

Receivables and inventories

The value adjustment for receivables takes account of the assessment of bad debt and credit risks. When reporting inventories on the balance sheet, estimates need to be made of their value retention based on the expected consumption of the article in question. The value adjustment on inventories is calculated by means of a coverage analysis. Where necessary, the parameters are adjusted.

Staff pension schemes

Most Schweiter Technologies employees participate in post employment pension schemes treated as defined benefit plans in accordance with IAS 19 revised. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations. The actuarial assumptions used, in agreement with Management, may have an impact on the assets and liabilities of staff pension schemes recognized in the balance sheet in future reporting periods.

Provisions for litigation

Some Group companies are exposed to litigation. Based on current knowledge, management has made an assessment of the possible impact of these legal cases and has reported provisions on the balance sheet accordingly.

Operating segments 2012

	(in CHF millions) **Continuing operations**	SSM Textile Machinery	3A Composites	Other/ Eliminations	Group
	Net revenues from continuing operations [1]	69.3	603.8	0.4	673.5
	Operating income from continuing operations	69.8	597.1	0.4	667.3
26	Depreciation and amortization [2]	1.0	25.5	0.0	26.5
26	Impairment	–	0.9	–	0.9
	Operating result from continuing operations	**7.4**	**50.4**	**– 3.6**	**54.2**
	Financial income				2.1
	Financial expenses				– 3.5
	Share of result of associated companies	–	– 2.0	–	– 2.0
	Income before taxes				**50.8**
	Income taxes				– 10.7
	Net income from continuing operations	**5.7**	**30.7**	**3.7**	**40.1**
	Capital expenditure in property, plant and equipment	1.2	16.2	–	17.4
	Capital expenditure in intangible assets	–	–	–	–
	Total capital expenditure	**1.2**	**16.2**	**–**	**17.4**
	Assets	50.8	524.4	308.9	**884.1**
	Liabilities	45.8	377.6	– 206.5	**216.9**
	Employees at year-end	256	2 151	6	**2 413**

[1] There are no revenues between the divisions. The product groups correspond to the operating segments.
[2] Including CHF 0.5 million depreciation on investment property.

Geographical information 2012 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [3]	330.5	192.4	130.3	20.3	**673.5**
Assets	659.1	147.4	77.6	–	**884.1**

[3] The revenues in Switzerland are insignificant.

Information on major customers 2012

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

Operating segments 2011

(in CHF millions)

Note	Continuing operations	SSM Textile Machinery	3A Composites	Other/ Eliminations	Group
	Net revenues from continuing operations [1]	72.9	624.7	0.4	698.0
	Operating income from continuing operations	76.9	636.3	0.4	713.6
26	Depreciation and amortization [2]	0.5	26.3	0.0	26.8
26	Impairment	–	0.9	–	0.9
	Operating result from continuing operations [3]	**8.3**	**47.9**	**– 1.6**	**54.6**
	Financial income				1.1
	Financial expenses				– 6.1
	Share of result of associated companies	–	0.9	–	0.9
	Income before taxes [3]				**50.5**
	Income taxes				– 8.8
	Net income from continuing operations [3]	**6.4**	**32.5**	**2.8**	**41.7**
	Capital expenditure in property, plant and equipment	0.7	20.5	–	21.2
	Capital expenditure in intangible assets	–	–	–	–
	Total capital expenditure	**0.7**	**20.5**	–	**21.2**
	Assets	56.1	508.8	294.9 [4]	**859.8**
	Liabilities	47.6	378.1	– 203.1 [5]	**222.6**
	Employees at year-end	233	2 495	6	**2 734**

[1] There are no revenues between the divisions. The product groups correspond to the operating segments.
[2] Including CHF 0.2 million depreciation on investment property
[3] Including effects arising from IAS 19 (revised) plan amendments and plan adjustment at 3A Composites (see note 16).
[4] Including CHF 92.2 million from discontinued operations.
[5] Including CHF 21.7 million from discontinued operations.

Geographical information 2011 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [6]	328.2	183.2	178.1	8.5	**698.0**
Assets	584.0	151.1	124.7	–	**859.8**

[6] The revenues in Switzerland are insignificant.

Information on major customers 2011

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

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2012**	2011
CHF	240 259	218 533
EUR	33 555	32 673
USD	78 768	24 112
RMB	27 272	18 635
Other	2 750	1 847
Total	**382 604**	**295 800**

Cash and cash equivalents consist of cash deposits with banks and in postal check accounts. They carry interest ranging from 0.0% to 7.5% (INR).

2 **Trade receivables** (in CHF 1000s)	**2012**	2011
Total trade receivables	72 656	103 453
– less allowance for doubtful accounts receivable	– 2 171	– 2 170
Total trade receivables – net	**70 485**	**101 283**

Age analysis of trade receivables **2012:** (in CHF 1000s)	Gross **31.12.2012**	Bad debt allowance **31.12.2012**	Net **31.12.2012**
Not due	62 932	– 519	62 413
Overdue up to one month	5 680	– 11	5 669
Overdue between 1 and 2 months	1 464	– 196	1 268
Overdue between 2 and 3 months	487	– 205	282
more than 3 months overdue	2 093	– 1 240	853
Total overdue	*9 724*	*– 1 652*	*8 072*
Total	**72 656**	**– 2 171**	**70 485**

Age analysis of trade receivables **2011:** (in CHF 1000s)	Gross 31.12.2011	Bad debt allowance 31.12.2011	Net 31.12.2011
Not due	80 103	– 132	79 971
Overdue up to one month	10 313	– 6	10 307
Overdue between 1 and 2 months	4 328	– 131	4 197
Overdue between 2 and 3 months	2 105	– 169	1 936
more than 3 months overdue	6 604	– 1 732	4 872
Total overdue	*23 350*	*– 2 038*	*21 312*
Total	**103 453**	**– 2 170**	**101 283**

Changes in the value adjustment for doubtful accounts receivable:	**2012**	2011
Balance as at January 1	2 170	1 460
Change in the scope of consolidation	76	0
Foreign currency differences	– 14	1
Bad debt allowance used	– 336	– 126
Bad debt allowance released	– 241	– 217
Bad debt allowance increased	516	1 052
Balance as at December 31	**2 171**	**2 170**

Respective bad debt allowances shall cover for bad debt and credit risks. The carrying amount of trade receivables represents the maximum exposure to credit risk.

3 **Other receivables** (in CHF 1000s)	**2012**	2011
Financial assets:		
– Derivative financial instruments	36	–
– Receivables from associated companies	5 198	3 526
– Other receivables	5 500	6 192
Non-financial assets:		
– Receivables from indirect taxes	7 120	7 340
– Accounts receivable from social insurance schemes	879	1 040
Total	**18 733**	**18 098**

4 **Inventories** (in CHF 1000s)	**2012**	2011
Raw materials and production parts	57 018	59 522
Semi-finished goods and work in progress	15 950	25 494
Finished goods and trading goods	37 080	41 162
Total	**110 048**	**126 178**

The net value of the inventories is after value adjustments of CHF 19.1 million (previous year: CHF 23.3 million). All finished goods are stated in the balance sheet at manufacturing cost (previous year: CHF 0.1 million at the lower net realizable value). The value adjustment was determined on the basis of the salability and range of the inventories. No reinstatements were recorded as income (previous year: CHF 0.8 million).
No inventories are encumbered by rights of lien.

Notes to the consolidated financial statements

5 Property, plant and equipment 2012

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery Tools	Furnishings	Computer equipment	Vehicles	Assets under construction	Total
Cost								
Balance as at January 1, 2012	138 197	11 354	214 993	4 965	17 166	4 117	8 528	399 320
Additions from mergers	840	38	6 040	24	307	87	–	7 336
Disposals from discontinued operations	0	–349	–3 413	–2 261	–6 220	–307	–	–12 550
Additions	3 391	154	3 893	85	939	199	9 122	17 783
Disposals	–2 251	–261	–6 201	–129	–1 271	–520	0	–10 633
New classifications	773	326	8 962	–	1 182	–	–11 243	0
Reclassification [1]	–25 282	–	–	–	–	–	–	–25 282
Exchange rate differences	–1 337	–164	–2 875	–99	–109	–62	–131	–4 777
Balance as at Dec. 31, 2012	**114 331**	**11 098**	**221 399**	**2 585**	**11 994**	**3 514**	**6 276**	**371 197**
Accumulated depreciation								
Balance as at January 1, 2012	–43 004	–4 469	–147 191	–3 423	–12 527	–3 064	–	–213 678
Disposals from discontinued operations	0	273	2 704	2 073	6 043	257	–	11 350
Depreciation for the year [2]	–4 351	–1 270	–15 747	–361	–2 341	–427	–	–24 497
Impairment	–11	–	–556	–	–	–	–312	–879
Disposals	579	180	4 362	102	1 223	459	–	6 905
New classifications	–	–	–	–	–	–	–	0
Reclassification [1]	11 953	–	–	–	–	–	–	11 953
Exchange rate differences	372	90	2 068	74	79	44	13	2 740
Balance as at Dec. 31, 2012	**–34 462**	**–5 196**	**–154 360**	**–1 535**	**–7 523**	**–2 731**	**–299**	**–206 106**
Net book value Dec. 31, 2012	**79 869**	**5 902**	**67 039**	**1 050**	**4 471**	**783**	**5 977**	**165 091**
Insurance values								544 751
Net book value of pledged land and buildings								–
Net book value of leased property, plant and equipment								7 736
14 Leasing obligations for property, plant and equipment reported on balance sheet								4 368

[1] Reclassification as "Investment property" – see note 6
[2] Including depreciation of discontinued operations amounting to CHF 997 000

As a result of a change of strategic focus, the display business in India was subjected to an impairment test, which resulted in an impairment of the machinery by CHF 0.9 million.

5 Property, plant and equipment 2011

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery Tools	Furnishings	Computer equipment	Vehicles	Assets under construction	**Total**
Cost								
Balance as at January 1, 2011	160 823	9 058	208 718	5 202	17 379	4 327	12 486	417 993
Additions	638	410	2 910	168	586	216	11 762	16 690
Disposals	–164	–3 250	–7 114	–316	–704	–411	–	–11 959
New classifications	868	2 272	12 051	–	70	16	–15 277	0
Reclassification [1]	–23 088	–	–	–	–	–	–	–23 088
Exchange rate differences	–880	–136	–1 572	–89	–165	–31	–443	–3 316
Balance as at Dec. 31, 2011	**138 197**	**8 354**	**214 993**	**4 965**	**17 166**	**4 117**	**8 528**	**396 320**
Accumulated depreciation								
Balance as at January 1, 2011	–39 614	–3 631	–138 817	–3 363	–11 058	–3 133	0	–199 616
Depreciation for the year	–4 476	–1 310	–15 381	–414	–2 334	–384	–	–24 299
Impairment	–	–	–872	–	–	–	–	–872
Disposals	124	3 250	7 033	315	655	386	–	11 763
New classifications	–	–	–171	–	118	53	–	0
Reclassification [1]	727	–	–	–	–	–	–	727
Exchange rate differences	235	222	1 017	39	92	14	–	1 619
Balance as at Dec. 31, 2011	**–43 004**	**–1 469**	**–147 191**	**–3 423**	**–12 527**	**–3 064**	**0**	**–210 678**
Net book value Dec. 31, 2011	**95 193**	**6 885**	**67 802**	**1 542**	**4 639**	**1 053**	**8 528**	**185 642**
Insurance values								587 404
Net book value of pledged land and buildings								–
Net book value of leased property, plant and equipment								7 439
14 Leasing obligations for property, plant and equipment reported on balance sheet								5 318

[1] Reclassification as "Investment property" – see note 6

The reorganization of research and development operations at the Neuhausen site resulted in a CHF 0.9 million impairment on the machinery which is taken to the income statement under Depreciation and amortization.

Notes to the consolidated financial statements

6 Investment property

Rhytech site, Neuhausen

A study was conducted with a view to the development of the investment property in Neuhausen am Rheinfall (Rhytech site) and rezoning and district planning procedures were launched on the basis of the winning project. The rezoning procedure is expected to be completed by spring 2013 and the district planning procedure by summer 2013.

The fair value of the investment property was reassessed by an independent expert at the end of 2012. As premises had deliberately been left vacant, fair value was assessed on the basis of intrinsic value rather than using the DCF method. At the same time the intrinsic value was based on the current valid zoning code (industrial zone). The current market value of the buildings was re-estimated at CHF 16.5 million. Together with the land value of CHF 5.2 million, the fair value of the property as a whole is assessed at CHF 21.7 million.

The market value as of the end of 2012 therefore stands at the amortized cost of the investment property which has continued to be stated with a useful life of 40 years on a straight-line basis.

There are no restrictions on the feasibility of the investment property and no key contractual obligations in terms of purchase, manufacture, development or maintenance.

Rue-de-l'Helvétie site, La Chaux-de-Fonds

Prior to the disposal of the Ismeca Semiconductor division, the property in La Chaux-de-Fonds was transferred to the newly established company Nerwal SA by way of an asset takeover as of December 14, 2012. The reclassification from property, plant and equipment amounted to CHF 13.3 million and the book value at the end of the year under review came to CHF 13.9 million. While an independent report estimates the market value of the investment property at CHF 21.7 million, management assesses the effectively realizable market value as lower.

(in CHF 1000s)	**2012**	2011
Cost		
Balance as at January 1	23 124	0
Reclassification from property, plant and equipment	13 329	23 088
Additions	594	36
Disposals	0	0
Exchange rate differences	0	0
Balance as at December 31	**37 047**	**23 124**
Accumulated depreciation		
Balance as at January 1	– 956	0
Reclassification from property, plant and equipment	0	– 727
Depreciation for the year	– 480	– 229
Exchange rate differences	0	0
Balance as at December 31	**– 1 436**	**– 956**
Net book value December 31	**35 611**	**22 168**

7 Biological assets

The balsa wood which 3A Composites uses as the core material for composite materials applications in the wind power, marine, automotive and other industrial markets is cultivated and processed at its own plantations by Baltek in Ecuador.

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 worked using most standard timber processing techniques.

At the end of 2012, Baltek Ecuador had 111 plantations with a surface area of 8651 hectares, 5532 hectares of which are currently planted with balsa trees. This makes Baltek Ecuador's largest plantation owner and balsa wood producer. In 2012, a total of 21475000 board feet of green sawn timber were produced from our own plantations. A "board foot" is a unit of volume for timber. The quantity produced is equivalent to 50675 cubic meters.

At the end of 2012, the value of the biological assets amounted to CHF 14.5 million, CHF 4.0 million of which are accounted for by young plantations less than two years old that are stated at amortized acquisition and production costs. Plantations more than two years old are stated at market value (CHF 10.5 million).

(in CHF 1000s)	2012	2011
Book value as at January 1	**15 638**	**15 589**
Gain or loss as a result of change in market value less selling costs	– 781	834
Increase as a result of growth and maintenance measures	2 557	1 668
Decrease as a result of harvest	– 2 479	– 2 141
Wind damage	– 93	– 267
Exchange rate adjustments as a result of currency translation	– 390	– 45
Book value as at December 31	**14 452**	**15 638**

Balsa takes an average of five years to grow from sowing to the harvesting of trees. However, a harvest yield for further use in production can only be quantified after two years. Tree plantings aged two years or less are therefore stated at cost. These amortized acquisition and production costs essentially include the cost of wages and materials, as well as operating resources and agents for preparation and maintenance such as the disinfection and irrigation of the young plantations.

Tree plantings older than two years are regularly adjusted to market value, as calculated on the basis of the market price for green balsa sawn timber. In principle, the market valuation is restated whenever there is a significant price change, but at least at the end of each quarter.

The market price is real and corresponds to the average price paid to independent balsa wood traders. Independent traders are other plantation owners who negotiate quantities and prices directly with Baltek and other buyers. When calculating the market price of standing trees, the necessary forestry and transport costs are also deducted.

The key risks to balsa timber plantations are wind damage and fungal disease which attack the trunks of the young saplings. In light of risk analyses and cost-benefit calculations, Baltek has not taken out any specific insurance policies, but assumes these risks itself.

Notes to the consolidated financial statements

8 Investment in associated companies

There was no change in investments in associated companies during the year under review. The 3A Composites Division operates in the wind market through investments in two companies: Windkits LLC in the US and 3Tee Composites Ltd. in China. A change in the ownership of the partner in Windkits (JSB Plast) means that in 2013 3A Composites will have to take over JSP Plast's 50% stake and fully consolidate Windkits. In this context, the year-end impairment test has revealed that the investment is no longer fully recoverable and it has therefore been depreciated by CHF 1.143 million.

Net book values (in CHF 1000s)	Share of shareholders' equity	Goodwill	Total investment in associated companies
December 31, 2010	**1 333**	**1 177**	**2 510**
Additions	3 371	0	3 371
Depreciation	0	0	0
Share of net result	855	0	855
Dividend received	– 444	0	– 444
Other movements in associated company's equity	0	0	0
Currency translation adjustments	343	– 3	340
December 31, 2011	**5 458**	**1 174**	**6 632**
Additions	0	0	0
Depreciation / Impairment	0	– 1 143	– 1 143
Share of net result	– 847	0	– 847
Dividend received	– 141	0	– 141
Other movements in associated company's equity	0	0	0
Currency translation adjustments	– 145	– 31	– 176
December 31, 2012	**4 325**	**0**	**4 325**

Financial figures for associated companies (in CHF 1000s)	**2012**	2011
Total assets	13 292	14 440
Total liabilities	– 4 640	– 3 510
Total net assets	8 652	10 930
Share of net assets	**4 325**	**5 458**

(in CHF 1000s)	**2012**	2011
Total sales	22 088	12 441
Overall profit for the period	– 1 694	1 710
Share of net assets	**– 847**	**855**
Net Group revenues with associated companies	17 101	12 672

9 **Financial assets** (in CHF 1000s)	**2012**	2011
Non-current receivables	119	647
Other financial assets	1 134	1 136
Total	**1 253**	**1 783**

10 **Intangible assets 2012** (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as at January 1, 2012	13 996	44 168	19 163	77 327
Additions from mergers	2 028	2 219	0	4 247
Disposals from discontinued operations	– 5 472	0	0	– 5 472
Additions	–	18	–	18
Disposals	–	–	– 440	– 440
Exchange rate difference	– 331	– 996	– 454	– 1 781
Balance as at December 31, 2012	**10 221**	**45 409**	**18 269**	**73 899**
Accumulated amortization				
Balance as at January 1, 2012	0	– 9 279	– 10 369	– 19 648
Amortization for the year	–	– 1 138	– 1 361	– 2 499
Disposals	–	–	440	440
Exchange rate difference	–	372	280	652
Balance as at December 31, 2012	**0**	**– 10 045**	**– 11 010**	**– 21 055**
Net book value as at December 31, 2012	**10 221**	**35 364**	**7 259**	**52 844**

Since no end to the useful life of the capitalized brand names AIREX, ALUCOBOND, BALTEK, DIBOND, GATOR and KAPA is foreseeable and as they are still maintained through marketing activities, they are defined as assets with an indefinite useful life. Brands with an acquisition value of CHF 33.9 million as of the end of December 2012 will therefore not be amortized on a planned basis, but are subjected to an impairment test annually or whenever there is an indication of impairment.

The recoverable amount of the brands was calculated on the basis of fair value less cost to sell. This involved applying the relief-from-royalty method, whereby the commercial advantage of the brand owner is determined on the basis of the discounted royalty savings. During the budgeted period of five years, the cash flow forecasts are based on the expected royalty savings of between 0.4% and 3%. The constant annual growth rate after the fifth forecasting year stands at 1%. The cash flows calculated in this way are discounted at various rates for each brand name ranging from 8.7% to 11.3% p.a. (previous year: 9.3% to 12.0% p.a.) A 1% increase in the discounting rates would also not result in any impairment.

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

As in the previous year, no development expenses were capitalized in the year under review. Development expenses amounted to CHF 11.9 million (previous year: CHF 20.8 million).

Notes to the consolidated financial statements

10 Intangible assets 2011 (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as at January 1, 2011	15 068	44 480	19 915	79 463
Additions	–	–	–	0
Disposals	–	–	– 637	– 637
Exchange rate difference	– 1 072	– 312	– 115	– 1 499
Balance as at December 31, 2011	**13 996**	**44 168**	**19 163**	**77 327**
Accumulated amortization				
Balance as at January 1, 2011	0	– 7 350	– 9 293	– 16 643
Amortization for the year	–	– 1 969	–1 296	– 3 265
Disposals	–	–	208	208
Exchange rate difference	–	40	12	52
Balance as at December 31, 2011	**0**	**– 9 279**	**– 10 369**	**– 19 648**
Net book value as at December 31, 2011	**13 996**	**34 889**	**8 794**	**57 679**

Goodwill 2012

Cash generating unit	Book value in CHF 1000s	Method	Basis for determining recoverable amount	Discount rate before taxes	Projection period	Long-term growth rate
SSM Giudici	2 044	DCF	Value-in-use	10.3%	5 years	1%
3A Composites India	5 854	DCF	Value-in-use	11.5%	5 years	1%
3A Composites Division	2 323	DCF	Value-in-use	9.1%	5 years	1%
Total	**10 221**					

In 2012 and 2011 no impairment charges were necessary. A one percent increase or reduction in the discount rate under a sensitivity analysis does not show any impairment. The value-in-use naturally reacts sensitively to changes in assumed, estimated future planning figures and cash flows.

Goodwill 2011

Cash generating unit	Book value in CHF 1000s	Method	Basis for determining recoverable amount	Discount rate before taxes	Projection period	Long-term growth rate
Ismeca Semiconductor Division	5 472	DCF	Value-in-use	11.0%	5 years	0%
3A Composites India	6 201	DCF	Value-in-use	11.5%	5 years	1%
3A Composites Division	2 323	DCF	Value-in-use	9.6%	5 years	1%
Total	**13 996**					

	11 **Current financial liabilities** (in CHF 1000s)	**2012**	2011
	Loans falling due within one year	1 583	993
14	Short-term leasing liabilities	653	559
	Total	**2 236**	**1 552**

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

December 31,	**2012**	Actual interest rates	December 31,	2011	Actual interest rates
INR	1 583	3.00%	INR	993	3.00%
CHF	559	2.61%	CHF	559	3.85%
EUR	94	7.72%			
Total	**2 236**			**1 552**	

12 **Other payables** (in CHF 1000s)	**2012**	2011
Financial liabilities:		
– Derivative financial instruments	0	1 796
– Other liabilities	4 700	4 325
Non-financial liabilities:		
– Obligations towards social insurance schemes	1 499	1 903
– Obligations resulting from sales taxes	1 068	409
Total	**7 267**	**8 433**

13 **Accrued expenses and deferred income** (in CHF 1000s)	**2012**	2011
Outstanding volume discounts and customer credits	6 947	7 455
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	17 275	19 927
Cost of materials / overheads	2 353	2 300
Other accrued expenses and deferred income	6 959	8 153
Total	**33 534**	**37 835**

	14 **Obligations arising from finance leasing** (in CHF 1000s)	**2012**	2011
	Obligations arising from finance leasing (nominal), due in:		
	– one year	674	741
	– 2 to 5 years	2 548	2 751
	– more than 5 years	1 146	1 826
	Total nominal value	**4 368**	**5 318**
	less future financial expense	– 363	– 848
	Total cash value of minimum leasing obligations	4 005	4 470
	Reporting on balance sheet by due date		
11	– in one year (in current financial liabilities)	653	559
15	– in more than one year (in non-current financial liabilities)	3 352	3 911
	Total cash value of minimum leasing obligations	**4 005**	**4 470**

Notes to the consolidated financial statements

	15 **Non-current financial liabilities** (in CHF 1000s)	**2012**	2011
14	Long-term leasing obligations	3 352	3 911
	Total	**3 352**	**3 911**
	The maturities of the non-current financial liabilities are as follows:		
	– 2 to 5 years	2 210	2 185
	– more than 5 years	1 142	1 726
	Total	**3 352**	**3 911**

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

December 31,	**2012**	Actual interest rates	December 31,	2011	Actual interest rates
CHF	3 352	2.61%	CHF	3 911	3.85%
Total	**3 352**			**3 911**	

16 Payments after termination of employee relationships

The Group operates various employee benefit plans in and outside of Switzerland for employees that satisfy the participation criteria. Among these plans are both defined benefit plans and defined contribution plans that cover the majority of employees for death, disability and retirement.

Defined contribution pension plans

The Group offers defined contribution plans for staff who meet the relevant admission criteria. The plans in Singapore and Malaysia are state-run savings plans. 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.

In some other countries, the employer offers defined contribution pension plans. This mainly applies to Taiwan. The assets of these plans are spun off into legal units which are independent of the company and are not accessible to the employer.

For the 2012 financial year, the employer's contribution to defined contribution plans amounted to CHF 1.038 million (previous year: CHF 751 000).

Defined benefit plans

The Group finances defined benefit pension plans for employees who meet the relevant admission criteria. The main plans of this type are located in Switzerland, Germany, the US and Ecuador.

Pension plans in Switzerland

Following the sale of Ismeca Semiconductor, the Group still operates a staff pension plan in Switzerland. The assets of this plan are segregated into an autonomous foundation. The Board of Trustees is made up of equal numbers of employee and employer representatives. Under the law and the pension regulations, the Board of Trustees has a duty to act only in the interests of the foundation and the beneficiaries (active insured members and members receiving pensions). This means that the employer itself cannot determine the benefits or how they are financed. Instead, the decisions are taken jointly. The Board of Trustees is responsible for defining the investment strategy, for making changes to the pension fund regulations and in particular also for defining the financing of the pension benefits. Pension benefits are based on retirement savings. The annual retirement credits and interest will be credited to these retirement savings (there will be no possibility of negative interest). When insured members come to retire, they will be able to choose whether to take a pension for life, which will include a reversionary spouse's pension, or a lump sum.

In addition to retirement benefits, the plan benefits will also include disability and partner pensions. These will be calculated as a percentage of the employee's annual pensionable salary. Insured members may also buy into the scheme to improve their pension provision up to the maximum amount permitted under the rules or may withdraw funds early for the purchase of a residential property for their own use. On leaving the company, the retirement savings will be transferred to the pension institution of the new employer or to a vested benefits institution. This type of benefit may result in pension payments varying considerably between individual years.

In defining the benefits, the minimum requirements of the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and its implementing provisions must be observed. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2013, the rate is 1.5%, the same rate as in 2012.

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.

As a result of the sale of Ismeca Semiconductor, the pension plan was transferred to the new owner. This transfer reduces the pension liabilities by CHF 5.036 million, which was recorded as income from discontinued operations (see note 32). In 2012, the trustees decided on various changes to the plan. These were communicated to staff and led to a reduction in pension benefits and personnel expenses by CHF 11.941 million.

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.

As a result of an acquisition in Italy a pension plan with liabilities amounting to CHF 611 000 was taken over.

Americas

In the US, staff who leave the Group after the age of 62 and who meet the vesting criteria are entitled to health insurance benefits under the Group's pension plan. As of June 30, 2012, the plan was adjusted so that in future a fixed age-dependent amount would be paid toward health insurance costs. This means that the plan is no longer subject to the risk of the future development of medical expenses. Thus, the main residual actuarial risk still lies in future changes

Notes to the consolidated financial statements

in life expectancy. The plan has no assets segregated from the Group and the benefits are paid directly by the employer. The change in the plan resulted in a reduction in pension liabilities by CHF 4.631 million which reduced personnel expenses accordingly.

In addition, the Group provides some US employees with pension benefits through a joint plan operated by several employers. Because of the structure of its benefits, this plan is a defined benefit plan. The benefits are dependent on the number of years of service and the insured salary. The employer's contributions to this plan are determined on the basis of the negotiated collective labor agreement and the financial position of the plan. The main risks are interest risks, investment risks and the risk of an increase in life expectancy.

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

The most recent actuarial valuations of the present values of the defined benefit obligations as of December 31, 2012 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 December 31, 2012 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:

December 31				2012				2011
	Switzerland	EU	America	Weighted	Switzerland	EU	America	Weighted
Discount rate	2.00%	3.50%	3.27%	2.33%	2.50%	4.90%	4.18%	2.91%
Future increases in salaries	1.50%	2.67%	0.47%	1.43%	2.00%	2.75%	0.40%	1.77%
Future pension adjustments	0.10%	1.94%	0.43%	0.31%	0.10%	2.00%	0.06%	0.20%
(in years)								
Life expectancy at age 65								
Year of birth 1947								
– Men	21	18	19		21	18	19	
– Women	24	23	22		24	23	22	
Year of birth 1967								
– Men	23	22	21		23	22	21	
– Women	25	26	23		25	26	23	
Cost trends in the healthcare sector	–	–	–	–	–	–	6.9% in 2012 linear up to 4.4% in 2093	–

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

Pension expense recognized in the income statement

December 31				**2012**				2011
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Service costs								
– Current service costs	4 547	378	578	5 503	7 381	398	727	8 506
– Past service costs	–11 941	0	–4 631	–16 572	–26 722	0	–396	–27 118
– Plan settlements	0	0	0	0	5	0	0	5
Net interest expense	841	628	683	2 152	772	589	816	2 177
Total pension expense for the period	**–6 553**	**1 006**	**–3 370**	**–8 917**	**–18 564**	**987**	**1 147**	**–16 430**

Remeasurements recognized in other comprehensive income

December 31				**2012**				2011
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Actuarial gains/losses								
– Based on adjustment of demographic assumptions	0	0	0	0	4 918	0	20	4 938
– Based on adjustment of economic assumptions	9 697	3 984	2 459	16 140	9 371	428	2 683	12 482
Experience adjustments	1 542	–155	–722	665	–3 361	–153	423	–3 091
Return on pension assets (excluding amounts in net interest expenses)	–359	0	–1 194	–1 553	6 843	22	180	7 045
Total expense recognized in the "statement of other comprehensive income"	**10 880**	**3 829**	**543**	**15 252**	**17 771**	**297**	**3 306**	**21 374**
Total pension costs	**4 327**	**4 835**	**–2 827**	**6 335**	**–793**	**1 284**	**4 453**	**4 944**

Notes to the consolidated financial statements

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

Changes in the present value of defined benefit obligations

December 31				2012				2011
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening present value of defined benefit obligations	177 797	12 830	38 197	228 824	223 009	12 037	34 877	269 923
Current service cost	4 547	378	578	5 503	7 381	398	727	8 506
Plan participants' contributions	3 548	30	0	3 578	4 627	20	0	4 647
Interest expenses on the present value of the obligations	4 296	641	1 337	6 274	5 653	602	1 513	7 768
Actuarial gains / losses	11 239	3 829	1 737	16 805	10 928	275	3 126	14 329
Past service costs	–11 941	0	–4 631	–16 572	–16 932	0	0	–16 932
Plan settlements	–962	0	0	–962	–23 879	0	0	–23 879
Plan curtailments	0	0	0	0	–9 790	0	–396	–10 186
Business acquisitions	0	611	0	611	0	0	0	0
Sale of business	–25 955	0	0	–25 955	0	0	0	0
Benefits paid through plan assets	–11 886	0	–1 210	–13 096	–23 200	0	–1 144	–24 344
Benefits paid by employer	0	–343	–521	–864	0	–199	–530	–729
Exchange rate differences	0	–82	–612	–694	0	–303	24	–279
Closing present value of defined benefit obligations	**150 683**	**17 894**	**34 875**	**203 452**	**177 797**	**12 830**	**38 197**	**228 824**

Changes in the fair value of plan assets

December 31				2012				2011
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening fair value of plan assets	140 338	283	18 095	158 716	178 538	237	18 759	197 534
Plan participants' contributions	3 548	30	0	3 578	4 627	20	0	4 647
Employer's contribution	4 074	42	4	4 120	6 219	41	56	6 316
Interest income on assets	3 455	13	654	4 122	4 881	13	697	5 591
Return on plan assets (excl. amounts included in interest)	359	0	1 194	1 553	–6 843	–22	–180	–7 045
Assets distributed on settlements	–962	0	0	–962	–23 884	0	0	–23 884
Sale of business	–20 919	0	0	–20 919	0	0	0	0
Benefits paid through plan assets	–11 886	0	–1 210	–13 096	–23 200	0	–1 144	–24 344
Exchange rate differences	0	–1	–493	–494	0	–6	–93	–99
Closing fair value of plan assets	**118 007**	**367**	**18 244**	**136 618**	**140 338**	**283**	**18 095**	**158 716**

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

Amount recognized in the balance sheet

December 31				**2012**				2011
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Present value of funded obligation	150 683	8 446	25 637	184 766	177 797	12 830	24 817	215 444
Fair value of plan assets	–118 007	–367	–18 244	–136 618	–140 338	–283	–18 095	–158 716
Under/(over) funding	**32 676**	**8 079**	**7 393**	**48 148**	**37 459**	**12 547**	**6 722**	**56 728**
Present value of unfunded obligations	0	9 448	9 238	18 686	0	0	13 380	13 380
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**32 676**	**17 527**	**16 631**	**66 834**	**37 459**	**12 547**	**20 102**	**70 108**

The assets mainly originate from the pension plans in Switzerland and the US. The Boards of Trustees issue investment guidelines for the plan assets which include the tactical asset allocation and the benchmarks for comparing the results with a general investment universe. The assets are well diversified. The Swiss pension plans are also subject to the legal requirements on diversification and safety laid down by the BVG (Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans). Bonds generally have at least an A rating.

The plan assets do not include any direct investments in the Group. As shares are also held via fund units, the possibility that such units might include shares in the Group cannot be ruled out.

The Board of Trustees continuously reviews whether the chosen investment strategy is appropriate with a view to providing the pension benefits and whether the risk budget is in line with the demographic structure. Compliance with the investment guidelines and the investment results of the investment advisors is reviewed at quarterly intervals. An external consultancy also periodically reviews the effectiveness and appropriateness of the investment strategy.

Notes to the consolidated financial statements

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

December 31				**2012**				2011
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Equities	29 103	0	10 071	39 174	18 571	0	11 654	30 225
Bonds	63 502	0	2 116	65 618	29 811	0	6 333	36 144
Alternative financial assets	0	0	0	0	3 780	0	0	3 780
Real estate								
– Indirect investments	3 620	0	0	3 620	3 620	0	0	3 620
– Direct investments	18 090	0	0	18 090	19 232	0	0	19 232
Qualified insurance paper	0	367	0	367	2 275	283	0	2 558
Cash and cash equivalents and Other investments	3 692	0	6 057	9 749	63 049	0	108	63 157
Total	**118 007**	**367**	**18 244**	**136 618**	**140 338**	**283**	**18 095**	**158 716**

The assets generated a gain of CHF 5.675 million in 2012 and a loss of CHF 1.454 million in 2011. In 2013, employer's contributions are expected to amount to CHF 2.8 million, while pension payments to former employees are expected to amount to CHF 740 000.

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:

December 31				**2012**				2011
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Active insured members	111 343	13 147	15 311	139 801	129 923	9 145	17 032	156 100
Former members with vested benefits	0	962	5 130	6 092	0	408	10 823	11 231
Members receiving pensions	39 340	3 785	14 434	57 559	47 874	3 277	10 342	61 493
Total	**150 683**	**17 894**	**34 875**	**203 452**	**177 797**	**12 830**	**38 197**	**228 824**
(in years)								
Term of obligations	18.9	19.9	13.9	18.2	17.6	18.4	15.3	17.2

A feature all plans have in common 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.

Change in present value of a defined benefit obligation:

December 31, 2012 (in CHF 1000s)		+ 0.25%	– 0.25%
All countries	Discount rate	– 8 083	8 516
All countries	Development of wages and salaries	1 208	– 1 168
Switzerland	Interest on retirement assets	1 438	– 1 498
EU	Pension indexation	549	– 519

Other long-term benefits
The Group has programs for long-service awards and other payments dependent on length of service which are classified as other long-term payments due to employees.
As at December 31, 2012 there exists a provision in the amount of CHF 1.074 million (previous year: CHF 1.072 million) for other long-term payments.

Termination benefits
In Germany, partial retirement agreements are in place, which are classified as payments after termination of employee relationships.
As at December 31, 2012 provisions amounting to CHF 1.566 million (previous year: CHF 1.727 million) are in place for these benefits.

17 **Provisions** (in CHF 1000s)	Restruc-turings	Guarantees	Litigation	Environmental obligations	Other	Total **2012**	Total 2011
Balance as at January 1	2 026	4 776	6 327	2 639	2 454	18 222	20 455
Change in the scope of consolidation	0	113	0	480	– 103	490	0
Foreign currency differences	– 27	– 24	– 121	3	– 12	– 181	– 236
Consumption with neutral impact on income	– 866	– 1 910	– 874	0	– 678	– 4 328	– 6 081
Unused amounts reversed and released to income	0	0	– 1 226	0	– 601	– 1 827	– 2 198
Additional provisions charged to income	0	1 816	3 113	164	1 685	6 778	6 282
Balance as at December 31	**1 133**	**4 771**	**7 219**	**3 286**	**2 745**	**19 154**	**18 222**
of which: current provisions						3 056	4 667
non-current provisions						16 098	13 555
Expected use of provisions							
– within one year						3 056	4 667
– in 2 to 5 years						12 651	10 504
– more than 5 years						3 447	3 051

Notes to the consolidated financial statements

Restructurings:
Provisions for restructuring measures are only formed for individual projects which have been documented and communicated in detail in accordance with IAS 37.

The provisions for restructuring still unused as at end-2012 relate to the 3A Composites Osnabrück, Neuhausen and Shanghai sites.

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

Litigation:
Provisions for litigation essentially comprise pending legal disputes with former employees of 3A Composites in Ecuador and the United States and potential liabilities arising from the sale of the Satisloh and Ismeca Semiconductor divisions.

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

Other provisions:
Other provisions cover mainly material risks arising from framework agreements and obligations arising from personnel-related payments such as partial retirement and long-service awards. Material risks are based on empirical data and on commitments to take delivery that are still outstanding as at December 31, 2012.

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

18 **Share capital**	**2012**	2011
Number of bearer shares issued with a par value of CHF 1	1 443 672	1 443 672
Share capital as at December 31 (in CHF)	1 443 672	1 443 672
Authorized capital (in CHF)	300 000	300 000
Conditional capital (in CHF)	132 600	132 600

Treasury shares	Number of bearer shares	Average price in CHF
As at December 31, 2011	77 809	
Distribution from reserves from capital contributions	– 74 886	490.70
Other sales	– 39	490.00
Purchases under the share buyback program	2 750	522.26
As at December 31, 2012	**5 634**	
of which shares used for the share-based remuneration scheme	2 085	

In the first six months of 2012, 74 886 treasury shares were distributed to shareholders. Income from the distribution of treasury shares amounts to CHF 8.4 million (after deduction of income taxes). This was recognized in equity and had no impact on the income statement.

The Board of Directors of Schweiter Technologies AG decided to launch a buyback of up to 10% of the share capital registered in the commercial register, corresponding to a maximum of 144 367 bearer shares with a par value of CHF 1 each. The program was initiated on December 18, 2012, and will run until no later than October 31, 2014. Shares being acquired will be bought back via a separate trading line subject to deduction of withholding tax. Repurchased shares are to be destroyed on the basis of share capital reductions to be adopted by forthcoming general meetings.

Authorized capital:

As of December 31, 2012 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on May 9, 2012 to issue a maximum of 300 000 bearer shares by May 9, 2014. The subscription right may be excluded for the purpose of taking over companies by share swaps, or for financing the acquisition of companies, parts of companies or participations or new investment projects of the company.

Conditional capital:

As of December 31, 2012, the company's share capital may be increased ex rights by up to 132 600 bearer shares, which must be fully paid up;
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.

Repayment
from reserves from capital contributions:

At the General Meeting on May 9, 2012, in respect of the 2011 financial year, shareholders approved the conversion of reserves from capital contributions and the distribution of CHF 39.26 per bearer share (CHF 12.00 per share in cash and CHF 27.26 per share in the form of the distribution of one bearer share from the company's holding of treasury shares for every 18 bearer shares held). No repayment was made on treasury shares. The dividend amounts to a total of CHF 17.0 million in cash and CHF 36.7 million as the equivalent of the bearer shares issued (previous year: repayment of reserves from capital contributions of CHF 10 per share, totaling CHF 13.7 million).

For the 2012 financial year, the Board of Directors will propose to the Annual General Meeting of May 8, 2013 that reserves from capital contributions of CHF 27.80 per bearer share be converted and distributed, corresponding to a total amount of CHF 39.782 million. No repayment will be made on treasury shares.

Dividend

For the 2012 financial year, the Board of Directors will propose to the Annual General Meeting of May 8, 2013 that a gross dividend of CHF 12.20 per bearer share be distributed.

Notes to the consolidated financial statements

19 Share-based payments

No employee shares were granted during the year under review. In financial year 2011, Schweiter Technologies AG granted selected employees free shares in Schweiter Technologies AG subject to a blocking period until December 31, 2014. 2 085 shares were issued which, as of the cut-off date, are segregated from treasury holdings and held in a separate bank custody account. Since the issue was not tied to any further service conditions and the shares granted are fully entitled to dividend, the fair value of the equity instruments issued was estimated at the market price at the time of granting (CHF 487.75).

The expenses recognized in the financial year under review from share-based payments settled in equity instruments amounted to CHF 305 000 (previous year: CHF 102 000).

20 Transactions with related parties

Related parties (individuals and companies) include members of Group Management and the Board of Directors, significant shareholders and companies under their control. In principle, transactions with related parties are conducted at market terms. Apart from the compensation and pension benefits referred to in note 21 and the balances and transactions with associated companies referred to in notes 3 and 8, no significant transactions were conducted with related parties.

21 Compensation for members of the Board of Directors and Management

Compensation for members of the Board of Directors in **2012** [1)]

(in CHF 1000s)	Function	Fixed	Compensation for committee work [2)]	Pension benefits [3)]	Other	Total
Beat Siegrist	Chairman	200	–	25	–	225
Dr. Lukas Braunschweiler	Member	75	10	6	–	91
Heinrich Fischer	Member	75	–	5	–	80
Beat Frey	Member	75	–	3	–	78
Dr. Jacques Sanche	Member	75	10	5	–	90
Total compensation Board of Directors		**500**	**20**	**44**	**0**	**564**

1) For the period from May 9, 2012 until May 8, 2013 (dates of General Meeting)
2) Compensation for activities performed as a member of the Audit Committee
3) Employer's contribution to social insurance and pension fund

Compensation for members of the Board of Directors in 2011 [1]

(in CHF 1000s)	Function	Fixed	Compensation for committee work [2]	Pension benefits [3]	Other	Total
Beat Siegrist	Chairman	200	–	12	–	212
Dr. Lukas Braunschweiler	Member	75	10	5	–	90
Heinrich Fischer	Member	75	–	4	–	79
Beat Frey	Member	75	–	3	–	78
Dr. Jacques Sanche	Member	75	–	4	–	79
Rolf-Dieter Schoemezler	Member	75	10	0	–	85
Total compensation Board of Directors		**575**	**20**	**28**	**0**	**623**

[1] For the period from May 12, 2011 until May 9, 2012 (dates of General Meeting)
[2] Compensation for activities performed as a member of the Audit Committee
[3] Employer's contribution to social insurance and pension fund

Compensation for members of the Management in **2012**

(in CHF 1000s)	Function	Fixed	Variable [1]	Share-based payments [2]	Pension benefits [3]	Other	Total
Lorenzo Giarrè [4]	CEO Ismeca	210	1 768	0	227	–	2 205
Total compensation Management		**1 930**	**2 898**	**305**	**601**	**0**	**5 734**

[1] Variable salary component (bonus) expected to be due for the year under review
[2] 2085 shares granted at the end of August 2011, with vesting period until Dec.31, 2014 (see note 19)
[3] Employer's contribution to social insurance and pension fund
[4] Highest single amount

Compensation for members of the Management in 2011

(in CHF 1000s)	Function	Fixed	Variable [1]	Share-based payments [2]	Pension benefits [3]	Other	Total
Dr. Heinz O. Baumgartner [4]	CEO	400	400	102	149	–	1 051
Total compensation Management		**1 733**	**1 533**	**102**	**491**	**0**	**3 859**

[1] Variable salary component (bonus) expected to be due for the year under review
[2] 2085 shares granted at the end of August 2011, with vesting period until Dec.31, 2014 (see note 19)
[3] Employer's contribution to social insurance and pension fund
[4] Highest single amount

Notes to the consolidated financial statements

Share ownership

As of December 31, 2012, a total of 450 168 shares were held by members of the Board of Directors or members of Management as a result of exercised options or private purchases:

Surname	First name	Function	Number of shares
Siegrist	Beat	Chairman of the Board of Directors	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320
Fischer	Heinrich	Member of the Board of Directors	844
Frey [1)]	Beat	Member of the Board of Directors	364 973
Baumgartner	Heinz O.	Group CEO	115

[1)] Beat Frey is a member of a shareholder group and holds his shares via KWE Beteiligungen AG / VBF Holding AG

In addition to the shareholdings listed, Dr. Heinz O. Baumgartner, CEO of Schweiter Technologies, holds 2 085 shares which are held in a separate bank custody account and are subject to a blocking period until December 31, 2014.

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

22 **Net revenues** (in CHF 1000s)	**2012**	2011
Net proceeds of deliveries of goods	667 813	685 247
Net proceeds of services	5 219	11 868
Rental income	491	928
Total	**673 523**	**698 043**

23 **Other operating expenses** (in CHF 1000s)	**2012**	2011
Direct sales and distribution costs	47 496	44 448
Purchasing and production overheads	35 454	43 351
Sales and distribution	12 760	10 932
After sales overheads	2 257	2 945
Overheads relating to administration and capital taxes	17 539	19 766
Development overheads	3 422	6 082
Cost of premises	6 731	5 538
Loss on sale of tangible fixed assets	0	167
Decrease in market value of biological assets	781	0
Other operating expenses	229	740
Total	**126 669**	**133 969**

	24 **Income / expense from investment property – net** (in CHF 1000s)	**2012**	2011
	Income from investment property	1 650	700
	Expense for investment property	– 725	– 892
	Depreciation on investment property	– 480	– 229
	Total	**445**	**– 421**

	25 **Other operating income** (in CHF 1000s)	**2012**	2011
	Gains on sale of property, plant and equipment	1 773	2
	Increase in market value of biological assets	0	834
33	Negative goodwill (bargain purchase of Foamalite)	2 768	–
	Other income	1 912	1 932
	Total	**6 453**	**2 768**

	26 **Depreciation and amortization** (in CHF 1000s)	**2012**	2011
5	Depreciation on property, plant and equipment	23 500	23 320
5	Impairment of property, plant and equipment	879	872
10	Amortization of intangible assets	2 499	3 265
	Total	**26 878**	**27 457**

	27 **Financial income** (in CHF 1000s)	**2012**	2011
	Interest income	1 463	1 104
	Other financial income	671	–
	Total	**2 134**	**1 104**

	28 **Financial expenses** (in CHF 1000s)	**2012**	2011
	Interest expenses	2 690	2 892
	Exchange rate losses	868	3 153
	Total	**3 558**	**6 045**

Notes to the consolidated financial statements

29 **Income taxes** (in CHF 1000s)	**2012**	2011
Current taxes	8 353	8 615
Deferred taxes	2 321	167
Total	**10 674**	**8 782**

Deferred taxes are attributable to differences between the standard Group valuation and the tax valuation in the individual financial statements. The differences partly relate to the use of the declining balance method of depreciation and the creation of reserves on inventories, as acceptable for tax purposes, but are mainly due to provisions for pension liabilities, the capitalization of tax losses carried forward accepted for tax purposes and purchase price allocations for business combinations.

The following table shows the difference between effective tax expenditure and the mean tax expenditure anticipated on the basis of local tax rates:

Reconciliation of income taxes (in CHF 1000s)	**2012**	2011
Income before taxes – continuing operations	50 822	50 481
Income tax rate at Head Office	19.8%	19.8%
Tax expense anticipated	10 063	9 995
Differences owing to differing local tax rates	3 212	– 1 245
Impact of other non-taxable income	– 2 516	– 2 120
Impact of non-tax-deductible expenditure	521	968
Non-capitalized losses on current results carried forward	517	2 640
Use of non-capitalized tax losses carried forward	– 315	– 1 438
Taxes from previous periods and other influencing factors	– 808	– 18
Effective tax expense	**10 674**	**8 782**
Effective tax rate	21.0%	17.4%

The Group operates in a range of countries with different tax laws and tax rates. Effective tax expenditure therefore depends on the country-specific origin of the income or losses in a given year. The 3.6% increase in the effective tax rate was mainly due to the rise in earnings in the United States.

30 Deferred tax assets (in CHF 1000s)	Trade receivables	Inventories/ work in progress	Pension obligations	Capitalized tax losses carried forward	Provisions	Other	Total **2012**	Total 2011
Balance as at January 1	143	2395	12857	5057	3794	2366	26612	25132
32/33 Change in the scope of consolidation	–17	199	–1186	–	–	24	–980	0
Foreign currency differences	–2	–42	–124	–106	–113	–115	–502	–764
Recognized in equity	–	–	2699	–	–	–	2699	4857
Unused amounts reversed and released to income	–54	–842	–4355	–6355	–289	–	–11895	–10197
Additional provisions charged to income	31	214	1592	5093	34	3112	10076	7584
Balance as at December 31, gross	**101**	**1924**	**11483**	**3689**	**3426**	**5387**	**26010**	**26612**
Netting							–6664	–6936
Balance as at December 31, net							**19346**	**19676**

As at December 31, 2012, the Group had non-capitalized tax losses carried forward of CHF 41.6 million (previous year: CHF 84.6 million), which can be offset against future earnings. These losses carried forward were not capitalized because of uncertainty over whether the future earnings will materialize. The tax losses carried forward for which no deferred tax assets were recognized will expire as follows:

(in CHF 1000s)	**2012**	2011
– one year	2 393	10 249
– 2 to 5 years	16 354	43 071
– in more than 5 years' time	13 139	14 547
– no expiration	9 732	16 695
Total	**41 618**	**84 562**
Tax losses carried forward which expired without being used during the business year under review	0	1 110

No losses carried forward expired during the year under review.

31 Deferred tax liabilities (in CHF 1000s)	Trade receivables	Inventories/ work in progress	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2012**	Total 2011
Balance as at January 1	504	977	16433	8708	1599	426	28647	31167
32/33 Change in the scope of consolidation	–	–	288	682	–	15	985	0
Foreign currency differences	–1	–3	–152	–98	–35	–3	–292	–247
Recognized in equity	–	–	–	–	–	–	0	0
Unused amounts reversed and released to income	–77	–70	–1724	–41	–261	–452	–2625	–3920
Additional provisions charged to income	80	202	1123	483	0	633	2521	1647
Balance as at December 31, gross	**506**	**1106**	**15968**	**9734**	**1303**	**619**	**29236**	**28647**
Netting							–6664	–6936
Balance as at December 31, net							**22572**	**21711**

No provisions were provided for taxes that would be incurred if subsidiaries were to distribute retained earnings, as no taxable distributions were decided or can be expected in the foreseeable future.

Notes to the consolidated financial statements

32 Sale of businesses / discontinued operations

The 100% shareholding in Ismeca Semiconductor Holding AG was sold to the Cohu Group as of December 31, 2012. The net assets of Ismeca Semiconductor were as follows as at December 31, 2012 (effective date of sale) and December 31, 2011:

(in CHF 1000s)	31. 12. 12	31. 12. 11
Book value of net assets sold:		
Cash and cash equivalents	3 362	25 139
Trade receivables	20 271	33 378
Other receivables	680	1 038
Inventories	10 086	9 397
Other current assets	504	1 052
Property, plant and equipment	1 200	15 295
Intangible assets	5 472	5 472
Financial assets	110	109
Accrued income tax liabilities	1 290	1 307
Trade payables	– 5 617	– 4 318
Other payables	– 3 092	– 4 556
Accrued expenses and deferred liabilities	– 4 123	– 7 020
Current income taxes	– 55	– 501
Provisions	– 278	– 38
Pension obligations	– 5036	– 5 250
Total net assets sold	**24 774**	**70 504**
Realized foreign currency losses from translations	– 7 282	
Gain from sale	17 637	
Total sale proceeds	49 693	
Set off by:		
– Cash payment	52 443	
– Repayment obligation for outstanding purchase price	– 253	
– Provision for purchase price adjustments (guarantee risks)	– 2 000	
– Directly attributable sale costs, paid	– 267	
– Directly attributable sale costs, outstanding	– 230	
Total sale proceeds	**49 693**	
Cash payment after deduction of sale costs, paid	52 176	
less cash and cash equivalents sold	– 3 362	
Cash flow from sale of business operations	**48 814**	

The results of the sold "Ismeca Semiconductor" division that appear in the consolidated financial statements for the period from January 1 to December 31, 2012 and 2011, are composed as follows:

(in CHF 1000s)	2012	2011
Net revenues	77 729	87 599
Operating profit	**77 616**	**87 566**
Cost of materials	– 37 444	– 44 830
Personnel expenses	– 24 887	– 24 643
Other operating expenses	– 11 786	– 11 940
Other operating income	900	–
Depreciation and amortization	– 997	– 979
Financial income	200	7
Financial expenses	– 149	– 270
Income before taxes	**3 453**	**4 911**
Income taxes	– 405	892
Net income from operating activity	**3 048**	**5 803**
Income from the sale of discontinued operations	17 637	–
Income from discontinued operations	**20 685**	**5 803**

Notes to the consolidated financial statements

33 Mergers

Acquisition of SSM Giudici S.r.l.
SSM Schärer Schweiter Mettler AG took over all the shares of SSM Giudici S.r.l. in Galbiate (LC), Italy, on January 31, 2012. The purchase price was CHF 5.5 million. SSM Giudici S.r.l. is the leader in false-twist texturizing, a system for processing ultra-fine nylon yarns. This yarn texturizing technology complements SSM Textile Machinery's existing air-texturizing knowhow.

The goodwill arising from the acquisition amounts to CHF 2.0 million and essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible.

Since the acquisition, SSM Giudici S.r.l. has posted revenues of CHF 2.5 million and a net loss of CHF 1.5 million.

Acquisition of Foamalite Ltd.
On June 13, 2012 3A Composites Holding AG acquired all the shares of Foamalite Ltd. in Loch Gowna, Ireland. Foamalite Ltd. produces and distributes PVC foam sheets and PET plastic sheeting and serves the entire European market in both segments. As a result of this acquisition, 3A Composites is continuing to expand its leading market position in the foam sheets sector in Europe, while at the same time expanding its product range to include transparent plastic sheeting.

The provisional purchase price amounts to CHF 9.1 million. The final purchase price will be determined on the basis of the definition of net current assets accepted by the contracting parties. There are no variable purchase price components over and above this.

As the finally revalued net assets of Foamalite Ltd. (net fair value of identifiable assets acquired and debts taken over) are greater than the provisional purchase price, the result is a negative goodwill (bargain purchase). After the first-time calculation of the negative goodwill, a review of the identification and valuation of all assets, debts and contingent liabilities taken over was therefore undertaken. The consequent unchanged result of a bargain purchase of CHF 2.8 million resulting from a favorable acquisition was taken to income under other operating income.

Since its acquisition, Foamalite Ltd. has posted revenues of CHF 14.3 million and net income of CHF 0.2 million.

Totaling CHF 0.2 million, the transaction costs of the acquisitions are contained in other operating expenses.

If the company mergers had already taken place on January 1, 2012, management estimates that the Group's revenues would have amounted to CHF 688.9 million in the year under review, while net income from continuing operations would have totalled CHF 40.7 million.

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

(in CHF 1000s)	SSM Giudici S.r.l.	Foamalite Ltd.	Total
Cash and cash equivalents	3	560	563
Trade receivables	0	7 349	7 349
Other receivables	4	464	468
Inventories	1 197	4 453	5 650
Other current assets	0	151	151
Current assets	**1 204**	**12 977**	**14 181**
Property, plant and equipment	1 364	5 972	7 336
Deferred tax assets	286	24	310
Intangible assets	2 219	0	2 219
Non-current assets	**3 869**	**5 996**	**9 865**
Trade payables	0	– 3 887	– 3 887
Other liabilities	– 9	– 235	– 244
Accrued expenses and deferred income	– 19	– 2 195	– 2 214
Current income taxes	0	0	0
Current liabilities	**– 28**	**– 6 317**	**– 6 345**
Non-current financial liabilities	0	0	0
Deferred tax liabilities	– 985	0	– 985
Provisions	0	– 769	– 769
Pension obligations	– 611	0	– 611
Non-current liabilities	**– 1 596**	**– 769**	**– 2 365**
Total net assets acquired	**3 449**	**11 887**	**15 336**
Goodwill / bargain purchase	2 028	– 2 768	
Purchase price	**5 477**	**9 119**	**14 596**
– Paid in cash	5 477	8 107	13 584
– Liability still outstanding	0	1 012	1 012
Cash and cash equivalents acquired	3	560	563
Cash flow from purchase of subsidiaries	**5 474**	**7 547**	**13 021**

Notes to the consolidated financial statements

34 **Earnings per share**		**2012**	2011
Net income from continuing operations	(in CHF 1000s)	40 148	41 699
Net income	(in CHF 1000s)	60 833	47 502
Average number of shares issued		1 443 672	1 443 672
less average number of treasury shares		– 31 842	– 77 809
Average number of shares outstanding		**1 411 830**	**1 365 863**
Dilution effect resulting from the average number of shares for share-based payments		2 085	695
Average number of shares outstanding after dilution effect		**1 413 915**	**1 366 558**
Earnings per share (in CHF)			
From continuing operations:			
– undiluted		28.44	30.53
– diluted		28.40	30.51
From continuing and discontinued operations:			
– undiluted		43.09	34.78
– diluted		43.02	34.76

35 Financial instruments measured at fair value

Valuations at fair value recognized in the balance sheet

Financial instruments valued at fair value when first included are allocated to hierarchical levels 1 to 3 according to the observability of valuation inputs.

- Level 1 valuations at fair value are based on quoted prices (unadjusted) in an active market for identical assets and liabilities.
- Level 2 valuations at fair value are based on data other than the prices quoted in level 1. The factors used for the valuation are observable either directly (e.g. as prices) or indirectly (e.g. derived from prices).
- Level 3 valuations at fair value are based on valuation methods using parameters for assets and liabilities that are based upon non-observable market data (unobservable inputs).

The derivative financial instruments are the only financial assets held in the Schweiter Technologies Group that are valued at fair value. In the fair value hierarchy within the meaning of IFRS 7 they are to be allocated to level 2.

The Group engages in forward exchange and structured option transactions to hedge against exchange rate risks. The instruments are not used for speculative purposes.

As in 2011, no cash flow hedges were used in 2012. As at December 31, 2012, fair value hedges were outstanding. The maturities of outstanding forward exchange transactions ranged from 4 to 6 weeks (previous year: from 4 to 6 months).

The change in the fair values for the forward exchange and options transactions in 2012 resulted at year-end in an unrealized valuation loss of CHF 35 625.

Forward exchange and option transactions (in CHF 1000s)	**2012**	2011
Total amount of outstanding forward exchange transactions		
– Sale of US dollars for CHF, contract value	22 833	2 730
– Average exchange rates per USD	0.9147	0.9100
Total amount from outstanding option transactions (target redemption forwards)		
– Sale of US dollars for CHF, max. contract value	0	36 699
– Average underlying exchange rate per USD	–	0.8965

36 Contingent liabilities (in CHF 1000s)

36 Contingent liabilities (in CHF 1000s)	**2012**	2011
Warranties and guarantees	7 096	10 149
Total	**7 096**	**10 149**

Commitments to take delivery:

Under purchase contracts for machine parts and raw materials, commitments to take delivery amounting to CHF 17.0 million (previous year: CHF 21.4 million) and with maximum maturities of 3 years have been entered into in the course of ordinary business activities. Outstanding commitments to take delivery of property, plant and equipment amounted to CHF 0.3 million (previous year: CHF 0.5 million).

Notes to the consolidated financial statements

37 Categories of financial instruments

Financial assets

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

(in CHF 1000s)	Cash	Fair value through profit and loss	Loans and receivables	Carrying amount	Fair value
December 31, 2012					
Cash and cash equivalents	382 604			382 604	382 604
Trade receivables			70 485	70 485	70 485
Other receivables		36	10 698	10 734	10 734
Financial assets			1 253	1 253	1 253
Total	**382 604**	**36**	**82 436**	**465 076**	**465 076**
December 31, 2011					
Cash and cash equivalents	295 800			295 800	295 800
Trade receivables			101 283	101 283	101 283
Other receivables			9 718	9 718	9 718
Financial assets			1 783	1 783	1 783
Total	**295 800**	**–**	**112 784**	**408 584**	**408 584**

Financial liabilities

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

(in CHF 1000s)	Fair value through profit and loss	Measured at amortized cost	Carrying amount	Fair value
December 31, 2012				
Current financial liabilities		– 2 236	– 2 236	– 2 236
Trade payables		– 42 385	– 42 385	– 42 385
Other liabilities		– 4 707	– 4 707	– 4 707
Non-current financial liabilities		– 3 352	– 3 352	– 3 352
Total		**– 52 680**	**– 52 680**	**– 52 680**
December 31, 2011				
Current financial liabilities		– 1 552	– 1 552	– 1 552
Trade payables		– 39 228	– 39 228	– 39 228
Other liabilities	– 1 796	– 4 325	– 6 121	– 6 121
Non-current financial liabilities		– 3 911	– 3 911	– 3 911
Total	**– 1 796**	**– 49 016**	**– 50 812**	**– 50 812**

38 Rights of lien (in CHF 1000s)

	2012	2011
Assets encumbered by rights of lien	–	–

39 Off balance sheet liabilities and credit balances arising from rental and leasing contracts

Commitments (in CHF 1000s)	2012	2011
– due in one year's time	6 058	7 168
– due in 2 to 5 years' time	11 572	11 481
– due in more than 5 years' time	8 042	15 265
Total	**25 672**	**33 914**

The commitments consist mainly of rental agreements for buildings used by the company itself. The average term of the agreements is 3.2 years (previous year: 3.8 years). Leasing obligations amounting to CHF 0.9 million are included (previous year: CHF 0.9 million).

Credit balances (in CHF 1000s)	2012	2011
– due in one year's time	3 271	2 230
– due in 2 to 5 years' time	8 683	5 367
– due in more than 5 years' time	5 479	3 152
Total	**17 433**	**10 749**

The credit balances consist of sublet premises.

40 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 2012.

41 Approval of the annual financial statements

The Board of Directors approved the present consolidated annual financial statements by circular resolution on February 26, 2013 and released the Annual Report for publication at its meeting on March 19, 2013.

The Board of Directors will propose that the Annual Shareholders' Meeting on May 8, 2013 approve the consolidated annual financial statements.

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

Report on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Schweiter Technologies AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 24 to 75) for the year ended December 31, 2012.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Group Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

Deloitte AG

Martin Welser	Robert Renz
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, March 19, 2013

Annual financial statements of Schweiter Technologies AG

Balance sheet as at December 31, 2012

	Assets (in CHF 1000s)	**2012**	2011
	Current assets		
	Cash and cash equivalents	290 589	200 208
	Securities (treasury shares)	2 500	28 690
	Other receivables due from third parties	158	191
	Other receivables due from Group companies	74	3 765
	Prepaid expenses and accruals	11	15
	Total current assets	**293 332**	**232 869**
	Non-current assets		
2	Investments	137 750	220 706
	Loans to consolidated companies	231 467	223 968
	Total non-current assets	**369 217**	**444 674**
	Total assets	**662 549**	**677 543**

	Liabilities (in CHF 1000s)		
	Current liabilities		
	Current liabilities towards Group companies	–	25
	Other payables towards third parties	1 522	144
	Accrued expenses and deferred income	1 353	1 329
	Total current liabilities	**2 875**	**1 498**
	Provisions	3 896	1 549
	Total non-current liabilities	**3 896**	**1 549**
	Total liabilities	**6 771**	**3 047**
	Shareholders' equity		
3	Share capital	1 444	1 444
	General statutory reserves	3 167	3 167
	Reserve for treasury shares	2 500	–
	Reserves from capital contributions	39 845	64 865
	Reserve for treasury shares from reserves from capital contributions	–	28 690
	Unappropriated reserves	1 071	1 071
	Available earnings	607 751	575 259
	Total shareholders' equity	**655 778**	**674 496**
	Total liabilities and shareholders' equity	**662 549**	**677 543**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2012

	(in CHF 1000s)	2012	2011
	Investment income	57 000	18 000
4	Financial income	15 525	6 030
5	Rental income	1 039	1 040
	Management fee income	1 000	1 000
	Other income	3	8
	Total income	**74 567**	**26 078**
	Loss on sale of shareholding in Ismeca Semiconductor	– 34 263	–
6	Financial expenses	– 37	– 696
	Administrative expenses	– 1 318	– 1 585
	Personnel expenses	– 3 477	– 1 744
	Expenses on premises	– 682	– 678
	Other expenses	– 26	–
	Income before taxes	**34 764**	**21 375**
	Income taxes	228	– 505
	Net income	**34 992**	**20 870**

▲ For additional details see notes to the annual financial statements

Notes to the balance sheet and the income statement

1 Risk assessment

The company has an implemented risk management system. On the basis of a periodic systematic risk identification process, the key risks to which the company is exposed are assessed in terms of their likelihood and impact. Appropriate measures, decided by the Board of Directors, are taken to avoid, diminish or shift these risks. Risks borne by the company itself are strictly monitored. The most recent risk assessment by the Board of Directors was performed in October 2012. On the basis of this risk assessment, no further special provisions or value adjustments need to be reported in these annual financial statements.

2 Investments (in 1000s)

Company	Domicile	Share capital		Shareholding	Purpose
SSM Schärer Schweiter Mettler AG	Horgen, CH	CHF	6000	100%	Production/Distribution
SSM Vertriebs AG	Baar, CH	CHF	100	100%	Distribution
Ismeca Semiconductor Holding SA	La Chaux-de-Fonds, CH	CHF	5000	0%*	Holding company
Nerwal SA	La Chaux-de-Fonds, CH	CHF	1000	100%	Property management
3A Composites Holding AG	Steinhausen, CH	CHF	10000	100%	Holding company
3A Composites Holding Germany GmbH	Singen, D	EUR	25	10%	Holding company

* sold as at December 31, 2012

3 Share capital

	2012	2011
Number of bearer shares issued with a par value of CHF 1	1443672	1443672
Share capital as at December 31 (in CHF)	1443672	1443672
Authorized capital (in CHF)	300000	300000
Conditional capital (in CHF)	132600	132600

Treasury shares	Number of bearer shares	Average price in CHF
As at December 31, 2011	77 809	
Distribution from reserves from capital contributions	– 74 886	490.70
Other sales	– 39	490.00
Purchases under the share buyback program	2 750	522.26
As at December 31, 2012	**5 634**	
of which shares used for the share-based remuneration scheme	2 085	

The legally required reserve for treasury shares was established at acquisition cost.

The Board of Directors of Schweiter Technologies AG decided to launch a buyback of up to 10% of the share capital registered in the commercial register, corresponding to a maximum of 144 367 bearer shares with a par value of CHF 1 each. The program was initiated on December 18, 2012, and will run until no later than October 31, 2014. Shares being acquired will be bought back via a separate trading line subject to deduction of withholding tax. Repurchased shares are to be destroyed on the basis of share capital reductions to be adopted by forthcoming general meetings.

Authorized capital:
As of December 31, 2012 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on May 9, 2012 to issue 300000 bearer shares by May 9, 2014. The subscription right may be excluded for the purpose of taking over companies by share swaps, or for financing the acquisition of companies, parts of companies or participations or new investment projects of the company.

Conditional capital:
As of December 31, 2012 the company's share capital may be increased ex rights by up to 132600 bearer shares, which must be fully paid up;
a) up to a sum of CHF 32600 through the exercise of employee option rights and
b) up to a sum of CHF 100000 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.

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

As at December 31, 2012, the following shareholders held more than 3% of voting rights (pursuant to Art. 663c of the Swiss Code of Obligations):

Percentage of shares held (according to most recent report)	**2012**	2011
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Wollerau [1]	25.3%	11.6%
Widmer shareholder group [2]	12.6%	24.9%
Beat Siegrist, Herrliberg	5.8%	5.5%
Goodmann & Company, Investment Counsel Ltd., Toronto, Canada	5.0%	5.0%
Credit Suisse Asset Management Funds AG	3.2%	< 3.0%
Schweiter Technologies AG, Horgen	< 3.0%	5.4%

[1] The KWE shareholdings are held through a group of shareholders consisting of Beat Frey, Brigitte Frey, Vanessa Frey and Alexandra Frey.
[2] Group of shareholders consisting of Hans Widmer, Christian Widmer, Bernhard Widmer, Manuel Widmer and Annina Widmer. Up to May 2012, some of the shares were held through Hans Widmer Management AG.

Notes to the balance sheet and the income statement

4 **Financial income** (in CHF 1000s)	**2012**	2011
Interest income from Group companies	5 431	5 561
Interest paid by banks	282	469
Income from treasury shares	9 142	–
Other operating income	670	–
Total	**15 525**	**6 030**

5 **Rental income** (in CHF 1000s)	**2012**	2011
Rental income from Group companies	600	600
Rental income from third parties	439	440
Total	**1 039**	**1 040**

6 **Financial expenses** (in CHF 1000s)	**2012**	2011
Interest expenses Group companies	4	80
Exchange losses	33	616
Total	**37**	**696**

7 Compensation for members of the Board of Directors and Management

Compensation for members of the Board of Directors in **2012** [1)]

(in CHF 1000s)	Function	Fixed	Compensation for committee work [2)]	Pension benefits [3)]	Other	Total
Beat Siegrist	Chairman	200	–	25	–	225
Dr. Lukas Braunschweiler	Member	75	10	6	–	91
Heinrich Fischer	Member	75	–	5	–	80
Beat Frey	Member	75	–	3	–	78
Dr. Jacques Sanche	Member	75	10	5	–	90
Total compensation Board of Directors		**500**	**20**	**44**	**0**	**564**

1) For the period from May 9, 2012 until May 8, 2013 (dates of General Meeting)
2) Compensation for activities performed as a member of the Audit Committee
3) Employer's contribution to social insurance and pension fund

Compensation for members of the Board of Directors in 2011 [1)]

(in CHF 1000s)	Function	Fixed	Compensation for committee work [2)]	Pension benefits [3)]	Other	Total
Beat Siegrist	Chairman	200	–	12	–	212
Dr. Lukas Braunschweiler	Member	75	10	5	–	90
Heinrich Fischer	Member	75	–	4	–	79
Beat Frey	Member	75	–	3	–	78
Dr. Jacques Sanche	Member	75	–	4	–	79
Rolf-Dieter Schoemezler	Member	75	10	0	–	85
Total compensation Board of Directors		**575**	**20**	**28**	**0**	**623**

1) For the period from May 12, 2011 until May 9, 2012 (dates of General Meeting)
2) Compensation for activities performed as a member of the Audit Committee
3) Employer's contribution to social insurance and pension fund

Compensation for members of the Management in **2012**

(in CHF 1000s)	Function	Fixed	Variable [1)]	Share-based payments [2)]	Pension benefits [3)]	Other	Total
Lorenzo Giarrè [4)]	CEO Ismeca	210	1 768	0	227	–	2 205
Total compensation Management		**1 930**	**2 898**	**305**	**601**	**0**	**5 734**

1) Variable salary component (bonus) expected to be due for the year under review
2) 2085 shares granted at the end of August 2011, with vesting period until Dec.31, 2014 (see note 19 to the consolidated financial statements)
3) Employer's contribution to social insurance and pension fund
4) Highest single amount

Compensation for members of the Management in 2011

(in CHF 1000s)	Function	Fixed	Variable [1)]	Share-based payments [2)]	Pension benefits [3)]	Other	Total
Dr. Heinz O. Baumgartner [4)]	CEO	400	400	102	149	–	1 051
Total compensation Management		**1 733**	**1 533**	**102**	**491**	**0**	**3 859**

1) Variable salary component (bonus) expected to be due for the year under review
2) 2085 shares granted at the end of August 2011, with vesting period until Dec.31, 2014 (see note 19 to the consolidated financial statements)
3) Employer's contribution to social insurance and pension fund
4) Highest single amount

Compensation for former members of governing and executive bodies

No compensation was paid to former members of governing and executive bodies during the period under review or the previous year.

Share allocations

In the year under review, no shares were allocated to members of the Board of Directors, members of Management or selected employees. In the previous year, selected employees were allocated free shares in Schweiter Technologies AG subject to a blocking period until December 31, 2014 – 2 085 shares were issued, which, as of the cut-off date, are segregated from the treasury holdings and held in a separate bank custody account.

Notes to the balance sheet and the income statement

Share ownership

As of December 31, 2012, a total of 450 168 shares were held by members of the Board of Directors or members of Management as a result of exercised options or private purchases:

Surname	First name	Function	Number of shares
Siegrist	Beat	Chairman of the Board of Directors	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320
Fischer	Heinrich	Member of the Board of Directors	844
Frey [1)]	Beat	Member of the Board of Directors	364 973
Baumgartner	Heinz O.	Group CEO	115

[1)] Beat Frey is a member of a shareholder group and holds his shares via KWE Beteiligungen AG / VBF Holding AG

In addition to the shareholdings listed, Dr. Heinz O. Baumgartner, CEO of Schweiter Technologies, holds 2 085 shares which are held in a separate bank custody account and are subject to a blocking period until December 31, 2014.

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

Options

In financial years 2012 and 2011, no options were allocated to present or former members of governing and executive bodies (Board of Directors and Management) or other employees. As of December 31, 2012, no options were held by any member of a governing or executive body.

Loans to governing or executive bodies

No loans to governing or executive bodies have been made to members of the Board of Directors or Management.

8 Contingent liabilities

In connection with credit facilities extended to the subsidiaries, the holding company has undertaken a guarantee in an amount up to a total of CHF 37.3 million (previous year: CHF 51.6 million). Of this amount, a total of CHF 8.7 million for credit,sureties and guarantees had been drawn on by subsidiaries as at December 31, 2012 (previous year: CHF 12.4 million).

9 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 financial statements 2012.

Proposal of the Board of Directors concerning the appropriation of the available earnings and the appropriation of reserves from capital contributions

(in CHF 1000s)	2012
Earnings carried forward from previous year	575 259
Net income 2012	34 992
Allocation to reserve for treasury shares	– 2 500
Total earnings available to the General Meeting of Shareholders	**607 751**
The Board of Directors proposes to the General Meeting on May 8, 2013 the following appropriation of available earnings:	
Payment of a dividend of CHF 12.20 per bearer share	17 613 [1]
Earnings carried forward	590 138
Total	**607 751**
The Board of Directors proposes to the General Meeting on May 8, 2013 the following appropriation of reserves from capital contributions:	
Reserves from capital contributions	39 845
Repayment from reserves from capital contributions of CHF 27.80 per bearer share	– 39 782 [2]
Reserves from capital contributions after repayment	63

[1] Maximum amount – the amount will decrease since no repayment is made on treasury shares.
[2] Indicative amount – the amount may change by the time of the General Meeting since there could be a change in the number of shares held by the company at the time of distribution.

If the General Meeting approves the proposals, repayment of capital reserves of CHF 27.80 and payout of a gross dividend of CHF 12.20 (CHF 7.93 after deduction of withholding tax) per bearer share will be made as of May 16, 2013.

The repayment and dividend payout may be redeemed free of charge in exchange for coupons nos. 11 and 12 at any branch of CREDIT SUISSE.

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

Report on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Schweiter Technologies AG, which comprise the balance sheet, income statement and notes (pages 80 to 86) for the year ended December 31, 2012.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2012 comply with Swiss law and the company's articles of incorporation.

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

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

We further confirm that the proposed appropriation of available earnings (page 87) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte AG

Martin Welser Licensed Audit Expert Auditor in Charge	Robert Renz Licensed Audit Expert

Zurich, March 19, 2013

Corporate Governance at Schweiter Technologies

Group structure and breakdown of shareholders

Schweiter Technologies assures its customers, shareholders, investors and employees that it is fully committed to good corporate governance based on the Articles of Incorporation of the company and the organizational regulations.

Group structure

Schweiter Technologies specializes in the development, manufacture and global distribution of sophisticated machinery and composite materials and is organized into two divisions (see also Segment reporting on page 40 of this annual report).

SSM Textile Machinery is a global leader in the manufacture of precision winding machines for yarn treatment. 3A Composites is the global market leader in core materials for sandwich constructions and is also a leading player in the segments composite panels for high-quality facades and display applications.

For legal purposes, the companies of the Schweiter Technologies Group come under the umbrella of the holding company Schweiter Technologies AG. The latter's direct wholly owned subsidiaries are Nerwal SA, 3A Composites Holding AG (holding company of the 3A Composites division), and the companies of the SSM Textile Machinery division SSM Schärer Schweiter Mettler AG and SSM Vertriebs AG.

An overview of all holding companies can be found in the financial section on pages 30 / 31.

The bearer shares of Schweiter Technologies AG, Horgen are listed on the SIX Swiss Exchange AG, Zurich in the main segment. Security no.: 1075492; ISIN: CH0010754924; Telekurs: SWTQ; Reuters: SWTZ.

Based on its share price of CHF 525.00 at the end of 2012, the company's market capitalization stood at CHF 757.9 million as at December 31, 2012.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of December 31, 2012 and is presented on pages 30 / 31 of the notes to the consolidated annual financial statements. Schweiter Technologies does not have any shareholdings in listed companies.

Major shareholders

As at December 31, 2012, the following shareholders held more than 3% of voting rights (pursuant to Art. 663c of the Swiss Code of Obligations):

Percentage of shares held (according to most recent report)	2012	2011
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Wollerau [1]	25.3%	11.6%
Widmer shareholder group [2]	12.6%	24.9%
Beat Siegrist, Herrliberg	5.8%	5.5%
Goodmann & Company, Investment Counsel Ltd., Toronto, Canada	5.0%	5.0%
Credit Suisse Asset Management Funds AG	3.2%	< 3.0%
Schweiter Technologies AG, Horgen	< 3.0%	5.4%

[1] The KWE shareholdings are held through a group of shareholders consisting of Beat Frey, Brigitte Frey, Vanessa Frey and Alexandra Frey.
[2] Group of shareholders consisting of Hans Widmer, Christian Widmer, Bernhard Widmer, Manuel Widmer and Annina Widmer. Up to May 2012, some of the shares were held through Hans Widmer Management AG.

As far as Schweiter Technologies AG is aware there are no shareholders' pooling contracts linking major 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, 2012 the ordinary share capital amounted to CHF 1 443 672. As of December 31, 2012, authorized capital of CHF 300 000 and conditional capital of CHF 132 600 was in place.

Authorized and conditional capital in particular

Authorized capital

Authorized capital amounted to CHF 300 000.

Under Article 3 of the Articles of Incorporation, by May 9, 2014 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on May 9, 2012 to increase the share capital by a maximum of CHF 300 000 at any time by issuing a maximum of 300 000 bearer shares to be fully paid up with a par value of CHF 1 each. Increases by way of firm underwriting and increases in installments are permitted. The relevant issuing amount, the timing of the dividend entitlement and the nature of the contributions will be determined by the Board of Directors.

The Board of Directors is authorized to block the shareholders' subscription rights if such new shares are to be used to take over companies by means of share swaps, or to finance the acquisition of companies, parts of companies or shareholdings or to finance new investment projects of the company.

Shares for which subscription rights have been granted but not exercised are to be sold on the market at market conditions.

Conditional capital

Conditional capital amounted to a total of CHF 132 600.

The company's share capital may be increased by a maximum of CHF 132 600 by issuing up to 132 600 bearer shares with a par value of CHF 1 each which must be fully paid up, 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 paper issued by the company or one of its subsidiaries.

Shareholders' subscription rights are excluded in relation to these bearer shares, which may not exceed 132 600 in number.

Capital changes

For changes in consolidated shareholders' equity in financial years 2012 and 2011 reference is made to page 27 of the consolidated annual accounts. The development of consolidated shareholders' equity in financial year 2010 is presented on page 31 of the 2011 consolidated financial statements http://www.schweiter.ch/media/userfiles/anual-report2011_english.pdf.

The shareholders' equity of Schweiter Technologies AG underwent the following changes during financial year 2010 through financial year 2012 (page 94):

Capital structure

		Reserves						
			General reserves:					
(in CHF 1000s)	Share capital	Premium Capital contributions	statutory,	treasury shares,	Capital reserves	Free	Available earnings	Total
Balance as at Dec. 31, 2009	**1 444**	**107 381**	**3 000**	**28 690**	**0**	**1 071**	**532 729**	**674 315**
Dividend							– 12 293	– 12 293
Net income 2010							5 263	5 263
Capital backing with reserve for treasury shares from capital contribution reserves		–28 690			28 690			0
Release of reserve for treasury shares				–28 690			28 690	0
Balance as at Dec. 31, 2010	**1 444**	**78 691**	**3 000**	**0**	**28 690**	**1 071**	**554 389**	**667 285**
Reclassification of non-authorized capital contribution reserves		–167	167					0
Repayment from reserves from capital contributions		–13 659						–13 659
Net income 2011							20 870	20 870
Balance as at Dec. 31, 2011	**1 444**	**64 865**	**3 167**	**0**	**28 690**	**1 071**	**575 259**	**674 496**
Repayment from reserves from capital contributions		–25 020			–28 690			–53 710
Net income 2012							34 992	34 992
Reserve for treasury shares				2 500			–2 500	0
Balance as at Dec. 31, 2012	**1 444**	**39 845**	**3 167**	**2 500**	**0**	**1 071**	**607 751**	**655 778**

Shares and participation certificates
As of December 31, 2012 the share capital consisted of 1 443 672 bearer shares with a par value of CHF 1 each amounting to a total of CHF 1 443 672. All bearer shares have been fully paid up. Each share entitles the holder to one vote at the General Meeting. All bearer shares are entitled to dividends. Schweiter Technologies has no participation certificates or dividend rights certificates outstanding.

Limitations on transferability and nominee registrations
Transferability is not subject to any restrictions under the Articles of Incorporation. There are no restrictions in relation to nominee registrations.

Convertible bonds and options
No convertible bonds were outstanding as of December 31, 2012. As set out in the section on authorized and conditional capital, by drawing on the conditional capital the company's share capital may increase by a maximum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company, or one of its subsidiaries.

Employee stock option plan
No employee shares were granted during the year under review. In financial year 2011, Schweiter Technologies AG granted selected employees free shares in Schweiter Technologies AG subject to a blocking period until December 31, 2014. 2 085 shares were issued which, as of the cut-off date, are segregated from treasury holdings and held in a separate bank custody account. There are no option plans in place.

Board of Directors (as per December 31, 2012)

Name	Function		Member since	Elected until AGM
Beat Siegrist	Chairman	non-executive	2008	2013
Dr. Lukas Braunschweiler	Member	non-executive	2011	2013
Heinrich Fischer	Member	non-executive	2002	2013
Beat Frey	Member	non-executive	2009	2013
Dr. Jacques Sanche	Member	non-executive	2011	2013

The members of the Board were re-elected in individual elections at the 2012 Annual General Meeting.

Members of the Board of Directors

All members of the Board of Directors served throughout the period under review.

No members of the Board of Directors perform operational management tasks in the company. Nor do any members of the Board of Directors have any kind of significant business relationship with the company. No members of the Board of Directors were members of Group Management or the management of a Group company during the three financial years preceding the period under review.

Beat Siegrist
(born 1960, Swiss citizen)
Non-executive chairman of the Board of Directors since 2011.
From 1996 to mid-2008, Mr Beat Siegrist worked in an executive capacity as CEO of Schweiter Technologies. From 2008 to 2012, he was CEO of Satisloh and a member of the Executive Committee of the French Group Essilor. He previously worked as a consultant at McKinsey & Co., most recently in the capacity of project leader. He obtained a degree in engineering (Dipl. Ing.) at the Swiss Federal Institute of Technology and went on to take an MBA at INSEAD Fontainebleau.

Dr. Lukas Braunschweiler
(born 1956, Swiss citizen).
Non-executive member of the Board of Directors since 2011.
Dr. Lukas Braunschweiler has been CEO of the Sonova Group since November 1, 2011. Before joining the Sonova Group, he was CEO of the technology group Ruag Holding AG. Between 2002 and 2009, he served as Chairman and CEO of the Dionex Corporation, a California-based life science company listed on the Nasdaq. Previously, from 1995 to 2002, he worked for Mettler Toledo in various positions in Switzerland and the US. He studied at the Swiss Federal Institute of Technology in Zurich, where he earned an MSc in analytical chemistry (1982) and a PhD in physical chemistry (1985).

Heinrich Fischer
(born 1950, Swiss citizen)
Non-executive member of the Board of Directors since 2002.
Mr Heinrich Fischer graduated from the Swiss Federal Institute of Technology in Zurich (Dipl. El. Ing.) and from the University of Zurich (lic. oec. publ.). From 1980 to 1990, he was with Balzers, a division of the Oerlikon Bührle Group, as Staff Head of Technology and Head of the Coating Equipment business unit. From 1991 to 1996 he was Member of the Executive Board of Oerlikon Bührle responsible for Corporate Development. CEO of the Saurer Group and a member of the Board of Directors of Saurer AG, Arbon, from 1996 to April 2007. In 2007 he joined the Boards of Tecan Group AG, Männedorf, and Hilti AG, Schaan, Liechtenstein. From 2007 to 2009 he was a member of the Board of Directors of Gurit.

Beat Frey
(1943, Swiss citizen)
Non-executive member of the Board of Directors since 2009.
Mr Beat Frey holds a degree in business management from the University of Zurich. Mr Frey was one of the company's first

Board of Directors

investors following the restructuring of Schweiter at the end of the 1980s; he served once before on the Board of Directors from 1996 to 2001. A successful, independent businessman, Mr Frey has a proven track record of financial expertise that can be drawn on for the Schweiter Group's refocusing.

Dr. Jacques Sanche
(born 1965, Canadian and Swiss citizen)
Non-executive member of the Board of Directors since 2011.
Dr. Jacques Sanche has been CEO of the Belimo Group since August 2007. From 2004 to 2007, he was CEO of the WMH Tool Group, Chicago, USA, and a member of the management board of WMH Walter Meier Holding AG, Stäfa. Prior to this, between 1997 and 2004 he held various 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 Inc., Munich. He holds a business management degree and a doctorate in economics from the University of St. Gallen.

Other activities and interests

Beat Siegrist is a member of the Board of Directors of Phoenix Mecano AG, Stein am Rhein, and Inficon, Bad Ragaz. Heinrich Fischer is Chairman of the Board of Directors of Orell Füssli Holding AG and a member of the Boards of Directors of Tecan Group AG, Männedorf, Hilti AG in Schaan, Liechtenstein, Sensirion AG, Stäfa, Fortu AG and Camox Fund. Jacques Sanche is a member of the Board of Directors of Diener AG, Embrach. The other members of the Board of Directors do not have any other management or permanent advisory functions or any directorships with major Swiss or foreign companies, nor do they hold any major political mandates.

Elections and terms of office

Under the company's Articles of Incorporation, the Board of Directors consists of 3 to 7 members. There are no age restrictions. The members of the Board of Directors are elected in individual elections for a term of office of one year, the period between one Ordinary General Meeting and the next being deemed to constitute one year. Members are eligible for re-election. Members newly elected during a period of office are elected for the remainder of the current term of office.

Internal organization

Division of tasks within the Board of Directors

Both the Board of Directors and the Audit Committee meet as often as the company's business requires. The Board of Directors constitutes itself and elects its Chairman from among its members. Beat Siegrist has been Chairman of the Board of Directors since 2011. In addition to their regular work as Board members, all members of the Board of Directors also attend five to seven meetings per year concerned with specific issues relating to the individual divisions. Attendance is determined by the issues addressed and the technical expertise of the Board member in question (see also section entitled “How the Board of Directors operates”).

Committees of the Board of Directors

An Audit Committee is in place. The Audit Committee is composed of two members of the Board of Directors (Lukas Braunschweiler (Chairman) and Jacques Sanche). The Board of Directors has satisfied itself that both Committee members have proven experience and skills in the financial field to enable them to perform 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 accounts 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 tasks, subject to approval by the Board of Directors as a whole. Audit Committee meetings are attended by the CEO/CFO.

As a rule, the Audit Committee meets three to five times per year. During the year under review, it held four meetings, three of which were attended by representatives of the statutory auditors. All meetings were attended by the CEO/CFO. The meetings lasted two to three hours. Immediately after meetings, the Audit Committee briefs the Board of Directors on the outcome.

All other key decisions are taken by the Board of Directors as a whole (in particular remuneration and appointments). The formation of specific Board committees has therefore been considered unnecessary.

How the Board of Directors operates

The Board of Directors is responsible for the strategic management of the Group and for the supervision of those entrusted with management. To this end, the Board of Directors holds meetings at least five times per year. One meeting lasts an average of one day. In the year under review, the Board of Directors held six meetings. In addition to the Board of Directors, these meetings are always attended by the Group CEO/CFO, and by the division CEOs as necessary.

A majority of members of the Board of Directors must be present to constitute a quorum for the transaction of business. The Board of Directors adopts resolutions by a majority of votes cast. In the event of a tie, the Chair casts the deciding vote.

As part of their supervisory functions and in the interests of the proper conduct of their duties, Board members attend division meetings, which last on average half a day. In the year under review, five division meetings were held.

At these division meetings, the division management reports on the operational side of the business and on strategy. These meetings are also attended by the Group CEO/CFO. In discussing business performance, the division management presents risks that have been identified and are of relevance to the division and assesses their possible impact. The outcome of these assessments and the resulting measures are presented to the Board of Directors as a whole.

Delineation of powers and responsibilities

Unless the law or the Articles of Incorporation provide otherwise, the Board of Directors delegates operational management entirely to Management. The Board of Directors exercises overall leadership and supervises and oversees business operations. It issues business policy guidelines and ensures that it is kept regularly informed of business performance (see also section entitled "How the Board of Directors operates").

The Board of Directors has in particular the following non-delegable and inalienable duties:
- the ultimate direction of the business of the Group and issuing the necessary directives
- defining the organization
- defining accounting, financial control and financial planning
- appointing and dismissing persons entrusted with the management of the Group and determining management salaries
- the ultimate supervision of the persons entrusted with the management of the Company, specifically in view of their compliance with the law, the Articles of Incorporation, regulations and directives
- deciding on extraordinary investments.

Management is responsible for the day-to-day running of the company in accordance with the directives issued by the Board of Directors and having regard for the customary duty of due diligence and the provisions of the law.

At the regular division meetings, Management reports to the Board member responsible for the division in question on the following matters in particular:
- Progress of business and financial situation
- Outlook and measures to be taken in the near future
- Development projects and status
- Major investments and divestments
- Extraordinary events with a substantial bearing on business
- Personnel policy and planning, information on important personnel decisions

Information and monitoring instruments

The Board of Directors is responsible for overseeing the Group's internal control systems which monitor the risk of inadequate business performance, but cannot rule out such a risk. These systems provide appropriate, though not absolute, security against significant inaccuracies and material losses. Management is responsible for identifying and assessing risks that are of significance for the division in question (see also section on delineation of powers and responsibilities). In addition to quantitative approaches and formal guidelines – which are 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 individual divisions also submit detailed monthly reports to the Board of Directors (MIS). These provide a detailed account of the volume and profitability trends of the individual divisions (orders received, order backlog, revenues, EBITDA, net income). Deviations from the budget or from the previous year are presented and commented in detail. Important balance sheet figures (cash and cash equivalents, net assets) and headcount data are prepared on a monthly basis with commentaries. Special attention is paid to overheads, the trend of current assets and personnel parameters. Over and above this information, which is prepared on a monthly basis, additional analyses of individual key figures are also provided such as price and margin trends and currency effects. Within the scope of the annual plan, a forecast is prepared at the middle of the year and in the fourth quarter. Management members responsible in the relevant divisions 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 subjected 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 sets points of focus in the context of the definition of the scope and content of the audit conducted by the external auditors. Each Board member is also sent the full minutes of all Audit Committee Meetings.

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 in the notes to the financial statements on pages 36 to 38.

Internal control system (ICS)

The Board of Directors approved an internal control system (ICS) that has been in force since 2008. 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 design of which will vary according to size and risks. ICS documentation and test programs are in place for the following processes, which have been defined as financially relevant: purchasing, inventories, production, property, plant and equipment, payroll, finances, information technology, preparation of financial statements, and consolidation. Group Controlling monitors the Group companies' ICS documentation, is responsible for company-wide controls and ensures that effective controls are performed in respect of consolidated financial statements. Furthermore, Group Controlling also ensures, on an annual basis, that suggestions for improvement and measures proposed by the external auditors and in internal audit reports are realized and implemented.

In the course of interim and annual audits, the external auditors monitor the existence of an ICS and the relevant documentation 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 subjects the internal information and control systems to an annual test of how effectively they identify, assess and manage the risks associated with business operations.

Management

Heinz O. Baumgartner
(born 1963, Swiss citizen)
CEO and CFO Schweiter Technologies.
Heinz O. Baumgartner has been CEO of Schweiter Technologies since 2008 and CFO since 1996. From 1992 to 1995 he worked as a controller at Asea Brown Boveri Switzerland. He holds a degree in business management (majoring in accountancy) and a doctorate in economics from the University of St. Gallen.

Lorenzo Giarrè (until December 31, 2012) *
(born 1964, Italian citizen)
CEO Ismeca Semiconductor.
Lorenzo Giarrè has been with Ismeca Semiconductor since mid-2005, initially as Head of Operations and from 2006 as CEO. From 1997 to 2004 he held various executive positions in marketing and sales with companies in the semiconductor and telecom industries, most recently with ESEC. He has a degree in physics from the Swiss Federal Institute of Technology in Lausanne and an MBA from IMD International.

Georg Reif
(1955, Swiss citizen)
CTO 3A Composites.
Georg Reif has been Chief Technology Officer of 3A Composites since January 1, 2012. Until the end of 2011 he was CEO of 3A Composites. After graduating in mechanical engineering at the Federal Institute of Technology (ETH) in Zurich, he worked as a research assistant at the ETH Zurich's Department of Aircraft Statics and Lightweight Construction, before joining Alusuisse-Lonza subsidiary Airex AG in 1988 as Head of Engineering. Until the merger of Alusuisse with Canadian Alcan, he held various executive positions, most recently as President of Alusuisse Composites and a member of the Alusuisse Division Management. Within Alcan he headed the Alcan Composites Division and was a member of the Alcan Engineered Products Division Management.

Ernesto Maurer
(born 1955, Swiss citizen)
CEO SSM Textile Machinery
Ernesto Maurer was CEO of Loepfe Brothers Ltd and Itema Switzerland (formerly Sultex) until the beginning of 2010. From 1990 to 2005 he sat on various management boards, including at Sulzer. He holds an engineering degree from the Swiss Federal Institute of Technology (ETH) in Zurich and an MBA from the University of Lausanne.

Martin Klöti
(1973, Swiss citizen)
Head of Management Services
and CFO SSM Textile Machinery.
Martin Klöti has been in charge of Schweiter Management Services since March 2011 and CFO of SSM Textile Machinery since 2004. From 2003 to 2011, he was Schweiter Technologies' Head of Reporting & Controlling. 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.

Ian von Fellenberg (until December 31, 2012) *
(1960, Swiss citizen)
Head of Corporate Development.
Ian von Fellenberg has been Head of Corporate Development at Schweiter Technologies AG since March 2007. He was appointed to the Group Management effective January 1, 2010. He also headed Ismeca Semiconductor's operations in Asia. Over a period of 15 years prior to taking up his office at Corporate Development, he held various executive positions with the companies Baumer Electric and Orell Füssli Security Printing as well as with Group company Ismeca Semiconductor, latterly as CEO North Asia in Suzhou, China. He holds a degree in microengineering from the Swiss Federal Institute of Technology (ETH) in Lausanne.

* Stepped down from Management upon the sale of Ismeca Semiconductor as on December 31, 2012

Management

Other activities and interests

Until January 2012, Dr. Heinz O. Baumgartner, CEO and CFO of Schweiter Technologies, was Chairman of the Board of Directors of Swiss Small Cap Invest AG, Zurich. No other member of management is engaged in any significant other activities or functions worthy of mention or holds any important political offices.

Management contracts

There are no management contracts.

Compensation, shareholdings and loans

Content and procedures for determining compensation and stock option plans

The Group's salaries policy is based on progressive and future-oriented remuneration aimed at attracting and motivating qualified management staff with the necessary technical expertise and experience and at securing their long-term services to the company.

The members of the Board of Directors receive fixed compensation for their activities. Responsibility for determining the level of fixed compensation rests with the Board of Directors. It is set annually by the Board of Directors as a whole, according to their best judgment, on the basis of the compensation paid at comparable listed Swiss companies. It is paid in cash and is not linked to any Group objectives. The amount of compensation paid in the 2012 financial year was unchanged compared with the previous year.

Details of the compensation received by members of the Board of Directors can be found on page 84 of this annual report.

The remuneration paid to members of Management is determined by the Board of Directors as a whole together with the Group CEO (with the exception of the compensation received by the latter). The Group CEO recuses himself from discussions with regard to his own compensation. Other members of Management are, as a rule, not present at a meeting where their compensation is being decided.

The total remuneration per Management member is definitively fixed by the Board of Directors as a whole in a detailed performance appraisal at the end of the year.

The compensation received by members of Management contains a fixed salary component (in cash) commensurate with the responsibility borne, a variable salary component (in cash), state social security contributions (AHV, ALV, IV, etc.) as well as pension fund contributions made by the company. The fixed salary is reviewed annually and, where appropriate, adjusted for the following year. Moreover, in order to secure employee loyalty and in recognition of performance, the Board of Directors may allocate employee shares to members of Management and other senior executives and/or make a one-off incentive cash payment for extraordinary achievements.

A variable salary component (target bonus) is defined for each member of Management, on the basis of which the effective bonus is calculated. The amount of the target bonus is primarily dependent on the results of the Group (EBITDA, net income) and the individual divisions (EBITDA, net income of the individual divisions) as well as on the Management member's personal target attainment levels. All performance assessment criteria are laid down at the beginning of each year. On the basis of the budget, the Board of Directors defines in particular the target attainment figures for the variable salary component. No bonus is normally paid for financial target attainment levels below 80%; the bonus is pro-rated on a linear basis to the level of attainment if over 80%. Personal performance targets consisting of financial management, performance management and social target values also form an integral part of the variable salary component. The target values are determined both by the specific function of the management employee and by key targets for implementation of the overriding corporate strategy. The personal performance targets may account for 50% to 100% of the variable salary component, depending on the function and hierarchy. Compared against the fixed salary component, there is no ceiling on the variable salary component.

The Board of Directors has determined that the Group CEO will, in principle, only be paid a fixed salary for the financial years 2012 and 2013 (corresponding to the amount which up to 2011 comprised the fixed and the variable component). The Board of Directors reserves the right to make a one-off incentive payment to the Group CEO for extraordinary achievements. In the year under review, the Group CEO received a one-off incentive payment in addition to his fixed salary. In 2012, the variable salary component thus corresponded to 37.5% of the fixed salary (2011: 100%). The year-on-year difference is attributable to the changed fixed salary.

Two members of Management who served in that body until December 31, 2012 received a one-off incentive payment in connection with the successful sale of the Ismeca Semiconductor division. Consequently, the variable salary component corresponded to between 312% and 740% of the fixed salary and so was much higher than in the previous year (2011: between 130% and 293%).

In the year under review, the variable salary component for three members of Management corresponded to between 0% and 50% of their fixed salary (2011: between 0% and 67%). The year-on-year difference is attributable to the lower net income generated by the continuing operations.

Further information on the compensation received by members of the Board of Directors can be found on page 85 of this annual report.

The Board of Directors agreed a long-term incentive plan over three years with members of Management and a large number of key employees within the Group. It covers the period from 2012 to 2014. Three-year incentive targets at EBITDA level were set for the 3A Composites division (accumulated EBITDA, 50% weighting; three-year average EBITDA margin, 50% weighting). During the term of the plan, targets will not be adjusted, nor will payments be made. Target attainment will be measured at the end of the plan term. No payment will be made for target attainment levels below 80%; payment will be pro-rated on a linear basis to the level of attainment if over 80%. For a target attainment level of 100%, the maximum bonus payment may correspond to between 30% and 250% of the respective employee's fixed salary. Payment will be made in 2015 in cash.

In order to retain the services of individual key employees over the long term, the Board of Directors can grant share-based remuneration on a scale which it deems appropriate. Such shares are locked in for a vesting period. In the year under review, no shares were allocated to members of Management or selected employees. Information on the share allocation in 2011 can be found of pages 85 and 94 of this annual report.

Members of Management or persons closely associated with them did not receive any further remunerations, nor were they or persons closely associated with them granted loans from the company.

The company does not engage the services of external advisors to help it decide on the structuring of compensation.

Benefits and contractual conditions on leaving the company

The employment contracts of members of Management and other key employees of the Group contain no agreements on severance payments. Moreover, no unusually long periods of notice were agreed with members of Management or other key employees of the Group. Periods of notice are between 6 and 12 months.

Shares locked in under the share-based remuneration scheme must, in principle, be returned if the employee gives notice to terminate the employment relationship before expiry of the vesting period, but not if the employer gives notice to terminate the employment relationship before expiry of the vesting period.

Shareholders' participation rights

Restriction of voting rights and representation

There are no voting-right restrictions under the Articles of Incorporation. In accordance with Art. 689 para. 2 of the Swiss Code of Obligations, every shareholder can represent his shares at the General Meeting in person or have them represented by a third party of his choice. The Articles of Incorporation do not lay down any restrictions on the representation of voting rights. Shareholders' participation rights are governed by the company's Articles of Incorporation (http://www.schweiter.ch/media/userfiles/statutenmai2010.pdf).

Statutory quorum

Under Art. 703 of the Swiss Code of Obligations, resolutions of the General Meeting must be passed strictly by an absolute majority of the voting rights represented. Exceptions to this rule are the eight resolutions listed in Art. 704 of the Swiss Code of Obligations, which require a minimum of two thirds of the votes represented and an absolute majority of the nominal values of the shares represented. The Articles of Incorporation do not provide for any divergent arrangements.

Convening of the General Meeting and inclusion of items on the agenda

The General Meeting is called by the Board of Directors, or if necessary by the statutory auditors. The Ordinary General Meeting takes place each year within six months of the end of the financial year. The time limits for adding items to the agenda of the General Meeting are governed by the provisions of the Swiss Code of Obligations. Extraordinary General Meetings should be called as frequently as is necessary, particularly in the cases provided for by the law.

Change of control and countermeasures

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 subject to be tabled for discussion and the proposals to be put forward. In this case, the Board of Directors must convene the General Meeting within four weeks.

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

Registrations in the share register

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

Obligation to submit a purchase offer

A party acquiring shares in the company is not obliged to submit a public purchase offer pursuant to Articles 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading (Art. 4 Articles of Incorporation, "Opting out").

Clauses on changes of control

There are no clauses on changes of control 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. However, in the event of a change of control, shares locked in until December 31, 2014 under the share-based remuneration scheme will be released.

Statutory auditors

Duration of mandate and term of office of auditor in charge

Deloitte AG, Zurich, has been statutory and Group auditor since 1994. The lead auditor of Deloitte AG, Martin Welser, took office in 2012. The office of auditor in charge rotates every seven years.

Audit fee and additional fees (in CHF 1000s)	**2012**	2011
Auditing services [1]	748	755
Auditing-related services [2]	170	52
Tax advice and compliance services	426	353
Transaction advice incl. due diligence	71	116
Total	**1 415**	**1 276**

[1] Auditing the consolidated financial statements, the holding company statements and the financial statements of the individual Group companies
[2] Advice on accounting matters

Supervisory and control instruments vis-à-vis the auditors

Auditing services are defined as standard tasks in an audit, with a view to preparing reports on the annual financial statements pursuant to the Articles of Incorporation and being able to provide an assessment of the consolidated financial statements.

The Audit Committee, which met the auditors three times during the 2012 financial year, is responsible for supervising and monitoring the audit and regularly reports back to the Board of Directors as a whole. The auditors periodically prepare a comprehensive report on the outcome of their auditing activities. The auditors' report is supported by an accompanying annual management letter and a comprehensive report to the Board of Directors.

The auditors may not be members of the Board of Directors or company employees, nor may they carry out any other work for the company which would be incompatible with the audit assignment. They must be independent of the Board of Directors and of any shareholder holding more than five percent of voting rights. The auditors must adhere to the guidelines on independence promulgated by their profession. The Audit Committee verifies the auditors' qualifications on an annual basis as part of its supervisory and monitoring functions. Particular emphasis is placed on the following criteria: independence of the auditors and an understanding of the Group's business activities and the specific business risks it faces.

In respect of the year under review, the Audit Committee and Board of Directors have concluded that the independence of the auditors is ensured in full.

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 publishes a semi-annual report. In compliance with the ad hoc publicity guidelines contained in the Listing Rules of the SIX Swiss Exchange, Schweiter also discloses price-sensitive information.

The company's official publication is the Swiss Commercial Gazette. Information on disclosure notices from significant shareholders and on transactions effected by members of the Board of Directors or Management can be found at
http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html

Any interested party may request to be placed on the Schweiter e-mail distribution list to receive, free of charge, potentially price-sensitive information in a direct and timely manner.

All information and the online registration form to be placed on the e-mail distribution list can be found at www.schweiter.com (Direkt link: http://www.schweiter.ch/contact.php).

A media and analyst conference is held at least once a year. At the General Meeting, the Board of Directors and Management provide information on the annual financial statements and the company's business performance and answer shareholders' questions.

The financial reports (annual reports, semi-annual reports) are available on the company's website. Print versions can be ordered free of charge or electronic versions downloaded from the following link:
http://www.schweiter.ch/media/userfiles/anualreport2011_english.pdf

Media releases are available at
http://www.schweiter.ch/index.php-Medienmitteilungen

The company's Articles of Incorporation can be found at:
http://www.schweiter.ch/media/userfiles/statutenmai2010.pdf

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The next Annual General Meeting will be held on May 8, 2013 in Horgen. The 2013 Semi-Annual Report is scheduled for publication in August 2013.

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