SCHWEITER TECHNOLOGIES

2014

Annual Report 2014

Board of Directors, Group Management, Auditors

Board of Directors

Term of office 7 May 2014 to 6 May 2015

Beat Siegrist	Chairman
Dr. Lukas Braunschweiler	
Vanessa Frey	
Jan Jenisch	
Dr. Jacques Sanche	

Group Management

Dr. Heinz O. Baumgartner	Chief Executive Officer Group
Martin Klöti	Chief Financial Officer Group
Georg Reif	Chief Technology Officer 3A Composites
Ernesto Maurer	Chief Executive Officer SSM Textile Machinery

Auditors

Deloitte AG, Zurich

Report of the Board of Directors

Dear shareholders,

In 2014, Schweiter Technologies once again made good progress in all business areas and posted a very pleasing result overall, with EBITDA coming in at CHF 82 million. The Group as a whole lifted its revenues by 12% to CHF 766 million, exceeding the market average, and increased its profitability by an even steeper 19%. Our products, appropriate marketing and – most importantly – our loyal customers, made key contributions to this success, which benefited in part from good economic conditions.

3A Composites achieved a good result. Innovations, customer focus and superior products and brands were key success factors. The outstanding results of the Display and Architecture business areas in Europe played a major part in this success. In the US too, the Architecture business area grew by one third. The Display business area performed well, but was affected at times by price pressure and increases in raw materials prices. The Asia-Pacific region posted a gratifying result and sustained the current growth trend.

Core Materials benefited from the recovery underway in the wind power industry and posted a better-than-expected result, despite a sluggish price recovery.

Mass Transportation laid several important cornerstones for future success. Its result for the reporting year, however, did not yet quite live up to expectations.

SSM Textile Machinery posted an outstanding result. Several major projects, some remarkable successes in the texturing business area and the positive development of SSM Giudici, acquired two years ago, played a key part in this.

The core pillars of our sound organic growth are competitive products and innovations. For example, Core Materials very successfully launched a new generation of PE foam, Architecture created numerous new designs and coatings, and Display expanded its range with products for additional applications. In the year under review we acquired an architecture competitor in India, the rights to manufacture a new type of display product in Europe and, towards the end of the year, we took over PNG Balsa in Papua New Guinea, thus expanding the already excellent market position of Core Materials in balsa.

2014 also saw significant investment in future growth. This included the most modern balsa wood processing plant in the world in Ecuador and investments in new PET facilities. All this will not only enable us to consolidate our position in existing markets but will also help us to develop new ones in the future with new products and applications.

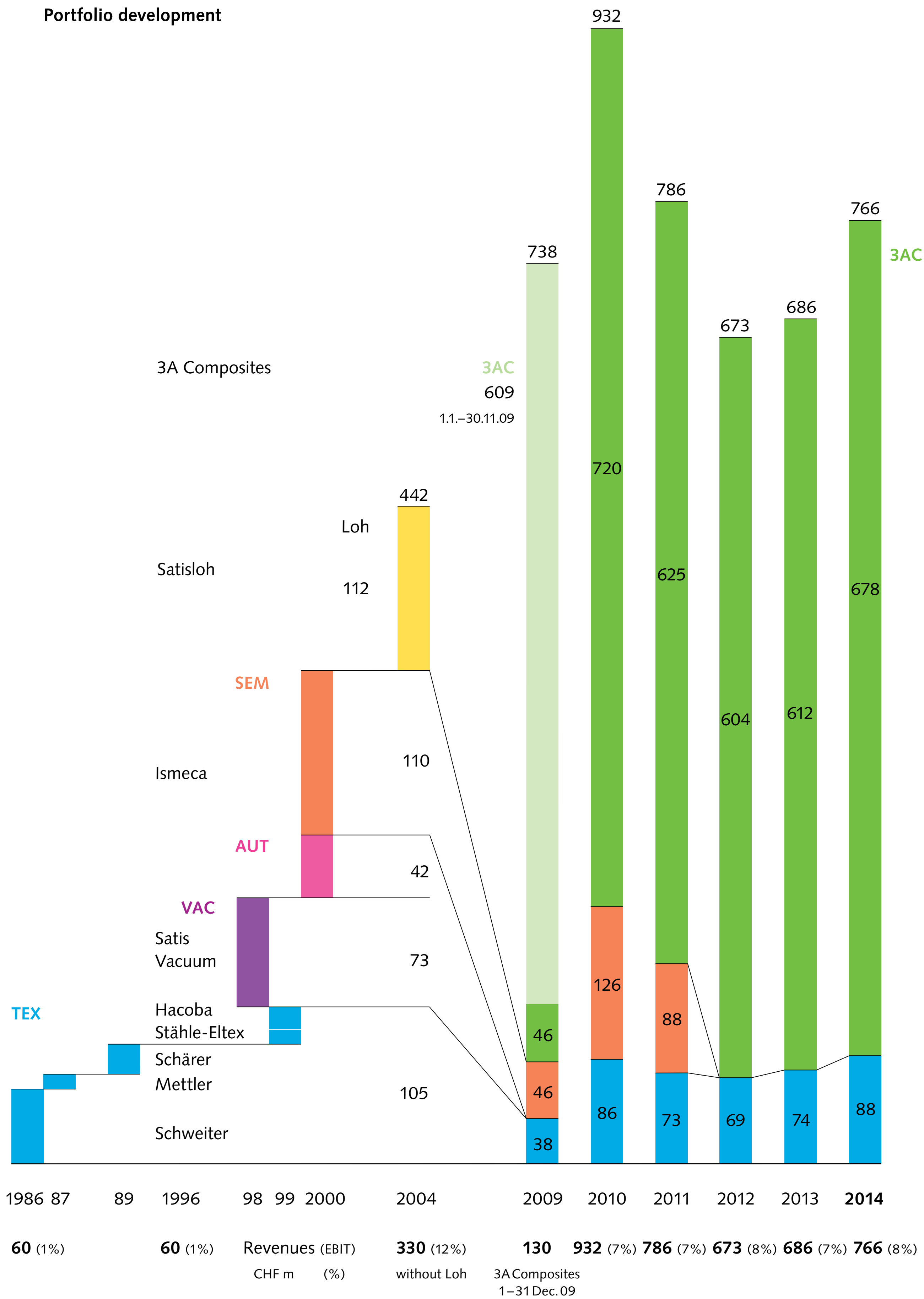
All measures were successful thanks to dedicated and competent employees. The Board of Directors and Management therefore wish to thank everyone not only for our successes but also for their hard work.

To continue applying the principle of returning capital that is surplus to requirements to shareholders, the Board of Directors proposes for 2014 that the dividend policy of recent years be retained.

Schweiter Technologies got off to a good start to the new year. In terms of company acquisitions, it effected substantial purchases. Integration of these companies has already been started. 2015 will nevertheless be generally more difficult as the currency upheavals will depress earnings in CHF terms.

Yours sincerely,

Portfolio development



Group

Portfolio strategy

1. Schweiter Technologies develops business in the composite and mechanical engineering segments. 3A Composites manufactures materials and composite solutions in lightweight construction through the combination of suitable materials for specific applications and industry segments. SSM Textile Machinery covers a maximum of customer needs through a minimum of standardized and modular 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. Schweiter Technologies promotes lean structures and direct communication.

4. The same care is applied to management development as to business development. A management culture is promoted which goes beyond product or even company cycles. 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 structures of the holding company are lean. Apart from supervising executive functions, the Board of Directors is mainly involved in preparing and implementing the acquisition strategy.

Current situation

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

Financial overview

	2014	2013
Income statement (in CHF m)		
Orders received	800.0	706.1
3A Composites	710.7	627.9
SSM Textile Machinery	89.3	78.2
Net revenue	765.6	686.2
3A Composites	677.2	612.0
SSM Textile Machinery	87.9	73.7
EBITDA	81.7	68.7
EBIT	57.5	45.5
Net income	45.5	30.2
Balance sheet (in CHF m)		
Total assets	889.7	853.4
Net operating assets [1)]	369.3	301.2
Shareholders' equity	636.2	648.4
Net cash and cash equivalents	305.9	352.1
Statement of cash flow (in CHF m)		
Cash flow from operating activity	43.4	38.5
Cash flow from investment activity	– 34.3	– 7.2
Free cash flow	9.1	31.3
Key figures (in %)		
ROS (EBITDA/net revenue)	10.7	10.0
RONOA [2)]	15.6	15.3
Equity ratio (shareholders' equity / total assets)	71.5	76.0
Employees as at 31 December (Number)		
Total employees	2 764	2 329
Ratios per share (in CHF)		
34 Earnings per bearer share	31.84	21.44
Equity	441	449
Payout [3)] (dividend / repayment of reserves from capital contributions)	40.0	40.0
Stock market capitalization as at 31 December (in CHF m)		
Stock market capitalization	1 126.1	977.4

[1)] Trade receivables, inventories and property, plant and equipment
minus trade payables and payments on account received from customers
[2)] EBIT as % of the average net operating assets (return on net operating assets)
[3)] 2014 – dividend proposal of the Board of Directors

▲ For additional details see notes to the consolidated financial statements

Key figures [1]

Orders received (in CHF m)

2012	666
2013	706
2014	**800**

Net revenues (in CHF m)

2012	674
2013	686
2014	**766**

EBITDA (in CHF m)

2012	81
2013	69
2014	**82**

Net income (in CHF m)

2012	40
2013	30
2014	**46**

Cash flow from operating activity (in CHF m)

2012	68
2013	39
2014	**43**

Cash and cash equivalents (in CHF m)

2012	383
2013	352
2014	**306**

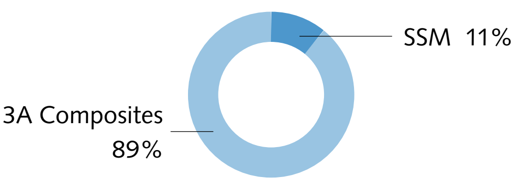
Equity (in CHF m) **/ Equity ratio**

2012	75%	667
2013	76%	648
2014	72%	**636**

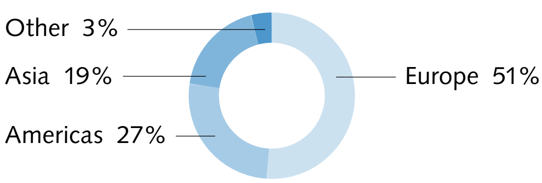
Dividend payout in % of equity

2012	8.6
2013	8.9
2014	**9.1**

Net revenues 2014 by divisions (in %)

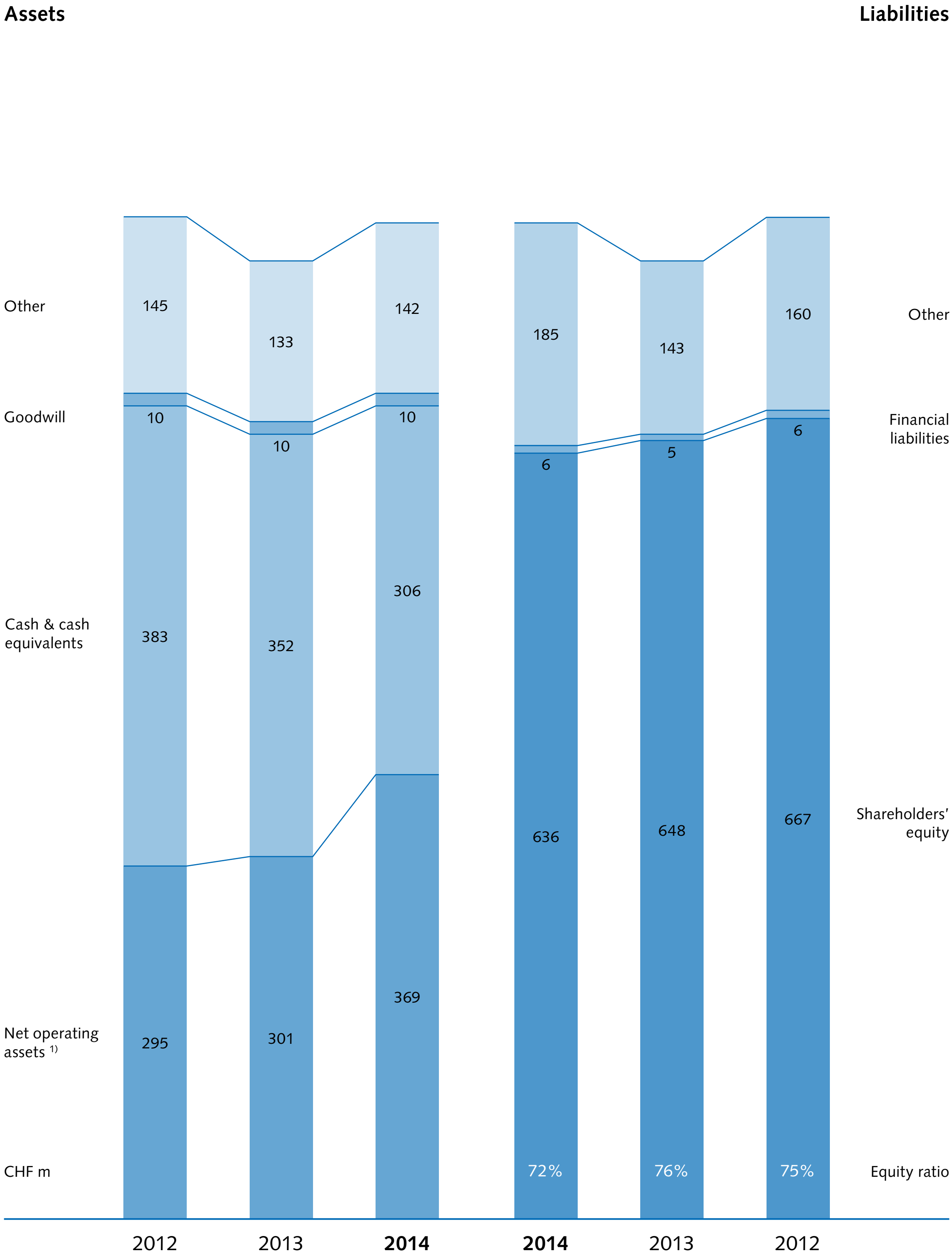


Net revenues 2014 by regions (in %)



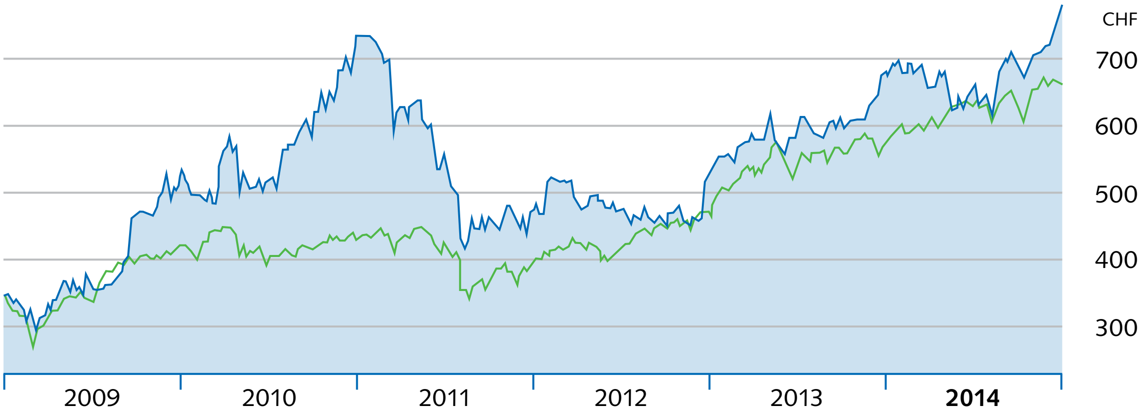
[1] Continuing operations

Essentials of the consolidated balance sheet



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

Share price and stock information



Schweiter Technologies AG
Swiss Performance Index (SPI)

Key figures for 5 years	2014	2013	2012	2011	2010
Share capital as at 31 December					
Bearer shares with a par value of CHF 1	1 443 672	1 443 672	1 443 672	1 443 672	1 443 672
Treasury shares	14 748	14 748	5 634	77 809	77 809
Share price					
Share price as at 31 December (in CHF)	780	677	525	504	750
Stock market capitalization					
as at 31 December (in CHF m)	1 126	977	758	728	1 083
Net income / loss					
per bearer share (in CHF)	32	21	42 [1]	33	35
Cash flow from operating activity					
per bearer share (in CHF)	30	27	55 [1]	37	15
Equity					
per bearer share (in CHF)	441	449	462	441	443
Distribution [2] [3]					
Total amount (in CHF m)	57.7	57.2	57.5	55.6	14.4
per bearer share (in CHF)	40.0	40.0	40.0	38.5	10.0
Dividend payout					
in % of equity	9.1	8.9	8.6	8.7	2.3

[1] Including net income / cash flow from discontinued operations (Ismeca Semiconductor)
[2] 2014 proposal of the Board of Directors
[3] Dividends and repayment of reserves from capital contributions (cash and distribution in form of treasury shares)

3A Composites

3A Composites manufactures 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 determined on the basis of the requirements of the relevant applications and are manufactured in large volumes using industrial processes.

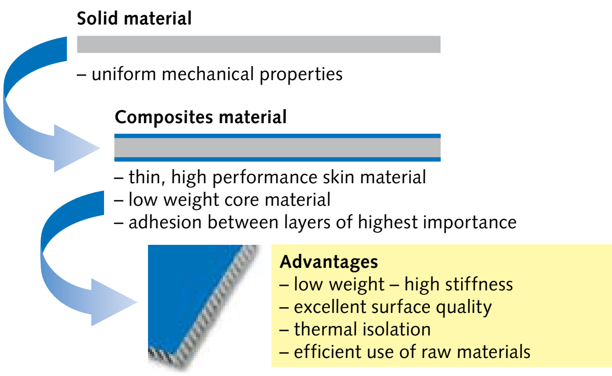
In all target markets, 3A Composites offers a unique product range for the respective high-end segment and owns the brands that define the category, such as ALUCOBOND®, AIREX®, BALTEK®, DIBOND®, GATOR®, KAPA® etc.

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.

The 3A Composites business segments focus 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 of materials and composites
– the ease of 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 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 the architecture sector, specifications are often provided directly through the architect.

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

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

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

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

Pattern on white Fome-Cor® from Mary Beth Shaw, Wildwood, MO, USA

Market for composite panels and refined semi-finished products

Display

The display market normally trends in line with the general economic cycle. As in 2013, 3AC was able to strengthen its market position and gain market share in what remained a weak European market. Growth was driven by 3AC's competitive product range, its strong dealer network and highly discerning user specifications for its products. The acquisition of FOAMALITE® in mid-2012 had a very positive impact – 3AC now also has an attractive range of transparent panels.

In the USA, the display market has been growing significantly. The strong trend towards large-format flatbed digital printing technology is pushing up demand for 3AC's rigid, lightweight and high-quality composite display panels.

Shop window, Mode Zinser, Singen, Germany, FOREX®, design and production dfrost GmbH & Co. KG

3A Composites

Architecture

Construction activity in Europe has held up at a good level in those countries that have stronger economies, despite a lack of additional growth impetus. Taking the continent as a whole, the level of investment in Europe was moderate. However, the mild winter with an early start to construction operations already led to high capacity utilization at the beginning of the year. The rest of the year was marked by sustained high demand for the new 3AC coatings.

Revenues in Europe increased significantly – particularly in the core markets of Central Europe (Germany, UK, France, Switzerland, Austria) and in Poland. Sales also increased in Russia and Italy despite increasingly difficult conditions.

In the American market, the growing number of new projects for commercial and institutional buildings fuelled a revival of the market for ALUCOBOND® façades. The new colors and coatings of the 3AC products were very well received by the market. The share of fire-certified products is continuing to grow.

In the Middle East and Asia-Pacific, overall growth was once again encouraging. However, the environment in the individual regions presented a mixed and challenging picture.

In the Middle East, business was heavily dependent on major projects, which were often subject to delays.

In India, it was a question of awaiting the outcome of the elections, with many in the market hoping that the change of government would usher in a positive trend. The architecture market made somewhat lackluster progress owing to overcapacity. The acquisition in Pune of 3AC at the end of 2013 led to an expansion of the product range and contributed to cost reductions in the main product lines.

Business in Southeast Asia made very pleasing progress, with Indonesia, Singapore, Malaysia and New Zealand in particular seeing significant expansion of market share thanks to an increased presence.

The growth spurt in China continued into 2014. Overall, in the last three years, the volume of the business in China doubled. The shift in the government's focus away from the public sector and toward the private sector, is also felt in the architecture market.

Interior fittings for recreational vehicles and yacht building

The European and American market for recreational vehicles, yachts and super-yachts offers significant potential for 3AC's lightweight balsa veneer panels, which are unique worldwide. Introduced by the Core Materials business area as a world first under the brand name BANOVA®, the products have met with great interest in the market, mainly because of the 40–70% weight saving they offer compared with traditional plywood panels.

Initial leading OEMs and panel-finishing partners were gained through intensive "market-pull" marketing. Thanks to a pilot plant in Europe, market development was pursued in parallel with the establishment of the integrated production facility in Ecuador.

Aalborg House of Music, Denmark
ALUCOBOND® naturAL Brushed

Our own seedling nursery ensures continuous reforestation and guarantees the high quality of our balsa wood

Market for core materials for sandwich applications

There was a renewed increase in global demand among wind energy customers, though with large regional disparities. The strategy of focusing primarily on PET and balsa as core materials proved to be correct. The Core Materials business improved significantly, with major increases in revenues and earnings reported in both the wind and non-wind sectors.

Wind power

The declining total cost of wind turbines for power generation and distribution was crucial to growth in North America and Asia. The trend towards larger wind farms and longer rotor blades is continuing and offers good opportunities for 3AC's HYBRID CORE CONCEPT®. The Chinese market continued to recover. In future, it is to be expected that up to 50% of all wind turbines will be manufactured in Asia. Despite selective growth in China in 2014, 3AC was able to increase its global market share. With its strong brands, AIREX® and BALTEK®, 3AC remains a preferred partner for leading wind turbine manufacturers. Wind power remains Core Materials' strongest market segment.

Non-wind – marine,
transportation and construction industry

The recovery in the traditional marine market is making the most progress in the United States, where it reached the same level as before the 2008/2009 crisis. By contrast, there is not yet any sign of a sustained improvement in Europe and Asia. 3AC's product range and strong dealer network enabled it to share in the growth opportunities in the United States.

In the road transport sector, preparatory work aimed at reducing the weight of vehicles through the use of composite solutions was carried out in collaboration with OEMs. In conjunction with the work in the construction sector, this paved the way for the development of non-wind fields. The aim is that these should further reduce the continuing strong dependence on the wind market.

«SMART is Green»
Hamburg, Germany, ALUCOBOND®
zillerplus Architekten und Stadtplaner

3A Composites

Market for structural components / system components

Due to projects that were postponed by customers or never implemented, revenues in the two main lines of business, rail vehicles and buses, fell well short of the high expectations. Overall, however, there was a year-on-year increase in orders received.

While sales of bus roofs and floors almost doubled, they fell significantly short of planned volumes. A key factor here was the postponed introduction of emissions standards in important markets such as the UK, which delayed the launch of new-generation vehicles with 3AC components.

In the rail vehicles business area, 3AC's strong dependence on its main customer was substantially reduced by orders from three other rolling stock manufacturers. However, here too total revenues fell short of expectations owing to customer projects which failed to go ahead.

The outsourcing of cabin projects to Eastern Europe had a positive impact – not only on the cost structure, but also through the expansion of the product range to include hand-laminated interior components.

In China, there is continuing interest in the 3AC roof and floor systems for light rail vehicles. For the first time, floor panels for a tram project were made at a local 3AC plant in China.

3A Composites

Revenues and income

At CHF 677.2 million (previous year: CHF 612.0 million), revenues are up 11% year-on-year. EBITDA increased by an exceptionally steep 22% to CHF 70.1 million (previous year: CHF 57.6 million).

Product range / capacity

In Europe, a new panel for the display and industrial business areas was launched in the form of KAPA®tech – an innovative, lightweight panel with aluminum face sheets and a PUR core. At its plant in Osnabrück, Germany, 3AC is also currently investing in the production of a new paper-based product for the display market, which will be launched in 2015. These products emphatically confirm 3AC's market leadership in the area of innovative, lightweight composite panels.

CALYANA®, a new product made by the company Airex, was added to the range of gymnastics mats with a view to seizing growth opportunities in the strongly growing yoga market.

At the end of 2014, continuous production of PET core materials in Sins came close to its capacity limit. A decision was taken to proceed with projects to expand production, and these are already being rolled out.

FSC certification for 3AC's balsa products was renewed in 2014. 3AC remains the only supplier of FSC-certified balsa and is convinced that being able to provide evidence of the sustainable management of plantations and the entire value chain will continue to gain in importance.

Organization

3AC's decentralized, lean organization is characterized by low overheads. The focus of resource allocation remains on the areas of marketing and sales.

In the Core Materials business area, the importance of quality management was reflected in the fact that there is now a global quality manager who reports directly to the CEO of Core Materials and to whom all other quality managers in the regions are technically subordinate.

Outlook

Through a combination of investment in innovative products and targeted acquisitions of complementary activities, the Group is well-positioned overall to maintain its position as a market leader in what remains a challenging environment and to achieve further growth.

The American market certainly offers the best external conditions for further growth. In Europe, however, the subdued economic outlook means continuing to focus closely on a competitive product range and on strong product promotion among processors and end customers, with a view to exploiting selective growth opportunities in a highly competitive environment.

Projects postponed in 2014 in the area of structural and system components for rail vehicles give grounds for expecting a recovery in this area, as do projects commissioned by newly acquired customers.

In the Middle East, uncertainties surrounding the oil price trend coupled with political unrest suggest that the architecture project business will offer more opportunities.

By contrast, in India, weak oil prices could lead to a revival in the corporate identity business, as the release of subsidy contributions will probably be used increasingly for the renovation and expansion of the national filling station network.

Following the strong growth phases in the architecture business witnessed in China over the last three years, the main focus will be on consolidating the position achieved. At the same time the market for wind farms in Asia is still seen as having great potential for Core Materials – albeit on challenging commercial terms.

KISS double-deck electric multiple unit
by Stadler Rail for the Aeroexpress, Moscow

3A Composites

Management

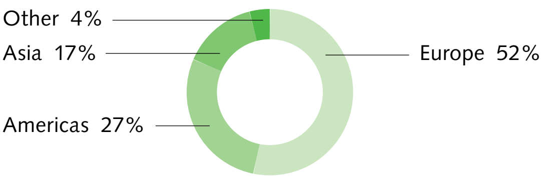
Dr. Heinz O. Baumgartner	Chief Executive Officer 3A Composites
Brendan Cooper	Chief Executive Officer Display & Architecture Americas
Dr. Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Dr. Armin Raiber	General Manager Airex Composite Structures
Georg Reif	Chief Technology Officer
Roman Thomassin	Chief Executive Officer Core Materials
Dr. Joachim Werner	Chief Executive Officer Architecture & Display Europe

Employees (at year-end)

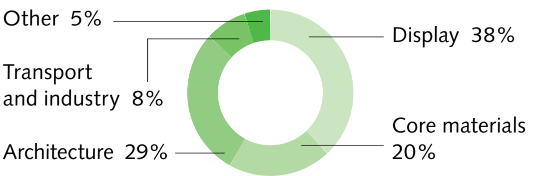
2014	2013	2012	2011
2514	2081	2151	2495
[1] 797	609	696	953

[1] of which in balsa wood plantations and sawmills in Ecuador

Sales markets 2014 (in %)



Net revenues 2014 by operations (in %)



SSM Textile Machinery

Market

In 2014, new orders followed a pleasing trend and at CHF 89.3 million were up 14% on the previous year (previous year: CHF 78.2 million). The increase is mainly due to high demand in the man-made fibers business area. Here, SSM has benefited from its efforts in recent years to develop specialized machines for the man-made fibers sector, as well as from the acquisition of SSM Giudici, which operates in this area.

In Asia, market development was very mixed. While the slowdown in the cotton/staple sector continued to worsen, with a major impact on demand in China, the man-made fibers sector enjoyed a veritable boom. In addition to the two main Asian markets, China and India, Taiwan once again played an important part this year.

In the Middle East, the positive market trend in Turkey continued. While the Mediterranean region (e.g. Tunisia, Egypt and Syria) was fairly stagnant, important orders were secured in Israel.

In North and South America, the much touted renaissance of manufacturing facilities emerged only very hesitantly. The Brazilian market nevertheless performed very well. In comparison with recent decades, the US market has also shown a significant increase in investment projects in the textile manufacturing sector. In regions previously dominated by cotton, traditional textile manufacturers are increasingly investing in man-made fiber plants.

The persistently high exchange rate of the Swiss franc, which has risen even further recently, poses a challenge for SSM in the international market. However, SSM's performance proves that it is still possible even against a background of unfavorable exchange rates to engage in successful and profitable international business.

The expansion of the globalized sourcing network will remain a focal point for the coming years, putting us in a stronger position to meet the challenges of the international markets.

Revenues and income

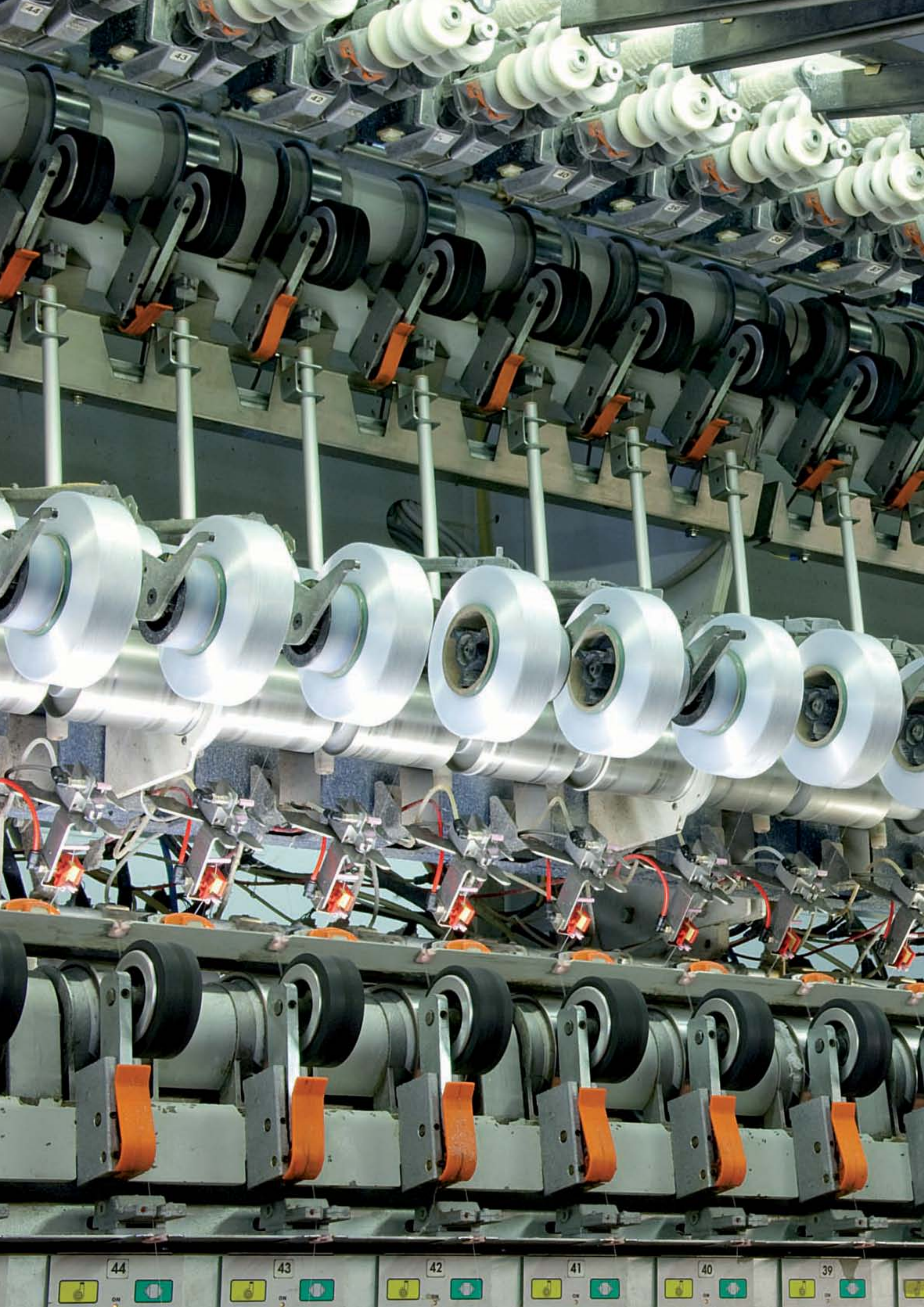
At CHF 87.9 million (previous year: CHF 73.7 million), revenues are up 19% year-on-year. During the year under review, SSM Giudici, which was acquired two years ago, was able to make a significant contribution to revenue for the first time while also posting a positive result. It is notable that, despite an unfavorable currency and economic environment as well as substantial research and development spending, SSM still succeeded in generating 97% higher EBIT of CHF 13.4 million (previous year: CHF 6.8 million).

Product range

2014 saw not only a continuation, but a strong intensification of the two-pronged focus of product development on our main Asian markets and on the rapidly growing man-made fibers market. In collaboration with SSM Giudici, two new product lines were introduced which will enable SSM to develop new markets. The year under review also saw the launch of a new machine which is already enjoying some initial success in the technical textiles market in which SSM has so far had little involvement. The campaign launched some five years ago to port existing machines to new modular platforms was systematically pursued in 2014. This led to even greater flexibility for our customers while at the same time reducing manufacturing costs.

International organization

All three SSM production locations – Horgen (Switzerland), Zhongshan (China) and Galbiate (Italy) – report good to very good capacity utilization.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SSM Textile Machinery

SSM's production strategy is based on a strong international network of manufacturers of parts and components. These subsequently undergo final assembly in Switzerland using sophisticated core components, which ensure compliance with SSM's high quality standard. SSM machines manufactured in Zhongshan have gained full acceptance in our three main Asian markets.

Outlook

The order backlog of CHF 18.5 million (previous year: CHF 21.3 million), including two large orders for products made by SSM Giudici, will ensure that 2015 gets off to a good start. The markets of Southeast Asia and India are showing positive signs of recovery. The textile industry is not expected to witness substantial growth or a marked downturn in 2015. It remains to be seen how not only China but also the "revived" US market will perform in 2014.

As in the previous years, SSM has retained its lean structure and continuously improved. We can therefore look forward to a gratifying result even if the markets stagnate.

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

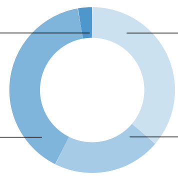
Management

Ernesto Maurer	Chief Executive Officer
Marco Sarain	Chief Financial Officer (from 1 March 2014)
Davide Maccabruni	Chief Technology Officer
Christian Widmer	Head of Operations (until 31 December 2014)
Claudia Wagner	Head of Operations (from 1 January 2015)
Ernesto Maurer	Head of Marketing & Sales
Christian Widmer	Head of Aftersale Services (from 1 March 2014)

Employees (at year-end)

2014	2013	2012	2011	2010
244	242	256	233	235

Sales markets 2014 (in %)



SSM GIUDICI TG1 AT – air texturing

Consolidated financial statements of Schweiter Technologies AG

Consolidated balance sheet as at 31 December 2014

	Assets (in CHF 1000s)	**2014**	%	2013	%
	Current assets				
1	Cash and cash equivalents	305 912		352 055	
2	Trade receivables	109 864		77 684	
	Current income tax receivables	6 487		3 423	
	Advances to suppliers	5 788		5 562	
3	Other receivables	16 782		25 789	
	Prepaid expenses and accrued income	1 082		2 225	
4	Inventories	130 345		112 521	
	Total current assets	**576 260**	64.8	**579 259**	67.9
	Non-current assets				
5	Property, plant and equipment	191 671		167 605	
6	Investment property	20 792		21 251	
7	Biological assets	18 199		13 564	
8	Investment in associated companies	1 107		1 168	
9	Financial assets	4 781		3 567	
30	Deferred tax assets	22 666		15 921	
10	Intangible assets (incl. Goodwill)	54 189		51 103	
	Total non-current assets	**313 405**	35.2	**274 179**	32.1
	Total assets	**889 665**		**853 438**	
	Liabilities and shareholders' equity (in CHF 1000s)				
	Current liabilities				
11	Current financial liabilities	2 926		2 639	
	Trade payables	53 778		45 978	
	Prepayments received from customers	8 758		10 582	
12	Other payables	4 785		6 051	
13	Accrued expenses and deferred income	43 466		35 090	
17	Current provisions	2 679		1 897	
	Current income tax payables	19 050		10 739	
	Total current liabilities	**135 442**	15.2	**112 976**	13.2
15	Non-current financial liabilities	3 551		2 793	
31	Deferred tax liabilities	24 949		22 685	
17	Non-current provisions	12 043		15 837	
16	Pension obligations	77 469		50 741	
	Total non-current liabilities	**118 012**	13.3	**92 056**	10.8
	Total liabilities	**253 454**	28.5	**205 032**	24.0
	Shareholders' equity				
18	Share capital	1 444		1 444	
18	Treasury shares	– 7 400		– 7 400	
	Reserves from capital contributions	63		63	
	Retained earnings	654 471		685 006	
	Currency translation adjustments	– 12 367		– 30 707	
	Total shareholders' equity	**636 211**	71.5	**648 406**	76.0
	Total liabilities and shareholders' equity	**889 665**		**853 438**	

▲ For additional details see notes to the consolidated financial statements

Consolidated income statement for the financial year 2014

	(in CHF 1000s)	2014	%	2013	%
22	**Net revenues**	**765 590**	99.0	**686 182**	99.7
	Change in inventories of semi-finished and finished goods	7 487	1.0	2 325	0.3
	Total operating income	**773 077**	100.0	**688 507**	100.0
	Material expenses	– 408 923	– 52.9	– 355 957	– 51.7
	Personnel expenses	– 150 162	– 19.4	– 145 891	– 21.2
23	Other operating expenses	– 141 333	– 18.3	– 132 548	– 19.2
24	Income/expenses from investment property – net	– 142	0.0	5 730	0.8
25	Other operating income	9 201	1.2	8 893	1.3
26	Depreciation and amortization	– 24 250	– 3.2	– 23 284	– 3.4
	Operating result	**57 468**	7.4	**45 450**	6.6
27	Financial income	6 763	0.9	944	0.1
28	Financial expenses	– 2 407	– 0.3	– 3 925	– 0.6
8	Share of result of associated companies	– 169	0.0	– 1 546	– 0.2
	Income before taxes	**61 655**	8.0	**40 923**	5.9
29	Income taxes	– 16 164	– 2.1	– 10 716	– 1.5
	Net income	**45 491**	5.9	**30 207**	4.4
34	**Earnings per share** (in CHF)				
	– undiluted	31.84		21.14	
	– diluted	31.79		21.11	

▲ For additional details see notes to the consolidated financial statements

Consolidated statement of comprehensive income for the financial year 2014

(in CHF 1000s)	**2014**	2013
Net income	**45 491**	**30 207**
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	18 340	– 1 393
– Exchange differences on translation of foreign operations transferred to the income statement	0	0
– Tax effect	0	0
Total	18 340	– 1 393
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial (losses) / gains on defined benefit plans	– 23 969	18 252
– Tax effect	4 878	– 4 030
Total	– 19 091	14 222
Total other comprehensive income	**– 751**	**12 829**
Comprehensive income	**44 740**	**43 036**

Consolidated statement of cash flows for the financial year 2014

	(in CHF 1000s)	**2014**	2013
	Net income	**45 491**	**30 207**
	Non-cash items:		
26	Depreciation and amortization	24 250	23 284
	Depreciation on properties held as financial investments	459	1 029
	Change in provisions and pension obligations	– 1 075	– 1 118
32	Gain from sale of business operations	0	– 746
	Gain from sale of investment properties	0	– 4 711
	Other positions not impacting cash	– 3 786	– 2 058
27	Financial income	– 6 763	– 944
28	Financial expenses	2 407	3 925
29	Income taxes	16 164	10 716
	Change in working capital:		
	Change in trade receivables	– 27 570	– 7 822
	Change in other receivables and accruals	8 267	– 7 828
	Change in inventories and work in progress	– 14 063	– 2 078
	Change in trade payables	6 507	3 540
	Change in other liabilities	4 255	2 851
	Interest paid	– 327	– 244
	Income taxes paid	– 10 778	– 9 544
	Cash flow from operating activity	**43 438**	**38 459**
33	Purchase of business operations	– 781	– 471
32	Sale of business operations	0	2 207
	Purchase of intangible assets	– 185	– 15
	Purchase of property, plant and equipment	– 36 167	– 30 207
	Proceeds from sale of property, plant and equipment	3 240	5 666
	Proceeds from sale of investment properties	0	18 143
	Investments in investment property	0	– 594
	Increase in financial assets	– 1 283	– 2 588
	Repayment of financial assets	300	0
	Interest received	527	660
	Cash flow from investment activity	**– 34 349**	**– 7 199**
	Repayment leasing liabilities	– 558	– 559
	Increase in current bank loans	124	111
	Purchase of treasury shares	0	– 4 900
	Dividend paid	– 57 240	– 17 455
18	Repayment of reserves from capital contributions	0	– 39 772
	Cash flow from financing activity	**– 57 674**	**– 62 575**
	Currency exchange differences on cash and cash equivalents	2 442	766
	Change in cash and cash equivalents	**– 46 143**	**– 30 549**
	Cash and cash equivalents as at 1 January	352 055	382 604
	Cash and cash equivalents as at 31 December	**305 912**	**352 055**

▲ For additional details see notes to the consolidated financial statements

Consolidated statement of changes in equity

	(in CHF 1000s)	Share capital	Treasury shares	Reserves capital contributions	Retained earnings	Currency translation difference	Total shareholders' equity
	Balance as at 1 January 2013	**1444**	**–2500**	**39845**	**657730**	**–29314**	**667205**
	Net income				30207		30207
	Other comprehensive income	*0*	*0*	*0*	*14222*	*–1393*	*12829*
	Comprehensive income	*0*	*0*	*0*	*44429*	*–1393*	*43036*
19	Share-based remuneration				305		305
	Purchase of treasury shares		–4900				–4900
18	Repayment of reserves from capital contributions			–39782			–39782
	Dividend				–17458		–17458
	Balance as at 31 December 2013	**1444**	**–7400**	**63**	**685006**	**–30707**	**648406**
	Net income				45 491		45 491
	Other comprehensive income	*0*	*0*	*0*	*– 19 091*	*18 340*	*– 751*
	Comprehensive income	*0*	*0*	*0*	*26 400*	*18 340*	*44 740*
19	Share-based remuneration				305		305
	Dividend				– 57 240		– 57 240
	Balance as at 31 December 2014	**1444**	**–7400**	**63**	**654471**	**–12367**	**636211**

▲ For additional details see notes to the consolidated financial statements

Notes to the consolidated financial statements 2014

Accounting policies

General

Schweiter Technologies AG is a company established under Swiss law domiciled in Horgen. Its main activities are the development, manufacturing 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 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 1 January 2014:

New interpretation	
IFRIC 21	Levies

Amendments to standards	
IAS 32	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Novation of Derivatives
Misc.	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

These changes had no impact on the consolidated financial statements of Schweiter Technologies.

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 14	Regulatory Deferral Accounts	1 January 2016	Financial year 2016	1)
IFRS 15	Revenues from Contracts with Customers	1 January 2017	Financial year 2017	3)
IFRS 9	Financial Instruments	1 January 2018	Financial year 2018	1)

Amendments to standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014	Financial year 2015	2)
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	Financial year 2016	2)
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	Financial year 2016	2)
IAS 16 and IAS 41	Agriculture: Bearer Plants	1 January 2016	Financial year 2016	2)
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	Financial year 2016	2)
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1 July 2014	Financial year 2015	2)
		1 January 2016	Financial year 2016	2)

1) No or no material effects are expected on the consolidated financial statements of Schweiter Technologies
2) No effects are expected on the consolidated financial statements of Schweiter Technologies
3) The impact on the consolidated financial statements of Schweiter Technologies has not yet been analyzed

Basis of consolidation

The consolidated financial statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, as well as the consolidated statement of cash flows and the consolidated statement of changes in equity are based on the audited annual statements of the companies included as at 31 December 2014 and 31 December 2013. The statements of the individual companies, which follow local requirements and customary practices, have been adapted to IFRS on the basis of standard Group-wide accounting and valuation principles and have been combined into the consolidated financial statements.

Principles of consolidation

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

Entities over which the Group has significant influence (generally companies in which the Group holds more than 20% of voting rights, but not more than 50%) are accounted for using the equity method, provided there is no possibility to exercise control in some other way. They are reported in the balance sheet at acquisition value, adjusted for dividend payments and the Group's shares in the accumulated profit or loss after the acquisition.

Business combinations are accounted for using the acquisition method. The assets and liabilities of newly acquired companies are measured at their fair value at the time of acquisition. For each

Accounting policies

business combination (first-time consolidation), the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Non-controlling interests are subsequently adjusted for their share in income and other comprehensive income. All intercompany transactions and balances between Group companies are eliminated in full. The individual financial statements of the Group Companies as of 31 December are prepared using uniform accounting policies.

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 3A Composites division is managed as an operating segment – decisions on the allocation of resources and monitoring of the performance of top-level management in connection with the various product groups are conducted centrally on a global basis. The Group's chief operating decision maker is the Board of Directors of Schweiter Technologies AG. There are no differences between the accounting and valuation principles applied to segment reporting and those applied to the consolidated financial statements. Geographic information is broken down into the regions Europe, Americas, Asia and the rest of the world.

Changes in the scope of consolidation

During 2014, there were – as in the previous year – no business combinations that were either individually material or that were considered material on an aggregated basis.

Scope of consolidation

The following companies were fully consolidated as at 31 December:

Company	Purpose	Share capital in 1000s		Investments 2014	Investments 2013
Schweiter Technologies AG Horgen, Switzerland	Holding company	CHF	1 444	–	–
Nerwal SA La Chaux-de-Fonds, Switzerland	Property management	CHF	1 000	0	100%
SSM Schärer Schweiter Mettler AG Horgen, Switzerland	Development, production and distribution	CHF	6 000	100%	100%
SSM Vertriebs AG Steinhausen, Switzerland	Distribution	CHF	100	100%	100%
SSM (Zhongshan) Ltd. Zhongshan, China	Production and distribution	USD	500	100%	100%

Company	Purpose	Share capital in 1000s		Investments 2014	2013
SSM Giudici S.r.l. Galbiate, Italy	Production and distribution	EUR	100	100%	100%
3A Composites Holding AG Steinhausen, Switzerland	Holding company	CHF	10 000	100%	100%
3A Composites International AG Steinhausen, Switzerland	Distribution and management	CHF	100	100%	100%
3A Technology & Management AG Neuhausen, Switzerland	Development and property management	CHF	600	100%	100%
Airex AG Sins, Switzerland	Production and distribution	CHF	5 000	100%	100%
3A Composites Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
3A Composites Holding Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
Foamalite Ltd. Loch Gowna, Ireland	Production and distribution	EUR	1 905	100%	100%
3A Composites GmbH Osnabrück, Germany	Production and distribution	EUR	2 556	100%	100%
3A Composites Holding Inc. Wilmington, DE, USA	Holding company	USD	0.1	100%	100%
Baltek Inc. Wilmington, DE, USA	Production and distribution	USD	0.05	100%	100%
3A Composites USA Inc. St. Louis, MI, USA	Production and distribution	USD	1	100%	100%
Alucobond (Far East) Pte. Ltd. Singapore	Distribution	USD	38 214	100%	100%
Alucobond Asia Pacific Management (Shanghai) Ltd.	Holding company	USD	2 500	100%	0%

Accounting policies

Company	Purpose	Share capital in 1000s		Investments 2014	Investments 2013
3A Composites (China) Ltd. Shanghai, China	Production and distribution	USD	20000	100%	100%
Alucobond Composites (Jiangsu) Ltd. Changzhou, China	Production and distribution	USD	1500	100%	0%
3A Composites India Pte. Ltd. Mumbai, Indien	Production and distribution	INR	65693	100%	100%
3A Composites PNG Ltd. Port Moresby, Papua New Guinea	Production and distribution	PGK	1	100%	0%
Plantaciones de Balsa Plantabal S.A. Guayaquil, Ecuador	Production	USD	42.4	100%	100%
Balmanta S.A. Guayaquil, Ecuador	Production	USD	3018	100%	100%
Banova Innovaciones en Balsa S.A. Quevedo, Ecuador	Production and distribution	USD	1000	100%	100%
Reforestaciones e Industrias Reforei S.A. Santo Domingo, Ecuador	Production and distribution	USD	50	100%	0%
3A Composites do Brasil Ltda. Cuiabá, MG, Brasilien	Production	BRL	340	100%	100%

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 service respectively. Appropriate provisions have been set aside for anticipated warranty claims arising from the rendering of services. Income from rental services 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.

Foreign currency translation

The individual financial statements of the Group companies are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") and are translated into Swiss francs for consolidation. Year-end exchange rates are used for the balance sheet and annual average exchange rates for the income statement. The consolidated statement of cash flows is also translated at annual average exchange rates.

Differences resulting from the application of these different exchange rates for the balance sheet and the income statement and from equity transactions are recognized directly in the consolidated statement of comprehensive income.

Goodwill arising on the acquisition of a foreign entity is expressed in the functional currency of the foreign operation and is translated at the closing rate.

Foreign currency transactions translated into the functional currency are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when they are deferred outside the income statement.

Foreign exchange differences arising on monetary items that form part of a company's net investment in a foreign operation are reclassified to equity (currency translation adjustment) in the consolidated financial statements and are only fully recycled to the income statement when the Group loses control of a subsidiary or loses significant influence in an associate.

The following exchange rates were applied (in CHF)				Year-end rate 31.12. for the balance sheet		Average rate for the income statement	
				2014	2013	**2014**	2013
USA	Dollar	USD	1	0.989	0.893	0.915	0.927
EU	Euro	EUR	1	1.203	1.227	1.214	1.230
China	Yuan	CNY	1	0.161	0.146	0.149	0.149
India	Rupee	INR	100	1.550	1.440	1.500	1.590

Derivative financial instruments

Derivative financial instruments are recorded in the balance sheet at market values in accordance with IAS 39. The financial instruments are recorded on the balance sheet as of the trading date. The Group partially uses forward exchange contracts as a means of hedging foreign currency risks. A forward exchange contract used to hedge an underlying transaction, in particular a firm commitment 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

Accounting policies

arising from the hedged risk are taken to income under consideration of deferred taxes. In addition, the Group uses derivative financial instruments to hedge cash flows (especially foreign currency and aluminum forwards). The group applies no hedge accounting for these derivative financial instruments. The changes in the market value of derivative financial instruments are recognized in other operating expenses or income. The classification of financial instruments is set out in note 36.

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 realizable value is lower, corresponding value adjustments are made. The production costs comprise of raw material costs, direct labor costs, other direct costs and related production overhead costs.

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

Allowances are recognized 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 recognized for any decrease in value which has occurred. Buildings, machinery, vehicles and operating equipment are measured at acquisition costs less accumulated depreciation.

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

Land	no depreciation
Buildings	20 to 40 years
Conversions & installations	10 years or period of rental
Machinery & tools	5 to 15 years
Furnishings	8 to 10 years
Computer systems & 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 depreciated like other investments. The present value of the leasing obligations is disclosed 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, 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. Investment properties 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 costs for preparation and maintenance such as the disinfection and irrigation of the young plantations.

Tree plantings older than two years are stated at market value, derived from 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 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 represents the excess of the aggregate of the consideration transferred and the amount recognized for the non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed.

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

Other intangible assets

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

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

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

Development costs	3 to 5 years
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 annually for impairment.

Accounting policies

Impairment

On each balance sheet date, an assessment is made of whether material assets show signs of impairment. If so, the recoverable amount is estimated, being the higher of the estimated net selling price and the 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 determined is lower than the carrying value, an impairment loss is recognized. 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.

Provisions

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

Income taxes

Income taxes comprise the tax expense in respect of all recognized profits for the reporting period. They include current and deferred income taxes. Current income taxes are calculated on taxable profit.

Provisions for deferred taxes are calculated according to the liability method. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax base taking into account actual or expected local tax rates.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries and associates except where the Group is able to control the distribution of earnings from these respective entities and where dividend payments are not expected to occur in the foreseeable future.

Changes in deferred tax balances are recognized in the income statement, except when they relate to items recognized outside the income statement, in which case the deferred tax is treated accordingly.

Deferred tax assets are only recognized for temporary differences and unused tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which temporary differences or unused tax losses can be utilized.

Employee benefits

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 spun off into 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 taken into account. The required assumptions include the discount rate, the expected future salary increases, 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 reduce service costs and are deducted from them if they are a result of the pension regulations or a constructive 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 reclassified 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.

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.

Obligations resulting from termination of employment are recognized at the stage when the Group no longer has any other option but to finance the benefits offered. In any event, the expense will be recognized latest at the stage when the other restructuring expenses are also recognized.
For other long-term benefits, the present value of the obligation is recognized on the balance sheet date. Changes in the present value are recognized directly in the income statement as personnel expenses.

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.

Vesting conditions, provided they are market conditions, will be factored into the calculation of the fair value of the equity instruments granted. Vesting conditions such as service conditions or non-market 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 December 2014.

Accounting policies

Financial risk management

Market risks and
risk management basic principles

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

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

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

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

Foreign currency risk

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

Foreign currency risks arising from the conversion of items in the income statements and balance sheets of foreign Group companies are not hedged. If the Swiss franc had been 5% stronger against the euro [US dollar] on 31 December 2014 with all other variables unchanged, after conversion of the financial assets and liabilities into Swiss francs the pre-tax result of the Schweiter Technologies Group would have been lower by CHF 1.0 million [CHF 3.2 million] (previous year: CHF 0.6 million [CHF 0.6 million]) and shareholders' equity would have been lower by CHF 1.9 million [CHF 5.4 million] (previous year: CHF 1.6 million [CHF 7.4 million]).

Conversely, if the Swiss franc had been 5% weaker against the euro [US dollar] on 31 December 2014 with all other variables unchanged, after conversion of the financial assets and liabilities into Swiss francs the pre-tax result of the Schweiter Technologies Group would have been higher by CHF 1.0 million [CHF 3.2 million] (previous year: CHF 0.6 million [CHF 0.6 million]) and shareholders' equity would have been higher by CHF 1.9 million [CHF 5.4 million] (previous year: CHF 1.6 million [CHF 7.4 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% point rise in interest rates would push up the interest result by around CHF 3.0 million (previous year: CHF 3.5 million). By the same token, a 1% point fall in interest rates would reduce the interest result by CHF 0.5 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 is no concentration of credit risks relating to trade accounts receivable. To minimize default risks, additional collateral (e.g. irrevocable confirmed documentary credits, bank guarantees, credit risk insurance etc.) is agreed upon where appropriate based on specific industry, country and customer analysis.

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

Liquidity risk

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

As of 31 December 2014 and 31 December 2013, 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 2014: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount 31.12.2014	Cash outflows Total	Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	2 926	3 096	3 096		
Trade payables	53 778	53 778	53 778		
Other liabilities	2 030	2 030	2 030		
Non-current financial liabilities	3 551	4 010	0	4 010	0
Total	**62 285**	**62 914**	**58 904**	**4 010**	**0**

Financial liabilities 2013: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount 31.12.2013	Cash outflows Total	Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	2 639	2 723	2 723		
Trade payables	45 978	45 978	45 978		
Other liabilities	3 393	3 393	3 393		
Non-current financial liabilities	2 793	2 986	0	2 420	566
Total	**54 803**	**55 080**	**52 094**	**2 420**	**566**

Accounting policies

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 the consolidated financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities as well as contingent liabilities and contingent assets at the date of the financial statements, and which also affect expenses and revenues in the reporting period. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances. The 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 judgment, 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 indefinite useful life are reviewed annually for impairment. Property, plant and equipment and other intangible 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 use, from the discount rate and from the royalty rate. 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 relates to the capitalization of deferred tax assets for any future use of tax loss carry-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 considered.

Receivables and inventories

The value adjustment for receivables takes into account the assessment of bad debt and credit risks. The valuation of inventories include estimates in respect to the recoverability based on the expected consumption of the article in question. The value adjustment on inventories is calculated based on an analysis of the inventory on hand and the inventory turnover. Where necessary, the parameters are adjusted.

Pension plans

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, may have an impact on the assets and liabilities of 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 2014

	(in CHF millions) **Operations**	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
	Net revenues [1]	677.2	87.9	0.5	765.6
	Operating income	684.4	88.2	0.5	773.1
26	Depreciation and amortization [2]	23.0	1.2	0.0	24.2
26	Impairment	0.0	0.0	0.0	0.0
	Operating result	**47.1**	**13.4**	**– 3.0**	**57.5**
	Financial income				6.8
	Financial expenses				– 2.4
	Share of result of associated companies	– 0.2	0.0	0.0	– 0.2
	Income before taxes				**61.7**
	Income taxes				– 16.2
	Net income	**33.3**	**10.6**	**1.6**	**45.5**
	Capital expenditure in property, plant and equipment	38.4	1.2	0.0	39.6
	Capital expenditure in intangible assets	2.1	0.0	0.0	2.1
	Total capital expenditure	**40.5**	**1.2**	**0.0**	**41.7**
	Assets	615.6	64.3	209.8	889.7
	Liabilities	417.1	45.3	– 208.9	253.5
	Employees at year-end	2 514	244	6	2 764

[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 2014 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [3]	387.6	203.1	149.2	25.7	**765.6**
Assets	543.5	224.9	121.3	0.0	**889.7**

[3] The revenues in Switzerland are insignificant.

Information on major customers 2014

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

Operating segments 2013

(in CHF millions)

Note	Operations	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
	Net revenues [1]	612.0	73.7	0.5	686.2
	Operating income	613.2	74.9	0.4	688.5
26	Depreciation and amortization [2]	21.0	1.2	0.0	22.2
26	Impairment	1.1	0.0	0.0	1.1
	Operating result	**35.5**	**6.8**	**3.2**	**45.5**
	Financial income				0.9
	Financial expenses				– 3.9
	Share of result of associated companies	– 1.6	0.0	0.0	– 1.6
	Income before taxes				**40.9**
	Income taxes				– 10.7
	Net income	**16.2**	**6.8**	**7.2**	**30.2**
	Capital expenditure in property, plant and equipment	30.2	0.8	0.0	31.0
	Capital expenditure in intangible assets	0.0	0.0	0.0	0.0
	Total capital expenditure	**30.2**	**0.8**	**0.0**	**31.0**
	Assets	538.6	54.5	260.3	**853.4**
	Liabilities	378.5	41.1	– 214.6	**205.0**
	Employees at year-end	2 081	242	6	**2 329**

[1] There are no revenues between the divisions. The product groups correspond to the operating segments
[2] Including CHF 1.0 million depreciation on investment property

Geographical information 2013 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [3]	348.9	178.6	133.2	25.5	**686.2**
Assets	627.6	149.6	76.2	0.0	**853.4**

[3] The revenues in Switzerland are insignificant.

Information on major customers 2013

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

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2014**	2013
CHF	209 476	264 500
EUR	37 679	42 190
USD	41 573	22 946
RMB	11 686	18 959
Other	5 498	3 460
Total	**305 912**	**352 055**

Cash and cash equivalents consist of cash deposits with banks and in postal check accounts. They carry interest ranging from 0% to 9% (INR).

2 **Trade receivables** (in CHF 1000s)	**2014**	2013
Total trade receivables	112 129	80 615
– less allowance for doubtful accounts receivable	– 2 265	– 2 931
Total trade receivables – net	**109 864**	**77 684**

Age analysis of trade receivables **2014:** (in CHF 1000s)	Gross **31.12.2014**	Bad debt allowance **31.12.2014**	Net **31.12.2014**
Not due	98 853	– 302	98 551
Overdue up to one month	7 538	0	7 538
Overdue between 1 and 2 months	1 787	– 71	1 716
Overdue between 2 and 3 months	1 220	– 229	991
more than 3 months overdue	2 731	– 1 663	1 068
Total overdue	*13 276*	*– 1 963*	*11 313*
Total	**112 129**	**– 2 265**	**109 864**

Age analysis of trade receivables 2013: (in CHF 1000s)	Gross 31.12.2013	Bad debt allowance 31.12.2013	Net 31.12.2013
Not due	68 267	– 500	67 767
Overdue up to one month	5 421	0	5 421
Overdue between 1 and 2 months	2 136	– 78	2 058
Overdue between 2 and 3 months	1 687	– 179	1 508
more than 3 months overdue	3 104	– 2 174	930
Total overdue	*12 348*	*– 2 431*	*9 917*
Total	**80 615**	**– 2 931**	**77 684**

Changes in the value adjustment for doubtful accounts receivable:	**2014**	2013
Balance as at 1 January	2 931	2 171
Foreign currency differences	– 5	– 2
Bad debt allowance used	– 67	– 31
Bad debt allowance released	– 594	– 257
Bad debt allowance increased	0	1 050
Balance as at 31 December	**2 265**	**2 931**

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

3 **Other receivables** (in CHF 1000s)	**2014**	2013
Financial assets:		
– Derivative financial instruments	0	54
– Receivables from associated companies	0	9 274
– Other receivables	7 032	8 163
Non-financial assets:		
– Receivables from indirect taxes	9 189	7 825
– Accounts receivable from social insurance schemes	561	473
Total	**16 782**	**25 789**

4 **Inventories** (in CHF 1000s)	**2014**	2013
Raw materials and production parts	62 862	55 377
Semi-finished goods and work in progress	20 152	15 835
Finished goods and trading goods	47 331	41 309
Total	**130 345**	**112 521**

The net value of the inventories is after value adjustments of CHF 12.9 million (previous year: CHF 16.4 million). As in the prior year, all finished goods are stated in the balance sheet at manufacturing cost. The value adjustment was determined on the basis of the salability and range of the inventories. As in the prior year, no reinstatements were recorded as income. No inventories are encumbered by rights of lien.

Notes to the consolidated financial statements

5 Property, plant and equipment 2014

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery & tools	Furnishings	Computer equipment	Vehicles	Assets under construction	**Total**
Cost								
Balance as at 1 January 2014	121 072	11 556	230 006	2 715	12 461	3 270	14 550	395 630
Additions	4 081	509	7 413	225	626	360	26 399	39 613
Disposals	−390	−119	−4 713	−147	−382	−136	0	−5 887
New classifications	3 398	401	16 473	1	196	61	−20 530	0
Exchange rate differences	4 602	233	8 184	140	−22	156	1 400	14 693
Balance as at 31 Dec. 2014	**132 763**	**12 580**	**257 363**	**2 934**	**12 879**	**3 711**	**21 819**	**444 049**
Accumulated depreciation								
Balance as at 1 January 2014	−38 765	−5 902	−169 505	−1 758	−9 287	−2 550	−258	−228 025
Depreciation for the year	−3 966	−1 127	−15 634	−260	−1 498	−269	0	−22 754
Impairment	0	0	0	0	0	0	0	0
Disposals	0	103	4 072	146	376	112	0	4 809
New classifications	0	0	0	0	0	0	0	0
Exchange rate differences	−945	−16	−5 278	−88	50	−111	−20	−6 408
Balance as at 31 Dec. 2014	**−43 676**	**−6 942**	**−186 345**	**−1 960**	**−10 359**	**−2 818**	**−278**	**−252 378**
Net book value 31 Dec. 2014	**89 087**	**5 638**	**71 018**	**974**	**2 520**	**893**	**21 541**	**191 671**

Insurance values	499 346
Net book value of pledged land and buildings	0
Net book value of leased property, plant and equipment	7 973
14 Leasing obligations for property, plant and equipment reported on balance sheet	2 793

5 Property, plant and equipment 2013

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery & tools	Furnishings	Computer equipment	Vehicles	Assets under construction	**Total**
Cost								
Balance as at 1 January 2013	114 331	11 098	221 399	2 585	11 994	3 514	6 276	371 197
Additions	8 942	863	5 922	170	897	240	14 005	31 039
Disposals	−1 730	−551	−1 456	−37	−574	−495	0	−4 843
New classifications	492	152	4 575	0	60	43	−5 322	0
Exchange rate differences	−963	−6	−434	−3	84	−32	−409	−1 763
Balance as at 31 Dec. 2013	**121 072**	**11 556**	**230 006**	**2 715**	**12 461**	**3 270**	**14 550**	**395 630**
Accumulated depreciation								
Balance as at 1 January 2013	−34 462	−5 196	−154 360	−1 535	−7 523	−2 731	−299	−206 106
Depreciation for the year	−3 771	−1 065	−15 948	−277	−2 210	−317	0	−23 588
Impairment	−571	0	−525	0	0	0	0	−1 096
Disposals	86	435	1 320	37	523	471	0	2 872
New classifications	0	0	0	0	0	0	0	0
Exchange rate differences	−47	−76	8	17	−77	27	41	−107
Balance as at 31 Dec. 2013	**−38 765**	**−5 902**	**−169 505**	**−1 758**	**−9 287**	**−2 550**	**−258**	**−228 025**
Net book value 31 Dec. 2013	**82 307**	**5 654**	**60 501**	**957**	**3 174**	**720**	**14 292**	**167 605**

Insurance values	504 028
Net book value of pledged land and buildings	0
Net book value of leased property, plant and equipment	6 607
14 Leasing obligations for property, plant and equipment reported on balance sheet	3 629

In the context of the restructuring of the balsa processing plants in Ecuador, the production site in Manta was closed. The closure led to an impairment of the building in the amount of CHF 0.5 million and of the machines in the amount of CHF 0.3 million. Due to damage to a production machine in Statesville, US, it had to be impaired completely (CHF 0.2 million). For this damaging event a property damage insurance compensation in the amount of CHF 2.8 million was recognized as recovered depreciation charges from previous years.

Notes to the consolidated financial statements

6 Investment property

Rhytech site Neuhausen

The investment property in Neuhausen (RhyTech site) will continue to be carried at book value. On 9 June 2013, the voters of Neuhausen approved the revision of the zoning plan for the RhyTech site; the rezoning procedures were completed in September 2014. The completion of the building permit process is expected in the summer 2016. Construction of the new building complexes is planned to start in spring 2017. The conclusion of the building permit process and the further development of the investment property will have a positive impact on the fair value of the investment property. However, the new market value (fair value) cannot be quantified exactly at this time, since the fair value is dependent on the future realization of the planned construction project.

The fair value of the investment property was reassessed by an independent expert at the end of 2013. As premises had deliberately been left vacant, fair value was assessed on the basis of intrinsic value rather than using the DCF method. Due to the fact that the parameters have not changed since the last valuation and the building permit process is not yet completed, it was decided not to update the valuation report at the end of 2014 .

The current market value of the buildings was estimated at CHF 14.5 million (previous year: 14.5 million). Together with the land value of CHF 7.3 million (previous year: 7.3 million), the fair value of the property as a whole is assessed at CHF 21.8 million (previous year: 21.8 million). The market value as of the end of 2014 is higher than the book value of the investment property, which is still stated at acquisition costs less straight-line depreciation over a useful life of 40 years.

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

The property in La Chaux-de-Fonds was sold on 15 November 2013 to Procimmo SA. The previous year, the gain on disposal in the amount of CHF 4.7 million was included in the income/expenses from investment property – net.

(in CHF 1000s)	**2014**	2013
Cost		
Balance as at 1 January	23 124	37 047
Additions	0	0
Disposals	0	– 13 923
Exchange rate differences	0	0
Balance as at 31 December	**23 124**	**23 124**
Accumulated depreciation		
Balance as at 1 January	– 1 873	– 1 436
Disposals	0	592
Depreciation for the year	– 459	– 1 029
Exchange rate differences	0	0
Balance as at 31 December	**– 2 332**	**– 1 873**
Net book value 31 December	**20 792**	**21 251**

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 2014, Baltek Ecuador had 106 plantations with a surface area of 9298 hectares, 6054 hectares of which are currently planted with balsa trees. This makes Baltek Ecuador's largest plantation owner and balsa wood producer. In 2014, a total of 21723704 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 51262 cubic meters.

At the end of 2014, the value of the biological assets amounted to CHF 18.2 million (previous year: CHF 13.6 million), of which CHF 5.3 million (previous year: CHF 4.0 million) 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 (level 2 valuation), which came to CHF 12.9 million (previous year: CHF 9.6 million).

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 costs 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 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.

(in CHF 1000s)	**2014**	2013
Book value as at 1 January	**13 564**	**14 452**
Gain or loss as a result of change in market value less selling costs	1 723	306
Increase as a result of growth and maintenance measures	2 915	2 289
Decrease as a result of harvest	– 1 707	– 2 221
Wind damage	0	– 172
Sale of plantations	0	– 788
Exchange rate adjustments as a result of currency translation	1 704	– 302
Book value as at 31 December	**18 199**	**13 564**

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

As in the prior year, the Group holds an investment in the associated company 3Tee Composites (Shanghai) Co. Ltd., Shanghai, China in the amount of 49.9% (previous year: 49.9%). The associated company operates in the production and sale of core materials.

Aggregated information of 3Tee Composites (Shanghai) Co. Ltd.:

(in CHF 1000s)	**2014**	2013
Loss	– 169	– 3 014
Other comprehensive income	108	24
Total comprehensive income	– 61	– 2 990
Aggregated carrying amount of the Group's interest	1 107	1 168

9 **Financial assets** (in CHF 1000s)	**2014**	2013
Non-current receivables	2 534	2 020
Other financial assets	2 247	1 547
Total	**4 781**	**3 567**

10 **Intangible assets 2014 (**incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as at 1 January 2014	10 255	44 811	17 893	72 959
Additions	0	31	2 102	2 133
Disposals	0	– 9	0	– 9
Exchange rate difference	– 42	3 485	1 756	5 199
Balance as at 31 December 2014	**10 213**	**48 318**	**21 751**	**80 282**
Accumulated amortization				
Balance as at 1 January 2014	0	– 9 915	– 11 941	– 21 856
Amortization for the year	0	– 184	– 1 312	– 1 496
Disposals	0	9	0	9
Exchange rate difference	0	– 1 449	– 1 301	– 2 750
Balance as at 31 December 2014	**0**	**– 11 539**	**– 14 554**	**– 26 093**
Net book value as at 31 December 2014	**10 213**	**36 779**	**7 197**	**54 189**

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 2014 will therefore not be amortized on a planned basis, but are subjected to an annual impairment test or whenever there is an indication of impairment.

The recoverable amount of the brands was calculated on the basis of fair value less cost to sell. 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 3.0%. The constant annual growth rate after the fifth forecasting year is between 2% and 3%. The cash flows calculated in this way are discounted at various rates for each brand name ranging from 10.4% to 12.5% p.a. (previous year: 10.0% to 12.1% p.a.). A 1% point increase in the discounting rates would also not result in any impairment.

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

As in the previous year, no development expenses were capitalized in the year under review. Development expenses amounted to CHF 12.3 million (previous year: CHF 12.2 million).

10 Intangible assets 2013 (incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as at 1 January 2013	10 221	45 409	18 269	73 899
Additions	0	15	0	15
Disposals	0	0	0	0
Exchange rate difference	34	– 613	– 376	– 955
Balance as at 31 December 2013	**10 255**	**44 811**	**17 893**	**72 959**
Accumulated amortization				
Balance as at 1 January 2013	0	– 10 045	– 11 010	– 21 055
Amortization for the year	0	– 177	– 1 203	– 1 380
Disposals	0	0	0	0
Exchange rate difference	0	307	272	579
Balance as at 31 December 2013	**0**	**– 9 915**	**– 11 941**	**– 21 856**
Net book value as at 31 December 2013	**10 255**	**34 896**	**5 952**	**51 103**

Notes to the consolidated financial statements

Goodwill 2014

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	2 036	DCF	Value-in-use	12.1%	5 years	1%
3A Composites Division	8 177	DCF	Value-in-use	10.4%	5 years	1%
Total	**10 213**					

In 2014 as well as in 2013, no impairment charges had to be recognized. A 1% point increase in the discounting rates would also not result in any impairment.

Goodwill 2013

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	2 078	DCF	Value-in-use	10.7%	5 years	1%
3A Composites Division	8 177	DCF	Value-in-use	9.5%	5 years	1%
Total	**10 255**					

11 **Current financial liabilities** (in CHF 1000s)	**2014**	2013
Loans falling due within one year	2 367	2 080
14 Short-term leasing liabilities	559	559
Total	**2 926**	**2 639**

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

31 December	**2014**	Actual interest rates	31 December	2013	Actual interest rates
INR	2 367	2 74%	INR	2 080	3.11%
CHF	559	2 40%	CHF	559	2.76%
Total	**2 926**			**2 639**	

12 **Other payables** (in CHF 1000s)	**2014**	2013
Financial liabilities:		
– Derivative financial instruments	0	0
– Other liabilities	2 030	3 393
Non-financial liabilities:		
– Obligations towards social insurance schemes	1 635	1 998
– Obligations resulting from sales taxes	1 120	660
Total	**4 785**	**6 051**

13 **Accrued expenses and deferred income** (in CHF 1000s)	**2014**	2013
Outstanding volume discounts and customer credits	8 720	6 797
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	20 092	17 152
Cost of materials / overheads	5 046	3 136
Other accrued expenses and deferred income	9 608	8 005
Total	**43 466**	**35 090**

	14 **Obligations arising from finance leasing** (in CHF 1000s)	**2014**	2013
	Obligations arising from finance leasing (nominal), due in:		
	– one year	628	643
	– 2 to 5 years	2 358	2 420
	– more than 5 years	0	566
	Total nominal value	**2 986**	**3 629**
	less future financial expense	– 193	– 277
	Total present value of minimum leasing obligations	2 793	3 352
	Reporting on balance sheet by due date		
11	– in one year (in current financial liabilities)	559	559
15	– in more than one year (in non-current financial liabilities)	2 234	2 793
	Total present value of minimum leasing obligations	**2 793**	**3 352**

	15 **Non-current financial liabilities** (in CHF 1000s)	**2014**	2013
14	Long-term leasing obligations	2 234	2 793
	Other long-term leasing obligations	1 317	0
	Total	**3 551**	**2 793**
	The maturities of the non-current financial liabilities are as follows:		
	– 2 to 5 years	3 551	2 234
	– more than 5 years	0	559
	Total	**3 551**	**2 793**

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

31 December	**2014**	Actual interest rates	31 December	2013	Actual interest rates
CHF	2 234	2.40%	CHF	2 793	2.76%
EUR	1 317	7.93% [1)]	EUR	0	–
Total	**3 551**			**2 793**	

[1)] The interest rate of 7.93% is the applicable discount rate to determine the present value of the deferred purchase price for the cardboard display business acquired in 2014 from Emlam Ltd.

Notes to the consolidated financial statements

16 **Employee benefits**

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

Defined contribution pension plans

The Group offers defined contribution plans for staff who meet the relevant admission criteria. The assets of these plans are spun off into legal units which are independent of the company and are not accessible to the employer. The company is obliged to transfer a predefined percentage of employees' annual salaries to the pension plans. In the case of some of these plans, the employee also pays contributions. These contributions are typically deducted from salaries by the employer and are also transferred to the pension plan. Apart from the contribution payments and the transfers of employee contributions, there are currently no other obligations on the part of the employer.

For the 2014 financial year, the employer's contribution to defined contribution plans amounted to CHF 172 000 (previous year: CHF 25 000).

Defined benefit plans

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

Pension plans in Switzerland

The Group operates a staff pension plan in Switzerland. The assets of this plan are segregated into an autonomous foundation. The 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 2014, the rate is 1.75% (previous year: 1.5%).

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

Europe

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

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

In Italy is a plan in place which is based on the local laws.

Americas

In the US, staff who leave the Group after the age of 62 and who meet the vesting criteria are entitled to health insurance benefits under the Group's pension plan. The plan reimburses a fixed age-dependent amount of the health insurance costs. This means that the plan is not subject to the risk of the future development of medical expenses. Thus, the main residual actuarial risk still lies in future changes in life expectancy. The plan has no assets segregated from the Group and the benefits are paid directly by the employer.

In addition, the Group provides some former employees and retirees in the US with pensions benefits through a multi-employer plan. 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 31 December 2014 and of service costs were conducted by independent actuaries in accordance with the projected unit credit method.

The fair value of the plan assets was determined as of 31 December 2014 on the basis of the information known at the time when the annual financial statements were prepared.

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

31 December				**2014**				2013
	Switzerland	EU	America	Weighted	Switzerland	EU	America	Weighted
Discount rate	1.15%	2.08%	3.47%	1.60%	2.45%	3.74%	3.65%	2.77%
Future increases in salaries	1.50%	2.68%	0.52%	1.48%	1.50%	2.66%	0.52%	1.45%
Future pension adjustments	0.10%	1.95%	0.44%	0.35%	0.10%	1.94%	0.44%	0.33%
(in years)								
Life expectancy at age 65								
Year of birth **1949** / 1948								
– Men	21	19	22		21	18	19	
– Women	24	23	24		24	23	22	
Year of birth **1969** / 1968								
– Men	23	22	23		23	22	21	
– Women	26	26	24		26	26	23	

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

Pension expense recognized in the income statement

31 December				**2014**				2013
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Service costs								
– Current service costs	3 418	494	271	4 183	3 868	537	513	4 918
– Past service costs	0	0	0	0	0	0	–1 065	–1 065
– Plan settlements	0	0	0	0	0	0	0	0
Net interest expense	428	645	544	1 617	598	618	590	1 806
Total pension expense for the period	**3 846**	**1 139**	**815**	**5 800**	**4 466**	**1 155**	**38**	**5 659**

Remeasurements recognized in other comprehensive income

31 December				2014				2013
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Actuarial (gains) / losses								
– Based on adjustment of demographic assumptions	–922	0	125	–797	0	0	0	0
– Based on adjustment of financial assumptions	33 461	7 119	409	40 989	–9 215	–853	–880	–10 948
Experience adjustments	–4 401	205	143	–4 053	–1 997	–146	–319	–2 462
Return on pension assets (excluding amounts in net interest expenses)	–11 918	–96	–328	–12 342	–3 021	–34	–1 787	–4 842
Exchange rate differences	0	–65	237	172	0	0	0	0
Total expense recognized in the "statement of other comprehensive income"	**16 220**	**7 163**	**586**	**23 969**	**–14 233**	**–1 033**	**–2 986**	**–18 252**
Total pension costs	**20 066**	**8 302**	**1 401**	**29 769**	**–9 767**	**122**	**–2 948**	**–12 593**

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

Changes in the present value of defined benefit obligations

31 December				2014				2013
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening present value of defined benefit obligations	141 186	18 104	31 889	191 179	150 683	17 894	34 875	203 452
Current service cost	3 418	494	271	4 183	3 868	537	513	4 918
Plan participants' contributions	2 671	29	0	2 700	2 753	22	0	2 775
Interest expenses on the present value of the obligations	3 395	664	1 158	5 217	2 935	633	1 127	4 695
Actuarial gains / losses	28 138	7 324	677	36 139	–11 212	–999	–1 199	–13 410
Past service costs	0	0	0	0	0	0	0	0
Plan settlements	0	0	0	0	0	0	0	0
Plan curtailments	0	0	0	0	0	0	–1 065	–1 065
Business acquisitions	0	0	0	0	0	0	0	0
Sale of business	0	0	0	0	0	0	0	0
Benefits paid through plan assets	–5 223	0	–1 069	–6 292	–7 841	0	–1 195	–9 036
Benefits paid by employer	0	–308	–698	–1 006	0	–279	–469	–748
Exchange rate differences	0	–442	3 473	3 031	0	296	–698	–402
Closing present value of defined benefit obligations	**173 585**	**25 865**	**35 701**	**235 151**	**141 186**	**18 104**	**31 889**	**191 179**

Notes to the consolidated financial statements

Changes in the fair value of plan assets

31 December				2014				2013
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening fair value of plan assets	121 030	484	18 925	140 439	118 007	367	18 244	136 618
Plan participants' contributions	2 671	29	0	2 700	2 753	22	0	2 775
Employer's contribution	2 669	29	157	2 855	2 753	39	2	2 794
Interest income on assets	2 967	19	614	3 600	2 337	15	537	2 889
Return on plan assets (excl. amounts included in interest)	11 918	96	328	12 342	3 021	34	1 787	4 842
Assets distributed on settlements	0	0	0	0	0	0	0	0
Sale of business	0	0	0	0	0	0	0	0
Benefits paid through plan assets	−5 223	0	−1 069	−6 292	−7 841	0	−1 195	−9 036
Exchange rate differences	0	−11	2 049	2 038	0	7	−450	−443
Closing fair value of plan assets	**136 032**	**646**	**21 004**	**157 682**	**121 030**	**484**	**18 925**	**140 439**

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

Amount recognized in the balance sheet

31 December				2014				2013
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Present value of funded obligation	173 585	12 868	26 323	212 776	141 186	8 611	24 034	173 831
Fair value of plan assets	−136 032	−646	−21 004	−157 682	−121 030	−484	−18 925	−140 439
Under / (over) funding	**37 553**	**12 222**	**5 319**	**55 094**	**20 156**	**8 127**	**5 109**	**33 392**
Present value of unfunded obligations	0	12 997	9 378	22 375	0	9 493	7 855	17 348
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**37 553**	**25 219**	**14 697**	**77 469**	**20 156**	**17 620**	**12 964**	**50 740**

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.

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

31 December				**2014**				2013
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Equities	32525	0	9078	41603	30430	0	7874	38304
Bonds	69473	0	6663	76136	63625	0	6783	70408
Alternative financial assets	0	0	0	0	0	0	0	0
Real estate								
– Indirect investments	0	0	0	0	2980	0	0	2980
– Direct investments	27586	0	0	27586	18090	0	0	18090
Qualified insurance paper	0	646	0	646	0	484	0	484
Cash and cash equivalents and Other investments	6448	0	5263	11711	5905	0	4268	10173
Total	**136032**	**646**	**21004**	**157682**	**121030**	**484**	**18925**	**140439**

In 2014, the assets generated a gain of CHF 15.9 million (previous year: CHF 7.7 million). In the upcoming year employer's contributions are expected to amount to CHF 3.1 million (previous year: CHF 2.8 million), while pension payments to former employees are expected to amount to CHF 1.0 million (previous year: CHF 0.7 million).

Notes to the consolidated financial statements

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

31 December				2014				2013
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Active insured members	125 320	17 696	4 253	147 269	103 072	12 933	3 175	119 180
Former members with vested benefits	0	1 625	14 508	16 133	0	1 110	16 511	17 621
Members receiving pensions	48 265	6 544	16 940	71 749	38 114	4 061	12 203	54 378
Total	**173 585**	**25 865**	**35 701**	**235 151**	**141 186**	**18 104**	**31 889**	**191 179**
(in years)								
Term of obligations	20.1	20.3	13.4	19.1	18.0	19.0	12.9	17.3

A common feature of all plans is that the interest rate for calculation purposes is a key factor in calculating the present value of the pension obligations. The other key factors differ from plan to plan. In the geographical breakdown presented here the plans share the same characteristics and the sensitivities are therefore presented on this basis.

Change in present value of a defined benefit obligation:

31 December (in CHF 1000s)			2014		2013
		+ 0.25%	– 0.25%	+ 0.25%	– 0.25%
All countries	Discount rate	– 9 435	10 167	– 7 491	7 621
All countries	Development of wages and salaries	1 169	– 1 117	924	– 963
Switzerland	Interest on retirement assets	1 405	– 1 363	1 412	– 1 522
EU	Pension indexation	778	– 744	541	– 518

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 31 December 2014 there exists a provision in the amount of CHF 1.0 million (previous year: CHF 1.0 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 31 December 2014 provisions amounting to CHF 1.0 million (previous year: CHF 0.6 million) are in place for these benefits. Offsetting assets are deducted when the provisions is determined.

17 **Provisions** (in CHF 1000s)	Restruc-turings	Guarantees	Litigation	Environmental obligations	Other	Total **2014**	Total 2013
Balance as at 1 January	491	4 806	6 138	3 056	3 243	17 734	19 154
Change in the scope of consolidation	0	0	0	0	0	0	0
Foreign currency differences	13	43	292	– 3	6	351	9
Consumption with neutral impact on income	– 330	– 1 418	– 2 309	– 366	– 1 080	– 5 503	– 3 211
Unused amounts reversed and released to income	0	– 797	– 116	– 152	– 127	– 1 192	– 1 229
Additional provisions charged to income	0	2 043	283	523	483	3 332	3 011
Balance as at 31 December	**174**	**4 677**	**4 288**	**3 058**	**2 525**	**14 722**	**17 734**
of which: current provisions						2 679	1 897
non-current provisions						12 043	15 837
Expected use of provisions							
– within one year						2 679	1 897
– in 2 to 5 years						10 629	14 371
– more than 5 years						1 414	1 466

Restructurings:
Provisions for restructuring measures are only recorded 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-2014 relate to the 3A Composites 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 division.

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 31 December 2014.

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

Notes to the consolidated financial statements

18 **Share capital**	**2014**	2013
Number of bearer shares issued with a par value of CHF 1	1 443 672	1 443 672
Share capital as at 31 December (in CHF)	1 443 672	1 443 672
Authorized capital (in CHF)	0	300 000
Conditional capital (in CHF)	132 600	132 600

Treasury shares	Number of bearer shares	Average price in CHF
As at 31 December 2013	14 748	
Purchases under the share buyback program	0	0
As at 31 December 2014	**14 748**	
of which shares used for the share-based remuneration scheme	2 085	

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 18 December 2012, and ran until 31 October 2014. Shares being acquired were 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 the forthcoming general meetings.

Authorized capital:

As of 31 December 2014, there is no authorized capital.

Conditional capital:

As of 31 December 2014, the company's share capital may be increased ex rights by up to 132 600 bearer shares, which must be fully paid-in;
a) up to a sum of CHF 32 600 through the exercise of employee option rights and
b) up to a sum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company. So far, no such bonds have been issued.

Dividend:

At the General Meeting on 7 May 2014 the shareholders approved the distribution of a dividend of CHF 40.00 per bearer share for the 2013 financial year. No payment was made on treasury shares. The distribution amounted to a total of CHF 57. 2 million.

For the 2014 financial year, the Board of Directors will propose to the Annual General Meeting of 6 May 2015 that a gross dividend of CHF 40.00 per bearer share shall be distributed.

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 vesting period until 31 December 2014. 2085 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 305 000).

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 below and the balances and transactions with associated companies referred to in notes 3 and 8, no significant transactions were conducted with related parties.

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

(in CHF 1000s)	**2014**	2013
Total compensation Board of Directors	608	492
Total compensation Management	3 813	2 611
Total compensation Board of Directors and Management	**4 421**	**3 103**

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

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21 Share ownership by the Board of Directors and Management

As of 31 December 2014, a total of 449 324 shares were held by members of the Board of Directors or members of Management as a result of exercised options or private purchases (31 December 2013: 449 324):

Surname	First name	Function	Number of shares **2014**	Number of shares 2013
Siegrist	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [1) 2)]	Beat	Member of the Board of Directors	n/a	364 973
Frey [2)]	Vanessa	Member of the Board of Directors	364 973	n/a
Baumgartner [3)]	Heinz O.	Group CEO	115	115

[1)] Beat Frey was a member of the Board of Directors up until the Annual General Meeting of 7 May 2014
[2)] Beat Frey and Vanessa Frey are members of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG
[3)] In addition to the shareholdings listed, Dr. Heinz O. Baumgartner holds 2 085 shares granted at the end of August 2011 with a vesting period until 31 December 2014 which are held in a separate bank custody account.

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)	**2014**	2013
Net proceeds of deliveries of goods	760 435	681 299
Net proceeds of services	4 722	4 396
Rental income	433	487
Total	**765 590**	**686 182**

23 **Other operating expenses** (in CHF 1000s)	**2014**	2013
Direct sales and distribution costs	54 183	49 710
Purchasing and production overheads	42 010	40 007
Sales and distribution overheads	14 808	14 090
After sales overheads	2 153	1 601
Overheads relating to administration and capital taxes	17 215	16 842
Development overheads	3 413	3 401
Cost of premises	7 266	6 754
Loss on sale of tangible fixed assets	0	34
Other operating expenses	285	109
Total	**141 333**	**132 548**

24 **Income / expense from investment property – net** (in CHF 1000s)	**2014**	2013
Income from investment property	990	2 833
Expense for investment property	– 673	– 785
Depreciation on investment property	– 459	– 1 029
Gain on sale of investment property	0	4 711
Total	**– 142**	**5 730**

25 **Other operating income** (in CHF 1000s)	**2014**	2013
Gain on sale of property, plant and equipment	2 538	3 173
Increase in market value of biological assets	1 723	306
Insurance reimbursement	2 038	3 795
Other income	2 902	1 619
Total	**9 201**	**8 893**

In connection with damage to a production machine in Statesville, US that occurred in 2013 and the subsequent interruption of production, the Group received compensation under a business interruption insurance. The compensation has to be seen alongside the margin losses and additional costs for bridging the production interruption.

	26 **Depreciation and amortization** (in CHF 1000s)	**2014**	2013
5	Depreciation on property, plant and equipment	22 754	20 808
5	Impairment of property, plant and equipment	0	1 096
10	Amortization of intangible assets	1 496	1 380
	Total	**24 250**	**23 284**

27 **Financial income** (in CHF 1000s)	**2014**	2013
Interest income	1 142	944
Realized foreign currency income	5 621	0
Total	**6 763**	**944**

28 **Financial expenses** (in CHF 1000s)	**2014**	2013
Other financial expenses	0	429
Interest expenses	2 407	2 398
Realized foreign currency losses	0	1 098
Total	**2 407**	**3 925**

Notes to the consolidated financial statements

29 **Income taxes** (in CHF 1000s)	**2014**	2013
Current taxes	15 913	11 210
Deferred taxes	251	– 494
Total	**16 164**	**10 716**

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

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

Reconciliation of income taxes (in CHF 1000s)	**2014**	2013
Income before taxes	61 655	40 923
Income tax rate at Head Office	19.7%	19.7%
Tax expense anticipated	12 146	8 062
Differences owing to differing local tax rates	247	2 204
Impact of other non-taxable income	– 182	– 1 091
Impact of non-tax-deductible expenditure	831	1 317
Non-capitalized losses on current results carried forward	277	973
Use of non-capitalized tax losses carried forward	– 595	– 1 423
Taxes from previous periods and other influencing factors	3 440	674
Effective tax expense	**16 164**	**10 716**
Effective tax rate	26.2%	26.2%

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 unchanged tax rate of 26.2 % is mainly due to two compensating effects - the profit mix from different countries with different tax rates on the one hand and higher tax expenses for prior years on the other hand. The tax expenses incurred in the year 2014 for previous years relate mainly to the 3A Composites division and stems from periods prior to the acquisition of the division.

30 Deferred tax assets

(in CHF 1000s)	Trade receivables	Inventories/ work in progress	Pension obligations	Capitalized tax loss carry-forwards	Provisions	Other	Total **2014**	Total 2013
Balance as at 1 January	88	1630	6015	2430	3579	5907	19649	26010
32/33 Change in the scope of consolidation	0	0	0	0	0	0	0	0
Foreign currency differences	4	106	85	179	334	641	1349	–207
Recognized in other income	0	0	4878	0	0	0	4878	–4030
Unused amounts reversed and released to income	–57	–237	–772	–1190	–1681	–175	–4112	–6660
Additional provisions charged to income	0	480	2487	776	1172	127	5042	4536
Balance as at 31 December gross	**35**	**1979**	**12693**	**2195**	**3404**	**6500**	**26806**	**19649**
Netting							–4140	–3728
Balance as at 31 December, net							**22666**	**15921**

As at 31 December 2014, the Group had non-capitalized tax loss carry-forwards of CHF 35.3 million (previous year: CHF 30.0 million), which can be offset against future earnings. These tax loss carry-forwards were not capitalized because of uncertainty over whether the future earnings will materialize. The tax loss carry-forwards for which no deferred tax assets were recognized will expire as follows:

(in CHF 1000s)	**2014**	2013
– one year	8 101	8 588
– 2 to 5 years	10 818	8 676
– in more than 5 years' time	4 355	3 394
– no expiration	12 048	9 321
Total	**35 322**	**29 979**
The tax loss carry-forwards expired without being used during the business year under review	0	2 332

31 Deferred tax liabilities

(in CHF 1000s)	Trade receivables	Inventories/ work in progress	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2014**	Total 2013
Balance as at 1 January	497	1062	13326	9505	1339	684	26413	29236
32/33 Change in the scope of consolidation	0	0	0	0	0	0	0	0
Foreign currency differences	–2	14	833	461	147	40	1 493	–205
Recognized in other income	0	0	0	0	0	0	0	0
Unused amounts reversed and released to income	0	–75	–1592	–44	–68	–542	–2321	–3740
Additional provisions charged to income	410	622	954	525	379	614	3504	1122
Balance as at 31 December, gross	**905**	**1623**	**13521**	**10447**	**1797**	**796**	**29089**	**26413**
Netting							–4140	–3728
Balance as at 31 December net							**24949**	**22685**

As of 31 December 2014 the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 65.7 million (previous year: CHF 54.5 million). No deferred taxes were recorded for these taxable temporary differences.

Notes to the consolidated financial statements

32 Sale of businesses / discontinued operations

In the prior year, the acquisition of the 50% stake in the associated company Windkits LLC as at 1 July 2013 and the subsequent sale of the 100% interest in Windkits LLC as at 30 September 2013 resulted in a profit of CHF 0.7 million which was included in other operating income. During the three month period 1 July 2013 to 30 September 2013 Windkits LLC generated net revenues of CHF 1.8 million and a net income of CHF 0.1 million. Based on materiality considerations, the Group refrained from detailed disclosure of sold assets.

33 Business combinations

As in the prior year, there were no business combinations in 2014 that were either individually material or that were material on an aggregated basis.

On 6 June 2014, 3A Composites GmbH acquired the cardboard display business by Emlam Ltd. for CHF 2.3 million. The purchase price was essentially allocated to the intellectual property right "production technology", which is amortized over a useful life of 10 years.

On 30 October 2014, the newly established 3A Composites PNG Ltd. signed an agreement for the acquisition of the core materials business of PNG Balsa Ltd. for a sum in the low double-digit million dollar range. The closing of the transaction is expected in the end of the first / beginning of the second quarter in 2015.

34 **Earnings per share**		**2014**	2013
Net income	(in CHF 1000s)	45 491	30 207
Average number of shares issued		1 443 672	1 443 672
less average number of treasury shares		– 14 748	– 14 748
Average number of shares outstanding		**1 428 924**	**1 428 924**
Dilution effect resulting from the average number of shares for share-based payments		2 085	2 085
Average number of shares outstanding after dilution effect		**1 431 009**	**1 431 009**
Earnings per share (in CHF)			
– undiluted		31.84	21.14
– diluted		31.79	21.11

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 swap transactions to hedge against exchange rate risks. The instruments are not used for speculative purposes.

As in 2013, no cash flow hedges were used in 2014. As at 31 December 2014, no fair value hedges were outstanding.

The change in the fair values for the forward exchange and options transactions in 2013 resulted in an unrealized valuation gain of CHF 0.1 million in the previous year.

Forward exchange and swap transactions (in CHF 1000s)	**2014**	2013
Total amount of outstanding forward exchange and swap transactions		
– Sale of US dollars for CHF, contract value	0	982
– Average exchange rates per USD	0	0.8880
– Sale of euros for CHF, contract value	0	11 658
– Average exchange rate per euro	0	1.2220

Notes to the consolidated financial statements

36 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
31 December 2014					
Cash and cash equivalents	305 912			305 912	305 912
Trade receivables			109 864	109 864	109 864
Other receivables		0	7 032	7 032	7 032
Financial assets			4 781	4 781	4 781
Total	**305 912**	**0**	**121 677**	**427 589**	**427 589**
31 December 2013					
Cash and cash equivalents	352 055			352 055	352 055
Trade receivables			77 684	77 684	77 684
Other receivables		54	17 437	17 491	17 491
Financial assets			3 567	3 567	3 567
Total	**352 055**	**54**	**98 688**	**450 797**	**450 797**

Financial liabilities

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

(in CHF 1000s)	Fair value through profit and loss	Measured at amortized cost	Carrying amount	Fair value
31 December 2014				
Current financial liabilities		2 926	2 926	2 926
Trade payables		53 778	53 778	53 778
Other liabilities		2 030	2 030	2 030
Non-current financial liabilities		3 551	3 551	3 551
Total		**62 285**	**62 285**	**62 285**
31 December 2013				
Current financial liabilities		2 639	2 639	2 639
Trade payables		45 978	45 978	45 978
Other liabilities		3 393	3 393	3 393
Non-current financial liabilities		2 793	2 793	2 793
Total		**54 803**	**54 803**	**54 803**

37 Contingent liabilities

In the ordinary course of business, the Group is involved in lawsuits, investigations and proceedings, including product liability, environmental, labor law, etc. The Group operates in countries where political, economic, social and legal developments could have an impact on the Group's operations. The effects of such risks which arise in the normal course of business are not foreseeable and are therefore not included in the accompanying consolidated financial statements.

The lawsuit of 3A Composites (China) Ltd. against the former distributor Sino Composites Co. Ltd. in respect to a breach of contract (failure to fulfill a purchase guarantee) that was mentioned in the 2013 annual report, was legally ruled in favor of the 3A Composites (China) Ltd. Furthermore, an amicable settlement regarding the counterclaim filed by Sino Composites Co. Ltd. was achieved.

Contingent liabilities (in CHF 1000s)	**2014**	2013
Warranties and guarantees	1 061	3 198
Total	**1 061**	**3 198**

Commitments to take delivery:
Under purchase contracts for machine parts and raw materials, commitments to take delivery amounting to CHF 25.1 million (previous year: CHF 23.7 million) and with maximum maturities of 2 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 9.0 million (previous year: CHF 2.3 million).

38 Lease commitments

Future minimum lease payments under non-cancellable operating leases (in CHF 1000s)	**2014**	2013
– due in one year's time	4 890	6 058
– due in 2 to 5 years' time	6 253	12 224
– due in more than 5 years' time	959	1 955
Total	**12 102**	**20 237**

The commitments consist mainly of rental agreements for buildings used by the company itself. The average term of the agreements is 1.9 years (previous year: 2.6 years). Leasing obligations amounting to CHF 0.6 million are included (previous year: CHF 0.8 million).

Future minimum sublease payments expected to be received under non-cancellable operating leases (in CHF 1000s)	**2014**	2013
– due in one year's time	1 393	1 394
– due in 2 to 5 years' time	4 591	4 949
– due in more than 5 years' time	0	240
Total	**5 984**	**6 583**

Notes to the consolidated financial statements

39 **Rights of lien** (in CHF 1000s)	**2014**	2013
Assets encumbered by rights of lien	0	0

40 Events occurring after the balance sheet date

The Swiss National Bank has communicated the termination of the CHF/EUR minimum exchange rate on 15 January 2015. The Swiss franc appreciated significantly against the euro and other relevant currencies for the Schweiter Technologies Group. The translation of subsidiaries and associates with a functional currency other than the Swiss franc will result in lower amounts in the consolidated financial statements. The currency translation differences recorded in other comprehensive income will increase accordingly. Negative impacts on the consolidated balance sheet and income statement are expected in 2015, if the relevant exchange rates fluctuate in 2015 on a similar level as at the time of the termination of the minimum exchange rate.

The Schweiter Technologies Group is countering the changed economic conditions by appropriate operational measures.

On 30 January 2015, Schweiter Technologies has entered into an agreement with the Aventas Group to acquire the Polycasa Group, a leading manufacturer of transparent plastic sheets in Europe. In 2014, Polycasa generated a turnover of approximately EUR 180 million. The purchase price (cash free/debt free) amounts to EUR 120 million. This acquisition is strengthening the display business of the 3A Composites division. The transaction will be completed after the approval by the relevant competition authorities.

On 10 February 2015, Schweiter Technologies signed an agreement to acquire the Polish company Plastwag. In 2014, Plastwag generated sales equivalent to around CHF 10 million in 2014. The agreed purchase price for the company amounts to a low double-digit million CHF amount. With the acquisition of Plastwag the group is strengthening the Transportation business of 3A Composites with its activities in the area of functionally integrated lightweight systems for energy-efficient buses and rolling stock. The transaction is expected to be completed by the end of March 2015.

41 Approval of the annual financial statements

The Board of Directors approved the present consolidated annual financial statements at its meeting on 11 March 2015 and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 6 May 2015 approves the consolidated annual financial statements.

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

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Schweiter Technologies AG, which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes (pages 24 to 74) to the consolidated financial statements for the year then ended.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of these 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 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.

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 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 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 31 December 2014 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 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Deloitte AG/SA

Roland Müller	Robert Renz
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 11 March 2015

Annual financial statements of Schweiter Technologies AG

Balance sheet as at 31 December 2014

		Assets (in CHF 1000s)	**2014**	2013
		Current assets		
		Cash and cash equivalents	207 164	256 289
		Securities (treasury shares)	7 400	7 400
		Other receivables due from third parties	117	51
		Other receivables due from Group companies	72	163
		Prepaid expenses and accruals	11	11
		Total current assets	**214 764**	**263 914**
		Non-current assets		
2		Investments	136 823	136 823
		Loans to Group companies	214 468	219 967
		Total non-current assets	**351 291**	**356 790**
		Total assets	**566 055**	**620 704**

	Liabilities (in CHF 1000s)	**2014**	2013
	Current liabilities		
	Other payables towards third parties	488	255
	Accrued expenses and deferred income	1 373	1 102
	Total current liabilities	**1 861**	**1 357**
	Provisions	2 988	4 540
	Total non-current liabilities	**2 988**	**4 540**
	Total liabilities	**4 849**	**5 897**
	Shareholders' equity		
3	Share capital	1 444	1 444
	General statutory reserves	3 167	3 167
	Reserve for treasury shares	7 400	7 400
	Reserves from capital contributions	63	63
	Unappropriated reserves	1 071	1 071
	Retained earnings	548 061	601 662
	Total shareholders' equity	**561 206**	**614 807**
	Total liabilities and shareholders' equity	**566 055**	**620 704**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2014

	(in CHF 1000s)	2014	2013
	Investment income	2 000	13 000
4	Financial income	5 164	6 244
5	Rental income	1 033	1 037
	Management fee income	1 050	1 000
	Other income	1	2
	Total income	**9 248**	**21 283**
6	Financial expenses	– 8	– 429
	Administrative expenses	– 1 676	– 1 046
	Personnel expenses	– 2 678	– 2 500
	Expenses on premises	– 682	– 682
	Income before taxes	**4 204**	**16 626**
	Income taxes	– 565	– 356
	Net income	**3 639**	**16 270**

▲ 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. The Board of Directors decides on appropriate measures 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 December 2014. 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
3A Composites Holding AG	Steinhausen, CH	CHF 10000	100%	Holding company
3A Composites Holding Germany GmbH	Singen, D	EUR 25	10%	Holding company

3 Share capital

	2014	2013
Number of bearer shares issued with a par value of CHF 1	1443672	1443672
Share capital as at 31 December (in CHF)	1443672	1443672
Authorized capital (in CHF)	0	300000
Conditional capital (in CHF)	132600	132600

Treasury shares	Number of bearer shares	Average price in CHF
As at 31 December 2013	14 748	
Purchases under the share buyback program	0	0
As at 31 December 2014	**14 748**	
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 18 December 2012, and ran until 31 October 2014. Shares being acquired were 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 the forthcoming general meetings.

Authorized capital:
As of 31 December 2014, there is no authorized capital.

Conditional capital:
As of 31 December 2014 the company's share capital may be increased ex rights by up to 132 600 bearer shares, which must be fully paid-in;
a) up to a sum of CHF 32 600 through the exercise of employee option rights and
b) up to a sum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company. So far, no such bonds have been issued.

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 31 December 2014, 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)	**2014**	2013
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Zug [1]	25.3%	25.3%
Aktionärsgruppe Widmer [2]	< 3%	12.6%
Beat Siegrist, Herrliberg	5.8%	5.8%
1832 Asset Management L.P. (vormals Goodmann & Company, Investment Counsel Ltd.), Toronto, Canada	5.2%	5.0%
UBS Fund Management (Switzerland) AG, Basel	4.2%	4.2%
Credit Suisse Funds AG	4.9%	3.2%
Lombard Odier Asset Management (Switzerland) SA, Petit-Lancy	3.2%	3.2%

[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)	**2014**	2013
Interest income from Group companies	4 748	5 480
Interest paid by banks	111	142
Exchange gains	304	622
Other operating income	1	0
Total	**5 164**	**6 244**

5 **Rental income** (in CHF 1000s)	**2014**	2013
Rental income from Group companies	600	600
Rental income from third parties	433	437
Total	**1 033**	**1 037**

6 **Financial expenses** (in CHF 1000s)	**2014**	2013
Exchange losses	0	0
Other financial expenses	8	429
Total	**8**	**429**

7 Share ownership by the Board of Directors and Management

As of 31 December 2014, a total of 449324 shares were held by members of the Board of Directors or members of Management as a result of exercised options or private purchases (31 December 2013: 449324):

Surname	First name	Function	Number of shares **2014**	Number of shares 2013
Siegrist	Beat	Chairman of the Board of Directors	83916	83916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [1) 2)]	Beat	Member of the Board of Directors	n/a	364973
Frey [2)]	Vanessa	Member of the Board of Directors	364973	n/a
Baumgartner [3)]	Heinz O.	Group CEO	115	115

[1)] Beat Frey was a member of the Board of Directors up until the Annual General Meeting of 7 May 2014
[2)] Beat Frey and Vanessa Frey are members of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG
[3)] In addition to the shareholdings listed, Dr. Heinz O. Baumgartner holds 2085 shares granted at the end of August 2011 with a vesting period until 31 December 2014 which are held in a separate bank custody account.

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 2014 and 2013, no options were allocated to present or former members of governing and executive bodies (Board of Directors and Management) or other employees. As of 31 December 2014, 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 subsidiaries, the holding company has undertaken a guarantee in an amount up to a total of CHF 36.2 million (previous year: CHF 36.9 million). Of this amount, a total of CHF 2.9 million for credit, sureties and guarantees had been drawn on by subsidiaries as at 31 December 2014 (previous year: CHF 5.3 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 2014.

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

(in CHF 1000s)	**2014**
Earnings carried forward from previous year	544 422
Net income 2014	3 639
Total earnings available to the General Meeting of Shareholders	**548 061**
The Board of Directors proposes to the General Meeting on 6 May 2015 the following appropriation of available earnings:	
Payment of a dividend of CHF 40.00 per bearer share	57 747 [1)]
Earnings carried forward	490 314
Total	**548 061**

[1)] Maximum amount – the amount will decrease since no repayment is made on treasury shares

If the General Meeting approves the proposals, the payout of a gross dividend of CHF 40.00 (CHF 26.00 after deduction of withholding tax) per bearer share will be made as of 12 May 2015.

The repayment and dividend payout may be redeemed free of charge in exchange for coupons no. 14 at any branch of CREDIT SUISSE.

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Schweiter Technologies AG, which comprise the balance sheet as at 31 December 2014 and the income statement and notes (pages 78 to 83) for the year then ended.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of 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 31 December 2014 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 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 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 84) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte AG/SA

Roland Müller Licensed Audit Expert Auditor in Charge	Robert Renz Licensed Audit Expert

Zurich, 11 March 2015

Compensation Report 2014

Compensation Report 2014

The Compensation Report contains information on the compensation policy, the compensation programs and the procedure for determining the compensation for the Board of Directors and Management of Schweiter Technologies AG. It also provides information on compensation for 2014.

The Compensation Report was prepared in compliance with SIX Exchange Regulation's Directive Corporate Governance, the Swiss Code of Obligations (CO) and the provisions of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). The principles of compensation of Schweiter Technologies AG are laid down in the company's articles of incorporation of 7 May 2014. Unless otherwise specified, the information is applicable as at the cut-off date of 31 December 2014.

Compensation policy and principles

The Group's compensation policy is based on a progressive and future-oriented compensation structure aimed at attracting and motivating qualified management staff with the necessary technical expertise and experience and at developing long-term collaboration with them. The compensation policy is congruent with our business strategy of achieving profitable growth, and promotes and supports the company's values. The compensation policy encompasses the following principles:

- Compensation is aligned with business strategy
- Compensation is performance-based and managers share in the company's success
- Compensation is in line with market conditions and appropriate

Governance parameters

General Meeting and provisions of the articles of incorporation

The ERCO Ordinance led to changes in the corporate governance practices of listed companies; the-se include, in particular, a stronger role for shareholders regarding matters of compensation. For one thing, ERCO stipulates that the compensation for the Board of Directions and Management requires the annual binding approval of the General Meeting. In addition, the articles of incorporation must also contain provisions on the principles governing the duties and responsibilities of the Compensation Committee and the principles governing the performance-based and share-based remuneration of members of the Board of Directors and Management. The General Meeting approved the amended articles of incorporation of Schweiter Technologies on 7 May 2014. In summary, the articles of incorporation contain the following provisions on compensation (www.schweiter.ch/s1a127/corporate-governance/statuten.html):

- **Principles governing compensation for members of the Board of Directors:** The members of the Board of Directors receive fixed compensation in cash for their services on the Board of Directors and its committees.
- **Principles governing compensation for members of Management:** Compensation for the members of Management consists of a fixed and a results-based component, which may amount to a maximum of 200% of the fixed component. The objectives to be met for the results-based compensation component are set by the Board of Directors, acting on the proposal of the Compensation Committee, for each member of Management, due consideration being given to Group-wide and individual criteria. In order to encourage individual key employees to remain with the Group over the long term, the Board of Directors may stipulate that the fixed and/or results-based compensation component can be paid out fully or partly in shares of the company. The Board of Directors will determine what proportion is to be paid in shares as well as the value of the shares at the time of allocation. These shares are locked in for a vesting period of at least one year and no more than 5 years.
- **Loans, advances and pension benefits:** No loans, advances or pension benefits other than from occupational pension plans are granted to members of the Board of Directors or Management.
- **Vote on the maximum total compensation for the Board of Directors and Management:** Effective 2015, the Board of Directors will submit to the General Meeting for approval a proposal regarding the maximum total compensation for the Board of

Directors that may be paid for the period until the next ordinary General Meeting. The Board of Directors will also submit to the General Meeting for approval a separate proposal regarding the maximum total compensation for Management that may be paid in the subsequent financial year.

- **Provisions on new members of Management:** In the event that new members join Management and the maximum total amount of Management compensation approved by the General Meeting for the current and/or subsequent year is not sufficient, an additional amount may be paid to the new members for the compensation periods already approved by the General Meeting. Taking the entirety of new members into account, this additional amount may not exceed 50% of the respective total amount of Management compensation approved by the General Meeting. Schweiter Technologies AG may grant new members of Management a premium in the form of cash or shares to offset any financial disadvantages suffered as a result of the change of position.

Compensation Committee

The General Meeting elects from among the members of the Board of Directors at least three members to serve on the Compensation Committee. The term of office of the members of the Compensation Committee is one year ending at the close of the subsequent ordinary General Meeting. Members are eligible for re-election.

In accordance with the articles of incorporation and the organizational regulations, the Compensation Committee has, in particular, the following duties and responsibilities in respect of compensation matters concerning the Board of Directors and Management:

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

Level of responsibility	Recommendation	Inspection	Approval
Compensation policy and plans	Compensation Committee		Board of Directors
Total BoD and Mgmt. compensation	Compensation Committee	Board of Directors	General Meeting
Individual directors' compensation	Compensation Committee		Board of Directors
Individual CEO compensation (incl. setting of performance goals)	Compensation Committee		Board of Directors
Individual Management compensation (incl. setting of performance goals)	CEO	Compensation Committee	Board of Directors

At the Annual General Meeting of 7 May 2014, Jacques Sanche, Vanessa Frey and Jan Jenisch were elected members of the Compensation Committee, each for a term of office of one year. Jacques Sanche assumed the office of Chair of the Compensation Committee for the 2014 financial year. In the reporting year 2014, two Compensation Committee meetings were held, both of which were attended by all members. After every meeting, the Chair of the Compensation Committee reports on the committee's activities to the Board of Directors. The committee meeting minutes are made available to the members of the Board of Directors.

As a rule, the CEO and the CFO participate in the meetings in an advisory capacity. However, they recuse themselves when their own compensation is being discussed and determined. Other invited members of Management are likewise not present during the part of the meeting where their own compensation is being decided.

The Compensation Committee is free to call upon external consultants to address specific compensation matters. No external consultants were called upon in 2014.

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

The Compensation Committee periodically reviews the compensation paid to members of the Board of Directors and Management on the basis of the compensation paid at comparable Swiss listed industrial companies (in terms of market capitalization, revenues and headcount). If necessary, the Board of Directors will exercise due discretion and adjust compensation levels for the following year.

The actual compensation paid to the individual members of Management in a given financial year is based on the company's results and on personal performance. Individual performance is assessed as part of the annual management by objectives (MbO) process. The objectives for the CEO and the members of Management are proposed by the Compensation Committee at the beginning of the financial year and submitted to the Board of Directors for approval. Performance is assessed at the end of the year on the basis of these objectives. The performance evaluation factors in attainment of the individual objectives, along with other aspects such as the fulfillment of tasks measured against the company's values and the expected leadership qualities. The individual performance assessments and the company's results form the basis for determining the compensation effectively paid

Compensation for the members of the Board of Directors

Compensation structure

The members of the Board of Directors receive fixed compensation per year for their activities. It is paid in cash and is not linked to any Group objectives. One year for this purpose is understood to be the period from one ordinary General Meeting to the next.

In addition to their fixed annual compensation as members of the Board of Directors, the members of the Audit Committee and the Compensation Committee receive compensation, likewise in cash, for their activities as committee members. This is to take account of the extra work entailed.

The members of the Board of Directors may additionally be remunerated in cash at arm's length terms for consultancy services provided to the company or other Group companies. Payment must fall under the total amount of compensation that may be paid to the Board of Directors as approved by the General Meeting. No additional compensation is paid for activities in enterprises which are directly or indirectly controlled by the company. With the exception of pension benefits (employer's contributions to social insurance and the pension fund), members of the Board of Directors receive no further compensation, in particular no variable compensation (bonus).

Compensation for 2014 and 2013

The following tables show the compensation paid to members of the Board of Directors in 2014 and 2013. In the 2014 reporting year, the Board of Directors comprised five members (four members in 2013). The amount of compensation paid to the individual members of the Board of Directors was unchanged in 2014 compared with the previous year. The year-on-year difference in the total amount of compensation paid is explained by the election of an additional Board member in the intervening period and the establishment of a Compensation Committee. In the year under review (and in the previous year), none of the members of the Board of Directors received compensation for additional consultancy services.

If they so require, members of the Board of Directors may be insured with the company's pension fund at arm's length terms and may participate in the company's pension plans likewise at arm's length terms. One member of the Board of Directors exercised this option in the 2014 reporting year.

Compensation for members of the Board of Directors in **2014** (GM date 7 May 2014 until GM date 6 May 2015)

(in CHF 1000s)	Function	Fee paid to BoD members	Compensation for committee work [1]	Pension benefits [3]	Total
Beat Siegrist	Chairman	200	0	34	234
Dr. Lukas Braunschweiler [1]	Member	75	10	6	91
Vanessa Frey [2]	Member	75	10	6	91
Jan Jenisch [2]	Member	75	10	6	91
Dr. Jacques Sanche [1] [2]	Member	75	20	6	101
Total compensation Board of Directors (5 members)		**500**	**50**	**58**	**608**

[1] Compensation for activities performed as a member of the Audit Committee
[2] Member of the Compensation Committee
[3] Employer's contribution to social insurance and pension fund

Compensation for members of the Board of Directors in 2013 (GM date 8 May 2013 until GM date 7 May 2014)

(in CHF 1000s)	Function	Fee paid to BoD members	Compensation for committee work [1]	Pension benefits [2]	Total
Beat Siegrist	Chairman	200	0	32	232
Dr. Lukas Braunschweiler	Member	75	10	6	91
Beat Frey	Member	75	0	3	78
Dr. Jacques Sanche	Member	75	10	6	91
Total compensation Board of Directors (4 members)		**425**	**20**	**47**	**492**

[1] Compensation for activities performed as a member of the Audit Committee
[2] Employer's contribution to social insurance and pension fund

Compensation for members of Management

Compensation structure

In principle, the individual compensation for members of Management consists of a fixed and, as a rule, a capped results-based salary component, as well as pension benefits.

	Purpose	Instrument	Performance criterion	Performance period	Influencing factors
Fixed compensation	Earnings, binding, motivation	Cash remuneration	–	–	Position, market norm, person's qualification
Results-based compensation	Remuneration for work done	Short-term cash bonus	EBITDA / Net income Individual goals	1 year (2014)	Financial and individual performance
Long-term Incentive Plan	Reward for long-term added value	Long-term cash bonus	EBITDA 3A Composites	3 year (2012–2014)	Group's and/or division's earnings
Pension benefits	Protection against risk	Old age provision, insurance plans	–	–	Customary practice

Compensation Report 2014

Fixed compensation

The fixed basic compensation component reflects the function and responsibility of the respective member and is paid out in cash together with fringe benefits (such as employer contributions to state social insurance schemes [AHV, ALV, IV, etc.] and to the pension fund).

Results-based compensation

The results-based compensation component both reflects the financial development of the company and rewards personal performance in a given financial year. Payment depends on the performance achieved and may amount to a maximum of 200% of the fixed component. The results-based compensation component is paid out in cash at the beginning of the following financial year.

The objectives to be met for the results-based compensation component are set at the beginning of the year by the Board of Directors, acting on the proposal of the Compensation Committee, for each member of Management, due consideration being given to Group-wide (e.g. the Group's financial result) and individual (financial and non-financial) criteria.

The Group's financial result is measured primarily against the figures budgeted for the Group (EBITDA, net income) or the individual divisions (EBITDA, net income). These two positions were chosen as reference targets because they reflect the Group's business strategic focus on profitable growth. A budget-based objective is defined for each of these reference targets. A target attainment floor (as a rule an objective achievement level of 80%) beneath which no variable compensation component is paid and a target attainment ceiling capping the variable compensation component are also set. The amount to be paid out between floor, target and ceiling is linearly interpolated.

Personal performance objectives are set annually as part of the annual MbO process. They consist primarily of financial and performance-based targets defined not only in terms of the manager's specific function, but also in terms of the key targets for implementation of the general corporate strategy. No provisions are made for exceeding personal objectives. Personal performance objectives may make up between 15% and 20% of the maximum results-based compensation component.

Long-term incentive plan

The Board of Directors may stipulate a long-term incentive plan (LTI) as a component of compensation for members of Management and selected key employees. The purpose of setting up an LTI is to strengthen identification with the Group and to tie compensation in with a sustainable increase in value.

In the 2012 reporting year, the Board of Directors agreed on a long-term incentive plan over three years for members of Management and key employees within the Group. It covers the period from 2012 to 2014. Three-year incentive targets for members of Management were set at EBITDA level 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 bonus payment may correspond to between 30% and a maximum of 250% of the respective employee's fixed salary. Payment will be made in March 2015 in cash.

For the financial years 2015–2017 (three financial years), the Board of Directors intends to launch a new long-term incentive plan (LTI) for members of Management and selected key employees.

The company had no other participation schemes in place in the year under review.

Pension benefits

Members of Management are insured with the company's pension fund at arm's length terms and may participate in the company's pension plans likewise at arm's length terms. For the period between early retirement and the statutory pensionable age, members of Management may receive a bridging pension in an amount up to a maximum of one fixed annual compensation component. The respective member of Management will draw it in the final year prior to early retirement.

Special agreements:
The Board of Directors had determined that the Group CEO would, in principle, solely be paid a fixed salary in the 2013 and 2014 financial years. The Board of Directors reserved the right to make an incentive payment to the Group CEO. The CEO is also participating in the long-term incentive plan running from 2012 to 2014 and in 2011 was granted a one-time allocation of shares vested until 31 December 2014.

As at the end of 2014, an agreement with one further member of Management is in place which is limited to a fixed compensation component and does not include a performance-based compensation component or participation in the long-term incentive plan.

Compensation for 2014 and 2013
In the 2014 reporting year, Management comprised four members, as in the previous year.

Under a special agreement, the Group CEO was only paid a fixed salary for the 2014 financial year. The variable salary component for the other three members of Management corresponded to between 0% and 187% of their fixed salary (previous year: between 0% and 65%). The year-on-year difference is attributable to the significant increase in the profitability of the Group and the divisions.

Under the 2012–2014 long-term incentive plan, various members of Management will receive a sum totaling CHF 895 000 after the end of the plan. Payment will be made in March 2015 in cash.

In the 2014 reporting year, no bridging pension was paid out to members of Management.

The following table shows the fixed and variable compensation and total compensation paid to members of Management in 2014 and 2013.

(in CHF 1000s)	**2014**		2013	
Management	4 members	[1] of which highest single compensation payment	4 members	[1] of which highest single compensation payment
Fixed basic compensation in cash	1 550	800	1 530	800
Results-based compensation in cash	686	0	482	200
Share-based payments [2]	305	305	305	305
Long-term incentive plan (2012–2014) [3]	895	848	0	0
Pension benefits [4]	377	183	294	138
Total compensation Management	**3 813**	**2 136**	**2 611**	**1 443**

[1] CEO Schweiter Technologies Dr. Heinz O. Baumgartner

[2] 2 085 shares granted at the end of August 2011, with vesting period until 31 December 2014 (see Note 19 to the Consolidated Financial Statements)

[3] The long-term incentive plan 2012–2014 was set up in 2012. No payments were made during the term of the plan. Target attainment is measured against defined three-year targets after expiry of the plan. Payment will be made in March 2015 in cash (details see page 92).

[4] Employer's contribution to social insurance and pension fund

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.

Compensation Report 2014

Share allocations and share ownership

In the 2014 financial year, no shares or options were allocated to members of the Board of Directors, members of Management, selected employees or former members of Management.

In 2011, selected employees were allocated free shares in Schweiter Technologies AG subject to a blocking period until 31 December 2014 – 2085 shares were issued, which, as of the cut-off date, are segregated from the treasury holdings and held in a separate bank custody account.

As at 31 December 2014, a total of 449324 shares were held by members of the Board of Directors and members of Management (31 December 2013: 449 324 shares):

Surname	First name	Function	Number of shares **2014**	Number of shares 2013
Siegrist	Beat	Chairman of the Board of Directors	83916	83916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [1) 2)]	Beat	Member of the Board of Directors	n/a	364973
Frey [2)]	Vanessa	Member of the Board of Directors	364973	n/a
Baumgartner [3)]	Heinz O.	Group CEO	115	115

1) Beat Frey was a member of the Board of Directors up until the Annual General Meeting of 7 May 2014

2) Beat Frey and Vanessa Frey are members of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG

3) In addition to the shareholdings listed, Dr. Heinz O. Baumgartner holds 2085 shares granted at the end of August 2011 with a vesting period until 31 December 2014 which are held in a separate bank custody account.

Provisions in mandate agreements and employment agreements

Agreements with members of the Board of Directors have a fixed term until the close of the next ordinary General Meeting, excepting early resignations or being voted out of office.

Employment agreements with the members of Management are, in principle, for an unlimited term. The period of notice may not exceed 12 months. Where, by way of exception, employment agreements have a fixed term, this may not exceed one year.

Loans and advances

The company will not grant loans, advances or pension benefits other than from occupational pension plans to members of the Board of Directors or Management or parties related to them. Advance payments of lawyer's fees, court fees and similar costs up to a maximum of CHF 1 million in connection with mounting a defense against corporate liability claims are not subject to this provision. No such claims were asserted in the 2014 reporting year.

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

We have audited the accompanying remuneration report dated 11 March 2015 of Schweiter Technologies AG for the year ended 31 December 2014. Our audit is limited to the information provided in the tables on page 91 and 93 in accordance with the articles 14 to 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance).

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31 December 2014 of Schweiter Technologies AG complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG/SA

Roland Müller	Robert Renz
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 11 March 2015

Corporate Governance 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, manufacturing and global distribution of sophisticated machinery and composite materials and is organized into two divisions (see also Segment reporting on page 44 of this annual report).

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.

SSM Textile Machinery is a global leader in the manufacturing of precision winding machines for yarn treatment.

The companies of the Schweiter Technologies Group are legally under the umbrella of the holding company Schweiter Technologies AG. The latter's direct wholly owned subsidiaries are 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 Group companies can be found in the financial section on pages 80.

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 780.00 at the end of 2014, the company's market capitalization stood at CHF 1126.1 million as at 31 December 2014.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2014 and is presented on pages 32–34 of the notes to the consolidated annual financial statements. Schweiter Technologies does not have any shareholdings in listed companies.

Treasury shares
In December 2012, Schweiter Technologies AG launched a share buy-back program for the purpose of capital reduction; this was discontinued on 31 October 2014. Overall, Schweiter held 14 748 treasury shares as of 31 December 2014, of which 2 085 shares are segregated for share-based compensation and 12 663 shares are related to the share buy-back program. The total shareholding amounts to 1.02% as of 31 December 2014.

Major shareholders

As at 31 December 2014, 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)	**2014**	2013
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Zug [1)]	25.3%	25.3%
Aktionärsgruppe Widmer [2)]	< 3%	12.6%
Beat Siegrist, Herrliberg	5.8%	5.8%
1832 Asset Management L.P. (vormals Goodmann & Company, Investment Counsel Ltd.), Toronto, Canada	5.2%	5.0%
UBS Fund Management (Switzerland) AG, Basel	4.2%	4.2%
Credit Suisse Funds AG	4.9%	3.2%
Lombard Odier Asset Management (Switzerland) SA, Petit-Lancy	3.2%	3.2%

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.

Capital structure

Reporting of shareholders under Art. 20 SESTA during the 2014 financial year:

Report to the effect that the Widmer shareholder group (lock-up group) was dissolved on expiry of the lock-up period as of 25 June 2014 and that the individual holdings fell below the 3% threshold. Previous reports in 2014: The Widmer shareholder group sold shares in the context of an accelerated bookbuilding procedure; the group was dissolved on 27 March 2014. At the same time, i.e. as of 27 March 2014, the existing shareholder group formed a lock-up group for 90 calendar days (disclosed shareholding 6.3%).

In the context of the above-mentioned accelerated bookbuilding procedure, Credit Suisse Group AG, Zurich, Switzerland reported the acquisition of shares (disclosed shareholding of 6.22%) and their sale (disclosed shareholding of < 3%) as of the transfer date of 28 March 2014.

As of 22 December 2014, Credit Suisse Funds AG, Zurich, Switzerland, reported that it had fallen below the 5% threshold as a result of the sale of shares (disclosed shareholding of 4.92%). Previous reports in 2014: Disclosure of a shareholding of 5.42% as of 13 June 2014 (change of address of the disclosed authorization holder); 5% threshold exceeded as of 28 March 2014 owing to the acquisition of shares (disclosed shareholding of 5.08%).

On 22 August 2014, 1832 Asset Management L.P. (formerly Goodman & Company, Investment Counsel Ltd.), Toronto, Canada, exceeded the 5% threshold owing to the acquisition of shares and disclosed a 5.18% shareholding. Previous reports in 2014: 5% threshold undershot as of 11 March 2014 owing to the sale of shares (disclosed shareholding of 4.96%).

Details of the reports are available on the website of the SIX Swiss Exchange http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html

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
As of 31 December 2014 the ordinary share capital amounted to CHF 1 443 672. As of 31 December 2014 there is no authorized capital. Conditional capital amounted to a total of CHF 132 600.

Authorized and conditional capital in particular

Authorized capital
As of 31 December 2014 there is no authorized capital.

The Board of Directors was authorized, in accordance with the resolution passed by the General Meeting on 9 May 2012, at any time to increase the share capital in accordance with article 3 of the articles of incorporation by a maximum amount of CHF 300 000 by 9 May 2014 through the issuance of a maximum of 300 000 bearer shares to be fully paid in, each with a par value of CHF 1. The Board of Directors did not make use of this authorized capital.

Conditional capital
Conditional capital amounted to a total of CHF 132 600.
The company's share capital may be increased by a maximum of CHF 132 600 through the issuance of a maximum of 132 600 bearer shares to be fully paid in, each with a par value of CHF 1, including:
a) up to an amount of CHF 32 600 by exercise of option rights, granted to the employees of the company or of one of its subsidiaries at conditions to be determined by the Board of Directors;
b) up to an amount of CHF 100 000 by exercise of option or conversion rights granted in conjunction with bonds or similar 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 structure

Shareholders' preferential subscription rights in the case of warrant or convertible bonds pursuant to b), involving a maximum of 100 000 bearer shares, may be restricted or excluded by a resolution of the Board of Directors (i) to directly or indirectly finance the acquisition of companies, portions of companies or shareholdings or new company capital expenditures or (ii) to issue these bonds on international capital markets.

If preferential subscription rights are excluded, the bonds must (i) be placed with the previous owners of companies, portions of companies or shareholdings or (ii) be placed with the general public at market conditions, in which case the exercise price for the new shares must be set at least in line with the market conditions at the time of the bond issue and the exercise price for the warrant or conversion rights must be set at no more than seven years from the time of the bond issue.

Changes in capital

The amounts of the ordinary share capital, of the approved capital as well as of the conditional capital have not changed in the last three years. The authorized capital remained unchanged at CHF 300 000 in 2012 and 2013 and amounted to zero as of 31 December 2014. For more details of this, please see the comments in the section headed "Authorized capital" in this corporate governance report.

For changes in the consolidated shareholders' equity in financial years 2014 and 2013 reference is made to page 28 of the consolidated annual financial statements. The development of consolidated shareholders' equity in financial year 2012 is presented on page 28 of the 2013 consolidated financial statements (http://www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

Changes in the shareholders' equity of Schweiter Technologies AG during financial year 2012 through financial year 2014:

		Reserves						
			General reserves:					
(in CHF 1000s)	Share capital	Agio/Capital contributions	Statutory reserves	Treasury shares	Capital reserves	Free reserves	Retained earnings	Total equity
Balance as at 31 Dec. 2011	**1444**	**64865**	**3167**	**0**	**28690**	**1071**	**575259**	**674496**
Repayment from reserves from capital contributions		−25020			−28690			−53710
Net income 2013							34992	34992
Reserve for treasury shares				2500			−2500	0
Balance as at 31 Dec. 2012	**1444**	**39845**	**3167**	**2500**	**0**	**1071**	**607751**	**655778**
Repayment from reserves from capital contributions		−39782						−39782
Net income 2014							16270	16270
Reserve for treasury shares				4900			−4900	0
Dividend							−17459	−17459
Balance as at 31 Dec. 2013	**1444**	**63**	**3167**	**7400**	**0**	**1071**	**601662**	**614807**
Net income 2014							3639	3639
Dividend							– 57240	– 57240
Balance as at 31 Dec. 2014	**1444**	**63**	**3167**	**7400**	**0**	**1071**	**548061**	**561206**

Capital structure

Shares and participation certificates

As of 31 December 2014 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 in. 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 31 December 2014. 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 vesting period until 31 December 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 at 31 December 2014)

Dr. Lukas Braunschweiler Vanessa Frey Dr. Jaques Sanche Beat Siegrist Jan Jenisch

Name	Function		Member since	Elected until GM
Beat Siegrist	Chairman	non-executive	2008	2015
Dr. Lukas Braunschweiler	Member	non-executive	2011	2015
Vanessa Frey	Member	non-executive	2014	2015
Jan Jenisch	Member	non-executive	2014	2015
Dr. Jacques Sanche	Member	non-executive	2011	2015

At the Annual General Meeting on 7 May 2014, members of the Board of Directors Beat Siegrist, Lukas Braunschweiler and Jacques Sanche were re-elected in individual elections for a one-year term of office. At the same Annual General Meeting, Vanessa Frey and Jan Jenisch were elected as new members of the Board of Directors for a one-year term of office. In addition, Beat Siegrist was re-elected as Chairman of the Board of Directors for a one-year term of office.

At the Annual General Meeting of 7 May 2014, Jacques Sanche, Vanessa Frey and Jan Jenisch were elected members of the Compensation Committee, each for a one-year term of office. For the 2014 financial year, Jacques Sanche took over as Chairman of the Compensation Committee.

Members of the Board of Directors

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.

Beat Siegrist has been a member of the Board of Directors of Phoenix Mecano AG since 2003, a member of the Board of Directors of Inficon Holding AG since 2010 and chairman of the Board of Directors of Garaventa Accessibility AG since 2013. From 2008 to 2012, he was CEO of Satisloh and member of the Executive Committee of the French Group Essilor. Beat Siegrist worked in an executive function as CEO of Schweiter Technologies from 1996 until mid-2008. Prior to 1996 he worked as a consultant at McKinsey & Co., most recently as project manager. He holds a degree in engineering (dipl. Ing. ETH) and an MBA from INSEAD Fontainebleau.

Dr. Lukas Braunschweiler
(born 1956, Swiss citizen).
Non-executive member of the Board of Directors since 2011.
Dr. Lukas Braunschweiler has been CEO of the Sonova Group since November 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).

Vanessa Frey
(born 1980, Swiss citizen)
Non-executive member of the Board of Directors since 2014.
Since 2007 she has been CEO and a member of the Board of Directors of Corisol Holding AG and a member of the Board of Directors of Inficon Holding AG, Garaventa Lift and KWE Beteiligungen AG. She worked from 2004 to 2006 in the Corporate Finance team at Handelsbanken Capital Markets in Stockholm, Sweden, and subsequently as an asset manager in Hong Kong. She studied economics and law at the University of St. Gallen and holds a Master of Science degree in International Economics and Business from the Stockholm School of Economics, Sweden.

Jan Jenisch
(born 1966, German citizen)
Non-executive member of the Board of Directors since 2014.
Since 1996, Jan Jenisch has held various management positions within the Sika Group, joining the company's Group Management in 2004. He has been CEO of the Sika Group since 2012. He studied in Switzerland and the USA and holds an MBA from the University of Fribourg (Switzerland).

Dr. Jacques Sanche
(born 1965, Canadian and Swiss citizen)
Non-executive member of the Board of Directors since 2011.
Dr. Jacques Sanche has been CEO of 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
During the year under review, the members of the Board of Directors did not have any other management or permanent advisory functions or any mandates from major Swiss or foreign companies other than those mentioned in their CVs, nor did they exercise any important official duties or political mandates.

Stipulations in the articles of incorporation on the number of permissible additional activities and interests
Members of the Board of Directors are permitted to exercise a maximum of 25 additional mandates, including up to five mandates in listed companies.

For purposes of this rule, the term "mandate" means an activity in the senior management or executive bodies of legal entities which are required to have an entry in the commercial register or in an

Board of Directors

equivalent foreign register. Multiple mandates in legal entities of the same consolidated group are regarded as a single mandate. There are no restrictions on mandates in legal entities that are controlled by the company or that control the company, on mandates exercised on the instructions of the company or companies under its control, or on mandates in associations, nonprofit foundations, family foundations or staff welfare foundations.

Election and Term of Office
Under the company's articles of incorporation, the Board of Directors consists of 3 to 7 members. There are no age restrictions or other restrictions on members' term of office. The members of the Board of Directors are elected individually by the General Meeting for a one-year term of office, the period between one Ordinary General Meeting and the closing of the next being deemed to constitute one year. Members are eligible for re-election. Members newly elected during a term of office are elected for the remainder of the current term of office.

The articles of incorporation contain no rules which differ from the statutory provisions in relation to the appointment of the Chairman, the members of the Compensation Committee or the independent proxy.

Internal organization

Division of tasks within the Board of Directors
The General Meeting elects a member of the Board of Directors to serve as Board Chairman. The term of office is one year, this being defined as the time between one Ordinary General Meeting and the closing of the next Ordinary General Meeting. Members are eligible for re-election. If the office of Chairman is vacant, the Board of Directors will appoint a Chairman for the remaining term of office.

The Board of Directors constitutes itself, subject to the proviso that its Chairman shall have been elected by the General Meeting. Beat Siegrist has been Chairman of the Board of Directors since 2011. The Board of Directors elects a Secretary who need be neither a Board member nor a shareholder.

Both the Board of Directors and its committees (Audit Committee and Compensation Committee) meet as often as the company's business requires.

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
In the 2014 reporting year, the Board of Directors had two standing committees: the Audit Committee and the Compensation Committee. The duration of committee meetings is determined by the business in hand.

Audit Committee
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 financial management 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 financial statements and financial control mechanisms, to evaluate and select the external auditors and to verify the scope of the external audit. The Audit Committee holds decision-making powers in relation to all tasks, subject to approval by the Board of Directors as a whole. Audit Committee meetings are attended by the CEO and 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. Three meetings were attended by the CEO and all were attended by the 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 appointments).

Compensation Committee

The General Meeting elects from among the members of the Board of Directors at least three members to serve on the Compensation Committee. The term of office of the members of the Compensation Committee is one year ending at the close of the subsequent ordinary General Meeting. Members are eligible for re-election.

In accordance with the articles of incorporation and the organizational regulations, the Compensation Committee has, in particular, the following duties and responsibilities in respect of compensation matters concerning the Board of Directors and Management:

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

As a rule, the Compensation Committee meets two to four times per year. In the reporting year 2014, two Compensation Committee meetings were held, both of which were attended by all members. The meetings lasted two to five hours. After every meeting, the Chair of the Compensation Committee reports on the committee's activities to the Board of Directors. The committee meeting minutes are made available to the members of the Board of Directors. Decision-making powers in relation to compensation are vested in the Board of Directors and in the General Meeting as far as total compensation amounts are concerned. As a rule, the CEO and the CFO participate in the meetings in an advisory capacity. However, they recuse themselves when their own compensation is being discussed and determined. Other invited members of Management are likewise not present during the part of the meeting where their own compensation is being decided. During the 2014 reporting year, one meeting was attended by the CEO and both meetings were attended by the CFO.

The Compensation Committee is free to call upon external consultants to address specific compensation matters. No external consultants were called upon in 2014.

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 four times per year. One meeting lasts an average of one day. In the year under review, the Board of Directors held five meetings. In addition to the Board of Directors, these meetings are always attended by the Group CEO and CFO, and by the division CEOs if required.

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, two 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 and 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.

Board of Directors

Assignment of authority 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:
- overall management of the company's business and issuing the necessary directives; hence also developing the strategic objectives, defining the means of achieving those objectives and defining business policy;
- defining the organization;
- defining accounting, financial control and financial planning, and deciding on extraordinary individual investments
- appointing and dismissing persons entrusted with the management of the Group
- ultimate supervision of the persons entrusted with the management of the Company, specifically in view of their compliance with the law, the articles of incorporation, regulations and directives
- preparing the annual report and the compensation report as well as making arrangements for the General Meeting and implementing the resolutions passed by the latter
- notifying the courts in the event of the company becoming overindebted
- adopting resolutions on capital increases and resulting amendments to the articles of incorporation
- verifying compliance with legal requirements governing the appointment, election and professional qualifications of the statutory auditors

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

At the 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 entitled "Assignment of authority 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 operating 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 analysis 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 subject to in-depth analysis and investigation. This is done either by means of internal audits in the relevant national subsidiaries or by consulting external specialists where necessary. However, there is no institutionalized internal audit process. The Audit Committee also sets the focus in 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.

The CEO and the CFO always take part in the meetings of the Board of Directors, Division CEOs as needed. The CEO and the CFO participate in the meetings of the Audit Committee.

Risk management

As part of the risk assessment process, the likelihood of occurrence of risks and the potential damage are considered. Based on the outcome of the assessment of the likelihood of occurrence and the expected damage, a risk matrix is drawn up. Further information regarding risk management can be found in the notes to the financial statements on pages 39 to 42.

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 and the relevant documentation of an ICS and submit a report to the Audit Committee. The scope of the annual audit is discussed yearly with the Audit Committee.

The Board of Directors reviews the internal information and control systems annually regarding their effectiveness to identify, assess and manage the risks associated with business operations.

Management

Ernesto Maurer   Martin Klöti   Heinz O. Baumgartner   Georg Reif

Heinz O. Baumgartner
(born 1963, Swiss citizen)
CEO Schweiter Technologies.
Heinz O. Baumgartner has been CEO of Schweiter Technologies since 2008. From 1996 to 31 December 2013 he was CFO of Schweiter Technologies. From 1992 to 1995 he worked as a controller at Asea Brown Boveri Switzerland. He holds a degree in business management (majoring in accountancy) and a doctorate in economics from the University of St. Gallen.

Martin Klöti
(born 1973, Swiss citizen)
CFO Schweiter Technologies.
Martin Klöti has been CFO of Schweiter Technologies since 1 January 2014. He was responsible for Schweiter Management Services and CFO of SSM Textile Machinery until 31 December 2013. From 2003 to 2011 he was Head of Reporting & Controlling of Schweiter Technologies. From 1996 to 2002 he worked in auditing at Deloitte AG, latterly as Audit Manager and Lead Auditor. From 1992 to 1996 he worked in the trustee sector. Martin Klöti is a chartered accountant and a federally certified fiduciary.

Georg Reif
(born 1955, Swiss citizen)
CTO 3A Composites.
Georg Reif has been Chief Technology Officer of 3A Composites since 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 has been CEO of SSM Textile Machinery since 2010. He was CEO of Gebrüder Loepfe AG and Itema Switzerland (formerly Sultex) until early 2010. From 1990 to 2005 he sat on various management boards, including Sulzer. He holds an engineering degree from the Swiss Federal Institute of Technology (ETH) in Zurich and an MBA from the University of Lausanne.

Other activities and interests
No member of management is engaged in any significant other activities or functions worthy of mention or holds any important political offices.

Stipulations in the articles of incorporation on the number of permissible additional activities and interests
Members of Management may exercise a maximum of ten additional mandates, including up to two mandates in listed companies.

For the purposes of this rule, the term "mandate" means an activity in the senior management or executive bodies of legal entities which are obliged to have an entry in the commercial register or in an equivalent foreign register. Multiple mandates in legal entities of the same consolidated group are regarded as a single mandate. There are no restrictions on mandates in legal entities that are controlled by the company or that control the company, on mandates exercised on the instructions of the company or companies under its control, or on mandates in associations, nonprofit foundations, family foundations or staff welfare foundations.

Management contracts
There are no management contracts.

Compensation, shareholdings and loans
Details on compensations, shareholdings and loans are set out in a separate Compensation Report 2014 on pages 88 to 94 of this annual report.

Shareholders' participation rights

Restriction of voting rights and representation
There are no voting-right restrictions under the articles of incorporation. In accordance with Art. 689 para. 2 of the Swiss Code of Obligations, every shareholder can represent his shares at the General Meeting in person or have them represented by a third party of his choice. The articles of incorporation do not lay down any restrictions on the representation of voting rights.

Shareholders' participation rights are governed by the company's articles of incorporation (http://www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html)

Independent proxy
The articles of incorporation contain no provisions on the issuing of instructions to the independent proxy or on electronic participation in the General Meeting.

The General Meeting elects the independent proxy for a one-year term of office. He or she is eligible for re-election.

The General Meeting of 7 May 2014 elected Dr. iur. Markus Waldis of Isler & Waldis attorneys at law, Zurich to serve as the independent proxy for a one-year term of office.

From the time of publication of the invitation in the Swiss Official Gazette of Commerce until approximately seven days before the General Meeting, shareholders wishing to attend or have themselves represented at the General Meeting will be able to obtain their admission ticket with voting documents directly from the company's registered office against deposition of their share certificates, or on presentation of a certificate of deposit which they can request from their bank. The deposited shares will remain blocked until after the end of the General Meeting.

Shareholders who do not attend the General Meeting in person may use power of attorney to have themselves represented by a third party or the independent proxy.

For the forthcoming Ordinary General Meeting on 6 May 2015, the company will make it possible for shareholders to submit their voting instructions to the independent proxy in electronic form via the

Shareholders' participation rights

shApp platform (www.shapp.ch). The relevant registration and voting procedure using this platform will be explained in the invitation to the General Meeting.

Statutory quorum
Under Art. 703 of the Swiss Code of Obligations, resolutions of the General Meeting must, in principle, be passed by an absolute majority of the voting rights represented. Exceptions to this rule are the eight resolutions listed in Art. 704 of the Swiss Code of Obligations, which require a minimum of two thirds of the votes represented and an absolute majority of the nominal values of the shares represented. 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 by the law. The convening of a General Meeting may also be requested in writing by one or more shareholders representing at least ten percent of the share capital, specifying the agenda item and the proposals. In this case, the Board of Directors must convene the General Meeting within four weeks.

Shareholders representing shares with a nominal value of at least CHF 100000 may request that a particular item has to be added to the agenda. A request to add an item to the agenda must be submitted to the Board of Directors in writing at least 45 days in advance of the General Meeting, specifying the subject to be discussed and the proposals.

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

Change of control and countermeasures

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 31 December 2014 under the share-based remuneration scheme would have been released.

Statutory auditors

Duration of mandate and term of office of auditor in charge

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

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

Deloitte AG, Zurich, has been statutory and Group auditor since 1994. The auditors were re-elected by the General Meeting for a one-year term of office. The auditor in charge of Deloitte AG, Roland Müller, took office in 2014. The auditor in charge rotates every seven years.

Audit fee and additional fees (in CHF 1000s)	**2014**	2013
Auditing services [1]	541	534
Auditing-related services [2]	2	14
Tax advice and compliance services	311	351
Transaction advice incl. due diligence	828	333
Total	**1 682**	**1 232**

[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 financial year 2014, 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 shareholders with more than five percent of the 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 Official Gazette of Commerce. Information on disclosure notices from significant shareholders and on transactions effected by members of the Board of Directors or Management can be found at
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 (direct link: www.schweiter.ch/contact).

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 can be downloaded from the following link:
www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

Media releases are available at
www.schweiter.ch/s1f3/media-releases/

The company's articles of incorporation can be found at:
www.schweiter.ch/s1a127/corporate-governance/articles-of-incorporation.html

The address for investor relations matters is:

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The next Annual General Meeting will be held on 6 May 2015 in Horgen. The Semi-Annual Report 2015 is scheduled for publication in August 2015.

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pmc, Oetwil am See

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of the German Annual
Report. The German text is
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