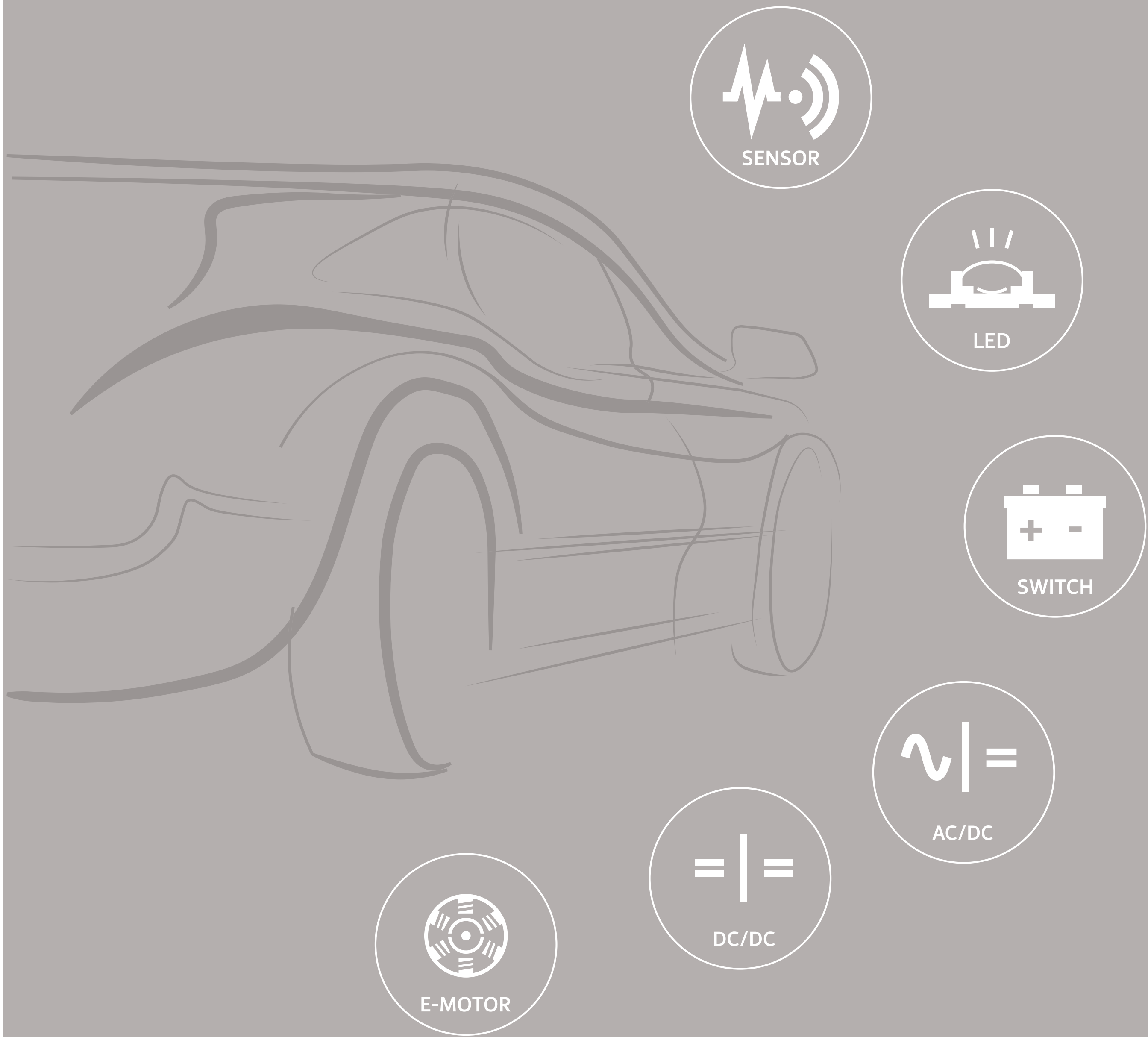
SCHWEIZER ELECTRONIC

SENSOR AND POWER PCB SOLUTIONS



ANNUAL REPORT 2017

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KEY FIGURES

	2017	2016	Change absolute	Change in %
SCHWEIZER Group (IFRS)				
Sales (EUR million)	120.9	116.1	4.8	4.2
Order book (EUR million)	181.5	158.4	23.1	14.6
Incoming orders (EUR million)	144.0	125.4	18.6	14.8
EBITDA (EUR million) [1]	8.4	9.5	-1.1	-11.4
EBITDA ratio (%)	7.0	8.2		
EBITDA before special effects	11.4 [6]	9.5	1.9	20.0
EBITDA ratio before special effects (%)	9.4 [6]	8.2		
EBIT (EUR million) [2]	0.3	1.8	-1.5	-81.1
EBIT ratio (%)	0.3	1.6		
EBIT before special effects	3.3 [6]	1.8	1.5	83.3
EBIT ratio before special effects (%)	2.8 [6]	1.6		
Annual result (EUR million)	3.5	0.6	2.8	460.0
Annual result before special effects	2.5 [7]	0.6	1.9	316.7
EPS (EUR)	0.92	0.16	0.76	460.0
Total assets (EUR million)	113.6	117.7	-4.1	-3.5
Investments (EUR million)	3.6	9.0	-5.4	-60.0
Equity (EUR million)	62.3	62.1 [5]	0.2	0.4
Equity ratio (%)	54.9	52.8 [5]		
Net gearing ratio (%)	-6.5	-1.5 [5]		
Working capital (EUR million)	22.1	20.2 [5]	1.9	9.3
Cash flow from operating activities (EUR million) [3]	4.6	6.5	-1.9	-29.2
Employees (at year end) [4]	797	787	10	1.3

1) EBITDA: overall performance + other operating income ./. cost of materials ./. personnel expense ./. other operating expenses
2) EBIT: EBITDA ./. depreciation of tangible and intangible assets
3) IAS 7
4) Including temporary staff
5) adj. IAS 8
6) Special effects relate to provisions for litigation costs for ongoing lawsuits and special expenses in connection with the construction of a new plant in China
7) Special effects relate to 6) and the positive impact due to the financial result from the sale of Meiko Electronics shares

All figures are rounded, which can lead to minor deviations when these are added up.

THE FUTURE SCHWEIZER ELECTRONIC ON A GLOBAL LEVEL

LETTER FROM THE EXECUTIVE BOARD

Dear Shareholders, Business Partners and Employees,

We are pleased to have closed another successful year for Schweizer Electronic. In 2017, we achieved the highest consolidated sales ever in the company's history at EUR 120.9 million. Our 4.2 percent growth was achieved through a record production volume of EUR 109.6 million at the Schramberg site. Various measures to eliminate bottleneck areas, targeted investments in new production technologies such as laser direct imaging and various process optimisations enabled output to increase by 6.2 percent in Schramberg. In this context, the sales share of technology products from the areas of power electronics, embedding and system cost reduction, which are mainly used in autonomous driving applications and in electro-mobility, also increased. These high-tech products now account for 58 percent of our sales.

We are proud of what we, together with our employees and partners, have achieved in the past business year, and we would like to thank our employees whose great commitment and ingenuity are the basis for our success.

We would also like to thank the management and staff of our partners WUS, Infineon, Meiko Electronics and Elekonta for their confidence in Schweizer.

The global printed circuit board market grew by 6.9 percent to USD 62.1 billion in the past financial year. The main revenue drivers were smartphones and the automotive market. Sales growth of printed circuit boards from automotive electronics was around 4.7 percent compared to the previous year, and is thus almost twice as high as the growth of vehicles sold. Due to the trends towards (partial) autonomous driving, electro-mobility (or the reduction of pollutant emissions) and networking, so-called special circuit boards are increasingly being used. They are needed for further miniaturisation, the realisation of high-frequency radar antennas and power electronic PCB solutions for higher currents, voltages and temperatures. These innovative PCB solutions will continue to grow at a disproportionate rate in the future, too.

Schweizer is a leading manufacturer of these sensor and power PCB solutions and development partner for many well-known automobile manufacturers and suppliers. However, due to our limited production capacities to date, we are currently only able to exploit the growth opportunities offered by the market to a limited extent.

Worldwide, the automotive industry is facing significant disruptive changes resulting from the legal requirements to reduce CO_2 emissions. It is certain that the conventional internal combustion engine will be replaced by new drive concepts such as hybrid and electric vehicles. More than 1 million electric vehicles were sold last year alone and, with less than 55,000 vehicles sold, Germany has only made a very small contribution so far. With 777,000 electric/hybrid vehicles sold last year, China is well ahead in the market launch of electro-mobility. The People's Republic of China wants to be a leader in both technology and the distribution of electric cars. German car manufacturers also want to play their part in the boom in electro-mobility in China and are planning corresponding sales volumes there for the coming years. This development holds great opportunities for the future for us and we intend to profit from them.

Schweizer is a reliable partner for its customers when it comes to putting electro-mobility into practice. We offer a broad portfolio of PCBs for 48 V or high-voltage drives and the corresponding DC/DC and AC/DC converters. In addition, our customers are very interested in our chip embedding solutions which we

Marc Bunz, Nicolas-Fabian Schweizer

have developed together with our partner, Infineon. This offers a huge market potential which we hope to exploit together with Infineon.

Based on the excellent growth opportunities in our core technologies, we have decided to establish a sustainable high-tech production site for printed circuit boards and embedding solutions in China. China and Asia as a whole are major growth markets for the mega-trends in the automotive industry. Our own production facility in China enables us to benefit far more from the Asian market potential. With our high-tech products, we are the only German PCB manufacturer to achieve a pioneering position with a sustainable reputation in China.

Our new major shareholder, WUS, along with the companies WUS Taiwan and WUS China, which increased their share in Schweizer last year to almost 30 percent, provides outstanding support in the construction of this new plant. We are convinced that the German know-how, combined with the market knowledge of our Asian partners, guarantees success in China.

What is our short-term forecast for the current financial year?

Overall, positive economic conditions are expected for 2018. These prospects, together with the technology priorities in the automotive industry, in which SCHWEIZER has its particular strengths, confirm our expectation of further positive growth impulses. In view of the high order backlog, we currently expect sales to increase by 6 to 8 percent. This is equivalent to the highest growth rate in four years.

SCHWEIZER will place considerably more focus on growth and diversification in the coming years. The management is convinced that this is the right way to lead SCHWEIZER to an outstanding positioning and thus also to ensure the value and long-term security of the company.

We look forward to taking this path together with you.

Yours sincerely,

Nicolas-Fabian Schweizer Marc Bunz

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

As announced in last year's annual report, the Executive Board initiated a new growth phase for Schweizer Electronic AG in financial year 2017.

Based on continued economic stability and consistently strong demand from our customers for products and technologies made by Schweizer, the Supervisory Board approved a project for building a new technology plant in Jintan (China), and other forward-looking investments for the Schramberg plant in the 2018 budget. The aim of this proactive investment strategy is to develop Schweizer's excellent position in the high-quality PCB segment, both from a technology point of view but also in particular in the growing market of Asia, thereby strengthening it in the long term. As with all forward-looking investments, more will be demanded of all the company's stakeholders during the investment phase in order to be able to realise the planned growth targets.

The management team and the company's employees are prepared to take this step towards expanding our future business and to contribute to the success of the projects, and thereby also the success of Schweizer, with their personal dedication. The Supervisory Board will support the Executive Board in an advisory capacity and is ready to assist with the implementation.

We are convinced of the success of the path we are taking and look forward to having you, dear shareholders, accompanying the company on this path.

REPORTS AND MEETINGS

In financial year 2017, the Supervisory Board again carried out its duties in accordance with the law, rules of procedure, Articles of Association and the German Corporate Governance Code. The Supervisory Board extensively advised the Executive Board on the leadership of the company on a regular basis and supervised the management of the company.

The Executive Board informed the Supervisory Board both verbally and in writing of the company's current position and of all issues relevant to the company and the Group in a regular and comprehensive manner. The Supervisory Board members were sent detailed monthly reports on the business performance between each meeting. In addition, a significant number of individual informational briefings and working meetings took place between the Chair, his deputy, the personnel and finance committee and the Executive Board members.

The Supervisory Board, in particular the Chair and his deputy, provided the Executive Board with intensive support and advice on all strategic issues. A variety of topics were discussed in detail in the meetings as well as in a number of informal discussions.

Decisions or measures by the management requiring the approval of the Supervisory Board due to law, the Articles of Association or rules of procedure were presented in good time, inspected and relevant resolutions were passed. Where necessary, urgent decisions of the Supervisory Board were taken by a circular resolution.

The Supervisory Board always had sufficient opportunity to engage critically with the reports and proposed resolutions presented by the Executive Board. In doing so, the Supervisory Board assured itself of the lawfulness, expediency and regularity of the management of Schweizer.

In financial year 2017, five regular and five extraordinary meetings of the Supervisory Board as well as two regular meetings of the personnel and finance committee took place. One member was unable to attend one of a total of two meetings of the personnel and finance committee. The average rate of attendance across all the meetings of the Supervisory Board was 93 percent. In some instances, the option to participate via video link was utilised.

FINANCE AND INVESTMENT PLANNING; CORPORATE STRATEGY

In the regular meetings, the Supervisory Board discussed the Executive Board's reports on the general business performance, the performance of the divisions, the performance of sales and earnings, the financial and risk situation and the performance of the partner network. The Executive Board reported to the Supervisory Board on the existing compliance management system.

One focal point of the Supervisory Board's work was the strategic further development of the Schweizer Group during the reporting year. The Executive Board and the Supervisory Board discussed this comprehensively and on a regular basis throughout the year. Various models were submitted to the plenum and discussed. The resulting opportunities and risks were analysed and weighed up carefully against each other. One option of the proposed business models was to establish another production site. A variety of analyses, including the Executive Board's proposal to invest in building a high-technology production site for PCBs and embedding solutions in Jintan (China) was presented to the plenum. Comprehensive consultations and discussions on the investment project were held between the Supervisory Board and the Executive Board. In the end, the Supervisory Board consented to the planned investment agreement with the government of Jintan (Jiangsu Province, China) in November 2017.

The Executive Board presented its budget for 2018, 2019 and 2020 at the meeting held on 4 December 2017. The Supervisory Board approved the budget for 2018 and took note of the planned budget for 2019 and 2020.

PERSONNEL MATTERS

The Supervisory Board's activity in the financial year also focused on personnel matters. These were discussed by the Supervisory Board openly and at length. Thus, the appointment and nomination of Schweizer Electronic AG's Executive Board Chair, Dr Maren Schweizer, was revoked with immediate effect in the meeting held on 1 February 2017 and her areas of responsibility were transferred to Mr Nicolas-Fabian Schweizer and Mr Marc Bunz. The contracts of the Executive Board members, Nicolas-Fabian Schweizer and Marc Bunz, were extended by another five years in June 2017.

The new targets pursuant to the German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector were discussed at the meeting held on 19 June 2017. New targets were adopted for the composition of both the Supervisory Board and the Executive Board.

A competence profile for the Supervisory Board as a whole was discussed and adopted.

LEGAL DISPUTES

The Supervisory Board regularly dealt with two pending legal disputes and consulted the Executive Board extensively in this regard. One action was filed by the former Executive Board Chair Dr Maren Schweizer in March 2017 in connection with her immediate dismissal and the extraordinary termination of her employment agreement with effect from 1 February 2017. The second action was filed against the subsidiary Schweizer Energy Production Singapore Pte. Ltd.

EFFICIENCY REVIEW OF THE SUPERVISORY BOARD'S ACTIVITY

The Supervisory Board reviews the efficiency of its activities every year. Members of the Supervisory Board are requested to give comprehensive feedback on the work of the Supervisory Board and its cooperation with the Executive Board in a questionnaire. The result of the efficiency review was explained and discussed in detail on 29 September 2017. No significant deficits were found.

CHANGES TO THE SUPERVISORY BOARD

Three Supervisory Board members and two replacement members were elected at the annual general meeting held on 7 July 2017. The meeting re-elected Mr Michael Kowalski to the Supervisory Board and Mr Christoph Schweizer as his replacement member. Mr Chris Wu and Ms Karin Sonnenmoser were newly elected to the Supervisory Board. Mr C.K. Chen was elected by a majority at the meeting as a replacement member for Ms Sonnenmoser. All the members of the Supervisory Board have been elected until the annual general meeting in 2019.

At the Supervisory Board meeting held following the annual general meeting, re-elected Supervisory Board member Mr Michael Kowalski's position as the Chair of the Supervisory Board and of the personnel and finance committee was confirmed. Dr Stephan Zizala was elected as the deputy Chair of the Supervisory Board and of the personnel and finance committee.

Michael Kowalski,
Chairman of the Supervisory Board

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has set up a personnel and finance committee with the goal of improving its efficiency. For a company of our size and orientation, we do not believe that it is either advisable or necessary to set up any further committees. Duties assigned to other committees can be readily dealt with by this body, provided they are not required to be dealt with by the Supervisory Board plenum. Furthermore, the full Supervisory Board is informed of the outcome of the committee‘s deliberations.

WORK OF THE PERSONNEL AND FINANCE COMMITTEE

In the two regular meetings of 9 March and 29 September 2017, the members of the committee dealt mainly with the topic of the individual and consolidated financial statements and strategic issues. The full Supervisory Board was informed of the results of the consultations in each case. In addition to the meetings, the regular tasks of the committee include conducting annual target and review discussions with the Executive Board and arranging for the Executive Board remuneration system to be reviewed at least every two years by external consultants. The committee reports on the result to the full Supervisory Board and makes relevant recommendations.

As in previous years, the plenum was informed of the target and review meetings with the Executive Board in reporting year 2017. The Supervisory Board followed the recommendations of the personnel and finance committee and the full body of the Supervisory Board decided on the variable remuneration components, MSTI and LTI.

CORPORATE GOVERNANCE

In the meetings held on 25 April and 4 December 2017, the Supervisory Board dealt with the German Corporate Governance Code and adopted the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz; AktG). The Declarations of Compliance have been made permanently available on the company web page and have also been published in the Corporate Governance report. At Schweizer Electronic AG, the Supervisory Board reports on corporate governance jointly with the Executive Board. The Corporate Governance report is provided in this annual report and on the company‘s website.

ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements and the consolidated financial statements as well as the summarised management report prepared by the Executive Board for Schweizer Electronic AG and the Group for the year 2017 were audited by the auditing company Ernst & Young GmbH chosen at the 2017 annual general meeting. Mr Oliver Pfeifer has been signing as the auditor since the 2016 business year, while Dr Eckart Wetzel has been signing as the auditor responsible for the audit since the 2014 business year.

The audits of the annual financial statements, consolidated financial statements and the combined management report did not give rise to any objections. Based on these audits, unqualified audit opinions were issued on 11 April 2018. The documents to be audited and the audit reports of the auditor were made available to every Supervisory Board member at the meeting on 13 April 2018 and were sent to every Supervisory Board member in sufficient time to enable them to prepare. The auditor took part in the discussion of the annual financial statements and the consolidated financial statements, during which he reported on the main audit findings and provided additional information on request. No objections were raised after the final result of the reviews by the Supervisory Board. The Supervisory Board agrees with the result of the audit of both financial statements by the auditor, concurs with the Executive Board's assessment of the position of the Group and of Schweizer Electronic AG and approves the annual financial statements and the consolidated financial statements as at 31 December 2017. The annual financial statements are thus adopted.

The non-financial statement to be prepared for the first time in financial year 2017 based on the CSR Directive Implementation Act was reviewed by the Supervisory Board.

The Supervisory Board supports the proposal of the Executive Board concerning the appropriation of profits, which envisages a dividend of EUR 0.30 per share.

The Supervisory Board sincerely thanks the members of the Executive Board and all employees for their strong personal commitment. The Supervisory Board also thanks the shareholders for the confidence they have shown.

Schramberg, 13 April 2018

The Supervisory Board

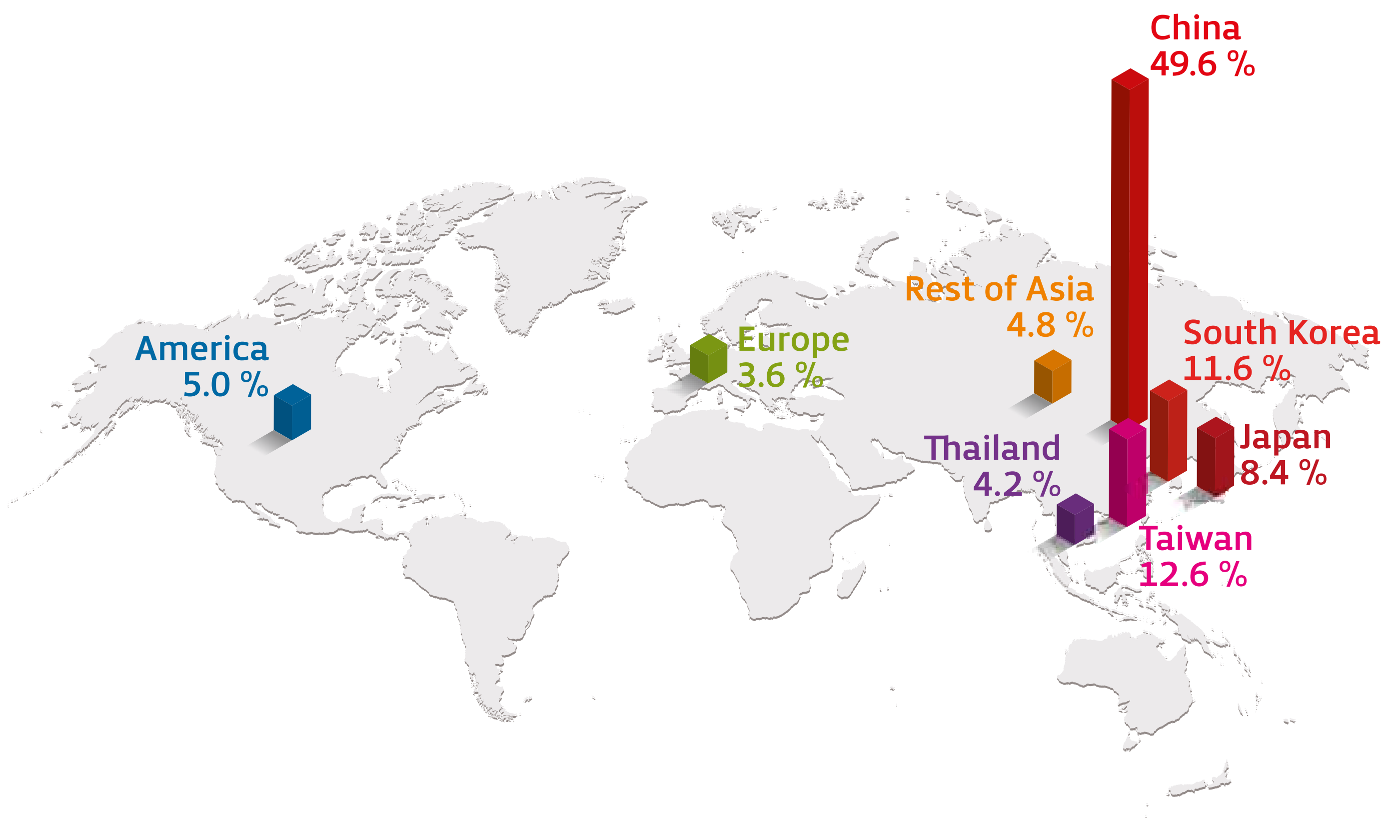
Michael Kowalski
Chair

Innovative **sensor & power PCB solutions**

for today's and tomorrow's applications.

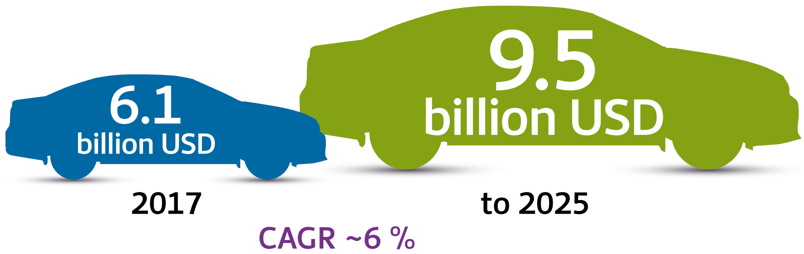
THE PCB WORLD MARKET

The global printed circuit board market grew and achieved a revenue increase of 6.9 percent to USD 62.1 billion in 2017. The main revenue drivers were smartphones and the automotive market. With a share of 49.6 percent of global production volume, China is by far the largest manufacturer, followed by Taiwan (12.6 percent), South Korea (11.6 percent), Japan (8.4 percent), Thailand (4.2 percent) and the other Asian markets with a total of 4.8 percent. America generated 5 percent of total sales and Europe 3.6 percent.



Source: N.T. Information LTD 01/2018

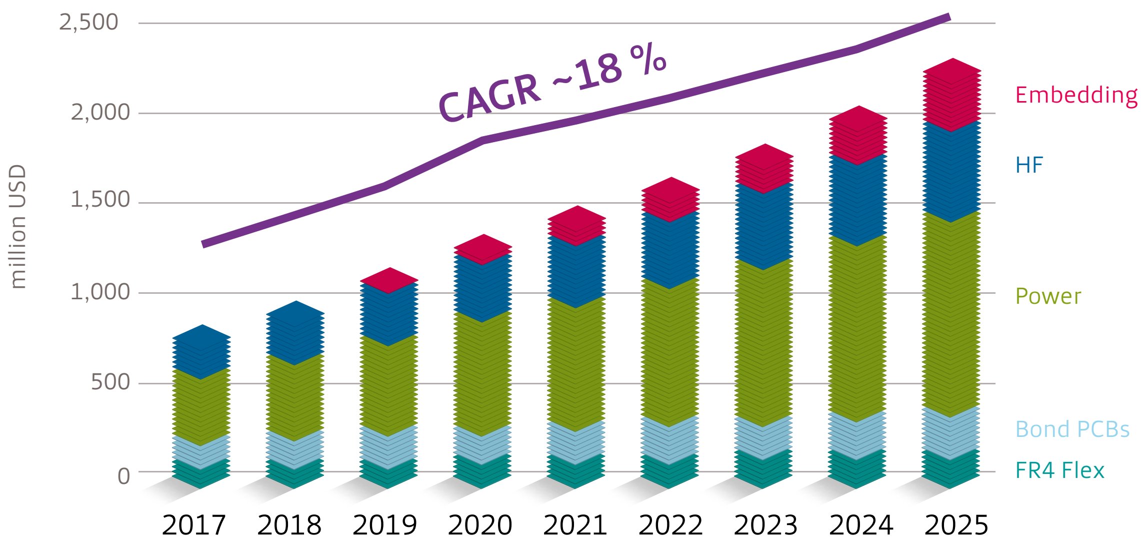
THE AUTOMOTIVE PRINTED CIRCUIT BOARD MARKET



Average growth in the general automotive printed circuit board market

In the automotive sector, the printed circuit board market exhibited growth of 4.7 % in 2017, and in view of the trends towards electro-mobility, autonomous driving and networking, an annual growth rate of 6 percent is expected by 2025. The main growth drivers within this segment are sensor and power PCB solutions, such as HF circuit boards, inlay boards, Cu-IMS, thick copper, as well as circuit boards with palladium surfaces and embedding technologies. The average growth rates expected in this high-tech sector over the next few years are up to 18 percent.

FORECAST FOR SCHWEIZER PCB INNOVATIONS IN THE AUTOMOTIVE SECTOR



Sources: N.T. Information LTD, customer feedback and own estimates

Schweizer Electronic is one of the leading manufacturers of these sensor and power PCB solutions and generates about 70 percent of its sales with customers from the automotive industry. The company is a development partner for many well-known automobile manufacturers (OEMs) and suppliers (tier ones). However, due to the limited production capacities so far, Schweizer can only exploit the growth opportunities offered by the market currently to a limited extent.

SCHWEIZER SENSOR & POWER PCB SOLUTIONS

SENSOR PCB SOLUTIONS

Advanced driver assistance systems (ADAS) and the networking of vehicles and infrastructure are among the top themes in the automotive industry. In the case of the driver assistance systems, active intervention in the vehicle actuators places very high demands on the electronics and the PCB used. The basis for the error-free detection of dangerous situations is the PCB technology, whereby radar radiation is generated and captured as a reflected imaginary image. Here, the HF (high frequency) board combines the transmitter and receiver in a single component.

Autonomous (automated) driving is now to become an industry-wide reality. Radar and camera solutions are requirements for the sensor technology. HF designs for radar sensors implemented by Schweizer range from 24 GHz to 76-79 GHz PCB solutions. For HF solutions, Schweizer is the partner of choice for many large tier-one companies. Also for the camera systems used in this context, well-known manufacturers rely on Schweizer and opt for the FR4 Flex PCBs that permit a three-dimensional assembly solution.

POWER PCB SOLUTIONS

BOND CIRCUIT BOARDS FOR OPTIMISING ENERGY EFFICIENCY

Increasingly stringent legal requirements for fuel efficiency are presenting the global automotive industry with huge challenges. With a maximum permitted CO_2 emission of 95 grams per kilometre as of 2021, corresponding to consumption of 3.6 litres of diesel (4 litres of petrol per 100 kilometre), European countries must satisfy the most stringent of requirements.

Conventional combustion engines are constantly being further developed to reduce CO_2 emissions. Schweizer's power electronic circuit boards contribute to the constant optimisation of conventional combustion engines. These include, for example, the “bond printed circuit boards”, in which chips without housing are mounted on the circuit board and connected with bond wires, such as ENEPAG circuit board solutions, which are used in gears. They support cost reduction and the trend towards miniaturisation, as they help to make efficient use of the installation space available. This is particularly important in hybrid vehicles as an electric drive must also be housed under the bonnet in addition to the combustion engine.

LEDs SUPPORT ENERGY EFFICIENCY, SAFETY AND COMFORT WHILE DRIVING

The reduction of CO_2 emissions can be assisted by various PCB solutions that are also in the Schweizer product portfolio. But the potential for fuel savings is not limited to the drive technology alone. LED headlights, for example, not only provide enhanced safety and comfort while driving, they also help to reduce CO_2 emissions. Experts estimate that up to 2 grams of CO_2 per kilometre is possible here. LED headlamps are also far superior to conventional lighting technology in terms of brightness, service life and power consumption. Thanks to its special constituent materials, the Schweizer IMS PCB offers excellent thermal heat management properties and is the first choice for premium manufacturers. The IMS PCB with space for 84 LEDs is, for instance, used in the current Daimler matrix LED headlights, and offers optimum illumination of the road for the driver thanks to the resolution of the lighting. In the future, these matrix LED headlights, which were launched at electronica in November 2016 in Munich, can be even more compact and at the same time more affordable thanks to the joint innovations of Schweizer and Infineon.

High-resolution LED MultiBeam light module for Mercedes E-Class headlights

OPPORTUNITIES IN THE AVIATION SECTOR

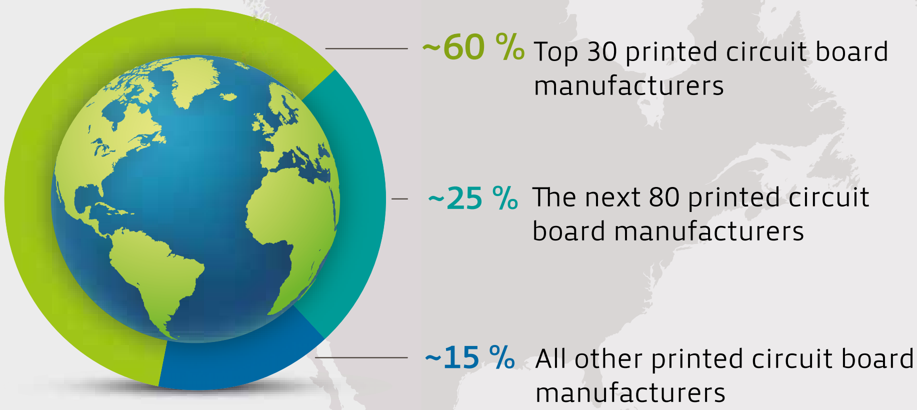
Schweizer's innovative printed circuit boards are used in radar, high current and high temperature applications as well as to support miniaturisation and reduce CO_2 emissions and weight. The goals in the aviation industry meanwhile indicate the same trends. That is why the company has entered the aviation segment with its high quality standards and has been supplying series orders here since 2016 with a general upwards trend. Schweizer has been EN 9100 certified since 2013 and the re-certification for 2018 was completed without deviation. In addition, NADCAP certification is to be carried out to enable the solutions to be marketed in the USA.

The high quality standards in the automotive sector created the perfect conditions for the production of high-quality printed circuit boards for the aviation sector, and we are in the process of establishing a good reputation as an innovative and reliable partner in this sector as well.

Germany is one of the world's leading aerospace nations and invests billions in innovations in this sector every year. As a manufacturer of printed circuit board solutions for reducing CO_2 emissions, it is also promising for us that the International Civil Aviation Organization (ICAO) also agreed on a climate protection programme to reduce greenhouse gas emissions at the end of 2016, giving our company a positive long-term international perspective in this industry.

DYNAMIC COMPETITIVE ENVIRONMENT IN THE PRINTED CIRCUIT BOARD MARKET

As a PCB manufacturer, we operate in a very dynamic market with a total of around 2,400 manufacturers. In this market, however, only the top 30 manufacturers are responsible for about 60 percent of the market volume. China accounts for almost half of global sales, followed by Taiwan, South Korea and Japan. China also plays a special, outstanding role in the automotive industry, on the one hand as a sales market (one in three German cars is sold in China), and on the other hand as a production location for manufacturers and suppliers to the automotive industry.



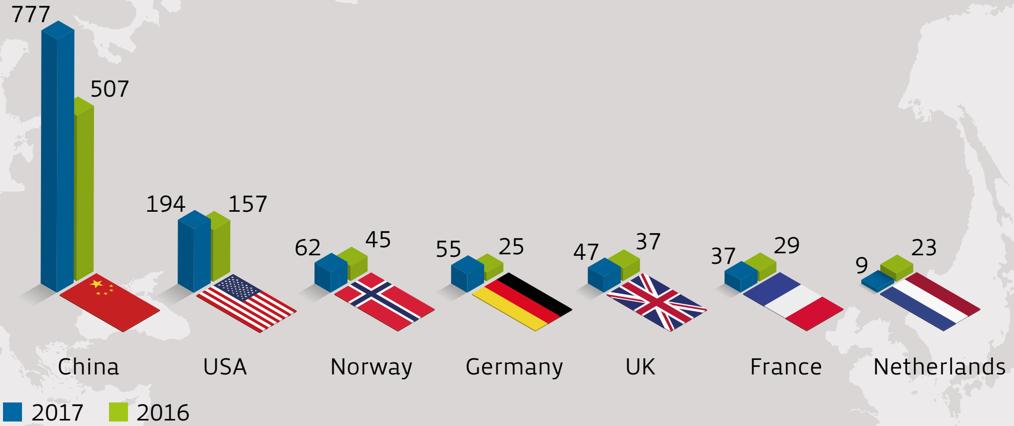
DISRUPTIVE CHANGES IN THE AUTOMOTIVE INDUSTRY

Worldwide, the automotive industry is facing significant disruptive changes resulting from the legal requirements to reduce CO_2 emissions. To meet these requirements, new drive concepts (i.e. hybrid/electric vehicles) will need to be implemented across the board. This is why the conventional combustion engine is now also considered a phase-out model.

Last year alone, more than 1 million electric cars were sold worldwide, of which only fewer than 55,000 were in Germany. Although this is more than twice as many as last year, the success story of e-mobility is being written in other countries, above all in China.

With 777,000 electric cars sold in 2017, 84 percent of which are pure electric cars and 16 percent plug-in hybrids (source: CAM), China is way ahead in the market launch of electro-mobility. Electro-mobility is a top priority in China, and the country is continuing to play an increasingly dynamic role as a global provider of e-mobility. According to the Chinese government, five million electric cars are set to drive on China's roads by 2020. If manufacturers want to avoid high penalties, they must sell at least 12 percent of their new cars with electric motors in 2020. China wants to be the world leader both technologically and in the distribution of electric cars. In addition, the People's Republic of China has already established a leading role in battery production. German manufacturers also want their share of the electro-mobility boom in China. According to media reports, VW plans to sell around 400,000 electric cars and hybrids in China as early as 2020, and sales of 1.5 million electric cars are planned there in 2025. For us as a supplier, this development holds great opportunities for the future, and we intend to profit from it!

Sales trends of electric cars (BEV, PHEV) in selected markets in 2017/2016 (in thousand units)



Source: Center of Automotive Management

SCHWEIZER SOLUTIONS FOR ELECTRO-MOBILITY

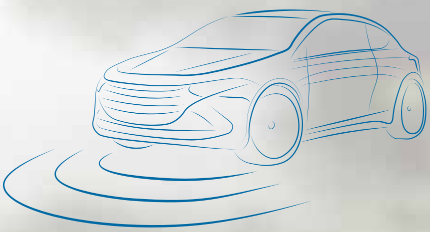
SCHWEIZER is a reliable partner for its customers when it comes to putting electro-mobility into practice. For hybrid and electric vehicles, the company offers a broad portfolio of PCBs for 48 V or high-voltage drives and the corresponding DC/DC and AC/DC converters.

As many systems for current and future applications offer ever more additional functionalities and at the same time have to become smaller and smaller, the interest in chip embedding solutions, for example the p² Pack which SCHWEIZER developed together with its partner Infineon, is constantly increasing. With this technology, the components are embedded inside the printed circuit board, making the PCB smaller and so benefiting various systems in the vehicle in turn: the electric power steering, the air conditioning compressors, the electric turbos or the starter-alternators, to cite a few examples. The outstanding performance and the interest in the p² Pack technology have been repeatedly confirmed by customers, so that major attractive growth opportunities are expected here, from which Infineon and SCHWEIZER want to profit together. Smart p² Pack technology by SCHWEIZER leverages the potential of embedding and the company's proven inlay technology, and thus offers the user further advantages. Not only is reliability increased, for example, but installation space and system costs are saved at the same time. First embedding applications have already been realised for the new 48 V board of the automotive on-board power supply and are set to go into mass production from 2020.

Cross section of the battery safety switch (ADR switch) for trucks in cooperation with Infineon Technologies AG

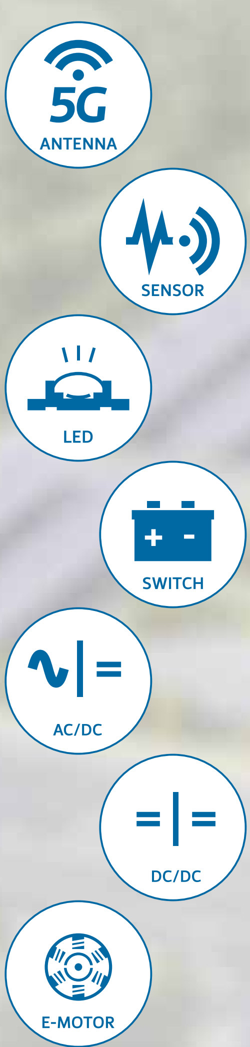
AUTONOMOUS DRIVING

Thanks to the progressive networking of the transport infrastructure and the advancing pace of innovation demonstrated by the automotive industry and its suppliers, autonomous driving and corresponding interconnect applications are also about to be launched on the market. A further disruptive change is thus imminent on the automotive market.



The major brand manufacturers are bringing more and more models onto the test tracks. As a leading manufacturer of 24 GHz and 76 - 79 GHz PCB solutions, there is a great sales potential for Schweizer, which cannot be exploited sufficiently at present due to a lack of production capacities. In addition, the company has introduced HF embedding, a solution for the radar sensors of tomorrow that increases the performance of radar systems and 5G antennas.

OUR 10-YEAR GOAL UNDERLINES OUR CLAIM TO LEADERSHIP



Schweizer is currently Europe's third-largest producer of PCBs and one of the top 17 automotive PCB manufacturers. Among its customers are tier one companies from the automotive and aviation sectors, who have chosen Schweizer as their preferred partner for the development of innovative products due to our commitment, reliability, flexibility and high quality standards.

Schweizer's goal is to become the leading manufacturer of sensor and power PCB solutions for mobility and energy efficiency within the next 10 years and to play a central role in the market growth of automotive innovations. The company has laid a solid technological foundation for achieving this goal. With its outstanding expertise and understanding of applications, Schweizer is already enabling its customers to realise new developments and innovations and to serve the trends of fuel efficiency, e-mobility and autonomous driving. Schweizer is doing everything in its power to remain at the forefront of innovation and is always in demand as a partner in trend-setting research projects funded by the Federal Ministry of Economics and Technology (BMWi) and the Federal Ministry of Education and Research (BMBF).

SCHWEIZER IS ON THE HOME STRETCH WITH CONSISTENT MEASURES FOR CAPACITY EXPANSION

Our high order backlog, which increased again at the end of 2017, reflects the strong interest of customers in our PCB solutions. In order to meet the increasing customer demand for high volumes at attractive prices, we have successfully built up our partnerships with MEIKO and WUS in recent years. Our partners' production facilities have passed the customer qualifications and provide a constantly rising sales contribution in the area of FR4 Flex and HF PCBs. In addition, we have made the necessary preparations to handle "High Mix-Low Volume" requests using WUS production capacities in Hubei, Central China. This represents an expansion of the product portfolio with small batch sizes, which is particularly common in the industrial sector. The cooperation with WUS secures us additional sales here which were previously not possible

Model view of the new SCHWEIZER plant in Jintan

with our own capacities due to the production structure of the plant in Schramberg.

However, our partners' additional production capacities are not sufficient to participate in the expected future market growth and to exploit our growth potential. To become the leading manufacturer of sensor and power PCB solutions for mobility and energy efficiency, we must take advantage of the considerable market opportunities offered by the e-mobility and autonomous driving trends and our successful entry into the aviation sector. To achieve this, we need additional, far-reaching production capacities for innovative technologies.

We have therefore decided to establish a sustainable high-tech production facility for printed circuit boards and embedding solutions in China and have signed an investment agreement to this effect in China. We have worked successfully with Infineon, the market leader for power semiconductors, in the field of embedding technologies for many years. In addition, we have already built up a strong network and business reputation in Asia through our partners WUS and Meiko.

DIVERSIFICATION WITH INVESTMENT IN CHINA

China and Asia are major growth markets for the major trends in the automotive industry: e-mobility and autonomous driving. These are precisely the areas in which we can score points with our technological solutions. However, in order to be successful in China and the Asian region, it is necessary to also operate our own production facility there. Therefore this investment is also a springboard for entering the market in China and Asia for Schweizer. With the additional high-tech production facility in Jintan, it is possible not only to tap the growth potential from the existing customer base, but also to gain new customers and capture new markets in Asia (such as China, Japan and Korea) and on a global level. China plays a particularly important role here as a driver nation for fuel efficiency, electro-mobility and autonomous driving. On the one hand, Schweizer has the opportunity to exploit the huge potential of this market and, on the other hand, enables the Chinese market to access the innovative, high-quality product solutions that will help China achieve its ambitious goal of becoming the number one in electro-mobility.

In addition to horizontal diversification into additional regions, Schweizer is aiming for vertical growth with new innovative technologies such as chip embedding. This is Schweizer's most innovative product line, which was developed jointly with Infineon and is close to market success. Several p^2 Pack projects are already in the pipeline, and the demand for this technology, expected on the basis of customer feedback,

is so high that we are investing early enough in sufficient capacities in Schramberg and China. With HF embedding, Schweizer has additionally developed a forward-looking solution for the radar sensors of tomorrow, with which the company intends to tap further potential in the growing market for autonomous driving. In order to be always up to date with research and development as well as be close to the market and customers, the new production facility will also have a research unit, even if the core technologies are transferred from the parent plant in Germany. Moreover, it is planned to create a general, comprehensive R&D concept that will consolidate Schweizer's development activities on a global level.

The sustainable production facility will be built in accordance with the latest environmental guidelines and specifications and is intended to be an example of sustainable printed circuit board production in China. It will focus in particular on the production of p^2 Pack (embedding) technologies, FR4-Flex, high frequency, inlay, thick copper and IMS circuit boards. The focus is on semiconductor embedding and other innovations that make the disruptive technologies of e-mobility and future applications possible.

The production technology is provided by Schweizer with training offered by relevant technical personnel of Schweizer Electronic AG. The development of the production technology and the corresponding processes, as well as the monitoring of product quality, are also closely monitored in order to guarantee the recognised high quality standard of Schweizer. The construction phase is planned for 2018/2019, after which the new production capacities will be built up in three production start-up phases, each with a capacity increase of 1,200 m^2 PCB area per day up to the target capacity of 3,600 m^2 PCB area per day in 2027.

After extensive research and location analysis, the Jintan region in China has emerged as the most suitable location, as it offers the most advantageous conditions for investment overall. The availability of qualified specialists, the existing network through the former Pentex-Schweizer joint venture and the established supply chain participants, such as customers, appropriate materials and equipment, should be mentioned here in particular. In addition, our subsidiary Schweizer Electronic (Suzhou) Co, Ltd. as well as our main shareholder and partner, WUS, and our shareholder and partner, Infineon Technologies AG with production facilities in Kunshan and Wuxi, are within easy reach. The production sites of our key account customers Bosch, Continental and Hella in Shanghai are also easily accessible thanks to the excellent transport infrastructure.

THE FUTURE SCHWEIZER ELECTRONIC ON A GLOBAL LEVEL

Investing in a high-tech production facility in China helps us to further exploit the market potential for power electronics and embedding applications and to remain the partner of choice for our customers. In addition, our proven high-tech products make us the only German PCB manufacturer to achieve a pioneering position with a sustainable reputation in Asia, especially China.

Thanks to the significant increase of its production capacities, Schweizer is becoming more attractive for the international clientèle and especially global market leaders. The market success of new product lines for other megatrends such as robotics, electricity storage, smart sensors and 5G is also more promising if we can offer our customers larger capacities and volumes than before.

This will enable us to market our core competencies in high-frequency, high-current and high-temperature applications even more effectively and to expand our position as an innovation leader that enables the implementation of disruptive technologies in practical applications for our customers on a global scale. The Schramberg location will also benefit greatly from this. The innovations developed by our engineers in Schramberg can achieve faster and greater market penetration through intelligent interaction between Schramberg and China. Expanding our own capacities enables us to achieve above-average growth, to improve and sustainably secure our profitability and, in a parallel process, invest in the latest technologies in order to remain on the cutting edge of innovation.

The investment in China will amount to a total of 180 million dollars over the next few years and will offer us the opportunity to quadruple our sales to up to 500 million dollars. This will enable us to achieve our goal of becoming the leading manufacturer of sensor and power PCB solutions for mobility and energy efficiency within the next 10 years.


infineon
ELEKONTA MAREK
MEIKO

SHARES

GENERAL STOCK MARKET PERFORMANCE

Germany's leading index, the DAX, closed 2017 at 12,918 points, an increase of 12.5 percent. 2017 was thus the best year for the DAX since 2013. The optimistic economic outlook, the ECB's overall cautious monetary policy and the pro-European election results in our neighbouring countries in the spring supported the upward trend. The strong euro exchange rate, such as the appreciation of the European single currency by around 14 percent against USD, the turbulence in the automotive sector and the North Korean conflict had a temporary negative impact on the German markets.

The performance of the TecDax was very positive in 2017. With a price gain of almost 40 percent, the technology index has now returned to its level of early 2001.

SCHWEIZER SHARE

The Schweizer Electronic AG share started 2017 at a price of EUR 17.99 and reached its low of EUR 17.64 on 8 February. Until the beginning of April, the Schweizer Electronic AG share recorded disproportionately high price gains compared to the TecDax. For example, the company's announcement on 13 April 2017 about the ownership interest, or increase in ownership, by WUS Printed Circuit Co, Ltd., Taiwan and WUS Printed Circuit (Kunshan) Co., Ltd. was received very positively by the market, which is reflected in the annual high of EUR 23.45. After extremely positive performance in the first half of 2017, the share price fluctuated widely in the second half of the year. The share price fell to EUR 18.54 by October, but managed to recover well by the end of the year, closing 2017 at EUR 21.29 or an increase of 18 percent.

DIVIDEND

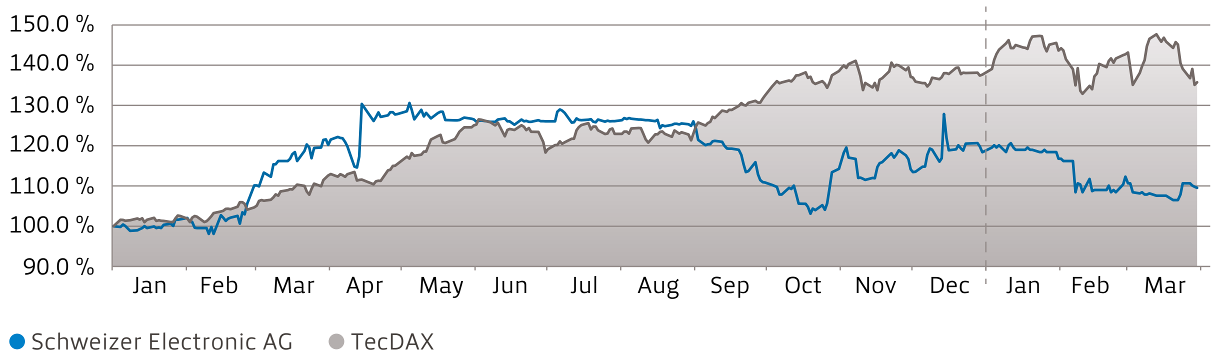
With the proposed dividend of EUR 0.30 per share, the company would like its shareholders to participate in the success of the past financial year despite the impending growth investments. In the future SCHWEIZER will increasingly develop into a growth stock in order to consistently tap the outstanding potential arising from the growth markets of e-mobility and autonomous driving. In the medium term, management expects this strategic realignment to lead to a disproportionate increase in enterprise value, so that despite the lower dividend, a higher TSR (total shareholder return) is aimed for overall.

Dividend

Dividend for business year	Dividend per share
2013	EUR 0.60
2014	EUR 0.65
2015	EUR 0.65
2016	EUR 0.65
2017	EUR 0.30 *

* Proposal to the annual general meeting.

Share price 1 January 2017 – 31 March 2018



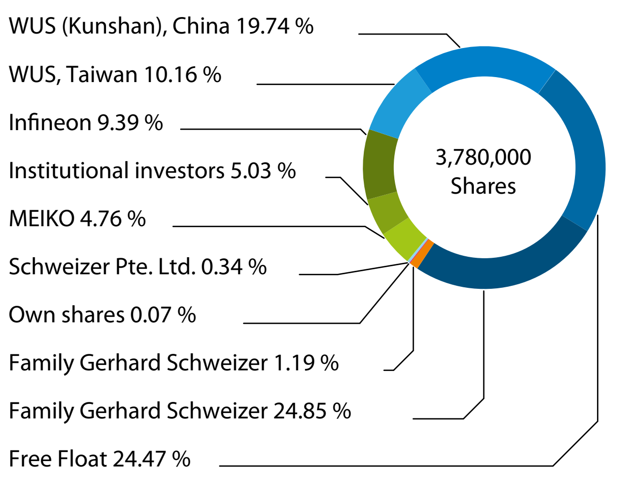
INVESTOR RELATIONS

In 2017, as part of its financial reporting, SCHWEIZER kept all interested capital market participants comprehensively informed through capital market conferences, teleconferences and investor events. This allowed them at all times to make a reasonable evaluation of the current business situation and assess the company's prospects. The annual general meeting is the central forum for our private shareholders. In the interest of long-lasting and trust-based relations with all stakeholders, in addition to the legally required documents, we also published a great deal of other corporate information on our website. Extensive numerical data, various presentations and an assessment by analysts are published at *www.schweizer.ag/en/investor-relations.html*.

SHAREHOLDER STRUCTURE

The shareholder structure of Schweizer Electronic AG was as follows at the end of 2017:

Shareholder structure as at 31/12/2017



On 26 January 2018, Meiko Electronics Co., Ltd. (Japan) reported a reduced shareholding of 1.77 %.

SHARE DATA

	2017	2016
Year-end closing price	EUR 21.29	EUR 17.99
Year high	EUR 23.45	EUR 22.19
Year low	EUR 17.64	EUR 17.20
No. of shares	3,780,000	3,780,000
Market capitalisation at the end of business year	EUR 80.5 million	EUR 68.0 million
Dividend per share	EUR 0.30 [1]	EUR 0.65
Dividend yield	1.4 % [2]	2.8 % [3]

[1] Proposal to the annual general meeting
[2] Relative to share price at year-end.
[3] Relative to share price on day of the annual general meeting.

BASIC SHARE DATA

ISIN	DE0005156236
WKN	515623
Symbol	SCE
Listed in	Xetra, Frankfurt, Stuttgart, Düsseldorf, Berlin
Stock market segment	Regulated market
Level of transparency	General standard

SUMMARISED STATUS REPORT

SUMMARISED STATUS REPORT OF THE SCHWEIZER GROUP AND OF SCHWEIZER ELECTRONIC AG AS AT 31 DECEMBER 2017

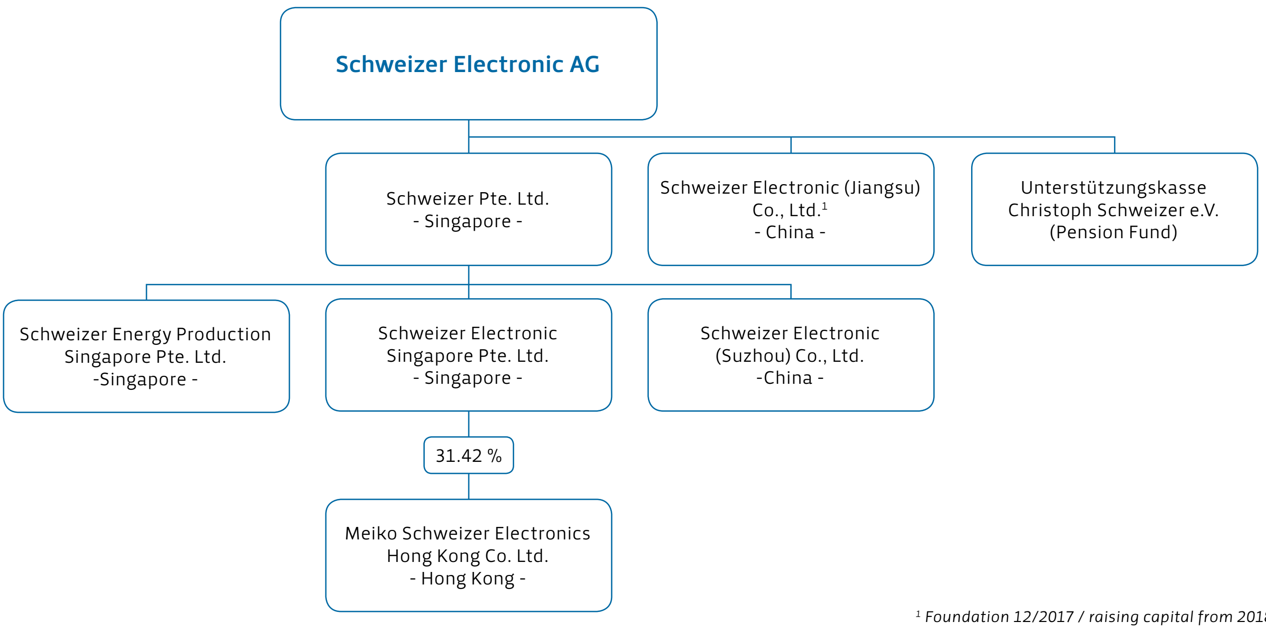
This report summarises the Group status report of the SCHWEIZER Group ("SCHWEIZER" or the "company"), comprising Schweizer Electronic AG and its consolidated subsidiaries, and the status report of Schweizer Electronic AG. It should be read in context with the audited consolidated financial statement including the notes thereto, which are presented elsewhere in this report. The audited consolidated financial statements are based on a series of assumptions and accounting and valuation methods that are presented in detail in the notes to the consolidated financial statements. In addition, passages marked accordingly should be read in the context of the audited individual financial statements including the notes. The summarised status report contains forward-looking statements regarding the performance of the business, the financial development and the income of SCHWEIZER. These statements are based on assumptions and forecasts which themselves are based on the presently available information and current assessments. These are fraught with uncertainties and risks. The actual performance of the business may therefore deviate significantly from the expected performance. SCHWEIZER assumes no obligation to update forward-looking statements, beyond that required by statutory provisions.

GROUP BASICS

LEGAL AND ORGANISATIONAL STRUCTURE

Schweizer Electronic AG, headquartered in Schramberg, is the parent company of the Group and manages the holdings directly and indirectly owned by it. The business performance of the parent company is closely linked to the performance of the subsidiaries and associated companies.

GROUP STRUCTURE



[1] *Foundation 12/2017 / raising capital from 2018*

BUSINESS MODEL

SCHWEIZER offers state-of-the-art, cutting-edge technology and consultancy expertise. SCHWEIZER's high-quality PCBs and innovative solutions and services for automotive, industrial and aviation electronics address the key challenges in the area of power electronics, embedding technology and system cost reduction. The products are of the highest quality and, inter alia, promote the development of energy-saving and environmentally friendly vehicles.

In the Electronic division, SCHWEIZER works with its partners WUS Printed Circuit (Kunshan) Co., Ltd., Kunshan, China, Meiko Electronics Co. Ltd., Ayase, Japan, and Elekonta Marek GmbH & Co. KG, Gerlingen, to supply cost-optimised and production-optimised solutions for small and medium batch sizes as well as for mass production. In Schramberg, SCHWEIZER employs around 783 people, including temporary staff, and a total of 797 people worldwide. In future, the chip embedding market for automotive and industrial applications will be developed jointly with Infineon Technologies AG.

Schweizer Electronic AG has been listed on the stock exchange in the regulated market segment since 5 July 1989. The shares (ISIN DE0005156236) are listed in Frankfurt am Main and Stuttgart.

GLOBALISATION AND DIVERSIFICATION

The global organisation is focused on the Asian growth region as a complement to its European business. SCHWEIZER also plans to increasingly take advantage of the trends in technology for energy efficiency and electro-mobility and the steadily growing demand for radar and camera applications for advanced driver assistance systems, and has adapted its portfolio accordingly. This approach will be realised by structuring the company into the Electronic and Systems divisions. While the Electronic division has been established for many years, the Systems division is still undergoing development in cooperation with Infineon. In November 2017, SCHWEIZER signed an investment agreement with the government of Jintan (Jiangsu Province, China) to establish a sustainable high-tech production site for printed circuit boards and embedding solutions in China. Thus SCHWEIZER will further exploit the worldwide market potential for power electronics and embedding applications by means of innovative, high-quality printed circuit boards and embedding solutions for its customers and address the strongly growing Chinese market.

ELECTRONIC

Together with its partners Elekonta, Meiko and WUS, SCHWEIZER is the global leader for the supply of rigid PCBs to the automotive industry. Within this network, Elekonta focuses on the production of prototypes. Meiko is the partner for the production of high volumes at low-cost locations in China and Vietnam and maintains technology plants in Japan. Moreover, through the Meiko Schweizer Electronics Hong Kong Co. Ltd. joint venture, SCHWEIZER also has access to production lines in Vietnam which cater specifically to the requirements of European customers. WUS, which has several production sites in China, is the partner for handling the constantly increasing demand for high-frequency (HF) PCBs for the automotive sector. This means that while SCHWEIZER focuses on the research and development of products and on series with technically sophisticated production techniques, WUS takes over cost-effective mass production to ensure that high-quality and attractively priced HF PCBs are available to customers in the desired quantity.

SYSTEMS

The creation and expansion of the future Systems division is the logical consequence of increasing customer demand, SCHWEIZER's experience and expertise as well as its new solutions based on embedding technologies (integration of active and passive components in PCBs). The prevailing business model, whereby customers purchase the required PCBs and components separately, will be altered in the future by the embedding approach. The integration of components into printed circuit boards requires a new business and process model in which both component and printed circuit board manufacturers must be closely involved. In order to implement this new approach at an early stage and to complete the product range, SCHWEIZER works together with Infineon, customers and specialist institutes in order to offer more than printed circuit boards in Schweizer's Systems field of business in the future. First series sales are not expected before 2020 or 2021. No customer orders for series production had been placed as at the balance sheet date.

In view of the fact that the Systems division is still in development, the current business activities of the Schweizer Group are handled entirely by the Electronic division. Therefore, no reportable segments exist with regard to the requirements of IFRS 8. Rather, the Schweizer Group is currently a single-segment company.

BUSINESS UNITS

RESEARCH AND DEVELOPMENT

In 2017, we succeeded in halving the average duration of process development projects. Essential core processes from the areas of mechanics, multilayer production, conductive pattern and electrical testing were equipped with the latest technology and transferred to series production.

Process-related pre-development is playing an increasingly important role in our development landscape. As our customers' development times are becoming ever shorter, processes and process adaptations to the respective product requirements must also be carried out in ever shorter times. In order to meet this requirement in the face of a simultaneous increase in the quality and documentation requirements of our customers, we have integrated and further expanded the process pre-development as a matrix organisation.

Together with one of our key suppliers, we developed a plant concept as part of the pre-development phase, which was then transferred to the investment process of series development. From this, we expect significant quality improvement potentials in connection with etching technology for high-frequency technology.

Another example of a pre-development project relates to plasma etching technology and is also used in high-frequency technology. We use our worldwide contacts to also find new avenues with suppliers.

The cooperation with Infineon in the field of chip embedding for power electronics continues to be intensive and goal-oriented. The teams of both companies are in constant interdisciplinary exchange. Last year, further application demonstrators using p^2 Pack technology were established. Our customers have confirmed the technical advantages of our solution without any reservations.

In 2017, Schweizer's spending on research and development totalled EUR 3.8 million.

In 2017, we added five new talents to our team of process development engineers.

PARTICIPATION IN PUBLICLY FUNDED PROJECTS OF THE FEDERAL MINISTRY OF EDUCATION AND RESEARCH (BMBF)

VoLiFa 2020

The VoLiFa 2020 funded project was successfully completed in 2017. Under Hella's consortium leadership, a new generation of headlights for motor vehicles was developed that combines glare-free driving and maximised illumination of the road surface. The increased functionality could only be realised with the help of embedding solutions by Schweizer in the available installation space. For the demonstrator Schweizer provided two newly developed circuit boards, on which LED heat dissipation, three-dimensional assembly, and the embedding of active chip components and passive components were demonstrated successfully. The project started on 1 April 2014 and was completed on 31 March 2017. The project partners were Hella, Elmos, Merck, Porsche Engineering and the University of Paderborn.

KoRRund

Since the beginning of the last business year, Schweizer has been a consortium partner in another research project called KoRRund. Within the scope of this project, a new type of radar sensor technology is being researched that will enable better all-round visibility for automated driving. Schweizer's task in this research project is the development of novel high-frequency circuits that enable an all-round view of up to 360°. Besides Schweizer, the project participants are the partners Bosch, Daimler Inmach, Fraunhofer IZM, K.I.T. (Karlsruhe), the University of Ulm and Ulm University of Applied Sciences. The funded project will run from 1 January 2017 to 31 December 2019.

Smart PVI box

This project is focused on researching new materials for high-temperature applications that are necessary to integrate the next generation of semiconductor chips, known as wide-band-gap semiconductors, into the printed circuit board. These new semiconductors allow higher junction temperatures during operation, which must therefore be enabled by the PCB substrate. This combination of new semiconductor technology and embedding in high-temperature substrates is preparing the next generation of inverters, which will play a role both in the automotive and industrial environment. The project participants are Schweizer, industrial partners Robert Bosch GmbH, Siemens AG, Isola GmbH, Peters Research GmbH & Co. KG, research partners University of Bayreuth, the Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e.V., the Fraunhofer Institute for Reliability and Microintegration (IZM) and the associated partners Huntsman Advanced Materials (Switzerland) GmbH and the European Center for Power Electronics e.V. (ECPE). The project started on 1 December 2015 and will run until 30 November 2018.

SiC module

At the end of the last financial year Schweizer won another funding project named SiC-Module. The project will include new embedding methods for SiC power semiconductors. The focus here is on modularising the power electronics, which will make it possible to address different circuit topologies and power classes. The project coordinator is Robert Bosch GmbH, Renningen. Other project partners besides Schweizer are: Conti Temic Microelectronic GmbH, Nuremberg, Rheinisch-Westfälische Technische Hochschule (RTH), Aachen, AixControl - Gesellschaft für leistungselektronische Systemlösungen mbH, Aachen, the Fraunhofer Institute for Reliability and Microintegratiion (IZM), Berlin, TLK-Thermo GmbH, Braunschweig and Daimler AG, Böblingen. The funded project will run from 1 January 2018 to 31 December 2020.

PATENTS

The total number of patents granted increased to 33 patents as at 31 December 2017.

HUMAN RESOURCES

EMPLOYEES

The number of Schweizer employees – based at the Schramberg site – including temporary staff increased to 783 as at the end of 2017 (31 December). This development includes natural staff turnover of 3.96 percent, 21 retirements, 63 new entrants, of which eight were trainees and 19 conversions of temporary staff into a permanent employment relationship. Group-wide, Schweizer also has 14 employees in Asia. Experience has shown that many temporary staff, as career changers, can integrate quickly and successfully into the work environment using Schweizer's well organised training and development programme. Therefore, in the last months of the past financial year, a new solution was developed together with the Works Council to speed up the transfer of temporary employees into permanent employment. With that, Schweizer is offering temporary employees career prospects and countering the lack of specialists with in-house further qualification.

In the past financial year, the company continued to share in the success of the company with its employees and temporary workers. For financial year 2016, Schweizer Electronic AG distributed a portion of its annual profit to its employees for the seventh time in succession.

FLEXIBLE WORKING TIME SOLUTIONS AND INTERNATIONAL COORDINATION

Following the optimisation of the well established, widely used A-shift model (tested in a pilot phase last year), the shift sequence was changed in the previous financial year and the shift duration was adjusted to the biorhythm in accordance with the latest scientific findings.

Furthermore, an internal working group and the Works Council devised an internal solution for partial retirement in the past financial year. This solution will facilitate a smooth and flexible transition into retirement for the benefit of our employees. The corresponding works agreement entered into force on 1 January 2018.

With the expansion of the "Global Supply Chain & Business Development" department and the establishment of a Project Management Office (PMO) at the Schramberg site in

2017, the increasing importance of partner management and the future expansion of the company was taken into account in view of the increasing customer demand.

MARKETING AND SALES

The automotive industry remains the engine of innovation and sales for SCHWEIZER; this is clearly shown by the share of sales represented by the automotive sector, which was around 69 % in the past business year. SCHWEIZER has good customer relationships with all the major European tier one companies and OEMs and is consistently expanding its network, particularly also in the growth markets in Asia.

Automated driving is one of the greatest challenges facing the future of the automotive industry. For the sensor systems involved here, radar and camera solutions are required. SCHWEIZER is the partner of choice for many large tier-one companies when it comes to radar sensors, thanks to its 24 and 76-79 GHz PCB solutions. Likewise for the camera systems, renowned tier-one companies opt for the SCHWEIZER FR4 Flex PCBs, which permit a three-dimensional assembly solution.

Also in the field of electro-mobility, i.e. in the area of hybrid and electric vehicles which will grow constantly in the coming years, SCHWEIZER is recognised as an innovative and reliable partner for its customers. With its range of broad and varied power electronics, the company has the right solution for practically every application both for 48 V and also for HV drives and the corresponding DC/DC or AC/DC converters.

SCHWEIZER uses and invests in personal presentation opportunities at major international trade fairs, such as the annual PCIM in Nuremberg or the AIRTEC aviation fair and the Aviation Forum Hamburg, a renowned conference and network platform for the international aviation industry. Moreover, SCHWEIZER is regularly invited to supplier conferences by its largest customers, in order to present its innovative product portfolio to their Group companies.

SCHWEIZER's strengths lie in the application areas of high frequencies, high temperatures, high currents and miniaturisation. These core competencies are needed not just in the automotive sector but also in many industrial and aviation applications. It is therefore to be assumed that SCHWEIZER will gain market shares continuously in these markets too.

The satisfaction of our customers with our company as a whole, our employees and our products is extremely important to us. In order to document this satisfaction, we explicitly conduct a survey every two years in addition to the regular exchange of experiences and opinions with our customers. We thus also meet the requirements of our quality management system. The last customer survey took place in late summer 2017 and confirmed the well above-average satisfaction of our customers. Particularly noteworthy are the evaluations for SCHWEIZER with regard to quality, reliability, technical consulting competence and service.

SCHWEIZER's excellent customer relationships are reflected in a constant increase in the order book. As of the end of 2017, it rose to EUR 181.5 million (previous year: EUR 158.4 million).

PROCUREMENT

In 2017, purchasing activities concentrated on securing the supply of raw materials for the production facility in Schramberg, particularly during the first half of the year. During this period, there were massive increases in delivery times for the procurement of copper foil and base material. SCHWEIZER has reacted early with corresponding adjustments of stocks. The changed framework conditions were integrated into the IT systems and the scheduling and ordering cycles were adjusted. Furthermore, additional suppliers and materials for copper foil and base material were included in the qualification. These measures made it possible to achieve a smooth supply.

In January 2017, the go-live for process and cost optimisation in the area of C-articles was carried out. The new procurement platform has created the basis for a streamlined procurement process for C-articles. The targets set with regard to reducing the number of suppliers, simplifying procurement processes and reducing prices by bundling volumes were achieved. The platform is used regularly and has established itself as a standard.

ENVIRONMENTAL AND ENERGY MANAGEMENT

Although the products and thus the processes and work practices required for their manufacture are becoming increasingly complex and multifaceted, Schweizer is retaining its "green" technologies and processes through suitable product and process development and by limiting the environmental impact of the increasing complexity. Naturally, all environmental aspects continue to be highlighted so that mitigation measures can be initiated in good time, where required or any negative consequences can be reduced. This is also part of our mission statement. Naturally, through the consistent application of corresponding environmental and also hazard analyses, the protection of our employees and of our business partners, who are involved in manufacturing and using our products, is our top priority. The effectiveness of our systems is regularly reviewed by means of internal audits and was once again confirmed for 2017 by the certification organisation within the framework of ISO 14001 and ISO 50001 certification.

ECONOMIC REPORT

ECONOMY AND SALES MARKET

The European economies achieved positive growth in gross domestic product throughout the past year. According to forecasts by the European Commission, the economies of the eurozone countries are expected to grow by an average of 2.4 percent. At the same time, the unemployment rate is also expected to fall, while inflation is expected to rise slightly. Growth momentum also continued in Germany in 2017. Following an increase in gross domestic product of 1.9 percent in 2016, the forecast for 2017 is 2.2 percent. This development was supported by positive currency effects, low energy prices and in particular the expansionary monetary policy of the European Central Bank (ECB). The ECB has achieved this through a continued low interest rate policy and the significant bond purchase programme.

Schweizer's most important customer segment – the automotive industry – reports a positive result for 2017. Overall, vehicle sales are expected to have increased by around 2.8 percent to 86.5 million. The growth impetus came in particular from the Asian markets, above all China, India and Japan. China sold 25.5 million cars, an increase of around 2.3 percent compared to 2016. The comparatively smaller markets of Japan (4.8 million vehicles) and India (3.2 million cars) showed an even stronger growth dynamic with an increase of 6 and 5 percent respectively. The markets in Brazil and Russia, which had previously been declining sharply, recovered, while light vehicle sales in the US fell by 1.5 per cent to 15.6 million vehicles. In Western Europe, 15.1 million vehicles were sold in 2017 as a whole. This represents an increase of 3.4 percent.

Last year, global sales of printed circuit boards in automotive electronics grew by around 4.7 percent to USD 6.1 billion. The increase is thus almost twice as high as the growth in vehicles sold. While around the year 2000, the share of automotive electronics in the total costs of a vehicle was still around 20 percent, this figure has now risen to over 30 percent. For the year 2030, it is even expected that the proportion of electronics will increase to 50 percent of the total vehicle cost.

DEVELOPMENT OF THE PCB INDUSTRY

The global printed circuit board market had a volume of USD 62.1 billion in 2017. This represents an increase of 6.9 percent over the previous year. 91 percent of PCB sales were generated in Asia. By far the largest Asian market is China with sales of USD 30.8 billion, followed by Taiwan with USD 7.9 billion, South Korea with USD 7.2 billion and Japan with USD 5.2 billion. The entire European PCB market had a volume of USD 2.2 billion, of which Germany represents the largest single market with USD 914 million. The second largest PCB market in Europe is Italy (USD 206 million), followed by France (USD 194 million). Sales rose by 8.9 percent in China and 4.7 percent in Taiwan. In Europe, the volume rose again for the first time since 2014.

Growth amounted to 5.2 percent to USD 2.2 billion. This was distributed among 228 European PCB manufacturers.

In 2016, 31 percent of automotive printed circuit boards were needed in the power train, 25 percent in chassis and safety, 22 percent in infotainment, 13.5 percent in interior electronics and 8.5 percent in lighting applications.

Due to the trends towards (partially) autonomous driving, electro-mobility (or the reduction of pollutant emissions) and networking, special circuit boards are increasingly being used. These are needed for further miniaturisation, the realisation of high-frequency radar antennas and power electronic PCB solutions for higher currents, voltages and temperatures.
It is expected that these innovative PCB solutions will continue to grow at an above-average rate in the future.

(Statements on the automotive market and printed circuit board industry: NTI January 2018)

BUSINESS PERFORMANCE OF THE GROUP

Earnings position: record sales level

Schweizer achieved the highest consolidated turnover in its history in 2017 with EUR 120.9 million. Our EUR 4.8 million growth, or 4.2 percent, was achieved through a record production volume of EUR 109.6 million at the Schramberg site. Sales via the Asian partner network - in particular Meiko Electronics, Japan - amounted to EUR 11.3 million. Various measures to eliminate bottleneck areas, targeted investments in new production technologies such as laser direct imaging and various process optimisations enabled output to increase by 6.2 percent in Schramberg. Sales via Meiko Electronics fell by EUR 2.8 million to EUR 8.5 million due to an agreed conversion of individual customers to direct deliveries. In this context, the share of sales of technology products from the focus areas of power electronics, embedding and system cost reduction, which are increasingly used in the automotive industry in applications relating to (partially) autonomous driving and in the hybridisation and electrification of drives, also increased. This share of high-tech products amounted to EUR 69.9 million in the year under review, which corresponds to a share in turnover of 58 percent (2016: 55 percent).

The share of sales to customers from the industrial segment increased significantly by 34.3 percent. In this customer group, we supply solutions in automation, detection, robotics, measurement technology and sensor technology for state-of-the-art industrial plants. The sales volume among these customers increased to EUR 28.2 million (2016: EUR 21.0 million). This figure includes customers from the aviation sector, which are still in the run-up phase with sales of EUR 0.9 million. Here we are planning further increases for the future. Industrial electronics customers thus represented almost a quarter of total sales. This also applies to customers in the consumer, communications and computing sectors. Sales here rose by 22 percent to EUR 8.9 million. Both successes are important for optimised customer portfolio management. With sales of EUR 83.8 million, the automotive industry remained our largest customer group. It thus represented almost 70 percent of sales (2016: 76 percent) in the reporting period. Nevertheless, sales of EUR 83.8 million remained below the previous year's level at EUR 4.0 million. An important technological focus was the topic of sensor technology using high-frequency circuit boards, which form the precursor to fully autonomous driving. Today, this technology supports radar applications in the short, medium and long range, cameras for parking assistants or traffic sign recognition and laser scanning for environment recognition (LIDAR). Despite the reduction in the share of sales, the automotive industry with its focus on autonomous driving, hybridisation and electrification will remain the main focus for Schweizer, including in the new plant in China, in the future.

With the exception of the USA, the sales regions developed extremely positively. With a turnover of EUR 100.7 million (2016: EUR 94.8 million), which corresponds to a share in total turnover of 83.3 percent, Europe is by far the largest market for Schweizer. The growth of 6.2 percent compared to the previous year is higher than the market growth, with the result that further market shares were gained. In Germany, sales rose by EUR 3.7 million to EUR 72.3 million. At EUR 11.8 million (2016: EUR 12.3 million), Hungary remains Europe's largest foreign market. There were no direct exports to Great Britain at Schweizer in 2017, with the result that no substantial influences from the upcoming withdrawal of Great Britain from the European Union are to be expected on the sales side. The Americas region – North, Central and South America – posted sales of EUR 10.3 million in 2017, 18 percent below the previous year's figures. This was driven by weaker business in the US, which shrank by 20.7 percent. This was due to discontinued product lines with a US target market. The US tax reform had no impact on this development. By contrast, the APAC (Asia Pacific) region developed positively. With sales of EUR 9.5 million, it accounted for 7.9 percent of total sales. The 13.1 percent increase was achieved through growth in the target markets of South Korea and the Philippines. China remains the largest single market in Asia.

Order book at record level

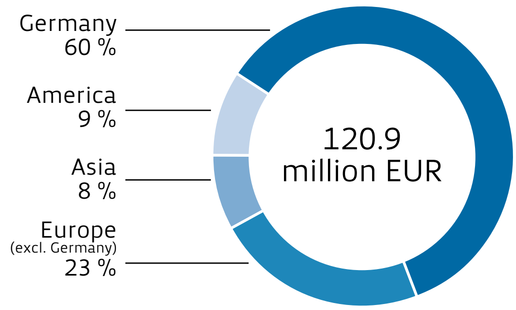
New orders of EUR 144.0 million (2016: EUR 125.4 million) were booked in 2017. By far the highest increase in orders was in the industrial electronics sector. With orders of EUR 41.1 million (2016: EUR 18.5 million), it was possible to more than double the previous year's figure. Thus, the book-to-bill ratio in this customer group was 1.46, which gives a very optimistic view of the further development. Equally gratifying successes were achieved with consumer and communications customers. Incoming orders rose by 75 percent to EUR 10.0 million. There was a slight decline in orders from automotive customers. These amounted to EUR 92.9 million in the year under review and thus decreased by 8.2 percent compared to the previous year. Nevertheless, automotive customers undoubtedly represent by far the largest share of orders. The order backlog for this customer group totalled EUR 146.5 million – a further increase of EUR 9.1 million compared to 2016. Overall, the order backlog at the end of December 2017 was at the record level of EUR 181.5 million (2016: EUR 158.4 million). Of this total stock, PCBs worth EUR 129.4 million are scheduled for delivery in 2018. A book-to-bill ratio of 1.19 was achieved for the year as a whole.

Significant improvement in results in the second half of the year

The earnings situation improved significantly in the second half of 2017. In total, earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to

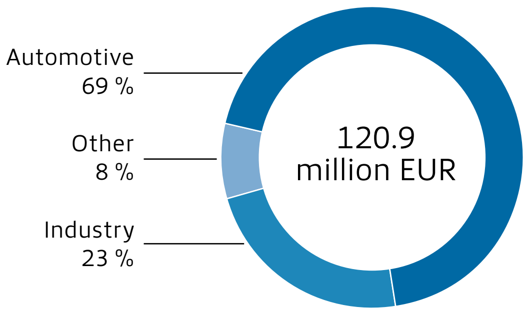
Sales by region

EUR millions	2017	2016
Germany	72.3	68.6
Europe (excl. Germany)	28.4	26.2
Asia	9.5	8.4
America	10.3	12.6
Other countries	0.4	0.3
	120.9	**116.1**



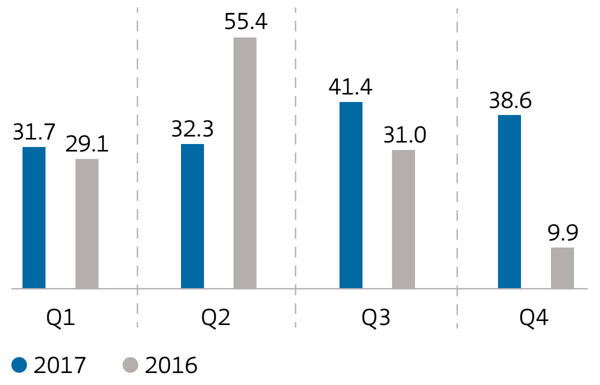
Sales according to customer group

EUR millions	2017	2016
Automotive	83.8	87.8
Industry	28.2	21.0
Other	8.9	7.3
	120.9	**116.1**

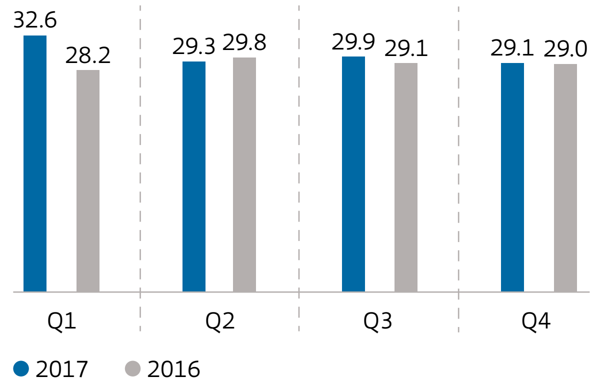


EUR 8.4 million in the year under review (2016: EUR 9.5 million). This corresponds to an EBITDA margin of 7.0 percent. While a margin of 5.8 percent was achieved in the first half of the year, it increased to 8.2 percent in the second half. All major items of the income statement improved. At 16.3 percent, the gross margin in the second half of the year was 1.1 percentage points higher than in the first six months of the year under review. Overall, this resulted in a gross margin of 15.7 percent for the full year. This was achieved despite slightly lower sales. The main positive factors were the optimisation of the production portfolio and process optimisations. The trend in commodities prices was mixed. While the price of gold was still low at the beginning of 2017, it rose steadily over the course of the year. As a result, the average gold price in 2017 was similar to that of the previous year, so that there were no significant effects. However, the situation was different for copper. This has risen steadily since the beginning of 2016. There were exceptional movements in copper foils, which increased due to supply bottlenecks and higher copper prices. The streamlining of management structures reduced administrative costs by EUR 1.1 million in the second half of the year.

Incoming orders by quarter (in EUR millions)



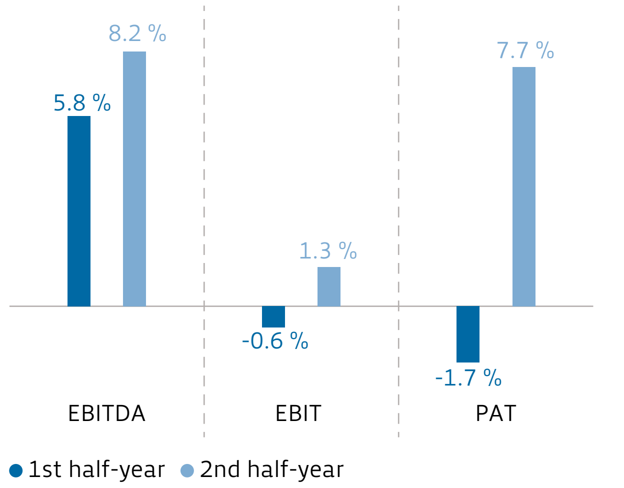
Sales by quarter (in EUR millions)



Depreciation and amortisation amounted to EUR 8.1 million, resulting in earnings before interest and taxes (EBIT) of EUR 0.3 million. After a negative EBIT of EUR -0.4 million in the first half of the year, it recovered in the second half of the year and amounted to EUR 0.7 million. The EBIT margin thus amounted to 0.3 percent (2016: 1.6 percent).

The net profit for the period totalled EUR 3.5 million (2016: EUR 0.6 million). Earnings per share thus increased to EUR 0.92 (2016: EUR 0.16).

Profit margins

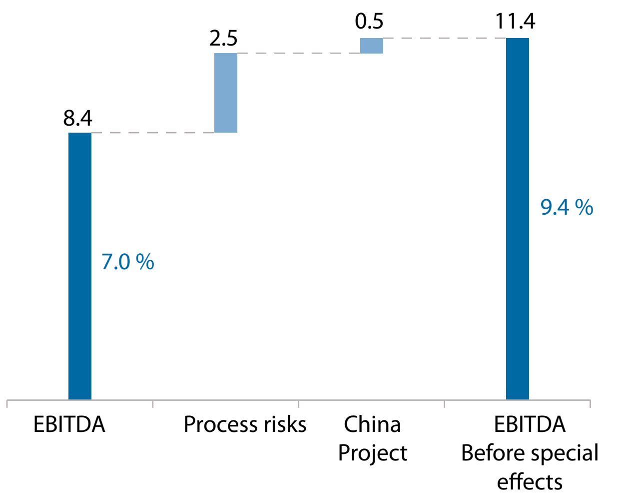


Special effects influence results

In order to make the available earnings figures comparable with the previous year's figures, the various special effects of the year under review are presented below. The special effects had both positive and negative effects on the business figures.

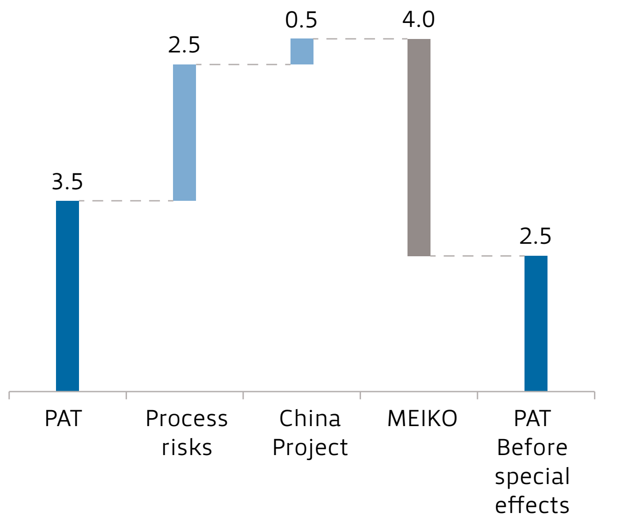
EBITDA was mainly influenced by two aspects which cannot be attributed to the operating business performance or which precludes a comparison with the previous year. First, provision for litigation risks of EUR 2.5 million was created. Provisions were created in the second and third quarters (for further details, please see the Risk Report, page 56). Furthermore, EBITDA was reduced by EUR 0.5 million due to expenses for the preparation of the construction of a new production plant in China. The funds were invested in a site study and in the preparation of the investment agreement as well as the preparation of a detailed business case. Overall, the special effects amounted to EUR 3.0 million. Adjusting for these effects results in a figure comparable to the previous year. This amounts to EUR 11.4 million for the EBITDA, which is equivalent to an EBITDA margin of 9.4 percent. Since all the effects also had a congruent impact on EBIT, this amounts to EUR 3.3 million before special effects in 2017 (2016: EUR 1.8 million).

EBITDA (EUR millions)



In the fourth quarter 2017, SCHWEIZER and Meiko Electronics came to an agreement to significantly reduce the cross-shareholding of both companies. The partial sale of the shares will not affect the current and future cooperation between the two companies. SCHWEIZER continues to produce products for various customers both in the production plants in China and in the Meiko plant in Vietnam. We expect business activities at the Vietnam plant in particular to develop very well in the coming years. As part of this agreement, we sold 282,240 shares in Meiko Electronics on the market in December of the financial year. The proceeds from the sale amounted to JPY 616.6 million (EUR 4.6 million). The gain on the sale amounted to EUR 4.0 million and had a correspondingly positive impact on the financial result. Currently, SCHWEIZER still holds 31,360 shares in Meiko Electronics. There are no plans for a change in this portfolio. Taking into account all special effects, which add up to EUR 1.0 million, the annual result would have amounted to EUR 2.5 million.

Profit after tax (in EUR millions)



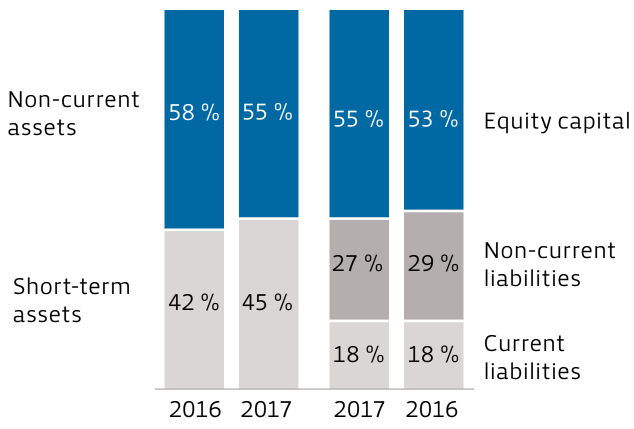
NET ASSETS AND FINANCIAL POSITION

SCHWEIZER's assets amounted to EUR 113.6 million as of the balance sheet date (2016: EUR 117.7 million). Non-current assets decreased by EUR 6.3 million to EUR 62.2 million. The value of tangible assets was reduced by EUR 4.2 million and now amounts to EUR 59.5 million. The reason for this decrease is a lower total of new investments compared to depreciation and amortisation. The reduction in participating interests by EUR 1.8 million to EUR 0.5 million is due to the disposal of part of the shares in Meiko Electronics and the appreciation of the remaining shares due to the increased fair value.

Current assets amounted to EUR 51.4 million (2016: EUR 49.2 million). In addition to inventories, which increased by EUR 1.5 million to EUR 17.7 million, liquidity also rose by EUR 1.8 million to EUR 11.3 million. Rising sales figures and a significantly higher order backlog led to an increase in inventories. Overall, customer purchasing behaviour was at a consistently good level, with the result that no notable risks can be derived from the higher inventories. Trade receivables remained almost constant at EUR 17.8 million (2016: EUR 17.5 million). On the other hand, other financial assets decreased by EUR 2.8 million. This is mainly due to the offsetting of claims against Gebrüder Schmid GmbH and the liability from capital repayment in connection with the withdrawal as a minority shareholder in Swiss Energy Production Singapore Pte Ltd.

Equity amounted to EUR 62.3 million on the balance sheet date after EUR 62.1 million in the previous year. The equity ratio was 54.9 percent (previous year: 52.8 percent). Liabilities were reduced by EUR 4.3 million to EUR 51.3 million in the reporting period. Long-term financial liabilities decreased by EUR 1.2 million; no new long-term loans were taken out. Money market loans taken out during the year were repaid in full within the year under review.

Balance sheet structure



CASH FLOW STATEMENT

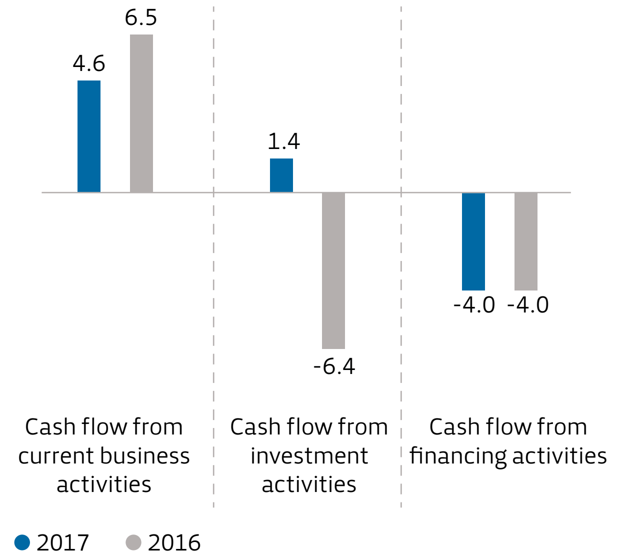
In the year under review, cash flow from operating activities amounted to EUR 4.6 million. Compared with 2016, this represents a decrease of EUR 1.9 million. The main figures were earnings before taxes of EUR 3.9 million, depreciation and amortisation of EUR 8.1 million and the increase in other provisions of EUR 2.3 million. The latter is due to the provision set up for litigation risks in the amount of EUR 2.5 million. Furthermore, income tax payments amounted to EUR 2.9 million. Gains from the disposal of financial assets amounted to EUR 4.0 million. Finally, tax receivables increased by EUR 1.3 million. At EUR 2.4 million, operating cash flow in the second half of the year was slightly higher than in the first half.

The cash flow from investing activities amounted to EUR 1.4 million. Investments in tangible assets and intangible assets amounted to EUR 3.3 million. All the major investments were made at the Schramberg site. The sale of the shares in Meiko Electronics generated proceeds of EUR 4.6

million. As part of an agreement with our strategic cooperation partner Meiko Electronics, SCHWEIZER has reduced its shares by 282,240 shares. SCHWEIZER will retain the remaining portfolio of 31,360 shares.

Cash flow from financing activities totalled EUR -4.0 million in the year under review. Loans and leasing obligations totalling EUR 1.6 million were satisfied. Dividend payments amounted to EUR 2.4 million. Money market loans of EUR 3.0 million were taken out in the first half of the year under review. These were fully repaid in the second half of the year.

Cash flow (in EUR millions)



The financial year ultimately ended with liquidity of EUR 11.3 million. As a result, the cash position increased by EUR 1.8 million over the course of the year.

GENERAL STATEMENT ON THE BUSINESS DEVELOPMENT

The operating performance in 2017 was in line with our planning and in some cases even exceeded. In particular, the excellent incoming orders and slightly above-target sales indicate a favourable business development.

The stable balance sheet structures of a high equity ratio and the further improvement in net assets underpin the good financial basis of the business model.

KEY FIGURES FOR CORPORATE MANAGEMENT

The company's financial control parameters relate to four categories:

- Profitability
- Growth and investment
- Capital commitment
- Financing

The achievement of the category targets is measured on the basis of various key figures and compared against the targets set. Depending on the company's situation, it is possible and meaningful to adjust the objectives so that the respective strategy of the entire company can be achieved as effectively as possible.

1. PROFITABILITY

Schweizer assesses profitability using the profitability ratios EBITDA in EUR and EBITDA ratio. The EBITDA ratio shows EBITDA as a percentage of sales. EBITDA in EUR represents a profitability indicator within the income statement that also shows a high correlation for cash flow. For example, it may be meaningful to tap additional sales potential with merchandise, although the corresponding margin may be below the average margins to date. This can, for example, increase the potential of internal and external financing for the company's investments and development services. The EBITDA ratio, on the other hand, measures the quality of sales in relation to profitability. To ensure a balance between volume and qualitative growth, both ratios are equally important at Schweizer.

Schweizer has set itself the target of an EBITDA ratio of 8 to 9 percent for the 2017 financial year. With target sales of just under EUR 120 million, this corresponded to a target EBITDA of EUR 9.5 million to EUR 10.5 million excluding special effects. EBITDA before special effects actually amounted to EUR 11.4 million, which is equivalent to an EBITDA margin of 9.4 percent. In operational terms, the target values were thus exceeded. Due to the special effects in the amount of EUR 3.0 million, which were not yet foreseeable at the time of setting the target, EBITDA fell to EUR 8.4 million. After special effects, the EBITDA ratio amounted to 7.0 percent.

2. GROWTH AND INVESTMENT

Schweizer measures the category "growth and investment" on the basis of the key figures of growth rate and investment rate. The growth rate shows the percentage change in sales compared to the previous period. After a record turnover of EUR 116.1 million was achieved in 2016, Schweizer set the target for 2017 to grow by a further 2 to 4 percent. In mathematical terms, the target turnover was between EUR 118.4 million and EUR 120.7 million. In fact, sales of EUR 120.9 million were generated last year; this corresponds to a growth rate of 4.2 percent. Thus, the growth target was also slightly exceeded. The ratio of cash flow from investing activities (excluding divestments) to EBITDA in EUR represents the investment ratio. We set ourselves the goal of achieving an investment ratio of just over 50 percent. With an investment ratio of 42.9 percent, this target was not quite achieved. Excluding the special effects that increase the EBITDA, the investment ratio was 31.7 percent.

3. CAPITAL COMMITMENT

An important factor in liquidity management is the optimisation of capital commitment. We measure capital commitment on the basis of working capital. Customers are under increasing pressure to set longer payment terms and to set up consignment warehouses. Longer payment terms combined with higher sales volumes lead to an increase in receivables and thus in pre-financing requirements. Another important factor is inventory management. Working capital management is aimed at reducing inventories of raw materials and supplies, semi-finished goods and finished goods. For this purpose, Schweizer applies a continuous, SAP-supported planning process from purchasing to production planning to sales. Finally, it is the task of working capital management to optimise supplier liabilities by managing payment terms and setting up consignment warehouses. Schweizer has pursued the strategy of consistently exploiting potential cash discounts in recent years. This is an attractive alternative, especially given the current low-interest rate phase combined with high liquidity holdings, even if it does not minimise working capital. As with all other key figures, it is important not to lose sight of the overall view of the company when partially optimising a key figure. Schweizer has set itself a stable level of working capital for 2017, which may change due to volume growth or a reduction in sales. Working capital in fact amounted to EUR 22.1 million. This represents an increase of 9.3 percent compared to 2016. As the increase in sales amounted to 4.2 percent, this target was not quite achieved.

4. FINANCING

In recent years, Schweizer has concentrated on very stable balance sheet structures, high equity ratios and very low debt. The key figures used to measure the target category of "financing" are the equity ratio and the net gearing ratio. For both financial ratios, Schweizer communicated both a minimum target and an annual target for 2017. The minimum strategic target for the equity ratio, which represents the ratio of equity to total capital, is 35 percent. An equity ratio of between 55 and 60 percent was targeted for 2017. At 54.9 percent, the equity ratio remained slightly below the target corridor. The net gearing ratio, which is calculated as the ratio of interest-bearing liabilities less cash and cash equivalents to equity, should, from a strategic point of view, not exceed 150 percent. For 2017, we have set ourselves the target of a net debt ratio in the low single-digit percentage range. With a net gearing ratio of -6.5 percent, liquidity holdings in the year under review were higher than interest-bearing liabilities. This exceeded the target set for the year as a whole.

TARGET ATTAINMENT OF THE SCHWEIZER GROUP

The following table shows the achievement of the target values in financial year 2017. The forecast originates from April 2017 as presented in the 2016 Annual Report. To improve the comparability of business development with the previous year, the column before special effects was added to the table. This includes the effects from the provisions for litigation risks and the costs of the project study in China.

BREXIT AND THE US REFORM PLANS HAD NO IMPACT ON RESULTS

In the past financial year, we continuously monitored whether the forthcoming Brexit or the announced US tax reform had an impact on our business figures or on the customer and financing environment. Schweizer has no direct customers for printed circuit boards in Great Britain. Therefore, this did not result in a risk position. To what extent sales of printed circuit boards were influenced by indirect effects – for example, by lower car exports from Germany to the UK or by declining production volumes at British car manufacturers – cannot be determined conclusively at present. We estimate an effect in this regard as very small, since the demand for printed circuit boards by Schweizer was higher than our production capacities. The same applies to the US reform plans. The discussion currently triggered by the US about trade restrictions is at

	2016 actual	2017 target (forecast April 2017)	Actual 2017 before special effects	2017 actual
Revenues	EUR 116.1 million	+ 2 – 4 %	EUR 120.9 million (+ 4.2 %)	EUR 120.9 million (+ 4.2 %)
EBITDA	EUR 9.5 million	EUR 9.5 – 10.5 million	EUR 11.4 million	EUR 8.4 million
EBITDA ratio	8.2 %	8 – 9 %	9.4 %	7.0 %
Investment ratio	94.9 %	a little over 50 %	31.7 %	42.9 %
Net gearing ratio	-1.5 %*	low single digits	-6.7 %	-6.5 %
Equity ratio	52.8 %*	55 – 60 %	54.5 %	54.9 %
Working capital	EUR 20.2 million*	stable within the framework of sales growth	EUR 22.1 million	EUR 22.1 million

*adj. IAS 8

present still too vague to be able to make a well-founded assessment of the effects on Schweizer on this basis. In the year under review, direct sales with the US amounted to EUR 9.2 million. If there were trade restrictions on German automotive industry exports to the US, a negative effect on the demand for Schweizer printed circuit boards could not be ruled out.

Schweizer has a supplier of material who is based in the UK. The price and supply situation was not affected in the year under review. In anticipation of Brexit, we are currently qualifying an Asian alternative supplier for the relevant material. Schweizer is financed exclusively in Germany and therefore no impacts were felt here. Overall, we are closely monitoring and assessing further developments in the two potentially trade-restrictive issues as part of our risk management activities.

SCHWEIZER ELECTRONIC AG

Explanations according to HGB

The status report of Schweizer Electronic AG is presented for the first time together with the Group status report in a summarised status report.

Schweizer Electronic AG, headquartered in Schramberg, is the parent company of the Group and manages the holdings directly and indirectly owned by it. The business performance of the parent company is closely linked to the performance of the subsidiaries and associated companies. Moreover, the performance of Schweizer Electronic AG is influenced by the same economic framework conditions as the Group and is also subject to the same prerequisites in terms of the risks and opportunities.

The annual financial statement of Schweizer Electronic AG is prepared according to the German Commercial Code (HGB). The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the EU. This results in differences in the accounting policies.

EARNINGS POSITION

Income statement according to HGB (condensed version)

	2017	2016
	EUR thousands	EUR thousands
Sales revenue	119,994	117,006
Cost of sales	-96,440	-95,038
Gross profit	**23,554**	**21,968**
Distribution costs	-4,436	-4,223
General and administration expenses	-12,396	-12,384
Other operating income	4,098	2,615
Other operating expenses	-3,622	-920
Income from holdings	45	0
Other interest and similar income	78	41
Interest and similar expenditure	-724	-999
Taxes on income and revenue	-1,489	-1,369
Earnings after tax/ annual net income	**5,109**	**4,728**
Profit carried forward	2,940	2,958
Deposits in other profit reserves	-2,500	-2,300
Balance-sheet profit	**5,549**	**5,386**

Schweizer Electronic AG achieved a turnover of EUR 120.0 million (2016: EUR 117.0 million), which corresponds to a growth of 2.6 percent.

The order book increased on the previous year by 11.8 percent to EUR 176.6 million. Of this total stock, PCBs worth EUR 124.6 million are scheduled for delivery in 2018.

The gross margin stood at EUR 23.6 million, which corresponds to a decline on the previous year of EUR 1.6 million. The gross margin of Schweizer Electronic AG thus stood at 19.6 percent (2016: 18.8 percent).

Other operating income of EUR 4.1 million was positively influenced with EUR 2.6 million by the partial sale of the shares in Meiko Electronics. Other operating expenses rose to EUR 3.6 million and included EUR 2.5 million in provisions for litigation risks (for further details, please see the Risk Report, page 56).

The operating result / EBIT in 2017 amounted to EUR 7.2 million (2016: EUR 7.1 million). The EBIT ratio was at 6.0 percent (2016: 6.0 percent). Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 11.4 million (2016: EUR 9.4 million). This equates to an EBITDA ratio of 9.5 percent (2016: 8.1 percent).

Income taxes increased slightly to EUR 1.5 million (2016: EUR 1.4 million). Net income for the year thus amounts to EUR 5.1 million (2016: EUR 4.7 million).

ASSET POSITION

Balance sheet according to HGB (condensed version)

Assets	**31.12.2017**	**31.12.2016**
	EUR thousands	**EUR thousands**
Fixed assets		
Intangible assets	690	926
Tangible assets	34,004	33,328
Financial assets	11,223	13,015
	45,918	**47,270**
Current assets		
Inventories	17,307	15,859
Receivables and other assets	20,577	19,476
Cash on hand, bank balances	9,888	7,947
	47,772	**43,282**
Prepayments and accrued income	176	319
Total assets	**93,865**	**90,871**
Liabilities		
Equity capital	56,375	53,750
Provisions	14,353	12,128
Liabilities	23,035	24,827
Deferred tax liabilities	103	166
Total equity and liabilities	**93,865**	**90,871**

As at 31 December 2017, the assets of Schweizer Electronic AG had increased by EUR 3.0 million to EUR 93.9 million.

Non-current assets decreased by EUR 1.4 million year-on-year to EUR 45.9 million. This decline is mainly due to the partial sale of the shares in Meiko Electronics, which reduced the value of the financial assets.

Current assets increased by EUR 4.5 million to EUR 47.8 million. In addition to cash on hand, which increased to EUR 9.9 million, inventories in particular rose to EUR 17.3 million. This increase is due to the higher business volume and the high order backlog at the end of the year.

While provisions for pensions and similar obligations declined slightly, other provisions increased by EUR 2.2 million.

Equity increased by EUR 2.6 million to EUR 56.4 million as of the balance sheet date. This corresponds to an equity ratio of 60.1 percent (31 December 2016: 59.2 percent).

Due to the close integration and its weight within the Group, Schweizer Electronic AG's target attainment is reflected in the target attainment of the Group. The forecast slight increase in revenues and earnings was achieved with an increase in revenues of 2.6 percent and exceeded with an increase in the EBITDA ratio from 8.1 percent to 9.5 percent in the financial year. The key balance sheet figures have changed little, in line with the forecast.

CHANGES IN PERSONNEL

Since the withdrawal of Dr Maren Schweizer from the Executive Board on 1 February 2017, the Executive Board comprises two members.

FORECAST REPORT

Expectations for the current financial year are based on the budget planning for the Group prepared in autumn 2017. For this purpose, adjustments were made if there were any significant changes in the meantime in the premises still valid at the time of the budget. The forecast is based on expectations regarding economic developments, changes in the automotive markets and current forecasts for the printed circuit board industry. The margin and cost situation is largely determined by the product programmes to be anticipated, the development of personnel costs and the raw material and supplier parts markets. For Schweizer, there will also be influences from the site project in China for 2018, which will have an effect on the forecast figures.

The opportunities and risks report lists further factors that may lead to positive or negative deviations from the forecast figures.

Economic expectations for the most important sales regions

Germany will also be the most important sales market for Schweizer in 2018. According to current forecasts, gross domestic product is expected to grow by 2.3 percent (OECD, IMF, EU Commission). These positive expectations are also supported by the current economic barometer of the DIW. The investment-driven segments are particularly dynamic. According to the EU Commission, the growth-inhibiting financial crisis should have been overcome, so that growth of 2.3 percent is expected in the 19 eurozone countries in 2018. Outside the eurozone, a strongly under-proportional growth rate of 1.4 percent is forecast for Great Britain in particular as a result of Brexit, which is planned for March 2019. Furthermore, inflation of around 1.5 percent is expected. This is below the target of 2.0 percent. This sends no clear signal for the end of the lax monetary policy with zero interest rates in the foreseeable future.

International automotive markets

In 2018, the automotive industry will continue to be the most important customer group for Schweizer. In the coming years, it faces important challenges but also great opportunities. The challenges for the German automotive industry in particular are that recent events have led to a certain loss of confidence in the German market. Furthermore, the expected driving bans in German city centres could potentially lead to restraint on the part of domestic buyers. However, new opportunities are arising from the trends of autonomous driving, mobility offers and electrification. Global automobile sales of 97 million vehicles are expected in 2018 (OICA and NTI). This represents an increase of 1.3 percent. Growth of 2.3 percent is expected for Germany (FERI). However, the proportion of electronics per vehicle will increase disproportionately, which will also have a direct effect on PCB requirements per vehicle.

The PCB market

For many years, growth in components and printed circuit boards was driven by the expanding PC, laptop and most recently tablet market. Since the late 1990s, this role has been assumed by the mobile phone market. Eleven years ago, smartphones began their triumphant advance with Apple's iPhone. Today, the market is stagnating at around 6.5 billion mobile phones in circulation worldwide. Approximately 1.9 billion new units are sold annually, with about 90 percent replacement demand. Growth has reached a normal 3 to 4 percent per year; the market is almost saturated. The growth driver of the coming years will be the vehicle of the future with the characteristics: autonomous, networked and electric. The PCB market is behaving similarly, with almost zero growth in the computer segment and 3 percent growth in communications. Here, too, the demand for printed circuit boards in the automotive segment is slowly working its way forwards with plus 4 percent growth per annum.

Looking at the average annual growth in electronic systems over the next five years, the automotive segment leads the industry sectors with 5.4 percent. This is followed by industry/medicine with 4.6 percent and communication with 4.2 percent. For the consumer market, only 2.8 percent is forecast, and for the military segment 2.4 percent. With an average growth rate of 2 percent over the next five years, computers will be at the bottom of the league. Japanese studies such as by Mitsubishi and Morgan Stanley even assume annual growth rates for components of 10 to 20 percent per year. The Fuji Research Institute predicts that the share of ADAS (Advanced Driver Assistance Systems) is expected to quadruple between 2016 and 2025, to a volume of USD 30.7 billion. The development of electronic systems as a percentage of the total cost of a vehicle is impressive. (Plus, Hans J. Friedrichkeit, PCB Network)

China investment project

Schweizer signed an investment agreement in November 2017, in which the construction of a production plant for printed circuit boards in China, Jiangsu Province, is planned. A high-tech PCB company will be established, which will focus in particular on the Asian market and the embedding products by Schweizer . According to current schedules, construction is expected to start in the second quarter of 2018. The total investment required for the project will amount to USD 180 million. The first construction phase will have an impact of around EUR 100 million on investments in the coming years. The intention is to finance the project with external funds. The following forecasts take into account the expected impact of this major project on the company's key figures.

Growth and earnings expectations

The overall positive economic conditions coupled with the technological focuses in the automotive industry, in which Schweizer has its strengths, further confirm our expectation of positive growth impulses.

Orders on hand totalled EUR 181.5 million at the end of the previous year, of which EUR 129 million is earmarked for delivery in 2018. We continue to expect full capacity utilisation at the Schramberg site. Through various technological and process-optimising measures, we expect a slight increase in the sales potential at the German site to just over EUR 110 million. Furthermore, series production of high-frequency printed circuit boards at our partner WUS in Kunshan, China, is planned to start as early as the first quarter of 2018. We also expect significant volume increases at Meiko Electronics in Hanoi, Vietnam. We do not expect any significant shifts in customer structures. The automotive segment will continue to be the most important customer group, accounting for around 70 percent of sales, followed by industrial electronics. According to the our knowledge at this time, sales will increase by 6 to 8 percent in 2018. This corresponds to the highest growth rate in four years. This figure does not yet include any sales shares from the investment project in China, as production is not scheduled to start until 2020. Brexit or the US tax reform are not expected to impact on sales.

Various aspects influence our expectations for the EBITDA. Initially, the majority of the sales increases are expected for products manufactured by our partners, WUS and Meiko. We expect the share of sales generated by partner companies to increase from 10 percent to around 15 percent. On the one hand, this leads to a higher absolute EBITDA but on the other hand these products have a lower margin due to the lower value added share of Schweizer, so that the Group EBITDA margin is expected to be somewhat reduced as a result. Furthermore, cost increases for raw materials such as gold or rising personnel costs can have an adverse effect on the profit situation. In past and current investment programmes, great importance was also attached to rationalisation effects. They will have a positive effect on production costs in the future. We also worked intensively on optimising our product portfolio with the aim of replacing less profitable products with more profitable ones. Finally, the investment project in China will have an impact on the EBITDA margin in 2018. Costs of development activities for personnel, consulting and general administration such as travel expenses are to be expected here. We expect these development costs to reduce the Group EBITDA margin by around one percentage point. In summary, the Group EBITDA margin for 2018 is expected to be 7 to 9 percent. This corresponds to an EBITDA of approx. EUR 10 million.

Investments

The first investments for the new production site in China will be made in 2018. The focus will be on the acquisition of land, building investments and, if necessary, down payments for the first time-critical facilities. Depending on the timing, we expect investments in China of EUR 15 million to EUR 30 million in the current year. At the same time, we will focus our investments at the Schramberg site on two main areas. First, we plan to make investments in connection with the new embedding technology. This involves extensive retrofitting of systems to avoid electrostatic charges. These could lead to damages to the semiconductors during chip embedding. Furthermore, we will carry out further technological optimisations in bottleneck areas in Schramberg. This will lead to an increase in overall capacity, more efficient cost structures and higher quality and accuracy. Finally, investments in modern IT systems will be continued under the aspects of Industry 4.0 and data security.

Compared to previous years, investment activity will be significantly expanded through the establishment of the production site in China. The investment ratio – i.e. the ratio of investments in tangible assets to intangible assets – will therefore be 300 to 400 percent in relation to EBITDA.

Liquidity and financing

In recent years, negative net debt at Schweizer was no exception. Through the investments in the new location in China, Schweizer focuses increasingly on growth. This will require additional debt, which will have a corresponding impact on the key financial figures. We therefore expect net gearing in the low double-digit range.

Equity will also be somewhat reduced as a result of the major investment. We expect a rate of between 45 and 50 percent here for 2018.

Working capital will increase slightly due to higher sales. In the coming months, we will intensify our efforts to optimise processes and throughput in production by introducing state-of-the-art lean processes in order to achieve further improvements in the inventory situation. Schweizer will continue to pay its suppliers by taking advantage of discounts, insofar as the liquidity situation permits. Furthermore, Schweizer does not engage in factoring at this time. The utilisation of payment terms to suppliers and the introduction of factoring would potentially reduce the amount of working capital by EUR 10 million to EUR 20 million. We currently see this exclusively as a reserve position and do not intend to implement it in the short term.

Overall statement on future development

The product solutions by Schweizer strongly target the major trends of autonomous driving and electrification/hybridisation of drive technologies in the automotive sector. Demand for such technologies will accelerate sharply in the coming years. In particular, we also expect significant growth impulses in the Chinese market. Schweizer will benefit more from these developments through the construction of the new production plant in China. In the medium term, the Group's sales will multiply, as the planned capacity in the new plant in China – depending on the investment phase – will be two to three times as high as in Schramberg. The construction and investment phase of the new plant will have an impact on the Group's profitability and balance sheet ratios in the coming years. Significant positive effects on earnings will result after the build-up phase for the Group.

For Schweizer Electronic AG, as in the Group, we expect sales to increase. Sales of the individual company are expected to grow by around 5 percent to around EUR 125 million. The increases come, on the one hand, from a slightly higher production volume at the Schramberg plant, but predominantly from rising trade volumes via our Asian partner network. Operating results should improve in line with revenue growth, with EBITDA margins expected to remain constant at between 9 and 10 percent. Initial equity contributions to China for the construction of the new production plant will lead to an increase in debt of EUR 5 million to EUR 10 million.

Forecast for the SCHWEIZER Group

	2017 actual	2018 forecast
Sales/Growth ratio	EUR 120.9 million	+6 – 8 %
EBITDA	EUR 8.4 million	EUR 10 million
EBITDA ratio	7.0 %	7 – 9 %
Investment ratio	42.9 %	300 – 400 %
Net gearing ratio	-6.5 %	Low double digits
Equity ratio	54.9 %	45 – 50 %
Working capital	EUR 22.1 million	slightly up in line with higher sales

OPPORTUNITIES AND RISKS REPORT

For SCHWEIZER, as a family firm and supplier of technologically outstanding and safety-relevant products, the structured and transparent assessment of opportunities and risks is essential for our business activity and our corporate goal of achieving sustained company success. The opportunities to realise growth and the introduction of new technologies must always be weighed against the associated risks. Against this backdrop, our risk strategy is aligned, on the one hand, towards realising opportunities that arise, and on the other, towards actively reducing risks by means of countermeasures and, in particular, avoiding risks that threaten the very existence of the company. To this end, risk management is closely linked with corporate planning and the implementation of our corporate strategy. All Group companies are integrated in SCHWEIZER's risks and opportunities management system.

The structure of our risk policy is based on a number of different, complementary elements within a risk management and control system. As part of an internal reporting process, function-specific issues and related opportunities and risks are reported on to the Supervisory Board and the Executive Board. In this context, the Executive Board and the Supervisory Board receive an Annual Risk Report, which is prepared against the background of quality assurance measures by means of risk scoring. Further sources of information, such as weekly rolling liquidity planning or regular management reporting, are also used to identify and assess risks. In addition, possible material risks and opportunities are discussed weekly between the Executive Board and management and necessary measures are defined. Risks are evaluated on the basis of all the information that the management has available. The internal control system with respect to the accounting system (ICS) is another element in this respect.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH RESPECT TO THE FINANCIAL ACCOUNTING PROCESS

In contrast with the risk management system, the focus of the internal control system is on the financial accounting process with the aim of monitoring the correctness and effectiveness of the accounting and financial reporting processes. The aim of the internal control system is to minimise the risk of misstatements in accounting and in external reporting and to ensure a reasonable degree of assurance for the financial statement and that it complies with regulatory requirements. For this to be achieved, company-wide compliance with statutory provisions and internal company rules is essential. Clear ownership of processes is assigned. The internal control system fulfils the requirements for effectiveness and forms part of the accounting process in all significant legal entities and corporate functions. The system monitors the principles and procedures on the basis of preventive and detective controls.

The internal control and risk management system governing the financial accounting process is not formally defined by law. Schweizer therefore follows the definitions of the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany), based in Düsseldorf, concerning the accounting-related internal control system (IDW AS 261 subs. 19 f.) and the risk management system (IDW AS 340, subs. 4).

With regard to the financial accounting process, the company attributes the greatest importance to those features of the internal control and risk management system that significantly influence the accounting procedures as well as the overall tenor of the financial statement and consolidated financial statement including the status report.

This includes the following elements in particular:

- Identification of the main risk and control areas relevant to the accounting process,
- Reporting of the results of the accounting process controls at the Executive Board level,
- Preventive control measures in the finance and accounting system as well as in all operational company processes that provide salient information on the composition of the financial statement and consolidated financial statement with the status report, including a division of functions and pre-defined approval processes in relevant areas,
- Measures to assure the correct, computer-based processing of data and facts relating to accounting,
- Involvement of external experts for complex accounting issues in the financial accounting process,
- Implementation of a risk management system, which includes measures for identifying and evaluating significant risks as well as measures to limit risks, in order to ensure the correctness of the finance committee statement.

The effectiveness of the internal control system governing the financial accounting process is systematically evaluated. Initially, an annual risk analysis is performed and the defined controls revised, if necessary. At this stage, significant risks with regard to the financial accounting and financial reporting process are identified and updated. The controls defined for the identification of risks are documented in a standardised way across the company. To evaluate the effectiveness of controls, we carry out regular tests on the basis of spot checks. These form the basis for an internal assessment of whether the controls are fit for purpose. The results of this internal assessment are documented and reported in a standardised system. Where weaknesses in the control system are identified, these are rectified taking into account their potential effects.

EVALUATION OF EFFECTIVENESS

At the end of the annual cycle, we check and endorse the effectiveness of the internal control system governing the financial accounting process. The Executive Board and the finance committee of the Supervisory Board are kept informed of any significant control weaknesses that are found as well as the effectiveness of the controls put in place. The risk management and internal control system is subject to ongoing revision in line with internal and external requirements. The system is improved in order to continuously monitor the relevant risk areas.

RISK AND OPPORTUNITY MANAGEMENT SYSTEM

We divide opportunities and risks into four main categories: strategy, finance, operations and compliance.

SCHWEIZER risk management system

Strategy	Finance	Operations	Compliance
Market and competition	Liquidity	Procurement	Patents/copyrights
Technology	Exchange rates/interest rates	Processes (incl. IT)	Personnel/employees
Customers	Participating interests	Legal risks	Insurance management

OVERALL ASSESSMENT

The Executive Board assesses the corporate opportunity and risk profile for the categories of strategy, finance, operations and compliance once yearly. The most important information sources are the SCHWEIZER risk management system and other internal and external analyses and reports. Finally, the Executive Board uses its own assessments to arrive at a final overall evaluation.

On the basis of the current information, the following opportunity and risk assessment was determined:

	Risk	Opportunity
Strategy	Medium	High
Finance	Medium	Medium
Operations	Medium	Low
Compliance	Medium	Low

STRATEGY

Market and competition (Risk: medium – Opportunity: high)

The SCHWEIZER sales market is heavily concentrated on automotive customers in Europe. Compared internationally, the talent for innovation of European automotive suppliers is the strongest in the world. Both through technological competence and geographical proximity to the customers' development teams, SCHWEIZER has an extraordinary opportunity to increase our success as a reliable partner for this market. This trend is becoming stronger due to the ongoing consolidation of the PCB industry in Europe.

Europe as a production location for the PCB industry continues to stagnate and in some cases is even in decline. Current European PCB manufacturers can thus only achieve further growth in the European market by forcing out the competition. To ensure that this growth is not to the detriment of the price structure of the products, SCHWEIZER differentiates itself from the competition through utmost ingenuity and a thorough understanding of the systems, through high flexibility and impeccable quality.

Currently, there are risks due to the increasing threats to establish global trade barriers, which could also have a negative impact on the automotive industry.

The competitive situation in the automotive segment is gaining momentum internationally. In particular, Asian PCB companies are forcefully trying to establish themselves in this customer segment, in order to profit from the potential growth opportunities and to better diversify their customer portfolios. SCHWEIZER counters this trend with its Asian partner network and its own production facility planned for Jintan, China. In the medium term, this will allow significant further growth in the major trends of autonomous driving and e-mobility. With its own plant in China, already the largest automotive market and the greatest potential for e-mobility, a significant sales volume with Chinese customers will be possible in the future.

Technology (Risk: medium – Opportunity: high)
For some years now, Schweizer has been concentrating increasingly on the focal points of CO_2 reduction and e-mobility and on technologies relating to safety and autonomous mobility. Both are markets with significantly above-average growth rates and high innovation speed. The cooperation with Infineon Technologies AG also targets these focal points. As a result of the very long lead times for such developments in the automotive industry, Schweizer occupies an excellent starting position for further growth.

Both the innovation speed and the complexity of the products are increasing constantly. This combination leads to increased challenges for product development and quality management. The growing need for innovative processes and materials poses huge challenges for the supplier base and internal process management, in order to keep product quality, flexibility and delivery reliability at the high level that customers demand.

Customers (Risk: medium – Opportunity: medium)
In recent years, Schweizer has established itself well as a strong, reliable technology partner for European automotive suppliers. This opens up good opportunities to profit increasingly from the innovative talent of these customers. Schweizer's most important customers are global leaders in their segments. Many of the most important customers have their development centres in southern Germany, meaning that Schweizer can remain constantly in close contact with the engineers. The market entry barriers are therefore quite high for new competitors. The trend towards relocating development activities abroad that was observed in the past has levelled off.

Overall, the dependency on the automotive sector has also increased and so too has the risk of participating disproportionately in an economic weakening of the automotive sector. To expand the customer portfolio, Schweizer has started to engage with aviation/aerospace customers. Both the batch sizes and the technological and qualitative requirements of aviation customers are very well suited to the technology plant in Schramberg.

FINANCE

Liquidity (Risk: medium – Opportunity: medium)
Thanks to an appropriate investment strategy and a dividends policy based essentially on free cash flow, Schweizer has for some years now had no or only insignificant net debts. This means that our liquidity has been the same as or even higher than our bank debts. Liquid assets can be accessed quickly if required. In addition, sufficiently high credit lines are available to Schweizer in the amount of approximately EUR 9 million, but they are hardly utilised at all. Via a weekly liquidity forecast, potential bottlenecks are analysed early and counteracted. Schweizer is classed as investment grade by its banks, so financing is possible.

Material risks involve a credit risk for large customers. In the event of an unexpected, material deterioration in credit worthiness, large-scale bad debts can arise. Overall, the credit rating of our most important customers has improved constantly over recent years. Schweizer attaches particular importance to credit risk management. Internal and external information sources are evaluated for all customers at regular intervals. These analyses form the basis for internal credit limits. If internal credit limits are exceeded, a special release from the Executive Board is generally required. If there are indications of a significant deterioration in credit worthiness, various escalation stages come into force depending on the circumstances, which can lead to the non-acceptance of new orders. The Executive Board regularly reviews whether credit insurance policies are necessary for the most important customers. The new major investment in China will increase the company's debt. A higher debt ratio makes Schweizer more susceptible to economic fluctuations.

Exchange rates/interest rates (Risk: medium – Opportunity: medium)
The exchange rates of the most important currencies against EUR have been subject to significant fluctuations in recent years. It cannot be excluded that, due to the uncertain development of the economies in the eurozone, the euro may continue to weaken against the most important

global currencies, particularly the US dollar. As the most important commodities markets are quoted in USD, this would have a negative impact on the purchase prices of commodity-based materials such as copper foils or laminates. Likewise, the purchase prices of PCBs from the production facilities of our Asian partners could increase on a EUR basis. Schweizer counteracts these risks using adjusted selling prices within the framework of the offer costing. We also use derivative financial instruments to hedge risks from volatile commodity prices, particularly for gold and copper. The use of such financial instruments is subject to strict guidelines.

On the other hand, there is the possibility that PCB importers from the USD area will lose competitiveness in Europe, which would benefit Europe as a production location.

The hedging instruments used by Schweizer take into account existing foreign currency receivables and payables as well as expected payment flows. Derivative financial instruments are used in order to reduce currency risks and secure the calculation basis for customer orders. Currency risks are monitored and managed centrally.

As Schweizer only has a very low level of indebtedness, the risks of an increase in the general interest level are low. In connection with the major investment in a new production site in China, dependence on German and Chinese interest rates will increase noticeably. A further decline in the interest rate level would have a further negative impact on the result due to the required discount factor-related transfers from pension provisions.

Participating interests (Risk: medium – Opportunity: medium)
Schweizer holds a participating interest in Meiko Electronics Co., Ltd. The value of this financial investment is measured in accordance with the respective year-end rate on the stock market. As stock market prices are often subject to significant fluctuations, there are opportunities and risks in the valuation of the holding. Schweizer significantly reduced its stake in Meiko in the year under review, so that the potential impact of the remaining shares on the company result can be classified as medium (previous year: high).

OPERATING RISKS

Procurement (Risk: medium – Opportunity: low)
For several years, Schweizer has been pursuing the strategy of being less and less dependent on individual suppliers. In 2017, the procurement risk was further reduced through various material qualifications. In addition to this dual source strategy, procurement has experienced a stronger degree of internationalisation, in particular from Asia.

There is a risk that European suppliers who are strongly focused on the PCB industry will, voluntarily or through insolvency, leave the market due to the ever shrinking sales potential. Without a quick substitute, Schweizer's delivery capability would be put at risk.

Furthermore, there is the risk that the extremely high growth rates on, for instance, the battery market will make it more difficult to procure various important supply materials for the PCB business. Copper foils are one such example. This can lead, on the one hand, to quota fixing on the part of suppliers, and on the other, to a deterioration in the payment terms (prepayments) and to further price increases.

Processes (Risk: medium – Opportunity: medium)
The internal production planning and administration processes are massively supported by IT systems at Schweizer. The failure of the hardware or software would materially impair the company's ability to function, meaning that proper operation could no longer be ensured. Schweizer has a number of measures in place to reduce this risk. Two examples of this are the provision for a sudden loss of data and the robust and fail-safe design of our business-critical systems. In addition, Schweizer follows the recommendations of recognised standards such as ISO 27001 in this

area in order to counter the risks relating to cyber-security and cyber-crime as well as the risks mentioned above, and to raise the achieved level of security even further.

Schweizer sees opportunities above all in Industry 4.0 concepts and in the area of machine learning in order to further automate the software and production landscape and to open up new efficiency potentials.

Dangerous substances, such as chemicals, are used in the Schweizer production processes. Any environmental damage could lead to significant financial consequences and production outages.

Legal risks (Risk: medium – Opportunity: low)
The increasing complexity of products paired with the ever greater speed of innovation increases the risk that recourse risks due to product problems (functionality, quality and delivery reliability) will occur. Furthermore, the danger of infringing patent rights also increases, which could entail legal disputes. Increased business activity on the international market (procurement and sales) brings with it an increasing risk of exposure to foreign jurisdictions. On the other hand, the growing number of bilateral trade agreements between the EU and third states reduces the legal uncertainty.

In March 2017, an action was filed against one of our foreign subsidiaries. Furthermore, two lawsuits were filed by the former chair against Schweizer Electronic AG in connection with the extraordinary termination of their employment. The success of the lawsuits would have a material impact on the net assets, financial position and results of operations of the company concerned if the payments decided by the courts were higher than the provision made for this in the year under review.

COMPLIANCE RISKS

Patents/copyrights (Risk: medium – Opportunity: low)
The number of patents and property rights in the area of electronics and PCBs is constantly increasing. An unintentional infringement of property rights in a series product gives rise to the risk that products will no longer be permitted to be manufactured or that high payments will have to be made to the owner of the property right. To avoid this risk, Schweizer has adopted the review of a potential property right infringement as an important element in the internal Stage Gate® process during new product development. Nonetheless, a conflict cannot always be ruled out because interpreting patents is often quite difficult.

Schweizer has invested heavily in recent years in protecting its intellectual property. As a result, the likelihood of discovering or preventing infringements of property rights in this regard is increased.

Personnel/employees (Risk: medium – Opportunity: low)
The knowledge and experience of our employees is one of the decisive factors in the long-term success of our Group. Schweizer is exposed to the risk of the loss of know-how due, for example, to fluctuations in personnel or retirements. As a result of the improving employment situation in Germany, particularly also in southern Germany, it will become more and more of a challenge to win talented staff with experience for Schweizer. Schweizer actively works to counteract the loss of expertise through a system of early succession planning. In addition, further training measures for employees are promoted.

Furthermore, it is ensured that acquired know-how cannot flow directly to the competition by means of anti-competition clauses and non-disclosure agreements.

Insurance management (Risk: medium – Opportunity: low)
In addition to the internal organisational measures to avoid risks or counteract those that have occurred as quickly as possible, Schweizer has a comprehensive insurance management system. As part of this, the company takes out insurance policies for material risks, where possible and reasonable. One point of focus of the insurance management system is the coverage of risks that due to unforeseen events could negatively impact on the production and

business processes. This can for example be natural disasters or fires. A second point of focus is the insurance of third-party damages caused by lack of product quality or damages to third parties caused by the company, such as environmental damage. As not all potential risks can be insured against or cannot reasonably be insured against, a residual risk does remain for Schweizer, which is covered through internal compliance management and defined management processes, such as for example IT data security using firewalls and recovery processes.

OVERALL ASSESSMENT

The Executive Board rates the existing risks as manageable and, from today's perspective, considers the continued existence of the Group and Schweizer Electronic AG as not being at risk. The sum total of the individual risks defines the overall risk of the Group. Schweizer Electronic AG is subject essentially to the same risks and opportunities as the entire Schweizer Group. Schweizer Electronic AG shares in the risks of its subsidiaries and affiliates in principle according to its stake in those companies.

The opportunity/risk ratio has hardly changed in comparison to the previous period. Excellent technological positioning, particularly with respect to automotive customers, and partnerships with renowned PCB producers and semiconductor manufacturers, have reinforced the high level of opportunities in the strategy category. The competition, including particularly that from Asia, is making progress all the time in terms of technological know-how. However, this does not represent a fundamental difference with respect to the past. The success of Schweizer has been, is and will be dependent on being faster than the competition. The investment in the new production plant in China will increase both the company's business opportunities and financial risks.

The continued healthy economic situation of the company, coupled with a trust-based cooperation with outside creditors and equity investors underpins a stable positive financial situation. The uncertainties in the currency and interest rate environment due to the geopolitical conflicts and the establishment of global trade barriers also do not seem to lead to material distortions as things stand at present.

Newer risks like cyber-crime exist, but are not causing any issues for Schweizer and are, where possible, sufficiently covered by internal processes or external insurance policies – just like the unforeseeable risks.

Schweizer is confident that through the established opportunity and risk management system within the company, it will also be possible in the future to detect opportunities and risks at an early stage and thus that the risk situation as it currently stands can be successfully countered and that potential opportunities can be utilised.

MATTERS RELEVANT TO ACQUISITIONS
(IN ACCORDANCE WITH SECTIONS 289A (1) AND 315A (1) OF THE GERMAN COMMERCIAL CODE (HGB))

COMPOSITION OF THE SUBSCRIBED CAPITAL

The company's share capital of EUR 9,664,053.86 is divided into 3,780,000 registered shares (no-par-value shares). The same rights and obligations are associated with all company shares and arise from statutory provisions and the Articles of Association.

RESTRICTIONS RELATING TO VOTING RIGHTS OR THE TRANSFER OF SHARES

The Executive Board is not aware of any restrictions relating to voting rights or the transfer of shares.

DIRECT OR INDIRECT SHAREHOLDINGS IN THE COMPANY'S CAPITAL THAT EXCEED TEN PERCENT OF THE VOTING RIGHTS

Mr Christoph Schweizer, resident in Schramberg, Mr LK Wu, resident in Kunshan, China, to whom the voting rights of WUS International Company Limited based in Tsuen Wan, New Territories, Hong Kong are attributable and WUS Printed Circuit Co, Ltd. based in Kaohsiung, Taiwan, to which the voting rights of WUS Group Holding Co., Ltd. based in Tortola, British Virgin Islands are attributable, each hold more than ten percent of the subscribed capital.

SHARES CONFERRING SPECIAL CONTROL RIGHTS

There are no shares conferring special control rights.

TYPE OF VOTING RIGHT CONTROLS IN THE CASE OF PROFIT-SHARING PROGRAMMES

There are no profit-sharing programmes or comparable arrangements whereby employees have participating interests in the capital without being able to directly exercise their control rights.

STATUTORY PROVISIONS AND PROVISIONS GOVERNING THE NOMINATION AND WITHDRAWAL OF EXECUTIVE BOARD MEMBERS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The regulations governing the nomination and withdrawal of Executive Board members, as set out in Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz; AktG) and in Section 5 (2) of the company's Articles of Association, are as follows: The Supervisory Board determines the number and appointment of Executive Board members as well as their withdrawal. The Supervisory Board is also responsible for appointing a member of the Executive Board as CEO. Deputy board members may be appointed.

The prerequisites for an amendment to the Articles of Association are regulated in Sections 179 to 181 AktG and in Section 17 (2) of the Articles of Association. The power to make amendments and additions to the Articles of Association which only affect the wording has been assigned to the Supervisory Board by the annual general meeting (cf. Section 12 of the Articles of Association).

POWERS OF THE EXECUTIVE BOARD TO ISSUE AND BUY BACK SHARES

Authorised capital

The Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company up to 30 June 2021 by up to a total of EUR 4,832,026.93 by issuing new, registered ordinary or preferred shares (no-par-value shares), once or several times, for contributions in cash and/or in kind (authorised capital). The authorisation encompasses the power to issue further preferred shares (with or without voting rights) in the case of the multiple issue of preferred shares, which have priority over or are equal to the preferred shares issued earlier, when distributing the profits or assets of the company. The new shares must, in principle, be offered to the shareholders to purchase. The Executive Board is however authorised, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right under the conditions of the resolution of the annual general meeting of 1 July 2016.

The Executive Board may only avail of the aforementioned authorisation to exclude the subscription right to such an extent overall that the pro rata amount of the shares issued subject to the exclusion of the subscription right does not exceed 20 percent of the share capital (20 percent limit), neither on the date the resolution is passed on this authorisation nor at the time of its utilisation. Insofar as use is made, during the term of the authorised capital until its use, of other authorisations to issue or to sell company shares or to issue rights that allow the purchase of company shares or make it obligatory, while the subscription right is excluded, this must be credited against the aforementioned 20 percent limit.

Convertible bonds, inter alia, conditional capital

The Executive Board is authorised, subject to the consent of the Supervisory Board, until 30 June 2021, to issue bearer or registered convertible bonds, warrant bonds, participation rights, participation bonds or combinations of these instruments (together referred to as "bonds") with or without a restriction on maturity in a total nominal amount of up to EUR 35,000,000.00 and to grant the bearers and/or creditors of convertible or warrant bonds conversion or option rights to new, registered no-par-value shares of the company with a pro rata amount of the share capital of up to EUR 4,832,026.93 overall. The issue can also be made against contributions in kind. The shareholders generally have a subscription right. However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude the subscription right under certain conditions.

Any issue of bonds for which the subscription right is excluded may only take place subject to the aforementioned authorisation, if the calculated share of the share capital attributable to the sum of new shares to be issued on the basis of such a bond does not exceed 20 percent of the share capital, neither on the effective date nor, if this value is less, at the time the authorisation is exercised. Shares that are issued or sold or that will be issued during the term of this authorisation on the basis of another authorisation, for which the subscription right is excluded are credited against this limit.

The share capital of the company is conditionally increased by up to EUR 4,832,026.93 through the issue of up to 1,890,000 new, registered no-par-value shares (conditional capital). The conditional capital increase is only implemented insofar as the bearers and/or creditors of conversion or option rights or those parties subject to a conversion obligation arising from bonds, which the company or a Group company issued on the basis of the authorisation resolution of the annual general meeting of 1 July 2016 through to 30 June 2021, utilise their conversion or option rights or those bearers/creditors of issued bonds subject to a conversion obligation fulfil their obligation to convert or if the company exercises an option to grant, in whole or in part, no-par-value shares in the company instead of the payment of the due monetary amount and insofar as no own shares or other forms of fulfilment are used to service these rights. New shares are issued at the conversion or option price to be determined in the bond/option conditions, in accordance with the aforementioned authorisation resolution. The new shares participate in profits from the start of the business year in which they come into being through the exercise of conversion or option rights, through the fulfilment of conversion obligations or through the exercise of put options. The Executive Board is authorised, with the consent of the Supervisory Board, to define the further details of the implementation of the conditional capital increase.

Authorisation to acquire own shares and their use

The company is authorised, up to 30 June 2021, to acquire own shares up to a total of 10 percent of the share capital of EUR 9,664,053.86 existing at the time the resolution was adopted or – if this value is less – the share capital existing at the time the authorisation is exercised. At no time may more than 10 percent of the relevant share capital of the company be attributable to the shares acquired on the basis of this authorisation together with other shares of the company which the company had already acquired or still owns or which are assigned to it in accordance with Sections 71 ff. AktG. The authorisation may not be used by the company for the purposes of trading in own shares; otherwise the determination of the purpose of the acquisition is left to the discretion of the Executive Board. The Executive Board may choose to acquire shares via the stock market, via a public purchase offer aimed at all shareholders of the company or via a public invitation to the shareholders to submit offers to sell. Further information can be found in the publicly available invitation to the annual general meeting 2016 at *www.schweizer.ag/en/investor-relations/shareholders-meeting.html*.

Essential agreements for the event of a change in control

The conditions for the event of a change in control are variously set out in individual credit agreements. Agreements with an overall volume of EUR 6 million provide an extraordinary right of termination, if one or more people, who act jointly in the meaning of Section 2 (5) of the Wertpapiererwerbs- und Übernahmegesetz (German Securities and Takeover Act; WpÜG), at any time in the future purchase or hold directly or indirectly more than 50 percent of the voting rights.

Compensation agreements concluded by the company

In the event of premature termination of an Executive Board member's contract of employment as a result of a change of control, both Executive Board members are entitled to a compensation and severance payment limited to three years' compensation. The calculation of the relevant annual remuneration is based on the average of the total remuneration for the last three financial years prior to their exit.

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTION 289F IN CONJUNCTION WITH SECTION 315D HGB AND CORPORATE GOVERNANCE

The Corporate Governance Statement and information about the act concerning equal participation of women and men in leadership positions in the private and public sectors are part of the Corporate Governance Report and can be found on the website at: *www.schweizer.ag/en/investor-relations/corporate-governance.html*.

NON-FINANCIAL GROUP STATEMENT

The Non-Financial Group Statement is a separate chapter in the Annual Report and is available on the website at: *www.schweizer.ag/en/about-us/corporate-social-responsibility.html*.

REMUNERATION REPORT

Executive Board remuneration system

The remuneration of the Executive Board comprises a fixed and a variable remuneration element. The latter is divided into a component geared towards the achievement of defined targets for the respective business year (Medium & Short Term Incentive; "MSTI") as well as a component with a long-term incentive effect and a proportion of risk (Long Term Incentive; "LTI"). Where defined targets are achieved in full, the amount of the variable remuneration element MSTI is 55 to 65 percent of the gross annual fixed salary and the variable remuneration element LTI is 15 to 20 percent. No changes were made to the remuneration system in the year under review.

Components of the remuneration system

The fixed income component of the Executive Board's remuneration is not tied to the achievement of defined targets and is paid monthly. In addition, ancillary payments such as the provision of a company car and insurance premium allowances are granted.

The variable income component, which relates to the targets for a business year (MSTI), is geared towards the attainment of certain quantitative targets (EVA, working capital, EBITDA). This remuneration component is paid following adoption of the annual financial statement by the Supervisory Board. The amount is determined by the level of goal attainment and is capped at an amount of maximum 110 percent or 130 percent of the fixed remuneration.

In addition to these two board remuneration components, there is also a Long Term Incentive Plan ("LTIP") for Executive Board members. The LTIP is a remuneration component that offers a long-term incentive effect and a proportion of risk in the form of a "share matching" plan with a four-year ban on sale. Market capitalisation and the company rating are the performance measurement criteria. The amount is determined by the level of goal attainment and is capped at an amount of maximum 30 percent or 40 percent of the fixed remuneration.

Executive Board members receive retirement benefits in the form of old age, disability and survivors' benefits.

The members of the Schweizer Electronic AG Executive Board are covered by directors and officers liability insurance ("D&O") with an excess of at least 10 percent of the loss amount, up to a maximum of one and a half times their fixed annual remuneration, in accordance with the German Stock Corporation Act (AktG).

Remuneration for the 2017 financial year

The remuneration of the entire Executive Board at Group level amounted to EUR 992 thousand (previous year: EUR 1,701 thousand) (fixed) and EUR 666 thousand (variable) in financial year 2017 (previous year: EUR 907 thousand). The variable remuneration component includes 2,758 shares (previous year: 4,084 shares) for long-term targets.

Of this, the remuneration of members of the Executive Board of Schweizer Electronic AG amounted to EUR 956 thousand (previous year: EUR 1,029 thousand) (fixed) and EUR 666 thousand (previous year: EUR 682 thousand) (variable) in the 2017 financial year. The variable remuneration component includes 2,758 shares (previous year: 2,233 shares) for long-term targets. Financial benefits from activities for subsidiaries are in principle credited against the financial benefits arising from the Executive Board employment contract with the company.

The Executive Board remuneration for financial year 2017 is disclosed in accordance with the applicable reporting principles (DRS 17) and the recommendations of the German Corporate Governance Code in the edition of 7 February 2017.

Remuneration of members of the Executive Board for financial year 2017 according to DRS 17

The total remuneration of the Executive Board according to Section 285 Clause 1 No. 9a and Section 314 (1) No. 6a HGB (without pension costs) is distributed to the individual Executive Board members as follows:

in EUR thousands		Performance-unrelated remuneration		Performance-related remuneration		Total remuneration
	Business year	**Fixed remuneration**	**Other remunerations**	**Remuneration with short and medium-term incentive effect (MSTI)**	**Remuneration with long-term incentive effect (LTI)**	
Nicolas-Fabian Schweizer	**2017**	**280**	**19**	**209**	**109**	**617**
	2016	270	118[2)]	207	22	617
Marc Bunz	**2017**	**270**	**69[3)]**	**197**	**101**	**637**
	2016	240	118[2)]	180	19	557
Dr Maren Schweizer[1)]	**2017**	**36**	**6**	**0**	**0**	**42**
	2016	431	309	243	36	1,019
Total	**2017**	**586**	**94**	**406**	**210**	**1,296**
	2016	941	545	630	77	2,193

1) Appointed until 1 February 2017. The table shows the remuneration for 2017 pro rata for the period until 1 February 2017. The Group remunerations of Dr Maren Schweizer comprise the remunerations of a subsidiary and Schweizer Electronic AG. The total remuneration of Schweizer Electronic AG for 2017 amounts to EUR 6 thousand (previous year: EUR 68 thousand), MSTI EUR 0 thousand (previous year: EUR 46 thousand) and LTI EUR 0 thousand (previous year: EUR 9 thousand).
2) This includes one-off special incentives in the amount of EUR 100 thousand each, due to organisational measures that are restricted in time.
3) This includes one-off special incentives in the amount of EUR 50 thousand due to organisational measures that are restricted in time.

Pensions of Executive Board members for financial year 2017

Executive Board members receive retirement benefits (old-age benefits, disability benefits and survivors' benefits) in accordance with a pension commitment. The pension commitment refers to a pension that starts being paid out at 65 years of age and amounts to 48, 67 or 75 percent of the base salary. In the event of a premature departure, the benefit entitlement is reduced accordingly. These benefits are outsourced to external retirement funds in the form of reinsurance-funded pension plans and are based on the company contributions contractually promised to the Executive Board members and paid to the pension fund.

The following table lists the allocations paid by the company for 2017 to the pension fund and the annual pension entitlements already earned by the Executive Board members.

Pensions of the Executive Board members

in EUR thousands	Business year	Annual pension entitlement earned as at 31 December of the respective year	Allocations paid to pension funds
Nicolas-Fabian Schweizer	**2017**	**44**	**171**
	2016	35	140
Marc Bunz	**2017**	**54**	**176**
	2016	43	118
Dr Maren Schweizer [1)]	**2017**	**91**	**16**
	2016	89	157
Total	**2017**	**189**	**362**
Total	2016	167	415

All figures are rounded, which can lead to minor deviations when these are added up.

1) Appointed until 1 February 2017. The table shows the values for 2017 pro rata for the period until 1 February 2017.

Remuneration of members of the Executive Board for financial year 2017 according to GCGC

The following disclosure of the remuneration granted and received for the 2017 financial year takes into consideration the recommendations of the German Corporate Governance Code in the edition of 7 February 2017. The model tables recommended by the Code are used to present the information. The benefit expense corresponds to the allocation to the pension funds.

Remuneration of members of the Executive Board for financial year 2017 according to GCGC

Benefits granted	Nicolas-Fabian Schweizer Deputy Chair of the Executive Board				Marc Bunz Chief Financial Officer				Dr Maren Schweizer Executive Board Chair until 01.02.2017[1)]			
in EUR thousands	**2016**	**2017**	**2017 (Min)**	**2017 (Max)**	**2016**	**2017**	**2017 (Min)**	**2017 (Max)**	**2016**	**2017**	**2017 (Min)**	**2017 (Max)**
Fixed remuneration	270	280	280	280	240	270	270	270	431	36	36	36
Ancillary benefits	118	19	19	19	118	69	69	69	309	6	6	6
Total	**388**	**299**	**299**	**299**	**358**	**339**	**339**	**339**	**740**	**42**	**42**	**42**
Annual variable remuneration[2)]	149	154	0	308	132	149	0	297	280	0	0	0
Multi-year variable remuneration												
LTI plan	41	42	0	84	36	41	0	81	86	0	0	0
Total	**190**	**196**	**0**	**392**	**168**	**189**	**0**	**378**	**366**	**0**	**0**	**0**
Benefit expense	140	171	171	171	118	176	176	176	157	16	16	16
Total remuneration	**718**	**666**	**470**	**862**	**644**	**703**	**514**	**892**	**1,263**	**58**	**58**	**58**

All figures are rounded, which can lead to minor deviations when these are added up.

1) Appointed until 1 February 2017. The table shows the benefits granted for 2017 pro rata for the period until 1 February 2017.
2) Values refer to the Medium & Short Term Incentive ("MSTI") remuneration component.

Inflow	Nicolas-Fabian Schweizer Deputy Chair of the Executive Board		Marc Bunz Chief Financial Officer		Dr Maren Schweizer Executive Board Chair until 01.02.2017 [1)]	
in EUR thousands	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Fixed remuneration	280	270	270	240	36	431
Ancillary benefits	19	118	69	118	6	309
Total	**299**	**388**	**339**	**358**	**42**	**740**
Annual variable remuneration	209	207	197	180	0	243
of which for previous years	42	71	36	63	0	37
Multi-year variable remuneration						
LTI plan	109	22	101	19	0	36
of which for previous years	55	(11)	49	(9)	0	
Total	**318**	**229**	**298**	**199**	**0**	**279**
Benefit expense	171	140	176	118	16	157
Total remuneration	**788**	**757**	**813**	**675**	**58**	**1,176**

All figures are rounded, which can lead to minor deviations when these are added up.

1) Appointed until 1 February 2017. The table shows the inflow for 2017 pro rata for the period until 1 February 2017.

Benefits in the event of the premature termination of duties

In the event of a change of control, Dr Maren Schweizer (until her resignation on 1 February 2017) and Mr Nicolas-Fabian Schweizer (until 30 June 2017) had a special right of termination. If the employment contract of the Executive Board member ended within six months of the change of control due to the permissible exercise of the special termination right, the Executive Board member was entitled to compensation in the amount of 1.25 times their total annual remuneration earned on average in the last three financial years prior to their departure for the remaining term of their service contract. If the remaining term of the service contract was more than three years, the compensation payments for the additional period were reduced by a flat rate of 25 percent to account for discounting and crediting of further benefits. In addition, the Executive Board member received compensation in the amount of twice their total annual remuneration, or triple their total annual remuneration, in the event that they have been an active member of the company's Executive Board for more than ten years. The total of the severance and compensation payments are limited to an amount equal to six times the total annual remuneration of the Executive Board member.

Since 1 July 2017, the two current members of the Executive Board have had a special right of termination in the event of a change of control. If the service contract ends within three months of the change of control due to the permissible exercise of the special termination right, the Executive Board member is entitled to compensation in the amount of 100 percent of their annual remuneration earned on average in the last three financial years prior to their departure (consisting of the sum of gross fixed annual salary, MSTI and LTI) for the remaining term of the service contract. The compensation payments amount to a maximum of two years' compensation. In addition, the Executive Board member receives a severance payment in the amount of one year's compensation. In total, compensation and severance payments are limited to a maximum of three years' compensation.

Supervisory Board remuneration system

The remuneration of the Supervisory Board is regulated in Section 13 of the Articles of Association. In addition to the reimbursement of expenses, each member receives a fixed remuneration component of EUR 15,000 per financial year as well as a variable remuneration of EUR 300 for each EUR 0.01 by which the dividend declared at the annual general meeting exceeds a dividend of EUR 0.40 per share with full dividend entitlement distributed to the shareholders. The variable remuneration is limited to a maximum amount of EUR 18,000. The chair is paid double and their deputy one and a half times this amount. Members of Supervisory Board committees also receive a fixed annual remuneration of EUR 15,000. The chair is paid double and his deputy one and a half times this amount. The total remuneration of the Supervisory Board in 2017 came to EUR 180 thousand (previous year: EUR 62 thousand) (fixed) and EUR 0 thousand (previous year: EUR 154 thousand) (variable), i.e. a total of EUR 180 thousand (previous year: EUR 216 thousand).

Remuneration of the Supervisory Board (excluding VAT) for financial year 2017

in EUR thousands	Fixed remuneration	Remuneration for committee work	Variable remuneration [1]	Total
Michael Kowalski [2]	**30**	**30**	**-**	**60**
(2016)	16	2	44	62
Dr Stephan Zizala [3]	**19**	**11**	**-**	**30**
(2016) [4]	4	-	11	15
Christoph Schweizer [5]	**11**	**11**	**-**	**23**
(2016)	12	2	33	47
Karin Sonnenmoser [6]	**8**	**8**	**-**	**15**
(2016)	-	-	-	-
Christian Schmid [7]	**8**	**8**	**-**	**15**
(2016)	8	2	22	32
Chris Wu [8]	**8**	**-**	**-**	**8**
(2016)	-	-	-	-
Carsten Brudlo	**15**	**-**	**-**	**15**
(2016)	8	-	22	30
Siegbert Maier	**15**	**-**	**-**	**15**
(2016)	8	-	22	30
Total	**113**	**68**	**-**	**180**
(2016)	56	6	154	216

All figures are rounded, which can lead to minor deviations when these are added up.

1) Based on the dividend proposal of EUR 0.30 (2016: EUR 0.65)
2) Chair of the Supervisory Board and the Personnel and Finance Committee
3) Deputy Chair of the Supervisory Board and the Personnel and Finance Committee since 7 July 2017
4) Member of the Supervisory Board since 1 July 2016
5) Deputy Chair of the Supervisory Board and the Personnel and Finance Committee until 7 July 2017
6) Member of the Supervisory Board and the Personnel and Finance Committee since 7 July 2017
7) Member of the Supervisory Board and the Personnel and Finance Committee until 7 July 2017
8) Member of the Supervisory Board since 7 July 2017

Schramberg, 10 April 2018

Schweizer Electronic AG

The Executive Board

(N. F. Schweizer) (M. Bunz)

NON-FINANCIAL STATEMENT

THE NON-FINANCIAL STATEMENT

1. INTRODUCTION

As a family business in operation for nearly 170 years, the principle of responsible and sustainable management has been the backbone of the company throughout its long history and spurred on the transformation processes that have taken place during this time.

We are pleased to fulfil our obligation (§ 289 b, Par. 1 HGB and § 315 b HGB) to disclose the "non-financial information" specified in the CSR Guidelines Implementation Act in our Annual Report with immediate effect. We have used the G4 guidelines of the Global Reporting Initiative (GRI) as a framework for publication and identified the key figures relevant to Schweizer Electronic AG.

SUSTAINABILITY

Sustainability is a broad field that can encompass a range of aspects. We set out our commitment to sustainable action and the resulting fields of activity in our SCHWEIZER Management Manual (first edition 1996), which aims to turn the complexity surrounding the issue into something we can concretely address and to consistently integrate sustainability into our activities. This manual is updated and expanded on an ongoing basis to meet the latest requirements. The last update was in September 2017.

MATERIAL ASPECTS AND STAKEHOLDERS

The management manual defines sustainable development in terms of quality, environment, energy and occupational safety in combination with other corporate goals as issues for the company's management team to address, and sets out goals, measures, schedules and specifications for its implementation. The business processes and topics described in the manual – along with our organisational structure – result in the following relevant stakeholders and stakeholder groups for SCHWEIZER:

- Employees
- Customers
- Investors
- Suppliers.

There has been no additional analysis of stakeholders or areas of materiality beyond this, as the management manual is comprehensive in this respect.

The following section of the Non-Financial Statement focuses on Environmental, Labour and Social Issues, as well as measures for respecting human rights and combating corruption and bribery.

All information required for an understanding of the business processes, business results, the corporation's present situation and the effects of its activities on the aforementioned aspects is already part of the combined management report and is therefore not referred to again in this section of the annual report. They can be tracked via the GRI Index starting on page 81.

2. MISSION STATEMENT

Our mission statement explains the reasoning behind our strategy and actions. It conveys the values and guiding themes that are the pillars of our success.

VISION

We are a global "best-in-class" technology company. Our products conserve resources to safeguard the future of our children. We are a leading manufacturer of high-quality printed circuit boards (PCBs) and recognised producer of energy-saving, environmentally friendly products and services.

MISSION

Our mission is to ensure the success of our customers – and thus also that of our company! The goals of our customers, their faith in us and our pleasure in constantly pushing the boundaries of what is possible – these are the key drivers behind our success. We are able to achieve this based on our long-term experience, state-of-the-art technology, production methods and processes, and excellent knowledge of our target markets. We focus on attractive and promising business opportunities. Our activities as a family business with a long-standing tradition are geared towards long-term, sustainable success. Our employees form the basis for this success.

VALUES

The following values are important to us and guide our behaviour: Quality, Speed, Creativity, Openness.
These values represent the foundation for our past, present and future.

Quality

We are committed to reducing energy consumption, increasing energy efficiency, continuously improving our services and contributing to environmental protection. In addition, our compliance with relevant laws and regulations forms the indispensable basis of all our actions. We are therefore working openly with authorities and the public on environmental protection issues. We stand for highest quality levels and operate with utmost care in all facets of our business.

This results in the following guiding principles that determine our actions and are based on our values. We are customer-oriented, creative, globally coordinated, versatile, competent, cooperative, friendly, inviting, competitive and consciously responsible.

Our Competency Framework for our employees was developed based on this mission statement. It sets out the guidelines for cooperation and management and is intended to help employees and managers orient themselves in their day-to-day work.

3. ENVIRONMENTAL ISSUES

Preventative assurance in terms of quality, environmental and energy reduces product costs by minimising the time and effort required for defective performance, and it reduces the ecological burden by minimising the need for follow-up work, thereby cutting energy and waste disposal costs. Another factor at play here is our will to continuously improve, which constitutes an essential building block in how we think and act.

At SCHWEIZER, the following fields of action have been identified in terms of environmental issues: environmental policy and planning, which include environmental and energy planning.

ENVIRONMENTAL POLICY

A core feature of our company is the will to continuously improve our performance and our contribution to environmental protection. In addition, our compliance with relevant laws and regulations forms the essential basis of all our actions. This is set out in both the vision and quality claim of our mission statement.

CERTIFICATION AUDITS UM ISO 14001/ EM ISO 50001

In the previous financial year, our environmental and energy management systems were subject to the regular review again. Both systems successfully passed the test. The relevant certificates therefore continue to be valid.

ENVIRONMENTAL ISSUES – CORE TOPICS AND INDICATORS

Concerning the environmental issues, the following material core topics and performance indicators can be identified for Schweizer Electronic AG's line of business:

- Energy consumption
- CO_2 footprint
- Water consumption
- Waste
- Use of resources (raw materials).

At SCHWEIZER, our employees are committed to environmental protection. This is particularly evident in energy management, the high level of readiness to sort waste, and the careful use of water. When measuring the relevant sustainability indicators, SCHWEIZER always refers to the production hour in each case in order to cope with the increasing complexity of the printed circuit boards.

The sustainability figures refer to SCHWEIZER's only production site, Schweizer Electronic AG, in Schramberg.

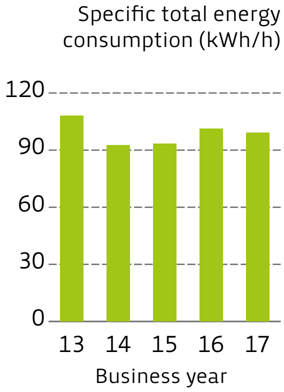
ENERGY CONSUMPTION & MEASURES TO REDUCE ENERGY CONSUMPTION

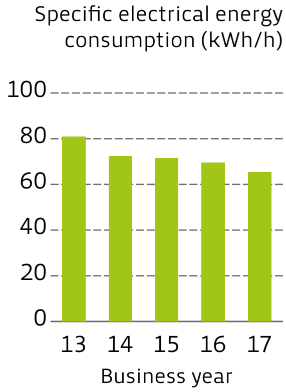
Energy efficiency is a key market driver of our PCB business. Our PCBs help our customers in the automotive sector to increase the fuel efficiency of their vehicles and reduce CO_2 emissions. It is therefore logical that energy management plays a significant role at SCHWEIZER, given the products and services we offer. For such an energy-intensive company as SCHWEIZER, energy efficiency is important not only in terms of conserving resources, but also with regard to cost management.

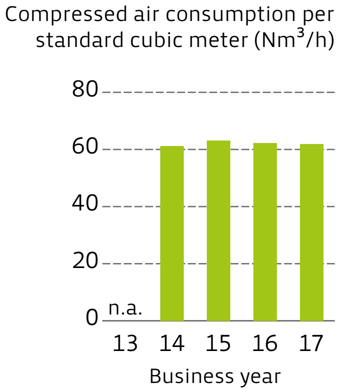
Over the last five years, specific electrical energy consumption has been reduced by 18.4 percent. This is due to effective cost-cutting measures implemented in recent years. In addition to regular software updates in production plants, which improve heating, cooling and standby properties in the production processes, this includes optimising the cooling network. As a result of this optimisation, the output of the network pump in the S1 and S5 plants could be reduced by approximately 50% in 2016. In the past fiscal year, the IAT network pumps were converted to pressure control.

Towards the end of the previous financial year, we set up a process heat network in the circuit formation lines area to save further energy costs. The network will be designed so other systems can utilise it at a later date. Although the use of the company's own combined heat and power plant as of 2016 has led to a slight increase in specific overall energy consumption, it has already led to a significant reduction in CO_2 emissions in its first two years of use.

The key figures identified at SCHWEIZER for reporting are the specific total energy consumption, the specific electrical energy consumption per production hour (kWh/h), and the compressed air consumption per standard cubic meter per production hour (Nm^3/h).







Business year	Specific total energy consumption (kWh/h)
2017	99.17
2016	101.24
2015	93.48
2014	92.51
2013	108.15

Business year	Specific electrical energy consumption (kWh/h)
2017	65.37
2016	69.51
2015	71.37
2014	72.25
2013	80.09

Business year	Compressed air consumption per standard cubic meter (Nm^3/h)
2017	61.97
2016	62.22
2015	63.09
2014	61.26
2013	n.a.

CO_2 FOOTPRINT AND MEASURES FOR REDUCING CO_2 EMISSIONS

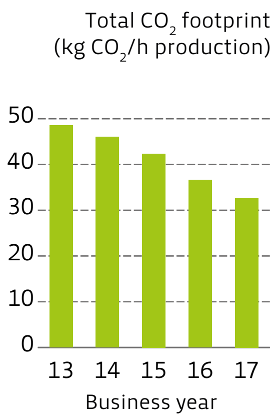
The overall CO_2 footprint is calculated from the production CO_2 footprint and the transport CO_2 footprint. For production, the data from the supply plants at the Schramberg site are used. For transport, CO_2 consumption data is taken from the Federal Environment Agency (UBA), which is recorded per ton of goods and kilometres driven in relation to the size of the truck. The CO_2 production footprint includes all indirect CO_2 emissions from electricity consumption and direct CO_2 emissions from gas combustion. The transport CO_2 footprint comprises the CO_2 emissions generated by transporting the finished printed circuit boards to customers.

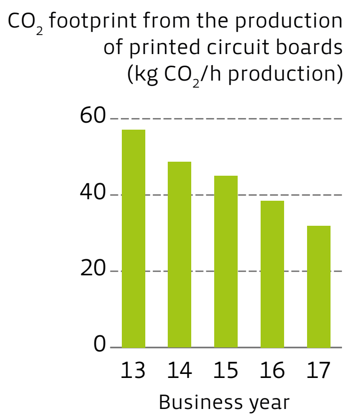
Ongoing energy-saving measures and an increase in production capacity utilisation have led the production CO_2 footprint per hour of production to fall steadily in recent years. Since 2016, the company's combined heat and power plant (CHP) has been included in production CO_2 footprint calculations.

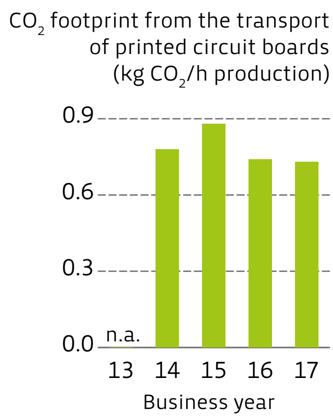
Use of the company's own co-generation plant has further reduced CO_2 emissions from production by more than 2 kg/hour of production since 2016.

All figures shown for the CO_2 footprint refer to production and transport from the Schramberg plant. SCHWEIZER turnover, which is directly delivered from WUS or MEIKO to our customers, amounts to 10 percent of total sales, but is not included due to a lack of underlying data.

The CO_2 footprint for transport can only be recorded as of the 2017 financial year. The 2017 value has been used as a starting point for 2016 and prior to this. The CO_2 footprint transport has been calculated in proportion to the delivery quantity in m². Overall, the CO_2 footprint for transport accounts for only about two to three percent of the total CO_2 footprint.







Business year	Total CO_2 footprint (kg CO_2/h production)
2017	32.64
2016	36.61
2015	42.36
2014	46.00
2013	48.53

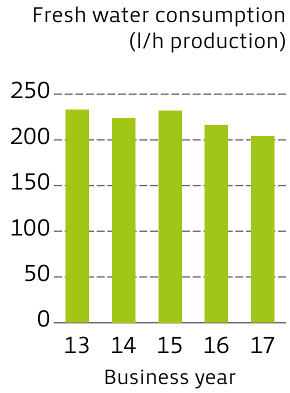
Business year	CO_2 footprint from the production of printed circuit boards (kg CO_2/h production)
2017	31.91
2016	38.50
2015	45.03
2014	48.65
2013	57.13

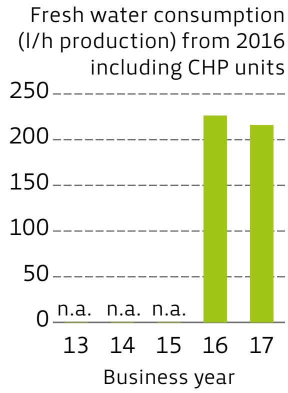
Business year	CO_2 footprint from the transport of printed circuit boards (kg CO_2/h production)
2017	0.73
2016	0.74
2015	0.88
2014	0.78
2013	n.a.

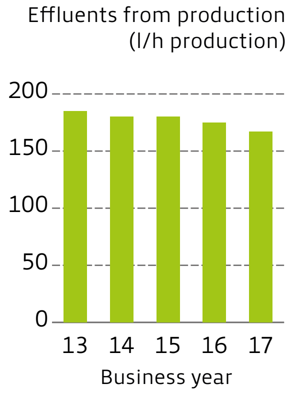
WATER

The production of a printed circuit board contains many water-intensive processes, meaning the consumption of fresh water and the generation of production-related effluents are important indicators for assessing Schweizer Electronic AG's impact on the environment. Therefore, one of our most important tasks in the field of environmental protection is to continuously optimise fresh water consumption and effluents produced during production. For example, a measure introduced in 2012 to pipe excess water from air conditioning systems back into the rainwater return line enables us to save almost four percent of the fresh water purchased from the city every year. Environmentally friendly aspects are always taken into consideration when planning and purchasing new plants. In 2016, a new surface cleaning plant was purchased that consumes less than half the amount of water per production hour that was required by its predecessor.

We have identified fresh water consumption (from 2016 including consumption by the CHP unit) and effluents from production as relevant key figures for reporting, in each case per hour of production. Fresh water consumption consists of the fresh water supplied by the city, rainwater and return water.







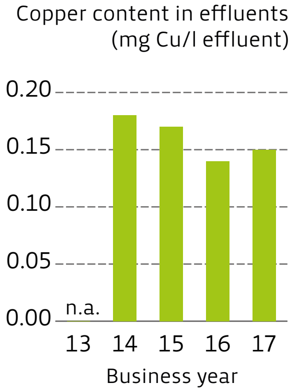
Business year	**Fresh water consumption (l/h production)**
2017	204
2016	216
2015	232
2014	224
2013	233

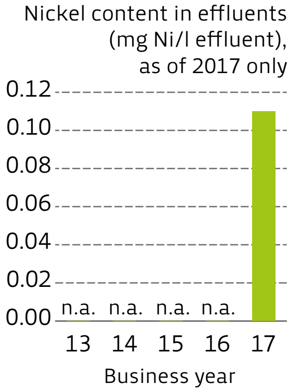
Business year	**Fresh water consumption (l/h production) from 2016 including CHP units**
2017	216
2016	226
2015	n.a.
2014	n.a.
2013	n.a.

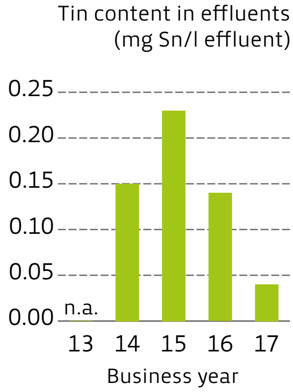
Business year	**Effluents from production (l/h production)**
2017	167
2016	175
2015	180
2014	180
2013	185

AMOUNT OF COPPER, NICKEL AND TIN IN EFFLUENTS

For this report, copper and nickel are the two metals which are especially relevant when identifying metals in water. Both have a permissible limit value of 0.5 mg/l of effluent. For the sake of completeness, we also show the tin content. The limit value here is much higher at 2 mg/l of effluent.







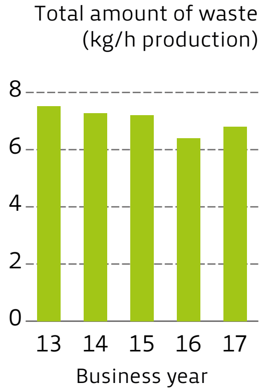
Business year	Copper content in effluents (mg Cu/l effluent)
2017	0.15
2016	0.14
2015	0.17
2014	0.18
2013	n.a.

Business year	Nickel content in effluents (mg Ni/l effluent), as of 2017 only
2017	0.11
2016	n.a.
2015	n.a.
2014	n.a.
2013	n.a.

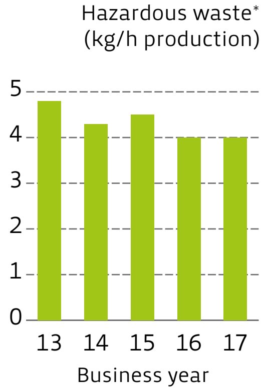
Business year	Tin content in effluents (mg Sn/l effluent)
2017	0.04
2016	0.14
2015	0.23
2014	0.15
2013	n.a.

WASTE

Since the ISO 14001 environmental management system was introduced, waste and clean waste separation in particular have been prioritised. We pay attention to sorting waste consistently and correct disposal. Our aim is to maintain or further improve this high level of waste separation. To safeguard waste disposal transport, trucks are randomly subjected to brief inspections.

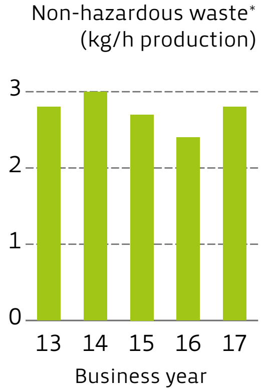


Business year	Total amount of waste (kg/h production)
2017	6.81
2016	6.40
2015	7.21
2014	7.28
2013	7.52



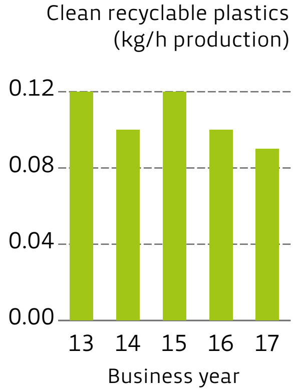
Business year	Hazardous waste* (kg/h production)
2017	4.0
2016	4.0
2015	4.5
2014	4.3
2013	4.8

*according to EU-wide regulatory categorisation



Business year	Non-hazardous waste* (kg/h production)
2017	2.8
2016	2.4
2015	2.7
2014	3.0
2013	2.8

*according to EU-wide regulatory categorisation



Business year	Clean recyclable plastics (kg/h production)
2017	0.09
2016	0.10
2015	0.12
2014	0.10
2013	0.12

RESOURCES

The supply of resources is a rather uncertain factor in the long term: while global demand is increasing, the rising scarcity of resources is leading to restrictions in availability and price hikes. Our mission obliges us to use resources sparingly. Furthermore, the economic factor is relevant for us both in terms of availability to ensure production and cost optimisation in procurement.

We are constantly striving to optimise and redefine our processes technologically to reduce the consumption of raw materials.

In conjunction with this report, we primarily define resources as the materials used in production, from base material laminates – a synthetic resin-impregnated fibre mat – through a wide range of metals for the production of conductor paths and surfaces to be refined, to the chemicals used in wet processes.

The procurement of raw materials / auxiliary materials is carried out according to a process plan defined in the management manual.

We generally expect our suppliers to use a QM system based on DIN EN ISO 9000 ff and pursue further development to ISO/TS 16949, as well as an environmental management system according to ISO 14001 and an energy management system according to ISO 50001/EMAS (for SMEs: energy audit according to EN 16247). For the procurement of energy services, products, facilities and energy, we proceed according to the criteria of the external specifications or our purchasing conditions.

Schweizer Electronic AG reserves the right to carry out quality audits at the supplier's premises. In special cases, it can be contractually agreed between our customer, our supplier/external manufacturer and Schweizer Electronic AG that the customer is entitled to carry out audits at our supplier/external manufacturer. This verification by the customer is not interpreted by us as proof of effective quality control at our supplier's/external manufacturer's plant. It does not release us from the responsibility of providing our customers with quality products.

CONFLICT MATERIALS

As a company with a long history and a recognised manufacturer of energy and environmentally friendly products and services, Schweizer Electronic AG takes its corporate social responsibility very seriously. This is why we try to avoid procuring the conflict materials tin, tantalum, tungsten and gold (also known as 3TG) from conflict regions.

Conflict materials are being mined and sold under appalling conditions to support and finance armed conflict in the Democratic Republic of Congo and its neighbouring countries. In July 2010, the US government passed the Dodd-Frank Wall Street Reform and Consumer Protection Act to control and prevent the mining and trading of conflict materials. Section 1502 of the Dodd-Frank Act states that US listed companies must assess whether conflict materials are required for the manufacture or operation of their products.

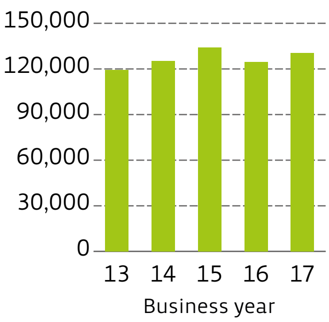
Companies like Schweizer Electronic AG, which supplies to US listed companies, must also inform its customers when conflict materials are present in their products or supply chain.

As SCHWEIZER shares the opinion of its customers, we do our best not to purchase raw materials from the Democratic Republic of Congo. This is why we work closely with our suppliers. We expect our suppliers to source their minerals from conflict-free smelters and check their own supply chain for conflict materials. To obtain all the due diligence information we need for our clients, we ask our suppliers to complete the Conflict Mineral Report Template (CMRT).

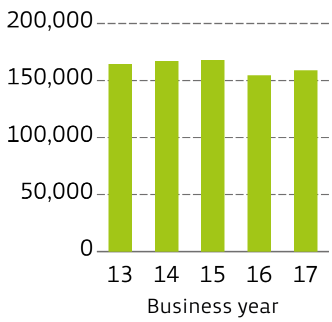
We also conduct regular supplier audits and evaluations of our largest suppliers and other relevant service providers with regard to quality management, environmental protection, sustainability and energy management.

MATERIALS USED BY WEIGHT

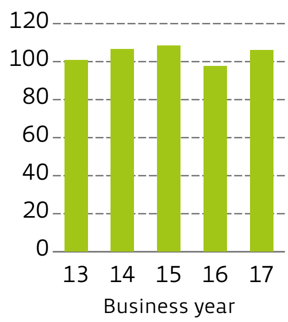
Gold (g)



Copper* (kg)



Aluminium (to)

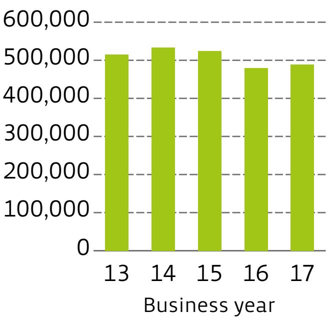


Business year	Gold (g)
2017	130,446
2016	124,518
2015	134,183
2014	125,118
2013	119,327

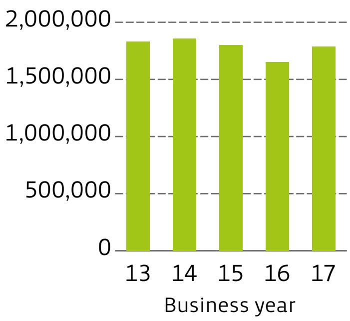
Business year	Copper* (kg)
2017	158,461
2016	154,233
2015	168,003
2014	167,182
2013	164,560

Business year	Aluminium (to)
2017	106.0
2016	97.6
2015	108.4
2014	106.5
2013	100.8

Laminate (m^2)



Chemicals (l)



Business year	Laminate (m^2)
2017	489,000
2016	480,000
2015	524,000
2014	534,000
2013	515,000

Business year	Chemicals (l)
2017	1,787,080
2016	1,651,399
2015	1,801,122
2014	1,858,955
2013	1,833,532

4. EMPLOYEE ISSUES

At SCHWEIZER, the primary focus is on people. Our employees are one of our largest and most important reference groups. This is why employee satisfaction, health and safety, training and further education are essential.

We are committed to our code of ethics and comply with all relevant legal provisions on avoiding discrimination. All employees benefit from equal opportunities and treatment, irrespective of origin, skin colour, gender, creed, sexual orientation, political opinion, country of origin, social origin or anything else.

As of the end of the year, Schweizer Electronic AG employed 783 individuals in Germany. The annual average fluctuation rate was 3.96%. More than 26 percent of our employees have been with us for more than 25 years. In Asia, we employed 14 people as of the end of the year.

OCCUPATIONAL HEALTH AND SAFETY

A works agreement was drawn up in the 2017 fiscal year to be able to determine and evaluate the individual workloads of employees even more effectively than before and to develop measures to improve health protection and ensure humane working environments. This includes conducting risk assessments, recording physical and mental stress, and regulating the assessment of working conditions and measures to be taken in the working environment.

The aim is to establish a continuous improvement process for occupational safety and health protection while getting employees involved in risk assessment and occupational safety measures. The management and the works council agreed to strive for effective prevention-oriented occupational health and safety protection. This is based on the general principles of occupational safety, occupational medicine, human working conditions and findings from scientific studies.

An analysis team was set up to carry out a risk assessment at all workplaces within the company. The purpose is to systematically identify and assess physical and mental hazards to employees in order to define measures to ensure the safety and health protection of employees, monitor their effectiveness and thus continuously improve occupational health protection.

FLEXIBLE WORKING HOURS

Following the optimisation of the well established, widely used A-shift model (tested in a pilot phase last year), the shift sequence was changed in the previous fiscal year and the shift duration was adjusted to biorhythm in accordance with recent scientific findings.

Furthermore, an internal working group and the works council devised an internal solution for partial retirement in 2017. This solution will facilitate a smooth and flexible transition into retirement for the benefit of our employees. The corresponding works agreement entered into force on 1 January 2018.

TRAINING

SCHWEIZER employs an average of 30 trainees and dual students who are trained for the company's own requirements. An apprenticeship with us is regarded as the basis for a secure professional future. We believe it important to employ specialists who have already familiarised themselves with our company during training.

The training programme at Schweizer Electronic AG covers both commercial and industrial professions. The company trains everybody from industrial clerks to industrial mechanics and mechatronics engineers to surface coaters. Depending on requirements, we also employ electronics technicians, IT specialists and dual students in the fields of business administration, industry and business informatics.

Schweizer Electronic AG stands for quality training. In addition to technical training in the departments and training workshops, our trainees and dual students are responsible for various projects such as events, company videos and trade fair exhibits. These independent projects promote motivation and independence in their everyday professional life. In addition, workshops, educational trips, team and communication training, training in driving safety and events are provided for the purpose of mutual exchange and to strengthen the community.

FURTHER EDUCATION AND HEALTH MANAGEMENT

SCHWEIZER offers external and internal training measures as required. In addition to regular safety briefings, the internal training programme at SCHWEIZER includes a range of courses on innovative technologies and work processes, including quality and energy management, PC training and seminars on labour and tax law as well as health management. In addition to imparting knowledge, further education programmes are often primarily aimed at raising awareness, which is why we regard repeat participation in many cases as a good refresher.

PERFORMANCE REVIEWS AND BRIEFINGS ON OCCUPATIONAL SAFETY, ENVIRONMENTAL PROTECTION AND ENERGY MANAGEMENT

As part of the annual employee/manager appraisal, an annual performance appraisal takes place for all employees. This appraisal provides the basis for the performance-related remuneration component.

Recurring briefings on occupational safety, environmental protection and energy management are also held annually. For newly hired staff, briefings take place on the first working day. The aim of the briefings is to provide employees with knowledge of occupational safety, environmental protection and energy management before starting work for the first time and to motivate them to act accordingly by regularly repeating this training.

The relevant indicators with regard to employment, occupational safety and health protection include the total number of employees hired, staff turnover, accidents at work and the resulting days of absence.

Number of occupational and commuting accidents and resulting absences

Business year	Number of accidents at work and on the way to work*.	resulting days of absence
2017	12	110
2016	16	189
2015	13	105
2014	12	113
2013	12	108

*These are accidents at work and on the way to and from work, which are subject to reporting requirements.

Number of employees and average fluctuation rate

Business year	Number of employees on 31.12	Average fluctuation rate
2017	797	3.96 %
2016	787	3.20 %
2015	774	3.04%
2014	773	3.44%
2013	736	1.26%

Total number of newly hired employees

Business year	Total	male	female
2017	76	45	31
2016	77	35	42
2015	75	47	28
2014	86	54	32
2013	32	20	12

As of December 31, 2017 the number of employees at SCHWEIZER amounted to 797 people, 269 women and 528 men. 17 women and seven men worked part-time.

5. SOCIAL ISSUES

CORPORATE SOCIAL RESPONSIBILITY

For almost 170 years, we have been closely committed to the location of Schramberg and served as an important employer in the region. It is our concern to not only create and secure jobs, but to promote social, cultural and sporting activities in the city and surrounding region, and to ensure that the location is attractive and worth living in for present and future generations of employees and their families.

One of the projects that Schweizer Electronic AG has supported in recent years is the International Schramberg Organ Competition, which is organised every four years and took place for the fifth time in summer 2016. It has an excellent reputation in the international youth music scene and among local residents. Other cultural projects are in the pipeline.

For the younger generation, the 'Mini Schramberg' large-scale games project took place once again in summer 2017. During the first week of the school holidays, more than 500 children took over city hall and the city centre to prepare themselves for life as employees and citizens of the city. As a local employer, SCHWEIZER sees itself as jointly responsible for ensuring that the next generation is prepared for its future at home, at school, and in other projects that have an impact on day-to-day life. This is why the company also regularly participates in the Schramberg Summer Campus. Held every year towards the end of the school holidays, the event gives young people the opportunity to get to know different areas of expertise and employers, helping them to make a decision on their further career.

Employees at SCHWEIZER are also involved in social projects. In spring 2017, for example, employees suggested that a local kindergarten in Sulgen be redesigned for the children and the company assisted the project both financially and with hands-on involvement. Trainees at SCHWEIZER helped to dig up the garden and install the playground equipment. Projects such as this are a core part of our training programme. Plans for social projects are underway for the current financial year. These projects will receive assistance from SCHWEIZER's trainees during working hours.

Schweizer Electronic AG is also involved in promoting sports at local level. For years the company has been the main sponsor of the Tria Schramberg e.V. triathlon association and organises local sporting events together with the club. SCHWEIZER's employees also participate in these events. Employees are also encouraged to take part in other sporting events in the region.

On an international level, we support the Association for the Promotion of Street Children in Bolivia e.V. (Fundacion Arco Iris). This association was founded in 1997 on the initiative of priest Josef Maria Neuenhofer from Dunningen and primarily assists street children in the Bolivian capital of La Paz. It supports kindergartens and school education services, and provides health care and food for destitute children and young people.

6. RESPECT FOR HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION AND BRIBERY

Respect for human rights is a central component of our corporate management and is set out in detail in our Code of Ethics, our CSR policy and our Conflict Minerals Policy, which is communicated to every employee and supplier. For verification purposes, we expect our suppliers to return the completed Conflict Mineral Report Template (CMRT) to us.

We attach great importance to the fight against corruption. We reject all forms of corruption. We therefore expect our employees and authorised representatives to report all suspected cases of corruption to the Board of Management. We have set out all details for the prevention of corruption in an extra guideline and made it available to our employees.

7. GRI CONTENT INDEX

The Non-Financial Statement contains standard disclosures from the GRI Sustainability Reporting Guidelines.

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Brief description for the respective information	Reference to the position in the Non-Financial Statement or in the Annual Report	Explanation of omission or alternative presentation
Organisational profile			
G4-3	Name of organisation	Non-Financial Statement 2017 Page 68	
G4-4	Brands, products and services	Annual Report 2017 Page 33ff, 92	
G4-5	Company headquarters	Annual Report 2017 Page 92, 155	
G4-6	Overview of sites	Annual Report 2017 Page 32	
G4-7	Ownership and legal form	Annual Report 2017 Page 29, 32, 58, 92, 132	
G4-8	Markets	Annual Report 2017 Page 38 – 40, 48 – 51, 53, 105	
G4-9	Size of company	Annual Report 2017 Page 3	
G4-13	Significant changes within the organisation	Annual Report 2017 Page 32, 48	
G4-14	Precautionary principle	Non-Financial Statement 2017 Page 68, 69 Annual Report 2017 Page 51 – 57	
Identified material aspects and boundaries			
G4-17	Companies in the consolidated financial statements	Annual Report 2017 Page 32, 99, 132	
Report profile			
G4-28	Reporting period	Business year 2017 (01.01. – 31.12.2017)	
G4-30	Reporting cycle	annual	
G4-32	GRI Index	Non-Financial Statement 2017 Page 81	
G4-33	Internal assurance	This sustainability report was not audited externally. The quality of the data was reviewed by the Supervisory Board.	
Governance			
G4-34	Governance structure	Annual Report 2017 Page 8, 58, 130 – 131, 142 – 149	
Ethics and integrity			
G4-56	Code of Conduct and Ethics	Non-Financial Statement 2017 Page 68, 69, 77, 80 Annual Report 2017 Page 142 – 149	

SPECIFIC STANDARD DISCLOSURES

Specific Standard Disclosures	Brief description for the respective information	Reference to the position in the Non-Financial Statement or in the Annual Report	Explanation of omission or alternative presentation
Economic			
Economic performance			
G4-EC1	Direct generated and distributed economic value	Annual Report 2017 Page 3, 37 – 48, 85 – 133	
Environmental			
Materials			
G4-EN1	Materials used by weight or volume	Non-Financial Statement 2017 Page 76	This is a quantitative list of the most important production materials. Due to its complexity, it is currently not possible to break it down into renewable and non-renewable materials. Packing materials are not included.
Energy			
G4-EN5	Energy intensity	Non-Financial Statement 2017 Page 70	The total energy consumption includes power and gas. The hour of production serves as the organisation-specific parameter for measuring the intensity. The information at SCHWEIZER is indicated as specific energy consumption.
Water			
G4-EN8	Total water consumption by source	Non-Financial Statement 2017 Page 72	The information is not shown per production hour rather than in absolute values.
Emissions			
G4-EN15 and G4-EN16	Direct GHG emissions (scope 1) Indirect energy-related GHG emissions (scope 2)	Non-Financial Statement 2017 Page 71	The diagram contains the total CO_2 footprint, which includes both direct CO_2 emissions (gas combustion) and indirect CO_2 emissions from electricity purchased from utility companies. An additional distinction is made between the CO_2 footprint resulting from production, which also consists of direct emissions, and the CO_2 footprint caused by transporting our goods (direct emissions only). Gas, petrol and electricity consumption were used to determine CO_2. No oil was used. Since the consumption values of the utility companies (electricity) are not supplied until the autumn of the following year, the value is determined using the previous year's values as an estimate. Information is shown per production hour.
G4-EN18	Intensity of GHG emissions	Non-Financial Statement 2017 Page 71	
G4-EN19	Reduction of GHG emissions	Non-Financial Statement 2017 Page 71	SCHWEIZER gives information in a CO_2 footprint (per production hour).

Specific Standard Disclosures	Brief description for the respective information	Reference to the position in the Non-Financial Statement or in the Annual Report	Explanation of omission or alternative presentation
Effluents and waste			
G4-EN22	Total volume of effluent discharge by quality and place of discharge	Non-Financial Statement 2017 Page 73	The information is not shown per production hour rather than in absolute values. The quality of the effluents is indicated in mass per volume based on selected residual metal impurities.
G4-EN23	Total weight of waste	Non-Financial Statement 2017 Page 74	The figure includes the total amount of waste and the breakdown into hazardous and non-hazardous waste and clean recyclable plastics per hour of production.
Social			
Employment			
G4-LA1	Total number of newly hired employees and staff turnover	Non-Financial Statement 2017 Page 78	The number of employees and the total number of newly hired employees are stated in absolute figures. The fluctuation rate is expressed as a percentage and is not separated by gender. The number of new employees and the fluctuation rate refer exclusively to the Schramberg site. The number of employees includes all employees, 14 of whom were working in the offices in Asia as of 31 December 2017.
Occupational health and safety			
G4-LA6	Occupational accidents, lost days, fatalities	Non-Financial Statement 2017 Page 78	A list is provided of accidents subject to reporting requirements at the Schramberg site and the resulting days of absence. There were no fatalities.
Training and education			
G4-LA10	Competence Management and Training Programs	Non-Financial Statement 2017 Page 77, 78	There are no transitional aid programmes for people leaving the profession.
G4-LA11	Regular Employee Performance Reviews	Non-Financial Statement 2017 Page 78	It is not possible to list employees by gender or employee category.
Society			
Anti-corruption			
G4-SO4	Information and training on anti-corruption guidelines and procedures	Non-Financial Statement 2017 Page 80 Annual Report 2017 Page 142	Employees and suppliers are kept up to date. Information on this is permanently accessible.
Product responsibility			
Product and service labeling			
G4-PR5	Results of customer satisfaction surveys	Annual Report 2017 Page 36	The data refer to the customers of the Schramberg site.

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

		2017	2016 adjusted*
	Notes, no.	EUR thousands	EUR thousands
Sales revenue	3.1	120,926	116,079
Cost of sales | Cost of goods and services provided to generate sales		-101,932	-98,553
Gross profit		**18,994**	**17,526**
Other operating income	3.2	3,449	2,784
Distribution costs		-4,539	-4,244
Administration expenses		-13,133	-13,216
Other operating expenses	3.3	-4,425	-1,034
Operating result		**346**	**1,816**
Financial income	3.4	4,267	250
Financial expenses	3.5	-792	-1,023
Earnings from participating interests accounted for using the equity method		29	17
Earnings before taxes on income and revenue		**3,850**	**1,060**
Taxes on income and revenue	3.8	-387	-446
Consolidated result		**3,463**	**614**
Of which attributable to:			
Shareholders of the parent company		3,488	610
Non-controlling interests		-25	4
Earnings per share	3.9		
Undiluted (= diluted) shareholding		3,762,548	3,757,548
Undiluted, based on the profit attributable to holders of ordinary shares of the parent company		0.92	0.16

* Correction in accordance with IAS 8, cf. note 1 in the notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes, no.	2017 EUR thousands	2016 adjusted* EUR thousands
Consolidated result		**3,463**	**614**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (after taxes):		**-716**	**729**
Currency translation of foreign operations	4.7	372	-784
Net (loss)/gain from available-for-sale financial assets	4.2, 4.14	-1,088	1,513
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (after taxes):		**-58**	**-1,576**
Gains/(losses) on the revaluation of defined benefit pension plans	4.11	-81	-2,187
Tax on profits	3.8	23	611
Other earnings after tax		**-774**	**-847**
Overall result after taxes		**2,689**	**-233**
Of which attributable to:			
Shareholders of the parent company		2,710	-106
Non-controlling interests		-21	-127

* Correction in accordance with IAS 8, cf. note 1 in the notes to the consolidated financial statements

CONSOLIDATED BALANCE SHEET

	Notes, no.	31.12.2017 EUR thousands	31.12.2016 adjusted* EUR thousands	01.01.2016 adjusted* EUR thousands
Assets				
Non-current assets		**62,180**	**68,495**	**67,239**
Tangible assets	4.1	59,490	63,672	62,200
Intangible assets	4.1	691	927	1,165
Participating interest in companies recognised using the equity method		1,232	1,357	2,782
Other participating interests	4.2	507	2,266	730
Other financial assets	4.3	5	5	56
Tax receivables	3.8	0	0	41
Deferred tax assets	3.8	255	268	265
Short-term assets		**51,423**	**49,186**	**52,111**
Inventories	4.4	17,731	16,244	15,492
Trade receivables	4.5	17,752	17,543	17,608
Tax receivables	3.8	2,476	1,200	684
Other financial assets	4.3	477	3,263	3,340
Other assets		1,694	1,428	1,659
Cash and cash equivalents	4.6	11,293	9,508	13,328
Balance sheet total		**113,603**	**117,681**	**119,350**
Liabilities				
Equity capital	**4.7**	**62,342**	**62,082**	**64,619**
Subscribed capital		9,664	9,664	9,664
Own shares		-40	-52	-71
Capital reserves		21,904	21,941	21,971
Profit reserves/balance-sheet profit		30,678	30,378	32,061
Equity attributable to shareholders of the parent company		62,206	61,931	63,625
Non-controlling interests		136	151	993
Non-current liabilities		**31,086**	**33,898**	**33,542**
Financial liabilities	4.9	5,969	7,209	8,743
Other financial liabilities	4.10	1,371	1,306	0
Provision for defined benefit pension plans	4.11	20,492	20,694	18,716
Other provisions	4.13	227	474	348
Deferred tax liabilities	3.8	3,027	4,215	5,735
Current liabilities		**20,175**	**21,701**	**21,189**
Financial liabilities	4.9	1,242	1,347	1,177
Other financial liabilities	4.10	358	3,153	2,932
Provision for defined benefit pension plans	4.11	880	880	838
Trade payables		6,525	7,355	7,582
Other liabilities	4.12	4,220	4,537	4,498
Grants from public authorities		0	0	314
Other provisions	4.13	6,950	4,429	3,848
Total liabilities		51,260	55,599	54,732
Balance sheet total		**113,603**	**117,681**	**119,350**

* Correction in accordance with IAS 8, cf. note 1 in the notes to the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

	Notes, no.	2017 EUR thousands	2016 adjusted* EUR thousands
Operating activities			
Earnings before tax		**3,850**	**1,060**
Adjustments to reconcile earnings before taxes to net cash flows:			
Amortisation and impairment of tangible and intangible assets	4.1	8,089	7,686
Expenses for share-based remuneration	3.6, 4.16	227	77
Exchange differences, net		645	305
Losses from the sale of tangible assets		5	107
Interest income	3.4	-207	-41
Dividend income	3.4	-45	0
Interest expenses	3.5	792	1,023
Profit from the sale of financial assets	3.4	-4,003	-206
Share in earnings from participating interests recognised using the equity method		-29	-17
Changes in the provision for defined benefit pension plans (without changes recognised directly in equity)	4.11	-260	444
Change in other provisions	4.13	2,275	707
Change in tax receivables	3.8	-1,275	-476
Change in liabilities arising from government grants		0	-314
Change in trade and other receivables and advance payments		-10	425
Change in inventories	4.4	-1,487	-752
Change in trade and other payables		-1,228	-32
Interest received		207	41
Dividends received		45	0
Interest paid		-88	-297
Tax on profits paid		-2,871	-3,236
Cash flow from operating activities		**4,632**	**6,504**
Investment activities			
Proceeds from the sale of tangible assets		0	4
Payments to acquire tangible assets and intangible assets		-3,283	-7,320
Proceeds from disposals of investments		4,636	949
Cash flow from investing activities		**1,353**	**-6,367**
Financing activities			
Payments for the repayment of loans	4.9	-1,346	-1,364
Payments from finance leases	4.9	-214	-168
Dividend payments		-2,446	-2,444
Cash flow from financing activities		**-4,006**	**-3,976**
Net change in cash and cash equivalents		1,979	-3,839
Changes in cash and cash equivalents owing to exchange rates		-194	19
Cash and cash equivalents as at 1 January		**9,508**	**13,328**
Cash and cash equivalents as at 31 December		**11,293**	**9,508**

* Adjusted in accordance with IAS 8, cf. note 1 in the notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

in EUR thousands	Notes, no. 4.7	Subscribed capital	Own shares	Capital reserves	Profit reserves/ balance-sheet profit
As of 1 January 2016 - as originally reported -		**9,664**	**-70**	**21,971**	**34,377**
Correction in accordance with IAS 8					-2,317
As of 1 January 2016 - adjusted - *		**9,664**	**-70**	**21,971**	**32,060**
Consolidated result					610
Other comprehensive income					-716
Overall result					**-106**
Change in minority interests					706
Change in own shares			18		162
Long-term incentives for Executive Board members				-30	0
Dividend payout					-2,444
Allocation to reserves					0
Other changes					0
As of 31 December 2016 - adjusted - *		**9,664**	**-52**	**21,941**	**30,378**
As of 1 January 2017		**9,664**	**-52**	**21,941**	**30,378**
Consolidated result					3,488
Other comprehensive income					-778
Overall result					**2,710**
Change in minority interests					0
Change in own shares			12		36
Long-term incentives for Executive Board members				-37	0
Dividend payout					-2,446
Allocation to reserves					0
Other changes					0
As of 31 December 2017		**9,664**	**-40**	**21,904**	**30,678**

* Adjusted in accordance with IAS 8, cf. note 1 in the notes to the consolidated financial statements

Included in profit reserves/balance-sheet profit:						
Actuarial losses, pension commitment	**Change in the value of available-for-sale financial assets**	**Currency translation difference**	**Consolidated result (attributable to shareholders of SEAG)**	**Equity attributable to shareholders of the parent company**	**Minority interests**	**Equity capital**
-2,037	**0**	**1,804**	**-6,449**	**65,942**	**1,432**	**67,374**
				-2,317	-439	-2,756
-2,037	**0**	**1,804**	**-6,449**	**63,625**	**993**	**64,618**
			610	610	4	614
-1,576	1,513	-654	0	-716	-131	-848
-1,576	**1,513**	**-654**	**610**	**-106**	**-127**	**-233**
			0	706	-715	-10
			0	180		180
			0	-30		-30
			-2,444	-2,444		-2,444
			-2,300	0		0
			0	0		0
-3,612	**1,513**	**1,150**	**-10,582**	**61,931**	**151**	**62,082**
-3,612	**1,513**	**1,150**	**-10,582**	**61,931**	**151**	**62,082**
			3,488	3,488	-25	3,463
-58	-1,088	368	0	-778	4	-774
-58	**-1,088**	**368**	**3,488**	**2,710**	**-21**	**2,689**
			0	0	6	6
			0	48		48
			0	-37		-37
			-2,446	-2,446		-2,446
			-2,500	0		0
			0	0		0
-3,670	**425**	**1,518**	**-12,040**	**62,206**	**136**	**62,342**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENT

The SCHWEIZER Group, comprising SCHWEIZER ELECTRONIC AG and its subsidiaries, is a global technology company active in the manufacture of high-quality PCBs and the provision of innovative solutions for automotive, industrial and aviation electronics. Based on its recognised technology and consultancy expertise, SCHWEIZER supplies products and solutions that address key challenges in power electronics, embedding technology and cost reduction, and which stand out thanks to their energy efficiency and consideration for the environment.

The parent company of the SCHWEIZER Group is Schweizer Electronic AG (hereafter referred to as the company or SCHWEIZER). SCHWEIZER's registered office is located at Einsteinstrasse 10, 78713 Schramberg, Germany. The company is entered in the commercial register at the District Court of Stuttgart under commercial register number HRB 480540. Schweizer Electronic AG has been listed on the stock exchange since 5 July 1989. The shares (ISIN DE0005156236) are listed in Frankfurt am Main and Stuttgart (regulated market).

The consolidated financial statement of the SCHWEIZER Group for the financial year ending 31 December 2017 was prepared and approved by the Executive Board on 10 April 2018.

The consolidated financial statement was prepared in accordance with Section 315e HGB in line with the International Financial Reporting Standards (IFRS) and the relevant interpretations of the International Accounting Standards Board (IASB), as they are to be applied in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards in the European Union. In addition, the supplementary provisions of Section 315e HGB were observed.

The consolidated financial statements are prepared in the reporting currency (EUR), which is the functional currency of Schweizer Electronic AG. Unless otherwise specified, all values are rounded up or down to the nearest EUR thousand in accordance with commercial rounding practices, which can lead to minor deviations in their addition.

The consolidated financial statement was prepared essentially applying the historical cost principle, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. The income statement was produced according to the cost-of-sales method. Various items of the consolidated balance sheet and the consolidated income statement were summarised in the interests of a clearer representation and explained accordingly in the notes. The consolidated cash flow statement was prepared in accordance with the indirect method for cash flow from operating activities and in accordance with the direct method for cash flow from investment and financing activity.

ACCOUNTING PRINCIPLES APPLIED FOR THE FIRST TIME

The application of the following pronouncements of the International Accounting Standards Board (IASB) is mandatory for financial year 2017:

Standards/Interpretations		**Consequences for the consolidated financial statement**
IAS 7	Amendments to IAS 7 *Cash Flow Statements* (disclosure initiative)	The details of the effects of the amendments to IAS 7 are explained below.
IAS 12	Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*	Insignificant
Miscellaneous standards	*Annual improvements to the International Financial Reporting Standards, cycle 2014 to 2016*	Insignificant

A reconciliation has been presented in the notes to the consolidated financial statements to implement the disclosure requirements arising from the amendments to IAS 7 (see section 4.9). The SCHWEIZER Group applies the simplification permitted in the year of first-time application, whereby the prior-year comparison is waived. Apart from this, the application of the amendments to IAS 7 did not have any material effects on the presentation in the consolidated financial statements.

ACCOUNTING PRINCIPLES THAT HAVE BEEN PUBLISHED BUT NOT YET APPLIED

The IASB pronouncements listed below have already been published but their application is not yet mandatory and their applicability, in some cases, still requires adoption into EU law ("endorsement"). The SCHWEIZER Group will not voluntarily apply this prematurely.

Standards/Interpretations		Mandatory application[1]	Adoption into EU law	Anticipated consequences for the consolidated financial statement
IFRS 9	*Financial Instruments*	1 January 2018	Yes	The details of the effects of the amendments to IAS 9 are explained below.
IFRS 15	*Revenue from Contracts with Customers*	1 January 2018	Yes	The details of the effects from IAS 15 are explained below.
IFRS 16	*Leases*	1 January 2019	Yes	The details of the effects from IAS 16 are explained below.
IFRS 9	Amendments to IFRS 9 – *Early repayment regulations with negative compensation payment*	1 January 2019	Yes	The details of the effects of the amendments to IAS 9 are explained below.
IFRS 15	Clarifications re IFRS 15 – *Revenue from Contracts with Customers*	1 January 2018	Yes	The details of the effects from IAS 15 are explained below.
IFRS 2	Amendments to IFRS 2 – *Classification and measurement of share-based payment agreements*	1 January 2018	Yes	Insignificant
IAS 40	Amendments to IAS 40 – *Transfer of investment property*	1 January 2018	Yes	None
Miscellaneous standards	Annual improvements to the International Financial Reporting Standards, cycle 2014 to 2016	1 January 2017/ 1 January 2018	Yes	Insignificant
IFRIC 22	*Foreign currency transactions and advance payments*	1 January 2018	No	Insignificant
IFRS 17	*Insurance contracts*	1 January 2021	No	None
IFRIC 23	*Uncertainty regarding the treatment of income tax*	1 January 2019	No	Insignificant
IAS 28	Amendments to IAS 28 – *Long-term Investments in Associates and Joint Ventures*	1 January 2019	No	Insignificant
Miscellaneous standards	Annual improvements to the International Financial Reporting Standards, cycle 2015 to 2017	1 January 2019	No	Insignificant
IAS 19	Amendments to IAS 19 – *Employee Benefits*	1 January 2019	No	Insignificant

1 Where adoption into EU law is still outstanding, the key criterion is the time it is enforced by the IASB.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was published in May 2014 and amended in April 2016. The standard introduces a five-level model for accounting for revenue from contracts with customers. The new revenue recognition standard will replace all current revenue recognition requirements under IFRS. Under IFRS 15, revenue is recognised in the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer (the transaction price as defined in IFRS 15). The standard is to be applied to financial years beginning on or after 1 January 2018. The initial application is either completely retrospective or modified retrospectively. For both methods, different relief options are granted. Early adoption is permitted.

In financial year 2017, the Group comprehensively analysed the effects of applying IFRS 15 as part of an implementation project. In accordance with IFRS 15, the transfer of control is the decisive criterion for the realisation of sales. IFRS 15 distinguishes between a transfer of control over a period of time or at a certain point in time. Previously, revenues from the sale of products were recognised on a uniform, time-related basis.

As a result of the application of IFRS 15, revenues from the sale of our products will in future mainly be realised on a time-related basis, as the criteria of IFRS 15 for time-based recognition – products without an alternative use option and the existence of a legal claim to payment for the service already rendered – are fulfilled in the majority of cases. As a result, the relevant revenues are recognised earlier than previously, resulting in a conversion effect from the recognition of contract assets and the reduction of the corresponding inventories. This conversion effect will increase profit reserves. However, the criteria for sales realisation based on a particular period are not met for all product sales of the Schweizer Group. In the latter case, sales will continue to be recognised on a time-related basis.

In a further step, an analysis was carried out on sales revenues, which are recognised on a time-related basis in accordance with IFRS 15 to determine whether the underlying products are delivered directly to the customer or initially sent to a consignment warehouse. In the case of direct delivery to the customer, there are no changes to the previous accounting. In the case of delivery to a consignment warehouse, sales were previously recorded when the products were removed from the consignment warehouse. Within the scope of the IFRS 15 implementation project, facts were identified for which the transfer of control already takes place upon delivery of the products to the consignment warehouse as well as those for which the transfer of control only takes place at the time of withdrawal by the customer. In the first case, revenue is recognised upon delivery to the consignment warehouse in application of IFRS 15 – in contrast to the previous accounting treatment.

The exact amount of the conversion effect will be determined as planned within the first quarter of 2018. In addition to the effects described above, there will be additional disclosure requirements.

The Schweizer Group will apply IFRS 15 for the first time for the financial year beginning on 1 January 2018 and has adopted the modified retrospective approach for this purpose.

IFRS 16 - LEASES

IFRS 16 was published in January 2016 and replaces IAS 17 Leases and all interpretations relating to leasing accounting. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise all leases under a single model similar to the accounting treatment of finance leases under IAS 17. For lessors, IFRS 16 will essentially not result in any changes in accounting compared to the currently applicable IAS 17. IFRS 16 is effective for financial years beginning on or after 1 January 2019. Early adoption is allowed, but may only take place if IFRS 15 is also applied. Lessees may choose either a full or a modified retrospective approach when applying the new standard for the first time. The transitional provisions of IFRS 16 grant certain relief options for the transition.

The Group is currently analysing the effects of the change in accounting standards as part of an implementation project. Within the Schweizer Group, there are various operating leases, which mainly comprise motor vehicles and e-bikes as well as rental space of the Asian subsidiaries.

We expect the application of the new standard to increase the balance sheet total due to the capitalisation of the right of use and the recognition of the lease liability as well as a reduction in the equity ratio. In addition, the adoption of the new standard will also have an impact on the Income Statement. The expense related to operating leases is currently reported in the corresponding functional areas of the Income Statement. With the adoption of the new standard, interest expenses for the lease liability and depreciation on the right of use are recognised in the Income Statement. For the Cash Flow Statement, we expect a positive effect on the cash flow from operating activities, as the repayment portion of the lease payments must now be reported under cash flow from financing activities in accordance with IFRS 16.

The Schweizer Group will apply the new standard for the first time for the financial year beginning 1 January 2019. The initial application is expected to be modified retrospectively, which means that the previous year's figures will not be adjusted.

IFRS 9 - FINANCIAL INSTRUMENTS

In July 2014, the IASB published the final version of IFRS 9 "Financial Instruments", which replaces IAS 39 "Financial Instruments: Recognition and Measurement". The new standard combines the three project phases for accounting for financial instruments "classification and measurement", "impairment" and "hedge accounting". IFRS 9 applies to financial years beginning on or after 1 January 2018. Early adoption is permitted. With the exception of hedge accounting, the standard is to be applied retroactively, but the disclosure of comparative information is not required. The rules for hedge accounting are generally applied prospectively, with a few exceptions.

In financial year 2017, the Group carried out a comprehensive assessment of the effects of the new standard as part of the IFRS 9 implementation project and analysed the three project phases of IFRS 9. Overall, no significant quantitative effects are expected on the consolidated financial statements. Due to the application of IFRS 9, the disclosure requirements will be extended.

The Schweizer Group will apply IFRS 9 for the first time for the financial year beginning on 1 January 2018; the previous year's information will not be adjusted.

CORRECTION IN ACCORDANCE WITH IAS 8

As part of a random audit of the consolidated financial statements as of 31 December 2015, the German Financial Reporting Enforcement Panel (Section 342b (2) Sentence 3 No. 3 HGB) determined that an agreement on a capital reduction with a non-controlling shareholder of a subsidiary was not recorded as a liability in the Consolidated Balance Sheet as of 31 December 2015. As of 1 January 2016, the liabilities were disclosed too low by EUR 2.8 million and equity too high by EUR 2.8 million as a result of this issue.

The Group has corrected the error retrospectively in accordance with IAS 8.41 et. seq. in these consolidated financial statements. The following tables show the effect of the corrections made.

in EUR thousands	01.01.2016 as reported previously	Correction in accordance with IAS 8	01.01.2016 adjusted
Equity capital	**67,374**	**-2,756**	**64,619**
Subscribed capital	9,664		9,664
Own shares	-71		-71
Capital reserves	21,971		21,971
Profit reserves/balance-sheet profit	34,378	-2,317	32,061
Equity attributable to shareholders of the parent company	65,942	-2,317	63,625
Non-controlling interests	1,432	-439	993
Non-current liabilities	**33,542**		**33,542**
Financial liabilities	8,743		8,743
Provision for defined benefit pension plans	18,716		18,716
Other provisions	348		348
Deferred tax liabilities	5,735		5,735
Current liabilities	**18,434**	**2,756**	**21,189**
Financial liabilities	1,177		1,177
Other financial liabilities	176	2,756	2,932
Provision for defined benefit pension plans	838		838
Trade payables	7,582		7,582
Other liabilities	4,498		4,498
Grants from public authorities	314		314
Other provision	3,848		3,848
Total liabilities	**51,976**	**2,756**	**54,732**
Balance sheet total	**119,350**		**119,350**

in EUR thousands	31.12.2016 as reported previously	Correction in accordance with IAS 8	31.12.2016 adjusted
Equity capital	**64,843**	**-2,761**	**62,082**
Subscribed capital	9,664		9,664
Own shares	-52		-52
Capital reserves	21,941		21,941
Profit reserves/balance-sheet profit	32,683	-2,305	30,378
Equity attributable to shareholders of the parent company	64,236	-2,305	61,931
Non-controlling interests	607	-456	151
Non-current liabilities	**33,898**		**33,898**
Financial liabilities	7,209		7,209
Other financial liabilities	1,306		1,306
Provision for defined benefit pension plans	20,694		20,694
Other provisions	474		474
Deferred tax liabilities	4,215		4,215
Current liabilities	**18,940**	**2,761**	**21,701**
Financial liabilities	1,347		1,347
Other financial liabilities	393	2,761	3,153
Provision for defined benefit pension plans	880		880
Trade payables	7,355		7,355
Other liabilities	4,537		4,537
Other provisions	4,429		4,429
Total liabilities	**52,838**	**2,761**	**55,599**
Balance sheet total	**117,681**		**117,681**

in EUR thousands	**2016** as reported previously	Correction in accord-ance with IAS 8	**2016** adjusted
Sales revenue	116,079		116,079
Cost of sales / Cost of goods and services provided to generate sales	-98,553		-98,553
Gross profit	**17,526**		**17,526**
Other operating income	2,756	28	2,784
Distribution costs	-4,244		-4,244
Administration expenses	-13,216		-13,216
Other operating expenses	-1,001	-33	-1,034
Operating result	**1,821**	**-5**	**1,816**
Financial income	250		250
Financial expenses	-1,023		-1,023
Earnings from participating interests accounted for using the equity method	17		17
Earnings before taxes on income and revenue	**1,065**		**1,060**
Taxes on income and revenue	-446		-446
Consolidated result	**619**	**-5**	**614**
Of which attributable to:			
Shareholders of the parent company	615		610
Non-controlling interests	4		4
Earnings per share			
Undiluted (= diluted) shareholding	3,757,548		3,757,548
Undiluted, based on the profit attributable to holders of ordinary shares of the parent company	0.16		0.16

Furthermore, the German Financial Reporting Enforcement Panel found that Gebrüder Schmid GmbH was not classified as a related party in the notes to the consolidated financial statements as of 31 December 2015 and that individual information on business relationships was therefore not disclosed. Gebrüder Schmid GmbH has now been classified as a related party in these consolidated financial statements. Against this background, the reporting on related parties has been adjusted with regard to 2016 and thus contains information on the Group's business relations with Gebrüder Schmid GmbH (see Section 4.16).

2. SUMMARY OF MATERIAL ACCOUNTING PRINCIPLES

SCOPE OF CONSOLIDATION

The scope of consolidation includes all companies that are controlled by Schweizer Electronic AG. Control is said to exist when Schweizer Electronic AG has a power of disposition over the associated company, is exposed to risk due to, or is entitled to fluctuating returns from, its engagement in the associated company, and is also able to use its power of disposition over the associated company to influence these returns.

The consolidated financial statement is based on the financial statements of Schweizer Electronic AG and its subsidiaries. All financial statements are prepared as of the 31 December 2017 reporting date. The annual financial statements of the individual companies included in the consolidated financial statement have been prepared in accordance with uniform accounting and valuation methods.

Intra-Group profits and losses, sales, expenses and income and all receivables and liabilities between the consolidated companies are eliminated. Deferred tax assets are recognised on consolidation measures that affect profit and loss – insofar as these are tax-effective processes.

In addition to Schweizer Electronic AG as the parent company, the consolidated Group is comprised as follows:
A complete overview of the participating interests of Schweizer Electronic AG is provided in the list of shareholdings in Section 6.5.

	31 December 2016	Included for the first time in financial year 2017	Eliminated in financial year 2017	31 December 2017
Number of fully consolidated companies				
National	1	0	0	1
International	3	1	0	4
Total	**4**	**1**	**0**	**5**
Number of companies accounted for using the equity method				
International	1	0	0	1

Changes in the scope of consolidation of the Schweizer Group in the 2017 financial year resulted from the inclusion of Schweizer Electronic (Suzhou) Co., Ltd., China, in the scope of consolidation of the Schweizer Group and the corresponding initial consolidation.

Schweizer Electronic (Jiangsu) Co, Ltd, China, founded in December 2017 as a wholly owned subsidiary of Schweizer Electronic AG, was not included in the consolidated financial statements as the company is not yet operating and the capital contribution has not yet been made.

CURRENCY TRANSLATION

The functional currency of the foreign subsidiaries is the respective national currency. For the preparation of the consolidated financial statement, the assets and liabilities of foreign subsidiaries whose functional currency is not EUR are translated at the exchange rate valid on the balance sheet date. Translation of items in income statements is done using the year's average exchange rate. The resultant currency translation differences are recognised directly in equity.

For the translation of important currencies within the Group, the following exchange rates against EUR were used as a basis:

Exchange rates	Year-end rate		Average rate	
EUR	**31.12.2017**	**31.12.2016**	**2017**	**2016**
USD USA	1.1993	1.0541	1.1836	1.1066
CNY China	7.8044	7.3202	7.8073	7.3496
SGD Singapore	1.6024	1.5234	1.5588	1.5277

ACCOUNTING AND VALUATION PRINCIPLES

INTANGIBLE ASSETS

The intangible assets comprise exclusively acquired intangible assets, primarily software. The acquired intangible assets are recognised at cost and depreciated on a straight-line, scheduled basis over their useful life. When depreciating software, a useful life of three to eight years is used as the basis.

There are no intangible assets with an indefinite useful life.

TANGIBLE ASSETS

Tangible assets are measured at acquisition or production costs, less scheduled depreciation and any impairments. The production costs of internally generated assets also include reasonable shares of required materials and production overheads in addition to the direct individual costs.

Costs of repairs and maintenance are basically recognised as expenses. Costs for implementing larger service works are recognised in the carrying amount of the tangible asset, insofar as the recognition criteria are fulfilled.

Land and plants under construction are not subject to scheduled depreciation. The following useful lives serve as a basis for planned depreciation for the other assets of the tangible fixed assets:

- Buildings: 10 to 50 years
- Technical equipment and machines: 5 to 20 years
- Other plant, factory and office equipment: 3 to 20 years

Scheduled depreciation takes place in accordance with the linear method.

LEASING

The Schweizer Group is the lessee in leasing arrangements for tangible assets. At the inception of the lease, leases are classified as finance and operating leases in accordance with IAS 17. For finance leases, the leasing arrangement is recognised as an asset and the lease liability as a liability. In the case of an operating lease, on the other hand, the lease instalments are recognised as an expense on a straight-line basis over the term of the lease.

PARTICIPATING INTERESTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The Schweizer Group has, at the balance sheet date, a participating interest in one joint venture (previous year: 1). With the equity method, the shares in the associated company are initially recognised at cost. Subsequently, the carrying amount of the shares is adjusted annually for the pro-rata earnings, distributions received and other changes in the equity of the associated company, where these are attributable to the share of the Schweizer Group.

The share of the Schweizer Group in the profit or loss of the associated company accounted for using the equity method is recognised in the Income Statement and disclosed separately. Changes in the other comprehensive income of this associated company are recognised in the other comprehensive income of the Group. In addition, the expenses and income recognised directly in the equity of the associated company are taken into consideration directly in the other comprehensive income of the Group in accordance with the amount of the share.

INTRINSIC VALUE OF NON-CURRENT ASSETS

For non-current assets, including intangible and tangible assets, a review is performed yearly as to whether there are indications of an impairment of the assets. If such indications are found to exist, an impairment test is performed. In this process, the recoverable amount of the affected asset is determined and then compared to its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. An asset is deemed to be impaired, if and insofar as the carrying amount exceeds the recoverable amount of the asset. In this case, the impairment loss is immediately recognised through profit or loss.

If an impairment recognised in previous years no longer exists or no longer exists to the same extent due to changes to the underlying estimates, the impairment loss is reversed through profit or loss. The reversal of the impairment loss is limited here to the carrying amount that would have resulted had the impairment not been recognised.

FINANCIAL INSTRUMENTS

The term financial instrument refers to any contract that gives rise both to a financial asset of one enterprise and to a financial liability or equity instrument of another enterprise.

Financial assets are divided into the following categories in accordance with IAS 39:

- Loans and receivables
- Financial assets to be held to maturity
- Financial assets that are available for sale
- Financial assets measured through profit or loss at fair value

Financial liabilities are divided into the following categories:

- Financial liabilities measured at amortised cost
- Financial liabilities measured through profit or loss at fair value

The Schweizer Group has not made use of the “fair value option” under IAS 39, whereby any financial asset or financial liability can be measured at fair value, with value changes recognised in profit or loss.

Primary financial instruments

Primary financial instruments are recognised on the transaction date of the market-standard purchase or sale, this means on delivery of an asset. On initial recognition, primary financial instruments are recorded at their fair value. The transaction costs are included, if the financial instrument is not measured at its fair value. After initial recognition, the primary financial instruments are measured in accordance with the category to which they belong, either at their fair value or amortised cost.

Loans and receivables are measured at amortised cost. Within the Schweizer Group, this category encompasses, in particular, trade and other receivables with the exception of derivatives and cash and cash equivalents. The default risk of financial assets from the category loans and receivables is taken into consideration through the formation of individual valuation allowances. Valuation allowances on receivables are recorded to a separate valuation allowance account.

Financial assets that are available for sale are measured directly at fair value, unless the shares are not traded on an active market and the fair value cannot be reliably determined. In this case, they are measured at the cost of acquisition. Shares in other participating interests of the Schweizer Group are to be assigned to this category. Valuation allowances are recognised through profit or loss in the Consolidated Income Statement.

Derivative financial instruments

In the Schweizer Group, derivative financial instruments are used to counteract currency and commodity price risks. Section 4.14 contains further information on the measurement of the fair value.

Derivative financial instruments are recognised, in principle, on the trading date. The prerequisites of IAS 39 with respect to the application of hedge accounting are not met for any derivatives, so measurement is carried out through profit or loss at fair value.

DETERMINING FAIR VALUES

The fair value is determined on the basis of input factors in three defined categories. The following valuation hierarchy is applied:

Level 1: Use of listed (not corrected) prices for identical assets or liabilities in active markets accessible on the valuation date.

Level 2: Fair value calculated using valuation methods based on observable input factors for similar assets and liabilities in active markets or for identical assets and liabilities in inactive markets.

Level 3: Assets and liabilities measured using valuation methods based on developed, non-observable input factors, because insufficient observable market data is available to determine the fair value.

INVENTORIES

Inventories are recognised at the lower of acquisition or production cost and the net realisable value. The average cost method is applied for the valuation of raw materials and supplies and goods purchased for resale. The production costs of unfinished and finished products are determined through the individual assignment of their individual production costs. Along with the directly attributable costs, the production costs also include appropriate shares of the attributable overheads, which also contain depreciation.

CASH AND CASH EQUIVALENTS

Cash, sight deposits and all financial resources with an original term of up to three months are disclosed as cash and cash equivalents. They are recognised at par value.

PROVISION FOR DEFINED BENEFIT PENSION PLANS

The provision for defined benefit pension plans is calculated on the basis of actuarial advice according to the projected unit credit method, taking into account future salary and pension adjustments. The service costs and net interest expense on net debt from defined benefit plans are recognised in income. Revaluations of recognised net debt from defined benefit plans are included in other comprehensive income.

DEFERRED TAXES

Deferred taxes are determined for temporary differences between the tax valuations of the assets and liabilities and the carrying amounts in the consolidated balance sheet, arising from consolidation measures that impact on profit and loss – insofar as these are tax-effective processes – and for existing tax loss carryforwards. The valuation is performed taking into consideration the relevant national tax rates of the taxable entities, which are valid at the time of realisation and already in force at the balance sheet date or which will be applicable in all probability.

Deferred tax assets are only recognised to the extent that it is probable that a future taxable profit will be available. Deferred tax assets and liabilities are netted, if these relate to the same tax creditor and period.

OTHER PROVISIONS

Other provisions take into account all recognisable risks and uncertain obligations toward third parties whose settlement is expected to lead to an outflow of funds which can be reliably estimated. They are recognised at their most likely amount and discounted if the discount amount is material. Rights of recourse are presented separately under other assets.

LIABILITIES

Liabilities are reported at the par value or higher repayment amount. Non-current liabilities are discounted if the discount amount is material.

RECOGNISING INCOME AND EXPENSES

Revenue from own products, merchandise and services is recognised at the fair value of the consideration received or receivable in the period in which control over the products or goods passes to the customer or the service is rendered. Agreed price reductions or volume discounts are recognised in the Income Statement on an accrual basis. Cost of goods sold is recognised in the Income Statement in the same period as sales. Other income is recognised at fair value at the time the legal claim arises. Operating expenses are recognised in the Income Statement when the service is used or incurred. Interest income and expenses are recognised on an accrual basis and other financial income is recognised when the legal claim arises.

SHARE-BASED REMUNERATION

The members of the Group's Executive Board receive a variable remuneration component with long-term incentive effect and risk elements (called the Long Term Incentive Programme; hereafter: LTIP). The LTIP component depends on the LTIP plan approved by the Supervisory Board. The amount of the LTIP component stands at 15 percent or 20 percent of the gross annual fixed salary multiplied by the target attainment percentage. The LTIP component is paid in the form of equity instruments on a regular basis following approval and adoption of the annual financial statement of Schweizer Electronic AG.

One member of the management team receives a variable remuneration component with a long-term incentive effect and risk elements (Long Term Incentive Programme; hereinafter referred to as LTIP). The LTIP component is based on the Group-wide regulations for LTIP plans in force at the time. The LTIP component amounts to 10 percent of the gross fixed annual salary multiplied by the target achievement percentage. The LTIP component is paid in the form of equity instruments on a regular basis following approval and adoption of the annual financial statement of Schweizer Electronic AG.

The costs of the LTIP component settled through equity instruments are determined based on the share price at the balance sheet date, since payment is made at short notice. Valuation is not carried out using valuation models, for reasons of materiality.

The costs of the LTIP, together with a corresponding change in equity (capital reserves), are recognised as personnel expenses. The accumulated expenses reported at the balance sheet date arising from the award of equity instruments reflect the number of equity instruments to be paid according to the Group's best possible estimate.

ASSUMPTIONS AND ESTIMATES

The preparation of the consolidated financial statement requires that management make various estimates and assumptions that affect the valuation of reported income, expenses, assets, liabilities and corresponding information, and the disclosure of contingent liabilities. All estimates and assumptions are made to the best of management's knowledge and beliefs in order to present a true and fair view of the net assets, financial position and results of operations. The assumptions and estimates are reviewed constantly. Nonetheless, future events can deviate from the estimates made and have a significant influence on the net assets, financial position and results of operations.

In the following areas, the assumptions and estimates made are of particular importance:

- *Recognition and measurement of deferred tax assets*
  The recognition of deferred tax assets from temporary differences and tax loss carryforwards, which are not offset by deferred tax liabilities from temporary differences, requires a significant estimate by management with regard to the planned taxable income (see also "Deferred taxes" and Section 3.8).

- *Determination of the useful life of fixed assets*
  Estimates of the useful life of depreciable fixed assets are based on past experience (see also "Tangible assets" and "Intangible assets" and Section 4.1).

- *Valuation of the provision for defined benefit pension plans*
  Costs related to defined benefit plans and the present value of pension obligations are calculated based on actuarial calculations. An actuarial valuation is based on various assumptions which may differ from actual developments in the future. These include determination of the discount rate, future salary increases, mortality rates and future pension increases. Given the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date (see "Provision for defined benefit pension plans" and Section 4.11).

SEGMENT INFORMATION

The Schweizer Group comprises exclusively the Electronic segment. In this segment, the Schweizer Group develops, produces and distributes high-quality printed circuit boards for the automotive, solar, aviation and general industries. Partnerships exist with Elekonta Marek GmbH & Co. KG, Gerlingen, Germany; Meiko Electronics Co. Ltd., Ayase, Japan; and WUS Printed Circuit (Kunshan) Co., Ltd., Kunshan, China.

In future, the chip embedding market for automotive and industrial applications will be developed jointly with Infineon Technologies AG and a new Systems division will be built up. No operational activities have as yet commenced in this division.

Please refer to Section 3.1 for information on the sales revenues by geographical region and on our main customers. With the exception of minor office equipment, all the fixed assets of the Schweizer Group are located in Germany.

3. NOTES TO THE CONSOLIDATED INCOME STATEMENT

3.1 SALES REVENUE

Sales revenue is divided as follows:

	2017	2016
	EUR millions	EUR millions
By field of activity		
Metallised circuits	19.4	18.9
Non-metallised circuits	6.7	5.5
Multilayer/HDI	92.7	89.6
Other	2.1	2.2
	120.9	**116.1**
By region		
National	72.3	68.6
EU countries	26.6	24.5
Rest of Europe	1.8	1.7
America	10.3	12.6
Asia	9.5	8.4
Other countries	0.4	0.3
	120.9	**116.1**

The above information on sales revenue is broken down by customer site.

In 2017, the sales revenue with three customers (previous year: three customers) each amounted to more than 50 percent of overall sales. Revenues with these customers amounted to EUR 37 million (2016: EUR 37.8 million), EUR 15 million (2016: EUR 20.0 million) and EUR 13 million (2016: EUR 12.1 million), respectively.

3.2 OTHER OPERATING INCOME

Other operating income is composed as follows:

	2017	2016*
	EUR thousands	EUR thousands
Waste revenues	1,532	1,074
Currency gains	831	1,083*
Income from the reversal of provisions	169	71
Income from the reversal of specific valuation allowances	98	0
Income from subsidies	192	16
Other income	627	540
Total	**3,449**	**2,784***

* Correction in accordance with IAS 8 (see Section 1, error correction in accordance with IAS 8)

3.3 OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2017	2016*
	EUR thousands	EUR thousands
Currency losses	1,464	986*
Allocation to the provision for litigation risks	2,500	21
Other expenses	461	27
Total	**4,425**	**1,034***

* Correction in accordance with IAS 8 (see Section 1, error correction in accordance with IAS 8)

3.4 FINANCIAL INCOME

Financial income is made up as follows:

	2017	2016
	EUR thousands	EUR thousands
Other interest and similar income	207	41
Dividend income	45	0
Income from the reduction of company shares recognised at equity	0	206
Income from the sale of financial assets	4,003	0
Other	12	3
Total	**4,267**	**250**

3.5 FINANCIAL EXPENSES

Financial expenses are made up as follows:

	2017	2016
	EUR thousands	EUR thousands
Other interest and similar expenses	792	1,023
Total	**792**	**1,023**

3.6 PERSONNEL COSTS

Personnel expenses are made up as follows:

	2017	2016
	EUR thousands	EUR thousands
Personnel costs		
Wages and salaries	37,038	36,265
Social security costs	6,162	5,958
Pensions	591	837
Total	**43,790**	**43,060**

The expenses for share-based remuneration to a member of the management team amount to EUR 17 thousand.

3.7 RESEARCH AND DEVELOPMENT EXPENSES

The criteria of IAS 38 for the capitalisation of incurred development expenses were not met in the business year, as was also the case in the previous year. The expenditure for research and development recognised as an expense stood at EUR 3.8 million (2016: EUR 3.5 million).

3.8 TAXES ON INCOME AND REVENUE

Domestic corporate income tax (plus solidarity surcharge), trade taxes and similar income-related taxes levied abroad are reported in this item.

This item also includes deferred taxes resulting from temporary differences between the tax balance sheet and the IFRS Consolidated Balance Sheet.

Deferred taxes are calculated based on the tax rates applicable in each country.
Taxes on income and revenue are made up of expense (+)/ income (-):

	2017	2016
	EUR thousands	EUR thousands
Current taxes related to the reporting period	1,103	1,334
Taxes on income from other periods	449	21
Deferred taxes of which deferred taxes from temporary differences EUR -1,165 thousand (previous year: EUR -909 thousand)	-1,165	-909
Total taxes on income and revenue	**387**	**446**

TAX RECEIVABLES

These items only include tax on profits; any other taxes are included in other payables or other receivables.

	2017	2016
	EUR thousands	EUR thousands
Corporate income tax refund	1,423	683
Trade tax refund	1,053	473
Corporate income tax credit	0	44
Total receivables relating to taxes on income and revenue	**2,476**	**1,200**
Non-current	0	0
Current	2,476	1,200

The tax refunds result from the surplus of tax prepayments to the calculated tax liability.

No tax prepayments were made at subsidiaries, so that no tax receivables exist. The corporation tax credit was repaid in full in 2017.

DEFERRED TAXES

Deferred taxes on transactions recognised directly in equity had an equity-increasing effect of EUR 23 thousand (previous year: EUR 611 thousand) in the year under review.

Tax loss carryforwards amounted to EUR 3,473 thousand as of 31 December 2017 (previous year: EUR 4,229 thousand). Deferred tax assets of EUR 1,500 thousand (previous year: EUR 1,577 thousand) were only recognised for loss carryforwards. To this extent, the company plans to be able to offset the start-up losses against future taxable profits. No deferred tax assets were recognised for the remaining loss carryforwards of EUR 1,973 thousand (previous year: EUR 2,652 thousand), as they are unlikely to be utilised.

The deferred taxes are made up as follows:

	Deferred tax assets 31.12.2017	Deferred tax liabilities 31.12.2017	Deferred tax assets 31.12.2016	Deferred tax liabilities 31.12.2016
Tangible assets	0	7,534	0	8,692
Inventories	0	117	0	109
Receivables	0	56	0	92
Pension provisions	4,584	0	4,678	0
Liabilities	151	54	64	64
Tax loss carryforwards	255	0	268	0
	4,990	**7,762**	**5,010**	**8,957**
Netting	4,735	4,735	4,742	4,742
Recognition of deferred taxes	**255**	**3,027**	**268**	**4,215**

RECONCILIATION OF EXPECTED AND ACTUAL TAX EXPENSE

The results of Schweizer Electronic AG in Germany are subject to corporate income tax (plus solidarity surcharge) and trade tax. Results assessed abroad are taxed at the tax rates applicable in the respective country. The tax rate of 28 percent on which the expected tax expense is based (previous year: 28 percent) takes account of the company structure relevant for taxation. It is calculated as a weighted tax rate of the regions in which the main results originated.

	2017	2016
	EUR thousands	**EUR thousands**
Earnings before tax on profit	**3,850**	**1,060**
Expected income tax expense (-)/income (+)	-1,078	-298
Divergent tax rates	-43	-82
Tax-free income	1,219	212
Non-tax-deductible expenses	-186	-77
Taxes from other periods	-449	-21
Effects from the use of loss carryforwards for which no deferred tax assets were previously recognised	33	0
Effects of non-recognition of deferred tax assets on loss carryforwards	0	-144
Other	117	-36
Actual tax expense	**-387**	**-446**
Effective tax expense in %	10 %	42 %

Deferred tax assets and deferred tax liabilities are offset when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes for the same taxable entity levied by the same taxation authority.

Taxable profits of EUR 261 thousand (2016: losses of EUR 845 thousand) were incurred at the foreign companies. These taxable profits were offset against losses carried forward for which no deferred tax assets had previously been recognised. The existing loss carryforwards can be carried forward indefinitely.

SCHWEIZER has decided that no previously undistributed profits of its subsidiaries will be distributed in the foreseeable future. Furthermore, the Group's joint venture only distributes its profits when it has received the consent of all its joint venture partners.

Deferred income taxes arising from items directly recognised in other comprehensive income during the business year relate to:

	2017	2016
	EUR thousands	**EUR thousands**
Gains (losses) resulting from actuarial gains and losses on the revaluation of defined benefit pension plans	23	611

3.9 EARNINGS PER SHARE

When calculating the undiluted earnings per share, the earnings attributable to holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares in circulation during the year.

The following table shows the amounts on which the calculation of undiluted (= diluted) earnings per share is based:

	2017	2016
	EUR thousands	EUR thousands
Earnings attributable to holders of ordinary shares of the parent company	3,488	610*

	2017	2016
Weighted average number of ordinary shares**	3,762,548	3,757,548

*Correction in accordance with IAS 8 (see Section 1, error correction in accordance with IAS 8)
**The weighted average number of shares includes the weighted average effect of changes in treasury share transactions during the year.

In the period between the balance sheet date and the approval for publication of the consolidated financial statements, 4,699 (previous year: 7,168) ordinary shares from the share-based remuneration were transferred to the members of the Executive Board and a member of the management team (see also Section 2 and Section 4.7 in this regard).

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1 TANGIBLE AND INTANGIBLE ASSETS

The development of tangible and intangible assets in financial years 2017 and 2016 is presented in the following overview:

Development of consolidated fixed assets and intangible assets 2017

	Procurement and manufacturing costs						
in EUR thousands	01.01.2017	Acquisitions	Additions from external tax audit	Divestments	Transfer postings	Currency translation	31.12.2017
Tangible assets							
Land and buildings	38,920	8	58	0	0	0	38,986
Technical equipment and machines	90,383	1,276	0	560	1,691	0	92,790
Other plant, factory and office equipment	55,292	671	0	12	4	-5	55,950
Advance payments and plants under construction	4,286	1,597	0	0	-1,763	-51	4,069
Total tangible assets	**188,881**	**3,552**	**58**	**572**	**-68**	**-56**	**191,795**
Intangible assets							
Software	4,797	119	0	0	68	0	4,984

Development of the consolidated fixed assets and the intangible assets 2016

	Procurement and manufacturing costs					
in EUR thousands	01.01.2016	Acquisitions	Divestments	Transfer postings	Currency translation	31.12.2016
Tangible assets						
Land and buildings	38,654	119	0	147	0	38,920
Technical equipment and machinery	83,601	6,417	700	1,065	0	90,383
Other plant, factory and office equipment	54,918	427	236	182	1	55,292
Advance payments and plants under construction	3,812	1,886	24	-1,399	11	4,286
Total tangible assets	**180,985**	**8,849**	**960**	**-5**	**12**	**188,881**
Intangible assets						
Software	4,621	172	1	5	0	4,797

Accumulated depreciations							Carrying amounts	
01.01.2017	**Scheduled depreciation**	**Scheduled depreciation /amortisation from external tax audit**	**Impairments**	**Divestments**	**Currency translation**	**31.12.2017**	**31.12.2017**	**31.12.2016**
13,019	770	11	0	0	0	13,800	25,186	25,901
69,444	4,593	0	0	557	0	73,480	19,310	20,939
42,746	2,292	0	0	10	-3	45,025	10,925	12,546
0	0	0	0	0	0	0	4,069	4,286
125,209	**7,655**	**11**	**0**	**567**	**-3**	**132,305**	**59,490**	**63,672**
3,870	423	0	0	0	0	4,293	691	927

Accumulated depreciations						Carrying amounts	
01.01.2016	**Scheduled depreciation**	**Impairments**	**Divestments**	**Currency translation**	**31.12.2016**	**31.12.2016**	**31.12.2015**
12,257	762	0	0	0	13,019	25,901	26,397
65,985	4,072	0	613	0	69,444	20,939	17,616
40,543	2,437	0	236	2	42,746	12,546	14,375
0	0	0	0	0	0	4,286	3,812
118,785	**7,271**	**0**	**849**	**2**	**125,209**	**63,672**	**62,200**
3,456	415	0	1	0	3,870	927	1,165

Scheduled depreciation of tangible assets is predominantly disclosed in the consolidated income statement under cost of sales. Scheduled amortisation of intangible assets is disclosed under general administration expenses.

Tangible assets include, within the framework of financing leases, rented technical equipment and machines in the amount of EUR 1,281 thousand (2016: EUR 1,372 thousand) and other plant, factory and office equipment in the amount of EUR 578 thousand (2016: EUR 209 thousand). Land and buildings with a carrying amount of EUR 2,358 thousand (previous year: EUR 2,358 thousand) serve as senior collateral for two bank loans of the Group.

4.2 OTHER PARTICIPATING INTERESTS

This item materially concerns the participating interest in Meiko Electronics Co. Ltd., Ayase, Japan. This is recognised in the amount of the market value of the shares denominated in JPY (carrying amount as at 31 December 2017: EUR 495 thousand; previous year: EUR 2,254 thousand). In the fourth quarter of 2017, SCHWEIZER and Meiko agreed to significantly reduce the mutual participation of both companies. Under this agreement, SCHWEIZER sold 282,240 shares in Meiko Electronics in December 2017. The resulting profit affecting net income amounted to EUR 4.0 million. At present, SCHWEIZER still holds 31,360 shares in Meiko Electronics Co Ltd.

A participating interest of 1.34 percent is also held in SCHRAMBERGER WOHNUNGSBAU GmbH, Schramberg, which is accounted for at an acquisition cost of EUR 12 thousand (previous year: EUR 12 thousand).

4.3 OTHER FINANCIAL ASSETS

Other financial assets are composed as follows:

	2017	2016
	EUR thousands	EUR thousands
Gebrüder Schmid GmbH	350	3,217
Miscellaneous other financial assets	132	61
Total financial assets	**482**	**3,268**
Non-current	5	5
Current	477	3,263

Miscellaneous other financial assets include positive fair values of foreign currency derivatives in the amount of EUR 39 thousand (2016: EUR 0.4 thousand).

4.4 INVENTORIES

	2017	2016
	EUR thousands	EUR thousands
Raw materials and supplies	5,997	5,021
Unfinished products	5,272	4,380
Finished products	6,462	6,843
Total inventories	**17,731**	**16,244**

Write-downs on inventories recognised as expenses in the reporting period amount to EUR 1,994 thousand (previous year: EUR 1,958 thousand) and are reported under cost of sales. The carrying amount of inventories measured at net realisable value is EUR 4,802 thousand (previous year: EUR 3,908 thousand).

There are no major restrictions on ownership or disposal in respect of the inventories reported in the balance sheet.

4.5 TRADE RECEIVABLES

	2017	2016
	EUR thousands	EUR thousands
Trade receivables	**17,752**	**17,543**

Trade receivables are not interest-bearing and are usually payable in 30 to 90 days.

			Overdue but not impaired				
	Total	Not due	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands
31.12.2017	**17,752**	16,099	1,294	53	132	94	80
31.12.2016	**17,543**	15,838	641	245	426	102	291

As at 31 December 2017, individual valuation allowances existed in the amount of EUR 0 thousand (2016: EUR 98 thousand).

The development of valuation allowances on receivables is as follows:

	2017	2016
	EUR thousands	EUR thousands
Status 1 January	**98**	**102**
Utilised	0	8
Reversed	98	0
Added (charges for valuation allowances)	0	4
Status 31 December	**0**	**98**

4.6 CASH AND CASH EQUIVALENTS

	2017	2016
	EUR thousands	EUR thousands
Bank balances and cash on hand	9,877	4,994
Short-term deposits	417	3,512
Money market funds	998	1,002
Status 31 December	**11,293**	**9,508**

Cash at banks earns interest at variable rates for on-call deposits.

Short-term deposits are made for varying periods of time ranging from one day to three months, depending on the Group's cash requirements. Short-term deposits earn interest at the interest rates applicable to short-term deposits. Since interest rates remain at a low level, the received interest is immaterial.

A money market fund of EUR 998 thousand (2016: EUR 1,002 thousand) is held at Union Investment. This was classified as a cash equivalent as it can be converted into fixed amounts of cash at any time and is only subject to minor value fluctuation risks.

As at 31 December 2017, the Group had access to firmly pledged, non-utilised credit lines in the amount of EUR 9,190 thousand (2016: EUR 9,190 thousand). The credit line relates to Schweizer Electronic AG and EUR 1,000 thousand (2016: EUR 2,000 thousand) to the subsidiaries based in Singapore.

4.7 EQUITY CAPITAL

SCHWEIZER ELECTRONIC AG

As of 31 December 2017, the share capital amounts to EUR 9,664,054 (2016: EUR 9,664,054) and is divided into 3,780,000 (2016: 3,780,000) registered shares (no-par-value shares).

In the 2017 financial year, 6,100 no-par-value shares in Schweizer Electronic AG were acquired from Schweizer Pte Ltd, Singapore, at a price of EUR 23.49 per share, i.e. a total of EUR 143 thousand. This corresponds to an amount of the share capital of EUR 15 thousand or 0.16 percent of the share capital. Of the overall holding of 1,315 shares as at 1 January 2017 and the acquired 6,100 no-par-value shares, 3,887 shares (previous year: 7,168 shares) were granted to members of the Executive Board in the 2017 financial year under a Long Term Incentive Programme (LTIP) as a variable remuneration component. This corresponds to EUR 10 thousand or 0.10 percent of the share capital. The transfer price of EUR 88 thousand was measured on the basis of the listed price. In addition, 812 shares were transferred to a member of the management team at a market price of EUR 17 thousand. This corresponds to a share of EUR 2 thousand or 0.02 percent in the share capital. As at the balance sheet date, Schweizer Electronic AG held a total of 2,716 own no-par-value shares. This corresponds to an amount of the share capital of EUR 7,000 or 0.07 percent of the share capital. The subscribed capital is shown net of the par value of the own shares.

Furthermore, Schweizer Pte. Ltd., Singapore, as a wholly owned subsidiary, holds a total of 13,000 shares (previous year: 19,100 shares) in Schweizer Electronic AG at the reporting date. This corresponds to an amount of the share capital of EUR 33 thousand or 0.34 percent of the share capital.

AUTHORISED CAPITAL

By resolution of the annual general meeting of 1 July 2016 and its entry in the commercial register, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital until 30 June 2021 by up to EUR 4,832,026.93 in total, by issuing new, registered ordinary or preferred shares (no-par-value shares) in return for contributions in cash and/or in kind (authorised capital). This authorisation may be exercised in full or in parts, and on one or several occasion(s). A subscription right is to be granted to the shareholders in this process, which can be excluded, subject to the consent of the Supervisory Board and certain conditions being fulfilled.

CONDITIONAL CAPITAL

Furthermore, the Executive Board is authorised by the resolution of the annual general meeting of 1 July 2016 and its entry in the commercial register, subject to the consent of the Supervisory Board and until 30 June 2021, to issue bearer or registered bonds (convertible bonds, warrant bonds, participation rights, participation bonds or combinations of these instruments) with or without a restriction on maturity up to EUR 35 million and to grant the bearers and/or creditors of convertible or warrant bonds conversion or option rights to new, registered no-par-value shares of the company with a pro-rata amount of the share capital of up to EUR 4,832,026.93 overall. The bonds may be issued in full or in parts, and on one or several occasion(s). A subscription right is to be granted to the shareholders in this process, which can be excluded, subject to the consent of the Supervisory Board and certain conditions being fulfilled.

NOTIFICATIONS OF VOTING RIGHTS

The German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) obliges investors to notify the relevant company if their voting interest in listed companies reaches specified thresholds. Notifications of voting rights for financial year 2017 and later are also published on our website at *www.schweizer.ag/en/investor-relations/corporate-governance.html*.

OWN SHARES

	EUR thousands
Status as at 1 January 2016	**70**
Issuance of shares to the Executive Board	-18
As of 31 December 2016	**52**
Issuance of shares to the Executive Board and one member of the management team	-12
As of 31 December 2017	**40**

Claims for share-based remuneration were met in the following year with the Group's own shares.

CAPITAL RESERVES

The capital reserve concerns premiums in relation to capital increases, share purchases and sales made at Schweizer Electronic AG and transferred own shares. Under the German Stock Corporation Act (Aktiengesetz), the capital reserve is not available for dividend payments.

PROFIT RESERVES

The profit reserves include changeover effects from the first-time preparation of an IFRS consolidated financial statement, as well as undistributed profits and losses generated in previous years by Schweizer Electronic AG and the consolidated subsidiaries, and allocations due to share-based payment transactions settled with equity instruments.

As well as differences arising from currency translation and changes to the fair value of financial assets that are available for sale, this also includes effects of the revaluation of pension obligations less contrary effects from deferred assets. The effect of the currency translation of foreign operations recognised in other comprehensive income, which is to be reclassified in the income statement in the subsequent periods, is comprised as follows:

	2017	2016
	EUR thousands	**EUR thousands**
Currency translation of foreign operations		
Consolidation-related currency effects	309	-542
Reclassification of the currency translation of foreign operations in the income statement	0	-403
Currency translation of joint ventures valued at equity	63	161
Total	**372**	**-784**

DIVIDENDS

In financial year 2017 – as in the previous year – a cash dividend in the amount of EUR 0.65 per share and in a total amount of EUR 2,446 thousand (2016: EUR 2,444 thousand) was distributed to the shareholders of Schweizer Electronic AG with respect to financial year 2016.

The Executive Board proposes a dividend payment of EUR 0.30 (2016: EUR 0.65) per share and EUR 1,129 thousand (2016: EUR 2,446 thousand) for the 2017 dividend payment. The dividend payment for financial year 2017 is dependent on the approval of the annual general meeting of 29 June 2018.

4.8 INFORMATION ON CAPITAL MANAGEMENT

For purposes of capital management, equity includes subscribed capital as well as all other capital reserves attributable to the shareholders of the parent company. The primary objective of the Group's capital management is to maximise shareholder value.

The Group's capital structure is managed and adjusted depending on changes in economic conditions, as well as the agreed requirements. To maintain or adjust the capital structure, the Group may make adjustments to dividend payments to shareholders or make capital repayments to shareholders or issue new shares.

Firstly, the Group monitors its capital based on a debt ratio which corresponds to the ratio of debt to equity. Schweizer focuses on the development of the net gearing ratio. Net gearing is calculated from interest-bearing liabilities less the liquidity portfolio. Schweizer continues to limit the net gearing ratio to a maximum of 150 percent. Secondly, the equity ratio, which corresponds to the ratio of equity to total capital, is used as a control parameter. As a target figure, the company observes a minimum ratio of 35 percent that must not be undershot. A deviation is, however, permitted and is oriented to the actual situation (investment programme, interest rate levels, credit rating factors).

Net gearing ratio as a performance indicator	2017 EUR thousands	2016 EUR thousands
Financial liabilities	7,211	8,556
Less cash and cash equivalents	-11,293	-9,508
Net financial liabilities	**-4,082**	**-952**
Equity capital	62,342	62,082*
Net gearing ratio	-6.5%	-1.5%

* Correction in accordance with IAS 8 (see Section 1, error correction in accordance with IAS 8)

Equity amounted to EUR 62.3 million (2016: EUR 62.1 million*). SCHWEIZER's equity ratio improved by 2.1 percentage points to 54.9 percent (2016: 52.8 percent*) and continued to significantly exceed the minimum equity ratio of 35 to 40 percent.

* Correction in accordance with IAS 8 (see Section 1, error correction in accordance with IAS 8)

4.9 FINANCIAL LIABILITIES

Interest-bearing loans relate exclusively to fixed-interest bank loans with a nominal value of EUR 9,600 thousand (2016: EUR 12,600 thousand) and a carrying amount of EUR 7,211 thousand (2016: EUR 8,556 thousand). The bank loans involve long-term and short-term financial liabilities. The term of the loan extends from 2018 to 2024. With the exception of a loan with a nominal value of EUR 3,000 thousand (carrying amount: EUR 3,000 thousand; 2016: EUR 3,000 thousand), there is collateral in the form of land charges.

The agreed repayments were fixed and cash outflows are not expected to be earlier or higher than agreed. The loan portfolio is reviewed on a weekly basis together with the regular short and medium-term financial planning for the SCHWEIZER Group. The loan exposure is adjusted where necessary.

in EUR thousands	As at 01.01.2017	Cash flow from financing activities	New leases	As at 31.12.2017
Financial loans	7,209	-1,240	0	5,969
Liabilities under finance leases	1,306	0	277	1,583
Non-current financial liabilities	8,515	-1,240	277	7,552
Financial loans	1,347	-106	0	1,242
Liabilities under finance leases	235	-214	52	73
Current financial liabilities	1,582	-320	52	1,315
Total	**10,097**	**-1,560**	**329**	**8,867**

4.10 OTHER FINANCIAL LIABILITIES

	2017	2016
	EUR thousands	EUR thousands
Liabilities under finance leases	1,655	1,541
Derivative financial instruments with negative market value	0	72
Miscellaneous other financial liabilities	74	85
Liabilities from capital repayment	0	2,761*
Total other financial liabilities	**1,729**	**4,459**
Non-current	1,371	1,306
Current	358	3,153

*Correction in accordance with IAS 8 (see Section 1, error correction in accordance with IAS 8)

4.11 PROVISION FOR DEFINED BENEFIT PENSION PLANS

Pension obligations are commitments funded with provisions and are subject to the defined rules of the pension fund and legal requirements. These are benefit commitments that depend on the number of years worked and salary, and provide not only pension but also invalidity and survivors' benefits.

All defined benefit pension plans of the Group are exposed to typical actuarial risks, particularly investment and interest rate risks. The past service costs and net interest on the net liabilities of defined benefit plans are reported in the profit and loss account as personnel expenses in the respective functional areas.

The carrying amount of the defined benefit obligations is determined according to the projected unit credit method using actuarial techniques. For the German companies, the following actuarial assumptions and the 2005 G guideline tables of Prof Klaus Heubeck have been applied:

		2017	2016
Financial assumptions			
Discount rate as at 31 December	%	1.65	1.73
Future pay increases	%	-	-
Future pension increases, executive employees	%	2.50	2.50
Future pension increases, others	%	1.00	1.00
Demographic assumptions			
Age to be expected		RT 2005 G	RT 2005 G
Assumed retirement age, individual commitments	Years	60	60
Assumed retirement age, others	Years	Statutory	Statutory
Fluctuation p.a.	%	2.00	2.00

A salary trend based on future pay increases was not taken into account because, with one minor exception, the employment relationships have already ended.

The net obligations are disclosed in the balance sheet in the amount of EUR 21.4 million (previous year: EUR 21.6 million) and are derived as follows:

	2017	2016
	EUR thousands	EUR thousands
Changes in present value of defined benefit obligations		
Liability from defined benefit obligation as at 1 January	**21,574**	**19,554**
Expenses recognised in profit and loss		
Interest expense	366	446
Current service cost	235	218
Retirement benefits paid	-880	-825
Amounts recognised in other comprehensive income		
Actuarial gains and losses		
Changes in demographic assumptions	0	0
Changes in financial assumptions	252	1,823
Experience adjustments to gains (-)/losses (+)	-175	364
Liability from defined benefit obligation as at 31 December	**21,372**	**21,574**
Benefit commitment amounts recognised in the balance sheet		
Present value of defined benefit obligations	21,372	21,574
Provisions for pensions and similar obligations	**21,372**	**21,574**

The following amounts were recognised in the statement of comprehensive income:

	2017	2016
	EUR thousands	EUR thousands
Effects, statement of comprehensive income		
Current service cost	235	218
Interest expense for defined benefit obligation	366	446
Amounts recognised in the income statement	**601**	**664**
Actuarial gains (-) and losses (+)		
from changes in demographic assumptions	0	0
from changes in financial assumptions	252	1,823
due to experience-based adjustments	-175	364
Amounts recognised in other comprehensive income	**77**	**2,187**
Total (amounts recognised in the statement of comprehensive income)	**678**	**2,851**

The following sensitivity analysis shows how the present value of the obligation would change in the event of a change in the actuarial assumptions. No correlations between the individual assumptions are considered here, i.e. when varying one assumption, the other assumptions remain constant. The projected unit credit method used to determine the carrying values was also used in the sensitivity analysis.

		2017	2016
		EUR thousands	EUR thousands
Sensitivity			
Discount rate	+0.5 %	-1,498	-1,532
Discount rate	-0.5 %	1,687	1,728

In subsequent years, the following maturities of undiscounted payments for pensions are expected:

	2017	2016
	EUR thousands	EUR thousands
Within the next 12 months (next business year)	888	880
between two and five years	3,605	3,565
between six and ten years	4,700	4,688

The weighted average maturity of the defined benefit pension plans at the end of the reporting period is 15.1 years (previous year: 15.3 years).

In the case of defined contribution plans for members of the Executive Board, no further obligations exist beyond remittance of the contributions to the pension fund. The contribution payments are recognised as a personnel expense and for the reporting year amount to EUR 362 thousand (previous year: EUR 415 thousand).

Contributions to statutory pension insurance in the 2017 financial year amounted to EUR 2,875 thousand (previous year: EUR 2,790 thousand).

4.12 OTHER LIABILITIES

	2017	2016
	EUR thousands	EUR thousands
Liabilities from salary and wage accounting	1,735	1,733
Liabilities from other taxes	1,775	1,174
Liabilities relating to social security	28	848
Miscellaneous other liabilities	682	782
Total other liabilities	**4,220**	**4,537**
Non-current	0	0
Current	4,220	4,537

4.13 OTHER PROVISIONS

Other provisions are broken down into the following types of provisions and developed as follows in financial year 2017:

EUR thousands	**Status 1 Jan.**	**Acquisitions**	**Utilised**	**Reversals**	**Interest effect**	**Status 31 Dec.**
Obligations vis-à-vis employees	2,992	2,893	2,659	0	1	3,227
Guarantees	285	0	0	0	0	285
Insurance premiums	260	1	121	140	0	0
Additional provisions	1,366	3,300	990	29	18	3,665
Total	**4,903**	**6,194**	**3,770**	**169**	**19**	**7,177**
Of which current	*4,429*					*6,950*
Of which non-current	*474*					*227*

The obligations vis-à-vis employees include costs for time credit entitlements, profit participations, outstanding holidays and other personnel expenses.

Other provisions include provisions for litigation risks (see Section 4.15, Legal disputes), year-end closing costs and outstanding cost invoices. The increase in other provisions is mainly due to the creation of provisions for litigation risks.

4.14 ADDITIONAL INFORMATION CONCERNING FINANCIAL INSTRUMENTS

The following table shows the reconciliation of the balance sheet items with the classes of financial instruments, divided according to the carrying amounts and fair values of the financial instruments, and the assignment of the balance sheet items to the measurement categories:

		2017		2016	
in EUR thousands	**Measurement category according to IAS 39**	**Carrying amounts**	**Fair value**	**Carrying amounts**	**Fair value**
Assets					
Other participating interests	Available for sale	507	507	2,266	2,266
Trade receivables	Loans and receivables	17,752	17,752	17,543	17,543
Other financial assets					
Derivative financial assets (no hedge relationship)	Held for trading	39	39	0.4	0.4
Other non-derivative financial assets	Loans and receivables	443	443	3,267	3,267
Cash and cash equivalents	Loans and receivables	11,293	11,293	9,508	9,508
Liabilities					
Financial liabilities	Financial liabilities at amortised cost	7,210	7,210	8,556	8,556
Trade payables	Financial liabilities at amortised cost	6,525	6,525	7,355	7,355
Other financial liabilities					
Derivatives with negative market value	Held for trading	0	0	72	72
Leasing liabilities	Non IFRS 7	1,655	1,655	1,541	1,541
Other non-derivative financial liabilities	Financial liabilities at amortised cost	73	73	86	86

The carrying amounts of the financial instruments, aggregated according to the measurement categories of IAS 39 are as follows:

Category	2017	2016
	EUR thousands	EUR thousands
Available for sale	507	2,266
Loans and receivables	29,488	30,318
Financial assets held for trading	39	0
Financial liabilities at amortised cost	13,808	15,997
Financial liabilities held for trading	0	72

The following table shows the net earnings resulting from financial instruments (including interest income and interest expenses):

Category	2017	2016
	EUR thousands	EUR thousands
Available for sale		
Recognised in other comprehensive income	-1,088	1,513
Recognised in the income statement	4,003	0
of which: reclassification from equity into profit or loss	1,359	0
Loans and receivables	-291	-211
Financial assets and liabilities held for trading	109	123
Financial liabilities at amortised cost	-283	-304

The net result from available-for-sale financial assets mainly comprises gains or losses from investments. The net earnings from loans and receivables primarily includes effects from the currency translation and changes in the valuation allowances. The net earnings from financial assets and liabilities held for trading include the effects from the valuation of derivatives at fair value and realised gains and losses of derivative financial instruments. The net earnings from financial liabilities valued at amortised cost predominantly comprise the effects of currency translation and interest expenses.

The interest income achieved on financial instruments accounted for at amortised cost amounted to EUR 207 thousand in the 2017 financial year (previous year: EUR 41 thousand). Interest expenses from such financial instruments amounted to EUR 171 thousand in the financial year (previous year: EUR 228 thousand).

INFORMATION ON MEASURING THE FAIR VALUE

The following table shows the assets and liabilities measured at fair value:

	31 December 2017			31 December 2016		
in EUR thousands	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Derivative financial instruments with positive market value		39			0.4	
Financial assets that are available for sale	495			2,254		
Assets	**495**	**39**		**2,254**	**0.4**	
Derivative financial instruments with negative market value					72	
Liabilities					**72**	

As at 31 December 2017, the derivative financial instruments comprised raw material hedges. The raw material hedges involve commodity derivatives (gold swaps), whereby a fixed price is paid for gold and the bank pays variable amounts. Measurement of the derivatives was based on level 2 input factors using values from active markets for identical assets.

The interest in Meiko Electronics Co. Ltd., Ayase, Japan, is reported on the basis of level 1 in the amount of the market value of the shares and the JPY/EUR exchange rate at the reporting date.

In the case of trade receivables, other non-derivative financial assets and cash and cash equivalents, the carrying amounts correspond to the fair value, due to the predominantly short maturities of these instruments.

In the case of trade payables, other non-derivative financial liabilities and other liabilities, it is assumed, on the basis of the predominantly short maturities, that the carrying amounts of these instruments correspond to the fair values.

The liabilities from finance leases result from lease contracts concluded in business year 2016 and 2017. Due to insignificant deviations from the market and costing interest rate, it is assumed that the carrying amounts correspond to the fair value.

For the equity instruments measured at cost, a reliable determination of the fair value is not possible due to the lack of active markets. This relates to participating interests. It is assumed that the carrying amounts on the balance sheet date correspond to the fair values.

No reclassifications between level 1 and level 2 of the measurement hierarchy took place in the business year.

RISKS IN RELATION TO FINANCIAL INSTRUMENTS

Schweizer is exposed to risks from changes in exchange rates and interest rates and uses standard derivative instruments to a limited extent to hedge risks arising from operating and financing activities. The use of these instruments is governed by Group directives within the risk management system which lay down limits based on the value of the underlying transactions, define approval procedures, prohibit the use of derivative instruments for speculative purposes, minimise credit risks and regulate internal reporting and the segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines and the correct processing and measurement of transactions while observing the segregation of duties. The risk management of financial instruments is also integrated into the Group-wide risk management system.

The risks which are hedged are chiefly as follows:

Commodity price risk:
The Group is exposed to the risk of price fluctuations in its projected purchases of gold salt and raw materials containing gold. The futures contracts do not result in physical delivery of gold, but are designed as cash flow hedges to offset the effects of changes in the gold-price-related raw material prices. The Group has two businesses. The first secures the purchase of 29 troy ounces of gold per month from 18 July 2017 to 31 July 2018. With the second line of business, the company hedges 50 troy ounces per month from 8 December 2017 to 31 December 2018.

If the price of gold were to rise (fall) by 10 percent as at 31 December 2017, earnings before tax would rise by EUR 103 thousand (previous year: EUR 93 thousand) or respectively fall by EUR 103 thousand (previous year: EUR 93 thousand).

Interest rate risks:
In the case of fixed-interest loans or investments, there is a risk that changes in the market interest rate will affect the market value of the item concerned (interest-related price risk). By contrast, variable interest loans and investments are not subject to this risk as the interest rate is adjusted to reflect changes in the market situation with a very short delay. However, the fluctuation of the short-term rate presents a risk in respect of the future interest payment (interest-related cash flow risk).

There are no interest rate risks with our loans, as they have a fixed interest rate.

Currency risks:
Primary financial instruments are held essentially in the functional currency.

Exchange rate differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

If the exchange rate of EUR against major currencies (USD, SGP and CNY) as at 31 December 2017 were to rise (fall) by 10 percent, earnings before tax would fall by EUR 87 thousand (previous year: EUR 642 thousand) or respectively rise by EUR 106 thousand (previous year: EUR 780 thousand*).

*Correction in accordance with IAS 8 (see Section 1, error correction in accordance with IAS 8)

Liquidity risks:
Risks arising from cash flow fluctuations are detected early within the framework of the established liquidity planning system. In view of the good ratings of several banks, as well as the lines of credit pledged by banks, the Group is able to access substantial liquid funds at any time.

In addition, SCHWEIZER holds a liquidity reserve of EUR 5.6 million (2016: EUR 7.2 million), which is covered by part of the deposits and funds and may be used only with the approval of the Supervisory Board and with the bank mandates of the Executive Board.

The financial liabilities have the following maturities:

2017		**up to 3**	**3 to 12**	**1 to 5**	**More than 5**	
	31.12.2017	**Months**	**Months**	**Years**	**Years**	**Total**
	EUR thousands	**EUR thousands**	**EUR thousands**	**EUR thousands**	**EUR thousands**	**EUR thousands**
Financial liabilities						
Repayment	7,210	-336	-905	-3,469	-2,500	-7,210
Interest		-73	-177	-488	-84	-822
Balance	**7,210**	**-409**	**-1,082**	**-3,957**	**-2,584**	**-8,032**
Trade payables	**6,525**	**-1,563**	**-4,962**	**0**	**0**	**-6,525**
Other financial liabilities	**1,728**	**0**	**-358**	**-1,370**	**0**	**-1,728**
Total	**15,464**	**-1,972**	**-6,402**	**-5,327**	**-2,584**	**-16,285**

2016		**up to 3**	**3 to 12**	**1 to 5**	**More than 5**	
	31.12.2016	**Months**	**Months**	**Years**	**Years**	**Total**
	EUR thousands	**EUR thousands**	**EUR thousands**	**EUR thousands**	**EUR thousands**	**EUR thousands**
Financial liabilities						
Repayment	8,556	-337	-1,009	-4,210	-3,000	-8,556
Interest		-47	-129	-456	-156	-788
Balance	**8,556**	**-384**	**-1,138**	**-4,666**	**-3,156**	**-9,344**
Trade payables	**7,355**	**-3,844**	**-3,511**	**0**	**0**	**-7,355**
Other financial liabilities	**1,699**	**-137**	**-256**	**-1,306**	**0**	**-1,699**
Derivatives						
Inflow		112	0	0	0	112
Outflow		-144	-38	0	0	-182
Balance		**-32**	**-38**	**0**	**0**	**-70**
Total	**17,610**	**-4,397**	**-4,943**	**-5,972**	**-3,156**	**-18,468**

Counterparty risks:
Recognisable risks are taken into account through individual valuation allowances; there are no generalised individual valuation allowances. Otherwise, the carrying amount represents the maximum credit risk.

Collateral:
Collateral is provided to banks exclusively in the form of mortgages totalling EUR 17.1 million, of which EUR 4.2 million (2016: EUR 5.5 million) was issued. No further collateral was provided.

4.15 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND LEGAL DISPUTES

CONTINGENT LIABILITIES

Guarantees and other commitments
As at 31 December 2017, there are guaranteed amounts from cooperative shares of Schweizer Electronic AG in the amount of EUR 5 thousand (previous year: EUR 5 thousand).

In financial year 2015, a letter of comfort was issued to a supplier of Schweizer Electronic Singapore Pte Ltd. As at 31 December 2017, liabilities amounting to EUR 275 thousand existed between Schweizer Electronic Singapore Pte Ltd. and the supplier.

Schweizer Electronic AG continues to undertake to meet the obligation arising from a local service agreement between Schweizer Electronic Singapore Pte. Ltd. and the former CEO, if the company is unable to fulfil it punctually and in good time. This agreement is valid as long as financial obligations exist.

Furthermore, Schweizer Electronic AG undertakes to assume liability for the fulfilment of all obligations of Schweizer Electronic Singapore Pte Ltd. if it is not in a position to fulfil them punctually and on time.

Schweizer Electronic AG also undertakes to guarantee the fulfilment of the obligation arising from a local credit agreement between Schweizer Electronic Singapore Pte Ltd., Schweizer Pte Ltd. and a bank in the amount of up to EUR 1,000 thousand if the companies are not in a position to fulfil the obligations arising from the agreement punctually and in good time.

There are no guarantees or other commitments at the level of the subsidiary.

The risk of claims arising from guarantees is deemed to be negligible.

OTHER FINANCIAL LIABILITIES

Obligations arising from operating leases
The Schweizer Group is the lessee within the framework of operating leases for various vehicles and e-bikes. The terms of the leases are between three and five years. Under some leases, the lessee has the option to renew the lease for another three to five year period.

As at 31 December, the following, non-discounted, future minimum lease payment obligations exist under non-cancellable operating leases:

	2017	2016
	EUR thousands	**EUR thousands**
Up to one year	345	322
More than one year and up to five years	810	635
Total	**1,115**	**957**

Obligations arising from finance leases

The Group has concluded a finance lease contract for a combined heat and power unit (CHP), a telephone system and a storage system. The Group's obligations under finance leases are secured by the lessor's ownership of the leased assets. The future minimum lease payments under finance leases can be reconciled with their present value as follows:

	2017			2016		
in EUR thousands	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Up to one year	295	11	284	237	22	215
More than one year and up to five years	951	67	883	736	65	671
Over 5 years	559	71	488	680	25	655
Total	**1,805**	**149**	**1,655**	**1,653**	**112**	**1,541**

Other obligations

Annual payment obligations from maintenance contracts concluded amounted to EUR 571 thousand as of 31 December 2017 (2016: EUR 513 thousand). The annual payment obligations from lease agreements within the framework of operating leases amount to EUR 126 thousand (2016: EUR 172 thousand). The maintenance agreements and the lease agreements end between 2018 and 2020.

The order obligation arising from already awarded investment orders in tangible assets amounted to EUR 3,724 thousand as at 31 December 2017 (2016: EUR 3,118 thousand).

In addition, an agreement was concluded in financial year 2017 which includes the acquisition of a right to use land in China at a purchase price of EUR 548,408 (CNY 4,280,000, translated into EUR at the closing rate on 31 December 2017) by a subsidiary in financial year 2018.

Legal disputes

After unsuccessful arbitration proceedings in 2016, a lawsuit was filed in March 2017 against Schweizer Energy Production Singapore Pte. Ltd. The counterparty, the minority shareholder Darcet Pte Ltd., is claiming payment of USD 5.9 million due to losses suffered by the plaintiff as a result of misrepresentations and the breach of oral agreements regarding the project to produce solar cells in China by 31 December 2016.

In March 2017, an action was filed by Dr Maren Schweizer against Schweizer Electronic AG. The complaint concerns the dismissal by the Supervisory Board of Dr Maren Schweizer as Chair of the Executive Board of Schweizer Electronic AG with immediate effect and the extraordinary termination of the employment contract with effect from 1 February 2017. The claims raised amount to a higher amount in the single-digit millions.

Appropriate provisions have been made in the balance sheet in connection with legal disputes (see also Section 4.13).

The actual outcome of these legal disputes may differ from the current assessment of the Supervisory Board on which the Executive Board's assessment is based. Should the claims asserted prove to be valid, this could have a significant impact on the net assets, financial position and results of operations of the Group.

4.16 INFORMATION ABOUT RELATIONSHIPS WITH RELATED PARTIES

RELATED COMPANIES

Related companies that are controlled by Schweizer Electronic AG or managed jointly with another party are presented in Section 6.5. The business transactions between Schweizer Electronic AG and its subsidiaries were eliminated within the framework of consolidation.

There were no transactions with the joint venture, Meiko Schweizer Electronics Hong Kong Co., in financial year 2017. Accordingly, no expenses or income were incurred from the Group's transactions with the joint venture. Likewise, there were no outstanding balances relating to the joint venture as of 31 December 2017 (previous year: EUR 0 thousand).

RELATED PERSONS

The related persons of the Schweizer Group comprise the members of the Executive Board and the Supervisory Board of Schweizer Electronic AG (see Section 6.4) and their close family relations.

Remuneration for the active members of the Executive Board and the Supervisory Board is comprised as follows:

	2017	2016
	EUR thousands	EUR thousands
Current benefits (without share-based remuneration)	1,266	2,332
Benefits after termination of employment	362	415
Share-based remuneration	210	77
Total	**1,838**	**2,824**

Former members of the Executive Board and the Supervisory Board received remuneration in the amount of EUR 193 thousand (2016: EUR 180 thousand). The pension provisions include a provision in the amount of EUR 6,352 thousand (2016: EUR 6,559 thousand) for former members of the Executive Board and their surviving dependants.
The employees' representatives on the Supervisory Board, who are employed at Schweizer , also received a salary for their activity as employees.

Further disclosures regarding the remunerations of the Executive Board and the Supervisory Board are set out in the Remuneration Report.

OTHER RELATIONSHIPS WITH RELATED PARTIES

Christian Schmid was a member of the Supervisory Board from 4 July 2014 to 7 July 2017. Mr Schmid is managing partner of Gebrüder Schmid GmbH. In the 2017 financial year, tangible assets amounting to EUR 103 thousand (2016: EUR 424 thousand) were purchased from Gebrüder Schmid GmbH up to the date of exit. As at 31 December 2016, there was another financial liability of EUR 2,761 thousand to repay capital to Gebrüder Schmid GmbH. This was fully offset against receivables due from Gebrüder Schmid GmbH in financial year 2017. Other receivables relating to transactions prior to the departure of Mr Christian Schmid from the Supervisory Board amounted to EUR 350 thousand as of the balance sheet date (31 December 2016: EUR 3,217 thousand). In addition, as at 31 December 2017, there were prepayments of EUR 2,364 thousand (31 December 2016: EUR 2,364 thousand) made to this company relating to tangible assets still originating from the period prior to 7 July 2017.

Mr Chris Wu has been a member of the Supervisory Board since 7 July 2017. Mr Wu is President of WUS Printed Circuit (Kunshan) Co. Ltd. from whom goods amounting to EUR 49 thousand were purchased in the 2017 financial year since he joined the Supervisory Board. Liabilities to this company amounted to EUR 18 thousand as of the balance sheet date.

5. EVENTS AFTER THE REPORTING PERIOD

There were no significant reportable events after the balance sheet date.

6. ADDITIONAL INFORMATION IN ACCORDANCE WITH HGB

6.1 DECLARATION IN ACCORDANCE WITH SECTION 161 AKTG WITH REGARD TO THE CORPORATE GOVERNANCE CODE

The Executive Board and the Supervisory Board of Schweizer Electronic AG has issued the declaration for 2017 stipulated in Section 161 AktG and has made this declaration available to shareholders on the company website *www.schweizer.ag/en/home.html*.

6.2 NUMBER OF EMPLOYEES

The average number of employees is:

		2017			2016	
	National	International	Total	National	International	Total
Wage-earning employees	459	7	466	454	-	454
Employees	243	5	248	234	13	247
Number of employees	**702**	**12**	**714**	**688**	**13**	**701**
Trainees	28	0	28	29	-	29
Number of employees (including trainees)	**730**	**12**	**742**	**717**	**13**	**730**

6.3 AUDIT AND CONSULTING FEES

The auditor's fee charged for audit services in the financial year amounts to EUR 509 thousand (of which EUR 130 thousand for the previous year) (previous year: EUR 517 thousand (of which EUR 267 thousand for the previous year)), EUR 5 thousand for other confirmation services (previous year: EUR 0 thousand), EUR 0 thousand for tax consultancy services (previous year: EUR 0 thousand) and EUR 118 thousand for other services (previous year: EUR 86 thousand).

6.4 COMPANY BODIES AND THEIR MANDATES

EXECUTIVE BOARD

The following persons were appointed as members of the Executive Board during this business year:

Nicolas-Fabian Schweizer
Member of the Executive Board, Chief Technology Officer
Responsible for Sales & Marketing, Technology, R&D, Division Systems Embedding, Human Resources, Legal and Media & Communications.

Activities and mandates within the Group:

- Director of Schweizer Pte. Ltd., Singapore
- Supervisor of Schweizer Electronic (Suzhou) Co., Ltd., China
- Supervisor of Schweizer Electronic (Jiangsu) Co., Ltd., China (from 18 December 2017)
- Member of the Executive Board of Unterstützungskasse Christoph Schweizer e.V. (from 8 June 2017)

Other activities and mandates:

- Member of the plenum of IHK Schwarzwald-Baar-Heuberg
- Member of Deutsche Bank AG's Freiburg Regional Advisory Board
- Member of the Advisory Board of WVIB Schwarzwald AG

Marc Bunz
Member of the Executive Board, Chief Financial Officer
Responsible for Operations, Finance & Controlling, Global Supply Chain, Information Systems, Purchasing and Investor Relations.

Activities and mandates within the Group:

- Managing Director of Schweizer Pte. Ltd., Singapore
- Director of Schweizer Electronic (Jiangsu) Co., Ltd., China (from 18 December 2017)
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore
- Member of the Executive Board of Unterstützungskasse Christoph Schweizer e.V.
- Vice President of Meiko Schweizer Electronics Co. Ltd., Hong Kong (from 31 March 2017)

Other activities and mandates:

- Member of the Stock Exchange Council of the Baden-Württembergische Wertpapierbörse
- Member of the Advisory Board of HDI Gerling

Dr Maren Schweizer (appointed until 1 February 2017)
Chief Executive Officer
Responsible for Operations, Sales & Marketing, Global Supply Chain and the Systems Division

Activities and mandates within the Group:

- Managing Director of Schweizer Pte. Ltd., Singapore (since 1 February 2017)
- Managing Director of Schweizer Energy Production Singapore Pte. Ltd.,
- Singapore (until 1 June 2017)
- Managing Director of Schweizer Electronic Singapore Pte. Ltd., Singapore (until 1 February 2017)
- Vice President of Meiko Schweizer Electronics Co. Ltd., Hong Kong (until 31 March 2017)
- Member of the Executive Board of Unterstützungskasse Christoph Schweizer e.V. (until 1 February 2017)

Other activities and mandates:

- Managing Director of Schweizer Aviation GmbH, Schramberg
- Managing Director of Schweizer Air Service GmbH & Co. KG, Schramberg (business closed as of 1 February 2017)
- Managing Director of Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg (in liquidation)
- Board Member of Meiko Electronics Co. Ltd., Ayase, Japan (until 27 June 2017)
- Member of the General Executive Board of ZVEI (until 1 February 2017)
- Member of the Finance and Economic Committee of the German Electrical and Electronic Manufacturers' Association (until 1 February 2017)
- Member of the Advisory Board of HDI Gerling

SUPERVISORY BOARD

The Supervisory Board consists of the following persons:

Michael Kowalski
Chair
Member of the Finance Committee
Consultant, Senior Adviser of mmc Mollenhauer Management Consulting AG, Wiesbaden

Dr Stephan Zizala
Deputy Chair (since 7 July 2017)
Member of the Finance Committee
Vice President & General Manager Business-Line High Power, Automotive Division
Infineon Technologies AG

Christoph Schweizer (until 7 July 2017)
Deputy Chair
Member of the Finance Committee

Managing Director:
- Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg (in liquidation)
- Schweizer Air Service GmbH & Co. KG, Schramberg (business closed as of 1 February 2017)

Karin Sonnenmoser (since 7 July 2017)
Member of the Finance Committee
Chief Financial Officer of Zumtobel Group AG, Dornbirn, Austria (until 9 March 2018)

Other activities and mandates:
- Member of the Supervisory Board of Vivantes–Netzwerk für Gesundheit GmbH, Berlin
- Member of the Supervisory Board of Tridonic GmbH & Co.KG, Dornbirn, Austria

Christian Schmid (until 7 July 2017)
Member of the Finance Committee
Managing Director:
- Gebr. Schmid GmbH, Freudenstadt
- Schmid Technology Systems GmbH, Niedereschach
- Schmid Vacuum Technology GmbH, Karlstein a.M.
- Schmid Technology GmbH, St. Leon-Rot
- Schmid Technology Center GmbH, Dunningen
- Schmid Energy Systems GmbH, Freudenstadt
- Schmid Silicon Technology Holding GmbH, Freudenstadt
- Schmid Verwaltungs GmbH, Freudenstadt

Director/Member of the Board:
- Schmid Systems Inc., Watsonville, USA
- Schmid Thermal Systems Inc., Watsonville, USA
- Schmid Singapore Pte. Ltd., Singapore
- Schmid China Ltd., Hong Kong
- Schmid Shenzhen Ltd., China
- Schmid Zhuhai Ltd., China
- Schmid Asia Ltd., China

Chris Wu (since 7 July 2017)
President of WUS Printed Circuit (Kunshan) Co., Ltd.

Other activities and mandates:
- Director, Biggering (BVI) Holdings Co., Ltd.
- Director, Happy Union Investment Co., Ltd.

Carsten Brudlo*
Manager Surface Finishing, Schweizer Electronic AG, Schramberg

Siegbert Maier*
Member of the Works Council, Schweizer Electronic AG, Schramberg

*) Employees' representative

6.5 SHAREHOLDINGS AS AT 31 DECEMBER 2017

First name	Headquarters	Share of equity (in %)
Fully consolidated subsidiaries		
Schweizer Pte. Ltd.	Singapore	100.0
Schweizer Electronic Singapore Pte. Ltd.	Singapore	100.0
Schweizer Energy Production Singapore Pte. Ltd.	Singapore	93.5
Unterstützungskasse Christoph Schweizer e.V. (Pension fund)	Schramberg, Germany	100.0
Schweizer Electronic (Suzhou) Co., Ltd.	Suzhou, China	100.0
Joint venture, at-equity basis		
Meiko Schweizer Electronics Hong Kong Co., Limited	Hong Kong	31.4
Other participating interests		
Meiko Electronics Co. Ltd.	Ayase, Japan	0.1
SCHRAMBERGER WOHNUNGSBAU GmbH	Schramberg, Germany	1.3

In addition, Schweizer Electronic (Jiangsu) Co. Ltd. was founded in December 2017 as a wholly owned subsidiary of Schweizer Electronic AG. No equity contributions had been made by the reporting date and the company is not yet operating.

Schramberg, 10 April 2018

Schweizer Electronic AG

The Executive Board

N. F. Schweizer M. Bunz

INDEPENDENT AUDITOR'S REPORT

To SCHWEIZER ELECTRONIC AG, Schramberg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP STATUS REPORT

Audit opinions

We have audited the consolidated financial statements of SCHWEIZER ELECTRONIC AG, Schramberg, and its subsidiaries – comprising the Consolidated Balance Sheet as at 31 December 2017, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity for the financial year from 1 January 2017 to 31 December 2017 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group status report, which has been combined with the status report, of SCHWEIZER ELECTRONIC AG, Schramberg, for the financial year from 1 January to 31 December 2017.

In our opinion based on the findings of our audit

- the enclosed Consolidated Annual Financial Statements are in compliance with IFRS as applicable in the EU and the supplementary provisions under commercial law pursuant to Section 315e (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group as at 31 December 2017 and its earnings situation for the financial year from 1 January 2017 until 31 December 2017 in accordance with these requirements and
- the accompanying Group status report provides a suitable understanding of the Group's position. In all the material aspects, this Group status report is consistent with the consolidated financial statements, complies with German law and suitably presents the opportunities and risks of future development.

In accordance with Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any objections against the correctness of the consolidated financial statements and the Group status report.

Basis for the audit opinions

We conducted our audit of the Consolidated Annual Financial Statements and the Group status report in accordance with Section 317 HGB, EU Auditor Regulation (No. 537/2014; hereinafter "EU-APrVO") and the German generally accepted accounting standards laid down by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer – IDW). Our responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and Group status report" of our audit opinion. We are independent of the Group company in accordance with European and German commercial and professional legal regulations and have met our other German professional duties in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) Letter f) of the EU-APrVO (EU Regulation on the Preparation of Financial Statements) that we have not provided any prohibited non-audit services pursuant to Article 5 (1) of the EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and Group status report.

Particularly important audit issues in the audit of the consolidated financial statements

Particularly significant audit issues are those which, in our opinion and due discretion, were most significant to our audit of the consolidated financial statements for the financial year from 1 January 2017 to 31 December 2017. These issues have been considered in connection with our audit of the consolidated financial statements as a whole and in forming our opinion thereon; we do not express a separate opinion on these issues.

In the following, we describe what we consider to be particularly important audit issues:

1) Valuation of provisions for litigation risks

Reasons for determining this as a particularly important audit issue

The Group is being sued by a former member of the Executive Board and a co-shareholder of a subsidiary in Singapore. In the case of the former member of the Executive Board, the lawsuits relate to the dismissal by the Supervisory Board as Chair of the Executive Board and the extraordinary termination of the employment contract with effect from 1 February 2017 and, in the case of the co-shareholder of a subsidiary, claims arising from losses suffered at the joint associated company.

In these lawsuits, payment claims are raised by the co-shareholder to a mid-single-digit amount in the millions and by the former Executive Board member to a higher single-digit amount in the millions. In view of the amount of the claims, their significance for the presentation of a true and fair view of the net assets and financial position of the Group, and the fact that the amount of the provisions depends on the discretion of the legal representatives, the provisions for litigation risks are to be regarded as a particularly important audit issue.

Audit procedure and significant findings

As part of our audit, we discussed the individual lawsuits with the Executive Board, the Chair of the Supervisory Board and the employees responsible for legal matters. In addition, in order to assess the outcome of the legal proceedings, we obtained the opinion of the attorneys responsible for the legal proceedings and the local auditor of the subsidiary, as well as the cost calculation for assessing the amount of the provisions. Our audit procedures did not give rise to any material objections to the measurement of provisions for litigation risks.

Reference to related information

SCHWEIZER ELECTRONIC AG has made disclosures in Section 2 and Section 4.15 of the notes to the consolidated financial statements in order to assess the provisions for litigation risks and to indicate the level of litigation risks.

2) Recognition and measurement of deferred tax assets

Reasons for determining this as a particularly important audit issue

Schweizer conducts its business in countries with various local tax laws. The recognition of deferred tax assets on valuation differences and on loss carryforwards was a particularly important issue in the context of our audit, as it requires a high degree of discretionary decisions, estimates and assumptions by the legal representatives. This relates in particular to the recoverability of deferred tax assets on valuation differences and on loss carryforwards. The recoverability of deferred tax assets is based on the assessment of their usefulness based on future taxable income. In this respect, the legal representatives make estimates with regard to the economic development of the Group companies, which are subject to discretionary powers.

Audit procedure and significant findings

We have called in internal tax experts to assist in assessing deferred taxes. We have dealt with the processes set up by the legal representatives, reviewed domestic tax values on the basis of tax assessments and the confirmation from the external tax consultant, taken random samples to examine the identification, completeness and correct quantification of deviations between the recognition and measurement of assets and liabilities in accordance with tax regulations and IFRS accounting, and comprehended the calculation of deferred taxes and the application of the applicable tax rate.

In the course of our audit procedures for assessing the recoverability of deferred tax assets, we examined on a test basis whether the tax plans were derived correctly from the corporate planning drawn up by the legal representatives. Furthermore, we have evaluated the assumptions of the tax planning of the respective company from the perspective of the taxable income generated in the past.

Our audit procedures did not give rise to any material objections to the measurement of deferred taxes.

Reference to related information

With regard to the procedure regarding deferred taxes, SCHWEIZER ELECTRONIC AG provides a report in the notes to the consolidated financial statements inter alia in Section 2 and in Note 3.8.

Miscellaneous information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the legal representatives are responsible for the miscellaneous information. The miscellaneous information comprises the components provided for in the Annual Report, of which we received a version by the time this audit opinion was issued, in particular the sections Non-Financial Statement (Group), Responsibility Statement and Corporate Governance Report and Corporate Governance Statement. In addition, the miscellaneous information includes the other components of the Annual Report that are expected to be made available to us after our audit opinion has been issued, in particular the sections Key Figures IFRS, Companies and Information.

Our opinion on the consolidated financial statements and Group Management Report does not extend to miscellaneous information, and accordingly we do not express an audit opinion or any other form of conclusion on such information.

In connection with our audit, we have the responsibility to read the miscellaneous information and, in doing so, to assess whether the miscellaneous information

- is materially inconsistent with the consolidated financial statements, Group status report or the findings of our audit, or
- otherwise appears materially misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group status report

The legal representatives are responsible for the preparation of the consolidated financial statements in accordance with IFRSs as adopted by the EU and the additional requirements of German law pursuant to Section 315e Para. 1 HGB and for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls they have determined as necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether intentional or not.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, where relevant, matters relating to the continuation of the company's activities. In addition, they are responsible for accounting on the basis of the going concern accounting principle, unless there is the intention to liquidate the Group or to discontinue operations or there is no realistic alternative.

The legal representatives are responsible for the preparation of the combined status report, which as a whole provides a suitable view of the Group's position, is consistent in all material respects with the consolidated financial statements, complies with German law and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a Group status report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the Group status report.
The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group status report.

Responsibility of the auditor for the audit of the consolidated financial statements and Group status report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether intended or not, and whether the Group status report as a whole provides a suitable view of the Group's position and is in accordance, in all material respects, with the consolidated financial statements and the findings of our audit, complies with the requirements of the German legal regulations and suitably presents the opportunities and risks of future development, and to issue an audit report that includes our audit opinions on the consolidated financial statements and Group status report.

Sufficient assurance is a high degree of certainty, but no guarantee that an audit conducted in accordance with Section 317 HGB and the EU-APrVO in accordance with the generally accepted standards for the audit of financial statements laid down by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements may result from infringements or inaccuracies and are considered material if it could reasonably be expected that they will influence the financial decisions of the users of these financial statements, made individually or collectively on the basis of these consolidated financial statements and Group status report.

During the audit, we exercise due discretion and maintain a critical attitude. In addition

- we identify and assess the risks of material misstatements, whether intentional or not, in the consolidated financial statements and Group status report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis for our audit opinion. The risk that material misrepresentations are not detected is higher in the case of violations than in the case of inaccuracies, since violations may involve fraudulent interaction, forgery, intentional incompleteness, misleading representations or the repeal of internal controls;

- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the precautions and measures relevant to the audit of the Group status report for planning audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;

- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives;

- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, based on the evidence obtained, whether there is a material uncertainty in connection with events or circumstances that could raise significant doubts about the Group's ability to continue its activities as a going concern. If we conclude that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and the status report in our audit report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of evidence obtained by the date of our audit opinion. However, future events or circumstances may prevent the Group from continuing its business activities;

- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying business transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB;

- we obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the combined status report. We are responsible for the management, supervision and execution of the audit of the consolidated financial statements. We bear the sole responsibility for our audit opinions;

- we assess the consistency of the combined Group status report with the consolidated financial statements, its compliance with the law and the picture it conveys of the Group's position.

- we perform audit procedures on the forward-looking statements presented by the legal representatives in the Group status report. On the basis of sufficient suitable audit evidence, we follow up on the significant assumptions underlying the future-oriented statements made by the legal representatives and assess the appropriate derivation of the future-oriented statements from these assumptions. We do not express an independent opinion on these forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those responsible for monitoring, inter alia, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system, which we identify during our audit.

We make a statement to those responsible for the monitoring that we have complied with the relevant independence requirements and discuss with them all the relationships and other matters that can reasonably be expected to affect our independence and the safeguards taken to that end.

From the matters that we have discussed with those responsible for supervision, we determine those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and which are therefore particularly important audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions exclude public disclosure of the facts.

Miscellaneous legal and other legal requirements

Other disclosures in accordance with Article 10 of the EU-APrVO

We were elected as Group auditors by the annual general meeting on 7 July 2017. We were appointed by the Supervisory Board on 2 November 2017. We have been the Group auditors of SCHWEIZER ELECTRONIC AG without interruption since the 2015 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee under Article 11 of the EU-APrVO (Audit Report).

In addition to auditing the financial statements of the Group companies, we provided the following services that were not disclosed in the consolidated financial statements or in the Group status report:

- Advice on accounting and governance issues
- Services in connection with enforcement procedures
- Statutory sector-specific audits
- Audit services not required by law in relation to financial information

Responsible auditor

The auditor responsible for the audit is Dr Eckart Wetzel.

Villingen-Schwenningen, 11 April 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr Wetzel	Pfeifer
Auditor	Auditor

DECLARATION BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group status report, that is combined with the status report of Schweizer Electronic AG, includes a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Schramberg, 10 April 2018

The Executive Board

N.-F. Schweizer M. Bunz

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT AND CORPORATE GOVERNANCE STATEMENT

The principles of responsible and good corporate governance determine the activities of the management and control bodies of the Schweizer Group and Schweizer Electronic AG. In this statement, the Executive Board reports on corporate governance in accordance with Section 289f in conjunction with Section 315d of the HGB. At the same time, the Executive Board and Supervisory Board report on the corporate governance of the company in accordance with item 3.10 of the German Corporate Governance Code.

Schweizer Electronic AG is a listed company in accordance with German law and therefore has a dual management system, comprising the Executive Board and the Supervisory Board.

The Executive Board of Schweizer Electronic AG and the management of the Group subsidiaries lead the company in accordance with the statutory provisions, the articles of association and the rules of the Board.

The Supervisory Board monitors, advises and supports the Executive Board in its activities. The rules of both Boards regulate aspects such as this cooperation. With the German Corporate Governance Code, a standard for the transparent control and management of companies was established, which is focussed particularly on the interests of the shareholders. Many of the corporate governance principles in the GCGC have been complied with for quite some time already.

Compliance

Compliance with legal regulations, internal company guidelines and ethical principles is indispensable and a matter of course for Schweizer.

The Executive Board fosters a corporate culture in which reliability, honesty, credibility and integrity are the cornerstones of actions.

In the context of the established risk management system, the Executive Board not only ensures that existing legal regulations and company guidelines and principles are complied with, but also provides for an environment in which any risks are identified at an early stage and measures are taken, thereby guaranteeing lawful conduct and minimising risks. Directives on competition law, insider regulations, fair competition, foreign trade legislation, export controls and the avoidance of corruption are made available to employees and form part of the corporate processes. Besides the general conditions of purchase, the existing supplier guidelines and evaluations, as well as the Conflict Minerals Policy, form the basis for a responsible supply chain.

Periodic evaluations of specific compliance risks are carried out using checklists, the necessary measures are taken and verified by certification companies.

Information on the implementation of the CSR Guidelines Implementation Act can be found in the Non-Financial Statement as separate chapter of the Annual Report 2017 and are provided on the website *www.schweizer.ag/en/about-us/corporate-social-responsibility.html*.

The Declarations of Compliance made by Schweizer Electronic AG have been made available to all interested parties on the company web page *www.schweizer.ag/en/investor-relations/corporate-governance.html*.

The Executive Board and the Supervisory Board addressed the recommendations and suggestions of the German Corporate Governance Code once again in the 2017 financial year.

COMPLIANCE DECLARATION PURSUANT TO § 161 STOCK CORPORATION ACT

(Aktiengesetz)
(Status: December 2017)

The Executive Board and Supervisory Board of Schweizer Electronic AG (hereinafter "Company") make the following compliance declaration pursuant to § 161 Stock Corporation Act with respect to the recommendations of the "Government Commission for the German Corporate Governance Code" and will ensure that this is published on the Company's homepage. The Executive Board and Supervisory Board of Schweizer Electronic AG made the last compliance declaration pursuant to § 161 Stock Corporation Act in May 2017. The following declaration refers to the recommendations of the German Corporate Governance Code ("Code") in its version of 7 February 2017 which was published in the Federal Gazette on 24 April 2017 and corrected on 19 May 2017.

The Executive Board and Supervisory Board of Schweizer Electronic AG declare that the recommendations of the Code have been complied with since the last compliance declaration was submitted in May 2017, except for the following points:

Code No. 4.2.2: No. 4.2.2 para. 2 sentence 3 of the Code recommends that the Supervisory Board shall consider the ratio of Management Board remuneration to the remuneration paid to the senior management and entire staff, including its development over time when determining the total remuneration for the Management Board members. The Supervisory Board, as in the past, has not fully complied with this recommendation, even when concluding the new director's service contracts in June 2017. When concluding the director's service contracts, the Supervisory Board, in compliance with the requirements of the Stock Corporation Act, did ensure that the total emoluments granted to Executive Board members do not exceed the usual remuneration without special reasons. However, the Company deviates to the extent that the Code specifies this review of vertical appropriateness of the Management Board remuneration, which is required under the Stock Corporation Act as well, and sets out in detail relevant comparison groups and the timescale for the comparison. The Supervisory Board considers hat the requirements of the recommendation are too vague. In particular, the Supervisory Board lacks specific indications of how to separate upper management from lower management and relevant staff from irrelevant staff. It is also unclear which timescale and which perspective are to be considered in the "development over time". The Supervisory Board thus maintains that the previously recognised measures used to determine Executive Board remuneration are sufficient to guarantee adequate total remuneration of Executive Board members.

Code No. 4.2.3: No. 4.2.3 para. 2 sentence 8 of the Code recommends that subsequent amendments to the performance targets or comparison parameters shall be excluded with regard to variable remuneration components. This recommendation has not been complied with. The remuneration provisions which are applicable at present and in the future stipulate that in the event of exceptional developments carried out by the Company (such as e.g. reorganisation measures, repurchase of shares, acquisition and/or sale of companies and operations, realisation of hidden reserves) that have a significant impact on the achievability of the target figures of the intended variable remuneration, the Supervisory Board is entitled to unilaterally adjust the terms of the contract and other variable remuneration parameters. The Executive Board and Supervisory Board consider that such a provision makes sense and is required to reasonably neutralise the consequences of such exceptional developments. The recommendation in 4.2.3 para. 4 sentence 1 when concluding director's service contracts to ensure that payments made to an Executive Board member on premature termination of the contract, including fringe benefits, do not exceed the value of two years' remuneration (severance pay cap) and compensate no more than the remaining term of the contract, has not been complied with. The director's service contracts of the Executive Board members of Schweizer Electronic AG do not contain such a provision. The Executive Board and Supervisory Board consider that such a provision does not make sense as even in this case an Executive Board member could refuse to give his consent to the termination of activity on the Executive Board and could insist on payment of his remaining claims under the director's service contract. We are also convinced that the Supervisory Board will sufficiently bear the Company's interests in mind when negotiating with an Executive Board member who is prematurely leaving the Company and will not grant an unreasonable severance payment. Thus, the recommendation in 4.2.3 para. 4 sentence 3 (severance pay cap) is not complied with.

No. 4.2.3 para. 5 of the Code recommends that benefit commitments made in connection with the early termination of a Management Board member's activity due to a change of control (Change of Control) shall not exceed 150% of the severance cap valued at two years' remuneration (i.e. a total of three years' remuneration). This recommendation has not been complied with. Until midnight on 30 June 2017, an Executive Board member of Schweizer Electronic AG under the director's service contract was entitled in the event of early termination of his activity due to a change of control to a severance payment which was not limited to three years' remuneration. The Executive Board and Supervisory Board considered that such a limit would have restricted Schweizer Electronic AG or its Supervisory Board in the selection of suitable candidates for a position on the Executive Board as in some cases higher benefit commitments made in connection with the early termination of an Executive Board member's activity due to a change of control are demanded than are recommended in No. 4.2.3 para. 5 of the Code. With effect from 1 July 2017 both Executive Board members under the director's service contract are entitled, in the event of early termination of their activity due to a change of control, to a severance payment which is limited to three years' remuneration, so the recommendation in No. 4.2.3 para. 5 is basically complied with. However, the annual remuneration will not be calculated – as stipulated in the Code – on the basis of the total remuneration for the past financial year and if appropriate also on the basis of the expected total remuneration for the current financial year. Instead, the calculation will be based on the average total remuneration of the last three financial years before the director left the Company. The Executive Board and Supervisory Board consider that calculating the severance cap on the basis of the average of several years of annual remuneration is more meaningful and appropriate than on the basis of the total remuneration of only the past financial year and possibly the current financial year. In the light of this, as a precautionary measure we declare a deviation from No. 4.2.3 para. 5 of the Code in conjunction with No. 4.2.3 para. 4 sentence 3 of the Code for the period from 1 July 2017.

Code No. 5.1.2: No. 5.1.2 para. 2 sentence 3 of the Code recommends that an age limit is specified for the members of the Management Board. This recommendation has not been complied with. The Executive Board and Supervisory Board maintain that it does generally not make sense to specify an age limit for members of the Executive Board. Instead, what is important is competence, expertise and experience which do not depend on age.

Code No. 5.3.1, 5.3.2 and 5.3.3: The Company has neither the Audit Committee recommended in 5.3.2, nor the Nomination Committee recommended in 5.3.3. The Supervisory Board does not think it makes sense or is necessary to set up such committees at a company the size of Schweizer Electronic AG with a Supervisory Board of only six members. The tasks assigned to the Audit Committee and the Nomination Committee and the other tasks dealt with by the Supervisory Board can be easily dealt with by the Supervisory Board as a whole, provided they have not been passed on to the existing personnel and financial committee of the Supervisory Board. The only committee which exists is the personnel and financial committee of the Supervisory Board. Owing to the size of the Company and the size of the Supervisory Board of Schweizer Electronic AG, the Supervisory Board considers that it does not make sense and it is not necessary to set up any other committees. By setting up the personnel and financial committee, the Supervisory Board has therefore satisfied the recommendation in No. 5.3.1 sentence 1 of the Code (the forming of committees of members with relevant specialist expertise depending on the specific circumstances of the Company and the number of its members). As an utmost precaution, we declare a deviation from this recommendation of the Code.

Code No. 5.4.1: No. 5.4.1 para. 2 sentences 1 and 2 of the Code recommend that the Supervisory Board shall determine concrete objectives regarding its composition including an age limit for members of the Supervisory Board and a regular limit to Supervisory Board members' term of office. These recommendations have not been complied with. The Supervisory Board considers that it does not make sense to generally determine an age limit for members of the Supervisory Board. Instead, what is important is competence, expertise and experience which do not depend on age. The Supervisory Board has therefore not specified an age limit when determining specific objectives regarding its composition. The Supervisory Board does not consider it expedient to set a limit for the length of time served on the Supervisory Board. Those Supervisory Board members affected by such a limit have in-depth knowledge of the Company and long-standing experience from which the Company profits. Another term of office should therefore always be decided on a case-by-case basis.

No. 5.4.1 paras. 6 to 8 of the Code recommend that in its election proposals the Supervisory Board shall disclose to the General Meeting the personal and business relationships of every candidate with the company, the governing bodies of the company and any shareholders with a material interest in the company. This recommendation has not been complied with as the Supervisory Board considers that requirements of the Code with regard to the reporting duty are vague and not clearly defined. In the light of this, such reporting does not make sense.

Code No. 5.4.6: No. 5.4.6 para. 2 sentence 2 of the Code recommends that any performance-related remuneration granted to Supervisory Board members shall be linked to sustainable growth of the company. This recommendation has not been complied with as the performance-related remuneration granted to Supervisory Board members is linked to the dividends paid out for the respective financial year. The Executive Board and Supervisory Board consider that by linking performance-related remuneration to dividends the Supervisory Board is acting with the appropriate responsibility required to sustain growth at the Company and under the existing remuneration provision there is adequate incentive for Supervisory Board members when exercising their office to focus on the long-term and successful development of the Company.

Code No. 7.1.2: No. 7.1.2 sentence 3 of the Code recommends that the consolidated financial statements and group management report are made publicly accessible within 90 days from the end of the financial year. This recommendation has not been complied with. Compliance with the 90 day period is not possible owing to the time involved in preparing the consolidated financial statement and group management report. However, the consolidated financial statement and group management report have been disclosed within the statutory period.

Schramberg, December 2017
Schweizer Electronic AG
Executive Board Supervisory Board

THE STRUCTURE OF THE COMPANY MANAGEMENT AND MONITORING IS AS FOLLOWS:

Shareholders and annual general meeting

Shareholders in Schweizer Electronic AG exercise their rights at the annual general meeting of the company, which takes place in the first eight months of the financial year. The Chair of the Supervisory Board presides over the annual general meeting. The annual general meeting decides on all the tasks assigned to it by the law.

It is the goal of Schweizer to make it as easy as possible for shareholders to participate in the annual general meeting, which is why all documents necessary for participation are published online in advance. A proxy is named for the shareholders for the annual general meeting; this proxy can exercise their voting rights according to their instructions.

Supervisory Board

Under the Articles of Association, the Supervisory Board of Schweizer Electronic AG is made up of six members, of whom two are elected by the company employees in accordance with the provisions of the law with respect to the German One-Third Employee Representation Act (Drittelbeteiligungsgesetz) and the remaining four by the annual general meeting. All the members of the Supervisory Board have been elected until the annual general meeting in 2019.

Targets for the composition and competence profile for the Supervisory Board

On 19 June 2017, taking into account the recommendations of the German Corporate Governance Code, the Supervisory Board decided on the targets for its composition, including a competence profile for the entire body. According to the decision, the composition of the Supervisory Board of Schweizer Electronic AG should be such that qualified control of and advice to the Executive Board is ensured by the Supervisory Board.

The candidates proposed for election to the Supervisory Board should be in a position, based on their knowledge, skills and experiences, to carry out the tasks of a Supervisory Board member in an international company and to preserve the company‘s public reputation. In this respect, the personality, loyalty, commitment and professionalism of the person proposed for election should be taken into account in particular.

The aim is to have on the Supervisory Board as a whole all the knowledge and experience that are regarded as significant given the activities and business fields of SCHWEIZER. Among other things, this includes knowledge and experience in the areas of general business management, corporate strategy and management, technology, production and sales, finance (including accounting), human resources and law (including compliance and supervisory law). Should new appointments need to be made, care must be taken to determine which of the desired knowledge and skills should be strengthened.

The Supervisory Board decided on the following objectives to be achieved when constituting the board:

- a minimum of one seat on the Supervisory Board for persons that particularly embody the criterion of internationality (for example, through foreign nationality, relevant experience abroad or relevant experience in international business);

- not more than two seats on the Supervisory Board for persons who undertake an advisory function or executive body function for customers, suppliers, lenders or other business partners of Schweizer Electronic AG; this will limit potential conflicts of interest on the Supervisory Board;

- a minimum of three seats on the Supervisory Board for independent members of the Supervisory Board in terms of Code No. 5.4.2, i.e. a minimum of one seat on the Supervisory Board for independent shareholder representatives and a minimum of two seats on the Supervisory Board for independent employee representatives (the Supervisory Board estimates that employee representatives will in principle be independent members of the Supervisory Board);

- a minimum of one seat on the Supervisory Board to be occupied by a woman.

Implementation of targets and fulfilment of the competence profile

In its current composition, the Supervisory Board meets all the aforementioned targets regarding composition and fulfilment of the competence profile. The Supervisory Board as a whole has all the technical and personal qualifications regarded as required and is familiar with the business fields of SCHWEIZER. The Supervisory Board‘s diversity is appropriate. The objective of having one female Supervisory Board member has been met since 7 July 2017 with the election of Ms Karin Sonnenmoser (CFO of Zumtobel Group AG) to the Supervisory Board and Finance Committee.

In addition, the Supervisory Board has an appropriate number of independent members. In the assessment of the Supervisory Board, it should have at least three independent Supervisory Board members, of whom at least one shareholder member is independent. In the assessment of the Supervisory Board, it currently has two independent shareholder representatives, Mr Michael Kowalski and Ms Karin Sonnenmoser.

Information on the members of the Supervisory Board regarding the existing Personnel and Finance Committee and the activities and mandates carried out by the members can be found in the notes to the annual financial statements and at *www.schweizer.ag/en/about-us/supervisory-board.html*.

The Chair and Vice-Chair of the Supervisory Board are elected from among the members of the Supervisory Board.

The Supervisory Board appoints the members of the Executive Board. It monitors and advises the Executive Board in the leadership of the company. The key decisions made by the Executive Board require the approval of the Supervisory Board. The Supervisory Board meets at least four times a year and meets without the Executive Board if required.

There is also a Personnel and Finance Committee consisting of three members of the Supervisory Board, the Supervisory Board Chair and two other shareholder representatives. The committee chair subsequently informs the Supervisory Board plenum of the consultations and resolutions of the committee. The Supervisory Board adopts the financial statements, approves the consolidated financial statements and appoints the auditor. Further details can be found in the Supervisory Board Report.

The Remuneration Report provides information on the essential features of the Supervisory Board remuneration system.

D&O insurance with an excess has been concluded for the Supervisory Board.

Executive Board

As a governing body of the Group, the Executive Board is committed to serving the company's interests and increasing its value in a sustainable manner. The Executive Board develops the strategic direction of the company, consults on and agrees same with the Supervisory Board and ensures its implementation. The Executive Board ensures appropriate risk management and controlling in the company. The Executive Board leads the company under its own responsibility. The body comprised three members until 1 February 2017 and since then has had two members. Further information regarding the areas of responsibility and resumes of the Executive Board members can be found on the company's website at *www.schweizer.ag/en/about-us/executive-board.html*.

The Executive Board informs the Supervisory Board regularly, promptly and comprehensively with regard to all relevant issues regarding strategy, planning, business development, risk situation, risk management and compliance.

The Remuneration Report provides information on the essential features of the Executive Board remuneration system.

D&O insurance with an excess has been concluded for the Executive Board.

Diversity

As an international company, diversity and intercultural collaboration are essential factors of our business success. Diversity is firmly anchored in our corporate strategy. The term "diversity" incorporates diversity regarding cultural origin, religion, ethnic background, age, gender and sexual orientation as well as differences regarding professional background, experience and ways of thinking.

According to the recommendations of the German Corporate Governance Code, the Executive Board should take care to observe diversity when appointing managers in the company and thereby, in particular, aim for appropriate consideration of women. The Supervisory Board should also ensure diversity in the composition of the Executive Board. The same applies to the composition of the Supervisory Board. Pursuant to the German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector, Schweizer Electronic AG – a listed company and subject to the German One-Third Employee Representation Act – is obligated to set its own targets for the proportion of women in its management positions.

The diversity concept pursued with respect to the composition of the executive bodies of Schweizer Electronic AG provides that the Supervisory Board observes diversity as a whole in the composition of the Executive Board in addition to the professional competence, experience and leadership quality of the candidates and, in doing so, aims for an appropriate percentage of women. When evaluating potential candidates for appointment to vacant Executive Board positions, qualified women are included in the selection process and considered appropriately. Adequate diversity is also observed with respect to the composition of the Supervisory Board. According to the targets set by the Supervisory Board for the percentage of women on the Supervisory Board, at least one seat on the Supervisory Board should be reserved for women. When selecting members of the Executive Board or Supervisory Board, criteria such as professional and social competence, international experience and suitability in terms of character are primary considerations. In addition, when considering the composition of the Executive Board and Supervisory Board, a balanced age structure is observed without a fixed age limit being set. Newly appointed members of executive bodies should have an appropriate educational background for the respective position. Executive Board members should have many years of professional experience in industries relevant to the company.

The objective of the diversity concept is to gain the most suitable candidates from a professional and personal point of view for a mandate as Executive Board and Supervisory Board members of the company as well as for all leadership positions and thereby strive for a diverse composition. Overall, the executive bodies should have a variety of professional and cultural backgrounds and international experience. The diversity concept is implemented such that, when considering potential candidates for an appointment to the Executive Board or Supervisory Board, the mentioned criteria of the diversity concept are taken into account appropriately in the selection process at an early stage.

In financial year 2017, the implementation of the diversity concept already started was consistently continued: In the annual general meeting 2017, Ms Karin Sonnenmoser and Mr Chris Wu were elected as members of the Supervisory Board with the result that the targets set by the Supervisory Board for the proportion of women on the Supervisory Board have since been reached and that, in addition, the criterion of internationality required by the Supervisory Board was met.

Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector

The German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector, which entered into force on 1 May 2015, prescribes a minimum quota of 30% for men and women (referred to as the gender quota) on the Supervisory Boards of listed companies subject to parity codetermination. For companies such as Schweizer Electronic AG that are publicly listed or subject to codetermination (including under the One-Third Employee Representation Act [Drittelbeteiligungsgesetz]), an obligation has been introduced whereby they themselves must set targets for the proportion of women on the Supervisory Board and Executive Board and at the two highest management levels. The company has to observe a “no deterioration” rule.

In June 2015, for the percentage of women on the Supervisory Board and Executive Board, the Supervisory Board determined that at least one seat on the Supervisory Board and at least one Executive Board position should be reserved for women. The stipulated targets were to be achieved by 30 June 2017. The target set for the percentage of women on the Supervisory Board was not achieved during the reference period. Since Ms Kristina Schweizer left the Supervisory Board in September 2015, there have been no women on the Supervisory Board. When filling the vacant Supervisory Board mandate, the Supervisory Board proposed to the annual general meeting the replacement member elected until then, Dr. Stephan Zizala, in order to further strengthen the market and technology competence of the Supervisory Board on the basis of his broad industry experience in the semiconductor and automotive sectors. At the same time, Ms Karin Sonnenmoser was proposed as a replacement for a Supervisory Board member. The two candidates were elected as a Supervisory Board member and replacement member at the annual general meeting held on 1 July 2016. Since the election of Ms Karin Sonnenmoser as a Supervisory Board member during the annual general meeting held on 7 July 2017, the Supervisory Board again has a female member. The target set for the percentage of women on the Executive Board was not achieved during the reference period. Since Dr. Maren Schweizer left the Executive Board on 1 February 2017, there have been no women on the Supervisory Board. The Supervisory Board has not made any decision regarding a potential addition to the Executive Board since that time.

In June 2015, for the percentage of women at the main management level below the Executive Board, the Supervisory Board stipulated that at least one position on this management level should be filled by a woman. This target was to be achieved by 30 June 2017. A second management level below the Executive Board is not defined as such at Schweizer Electronic AG. The target set for the percentage of women at the main management level below that of the Executive Board was achieved by 31 May 2017. When reviewing potential successor candidates for the position on this management level that became vacant since the departure of Ms Simone Brisach in May 2017, qualified women were included in the selection process. Due to organisational changes, professional suitability, experience and leadership quality, the vacant position was filled internally by Mr Martin Graf, previously Head of HR Management.

For the period from 1 July 2017, for the percentage of women on the Supervisory Board, the Supervisory Board stipulated that at least one seat on the Supervisory Board should be filled by a woman. At the time the new target was determined, there were no women on the Supervisory Board. The Supervisory Board has set a target of zero for the percentage of women on the Executive Board for the period from 1 July 2017. At the time the new target was determined, there were no women on the Executive Board. Both of the new targets should be achieved by 30 June 2022.

From 1 July 2017, for the percentage of women on the main management level below the Executive Board, the Supervisory Board stipulated that at least one position on this management level should be filled by a woman. This target should be reached by 30 June 2022. At the time the new targets were stipulated, the main management level below the Executive Board comprised employees who reported directly to the Executive Board and comprised a total of nine persons. A second management level below the Executive Board is not defined as such at Schweizer Electronic AG. When the new target was stipulated, no position on the main management level below that of the Executive Board was filled by a woman.

Accounting and financial statement audit

Since the 2015 financial year, consolidated financial statements have been prepared in accordance with IFRS guidelines. The annual financial statements of Schweizer Electronic AG are prepared in accordance with HGB guidelines. The consolidated financial statements and the annual financial statements are produced by the Executive Board, checked by the auditor and approved and adopted by the Supervisory Board. The consolidated financial statements and the annual financial statements are published within four months of the end of the financial year.

It has been agreed with the auditor, Ernst & Young GmbH – a Stuttgart-based audit firm – that the Chair of the Supervisory Board shall immediately be informed of key issues that surface during the audit. The auditor reports on all issues and occurrences that are of essential importance to the tasks of the Supervisory Board that are revealed by the financial statements audit – reporting immediately to the Chair of the Supervisory Board. In addition, the Chair shall be informed if the auditor identifies facts that result in inaccuracy with respect to the Declaration of Compliance submitted by the Executive Board and the Supervisory Board in accordance with Section 161 of the German Stock Corporation Act (AktG). The auditor participates personally in the Supervisory Board meetings at which the consolidated financial statements and the annual financial statements are approved and adopted.

Transparency

SCHWEIZER attaches particular importance to ensuring consistent, comprehensive and timely information. The business situation and the results are reported in the annual report, at the Analyst Conference, in the quarterly reports and in the half-yearly financial report.

Information is also communicated via press releases and ad hoc disclosures. All reports and disclosures are available at *www.schweizer.ag/en/investor-relations.html*. Queries are dealt with by the Investor Relations and Communications department.

Acquisition and sale of company shares

In accordance with Article 19 of Regulation (EU) No. 596/2014 on market abuse, members of the Executive Board and the Supervisory Board are statutorily obliged to disclose the acquisition or sale of shares of Schweizer Electronic AG or related derivatives or other associated financial instruments, where the value of the transactions made by the affected member or related persons reaches a total volume of EUR 5,000 within one calendar year. The dealings reported to Schweizer Electronic AG during the last financial year were duly disclosed and can be viewed on the company's web page at *www.schweizer.ag/en/investor-relations/corporate-governance/directors-dealings.html*.

Schramberg, 13 April 2018

The Executive Board	The Supervisory Board
Nicolas-Fabian Schweizer Vice-Chair of the Executive Board	Michael Kowalski Chair of the Supervisory Board

INFORMATION

FINANCIAL GLOSSARY

AktG
Abbreviation for the "Aktiengesetz", which is the German Stock Corporation Act.

Incoming orders
Total value of all orders (reduced by cancellations) received by the company from its customers in the corresponding accounting period.

Book-to-bill ratio
Ratio of orders taken to turnover within a specified period. A book-to-bill ratio of more than 1.0 indicates that incoming orders in the business year were higher than turnover.

Cash flow
Any excess of receipts over payments for a company, which is variably determined depending on the size of the payments under consideration.

Corporate governance
Refers to the responsible management and control of a company, aligned towards long-term value creation. The German Corporate Governance Code Governmental Commission compiles the relevant standards and integrates them in the Corporate Governance Code.

D&O insurance
Abbreviation for director and officers insurance. D&O insurance is professional liability insurance for bodies, such as management and supervisory boards, and executive employees.

Derivative financial instruments
Derivative financial instruments are used to insure against and minimise interest rate and/or currency risks due to fluctuations in the exchange rate or market interest rate.

EBIT
Abbreviation for earnings before interest and taxes and/or EBITDA ./. Depreciation of tangible and intangible assets.

EBITDA
Abbreviation for earnings before interest, taxes, depreciation and amortisation or operating results before financial result, taxes and depreciation.

EVA®
Abbreviation for Economic Value Added®. Indicator used in the context of a comprehensive performance measurement and value creation concept.

Equity ratio
Calculated as the ratio of total equity to total assets.

EPS
Abbreviation for earnings per share, calculated by dividing the annual net income of the company by the number of shares.

Free float
Proportion of the share capital not in the permanent possession of specific shareholders, but that are in free float.

General Standard
One of three regulated market transparency levels from which a company can choose for its listing on the stock exchange. Issuers in the general standard fulfil the high transparency standard of the regulated market, without having a specific international orientation. The general standard is primarily suitable for medium and large companies focused primarily on domestic investors.

HGB
Abbreviation for "Handelsgesetzbuch", which is the German Commercial Code.

Investment grade
Securities and issuers whose credit risk is considered to be relatively low fall under the category "Investment Grade".

Investment ratio
The ratio of investments made to generated EBITDA.

IFRS/IAS
Abbreviation for International Financial Reporting Standards. The internationally accepted accounting standards ensure the comparability of consolidated financial statements. The individual standards of the IFRS are referred to as IAS (International Accounting Standards), while the newer standards are referred to as IFRS.

ISIN
Abbreviation for International Security Identification Number. Used to clearly identify securities internationally.

Joint venture
Cooperation between two or more partner companies, in which the partners remain legally autonomous.

Cash flow statement
Analysis of the development of liquid funds/flow of payments under consideration of the source and use of funds.

Consolidation
Within the consolidated financial statement, it is necessary to consolidate the shareholding relationships that exist between the Group companies. Here, the carrying amount of the participating interest is offset against the proportionate equity capital amounts of the subsidiaries.

Deferred taxes
Payable or recoverable income taxes that result from the difference between the values stated in the tax and commercial balance sheets.

LTIP
Abbreviation for Long Term Incentive Programme. Remuneration components with long-term incentive component and a proportion of risk in the form of a "share matching" plan.

NOPAT
Abbreviation for Net Operating Profit After Taxes. This key figure provides the net profit based on the premise of complete equity financing.

Net gearing
Interest-bearing liabilities after allowing for liquid assets and current financial assets.

Net gearing ratio
(Interest-bearing liabilities after allowing for liquid assets and current financial assets) /equity capital

Prepayments and accrued income
Payments that have already been made or received in advance in the reporting period, but relate to a period after the reporting date.

Provisions
Payments or depreciations in value for later periods recognised as expenditure in the accounting period, the level and/or time of which is not fixed on the reporting date, but which is reasonably certain to occur.

Scorecards
Instrument for the measurement, documentation and control of a company's activities.

Treasury
Treasury means financial management and is part of the finance area. The goal of treasury and its management instruments is to optimise a company's liquidity and profitability.

Cost-of-sales method
Procedure for the income statement to determine the success of the relevant period, whereby expenses are split into functional areas (manufacturing, administration, sales). The sales revenue is only set against the manufacturing costs that were responsible for the sales.

WACC
Abbreviation for Weighted Average Cost of Capital.

WKN
Abbreviation for "Wertpapier-Kenn-Nummer", the German securities code, which uniquely identifies securities in Germany. In international transactions, the German securities code number is replaced by the ISIN.

Working capital
The difference between current assets and current liabilities. This is calculated by deducting current liabilities from current assets (excluding cash and cash equivalents).

TECHNOLOGY GLOSSARY

Embedding technology
Technology for the integration of active and passive components in PCBs.

FR4 Flex
3D PCB with a bending radius of up to 180°.

High-frequency application
In this case, in the 24 GHz and 77 GHz range. These are radar applications in vehicles.

i^2 Board technology
Integration of semiconductors as well as passive components in PCBs.

Inlay solution
Inlay is a solid copper layer that is embedded in the PCB using a special technique. The inlay is form-fitted in a resin composite.

KoRRund
The name of this research project stands for "Conforming multistatic radar configurations for all-round visibility in automated driving".

Power electronics
The conduction of high currents and/or heat dissipation.

Power semiconductor
Power semiconductors offer almost unlimited freedom in shaping the flow of electrical energy. Their advantage is that they can switch extremely fast – typically within a split second – between the "open" and "closed" states. By using fast on/off pulses, virtually any form of energy flow can be produced.

PCB
Printed Circuit Board – a carrier for electronic components. PCBs are used to link active, passive and electromechanical components as well as connectors. Depending on the technological requirements, PCBs are available in a variety of formats. They offer a range of technological possibilities, which can be combined with one another in a modular manner.

NTI
NT Information Ltd. (Published by PCB expert Hayao Nakahara).

p^2 Pack technology
Innovative technology for the manufacture of power modules.

Prismark
Market research institute

SiC
SiC stands for silicon carbide.

Single-board solution
Combination of two different PCBs and technologies into a single PCB.

SiP
Systems in package. Alternative to classic "Motherboard Embedding". In this instance, modules with different functions are installed on a base PCB or substrate.

Smart battery switch
A semiconductor switch that reversibly switches off the on-board voltage in a vehicle. In the event of a fault (e.g. accident), it disconnects the battery from the on-board power supply of a vehicle in order to eliminate possible short circuits and the associated fire hazard. The battery voltage can also be disconnected during the transfer of a vehicle (e.g. ship transport).

Smart PVI box
The name stands for the BMBF funding project Smart Photovoltaic Inverter Box - Smart PVI Box.

Stage Gate® process
The Stage Gate model is a model for optimising innovation and development processes. The Stage Gate® process divides a development project into a number of individual sections and gates.

VoLiFa
Translated from German, the name of the research project stands for "Fully adaptive light distribution for intelligent, efficient and safe vehicle lighting".

"Wide Band Gap" semiconductor
Power semiconductors based on gallium nitride.

ZVEI
Zentralverband Elektrotechnik- und Elektronikindustrie e.V. [German Electrical and Electronic Manufacturers' Association].

FINANCIAL CALENDAR

Date	Publication/event
20.04.2018	Financial Statements for 2017
08.05.2018	Report for the 1st quarter 2018
08.05.2018	Analyst Conference
29.06.2018	Annual general meeting
04.07.2018	Planned dividend payment date
10.08.2018	Half-yearly Financial Report as per 30/06/2018
09.11.2018	Report for the 3rd quarter 2018

These dates and potential updates are also detailed on our website at *www.schweizer.ag/en/investor-relations/financial-calendar.html*.

LEGAL NOTICE

Schweizer Electronic AG
Einsteinstrasse 10
78713 Schramberg
Germany
Tel.: +49 7422 512-0
Fax: +49 7422 512-397
www.schweizer.ag

In this report, Schweizer Electronic AG is also referred to as Schweizer.
In this report, Meiko Electronics Co., Ltd. is also referred to as MEIKO.
In this report, WUS Printed Circuit (Kunshan) Co., Ltd. is also referred to as WUS.
In this report, Elekonta Marek GmbH & Co. KG is also referred to as Elekonta.
All figures are rounded, which can lead to minor deviations when these are added up.
For reasons of simplicity and brevity, the gender-neutral form is used throughout this document for the inclusion of both female and male designations.

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SAFE HARBOUR STATEMENT

This communication contains forward-looking statements and information; that is statements about events that lie in the future, not the past. These forward-looking statements can be identified by formulations such as “expect”, “wish to”, “anticipate”, “propose”, “plan”, “believe”, “seek to”, “estimate”, “become” or similar terms. While such forward-looking statements represent our current expectations and particular assumptions, they are subject to various risks and uncertainties. A number of factors, many of which are outside the control of Schweizer, have an impact on Schweizer’s business activities, strategy and results. These factors could cause the actual results and performance of the Schweizer Group to differ materially from the information on results and performance made explicit or implied in these forward-looking statements. On our part these uncertainties arise in particular due to the following factors: changes to the overall economic and business position (including margin developments in the major divisions), challenges posed by the integration of important acquisitions and the implementation of joint ventures and other major portfolio measures, changes to exchange and interest rates, the introduction of competing products or technologies by other companies, failure to find acceptance of new products and services among Schweizer’s target client groups, changes to the business strategy and various other factors. Should one or more of these risks or uncertainties be realised or should it become apparent that the underlying assumptions were incorrect, this could cause the actual results to differ materially both in a positive and negative sense from the results referred to in forward-looking statements as expected, anticipated, proposed, planned, projected or estimated. Schweizer does not obligate itself and does not intend to revise or correct these forward-looking statements in light of developments which differ from those anticipated.

Schweizer Electronic AG
Einsteinstraße 10
78713 Schramberg
Postfach 561
78707 Schramberg
Germany