ANNUAL REPORT 2022

FINANCIAL CALENDAR

Date	Veröffentlichung/Veranstaltung
April 28, 2023	Annual financial report 2022
May 10, 2023	Announcement 1st quarter 2023
June 27, 2023	Annual General Meeting
August 04, 2023	Half-yearly financial report as at June 30, 2023
November 03, 2023	Announcement 3rd quarter 2023

These dates and potential updates are also detailed on our website at
https://schweizer.ag/en/investor-relations/financial-calendar.html

KEY FIGURES

Overview of consolidated results (in million EUR)	2022	2021[6)]	Change in %
Revenues	131.0	122.7	+6.8
Order book	234.4	191.8	+22.2
Incoming orders	166.3	175.2	-5.1
EBITDA[1)]	-12.3	-9.8	-24.8
EBITDA ratio (%)	-9.4	-8.0	-1.4pp
EBIT[2)]	-24.5	-21.2	-15.6
EBIT ratio (%)	-18.7	-17.3	-1.4pp
Annual result	-33.5	-27.6	-21.5
EPS (EUR)	-7.85	-7.31	-7.4
Cash flow from operating activities	-3.6	-12.7	+71.9
	Dec 31, 2022	**Dec 31, 2021[6)]**	
Total assets	160.3	180.9	-11.4
Investments[3)]	11.7	17.9	-34.6
Equity	-8.8	8.3	>-100
Equity ratio (%)	-5.5	4.6	-10.1pp
Net gearing ratio (%)[4)]	n/a (neg. EK)	959.2	
Working Capital	-1.6	8.8	>-100
Employee (at year end)[5)]	934	1091	-14.4

(1) EBITDA: Total operating profit + other operating income ./. material costs ./. personnel costs ./. other operating costs
(2) EBIT: EBITDA ./. Depreciaton of tangible and intangible assets
(3) Investments according to statement of development of consolidated fixed assets and intangible assets
(4) Net gearing ration: The ratio of interest-bearing liabilities after allowing for liquid assets and short-term financial assets to equity
(5) Including temporary staff
(6) Correction according to IAS 8

All figures are rounded individually, which may lead to deviations when these are added up.

MORE THAN PCBs

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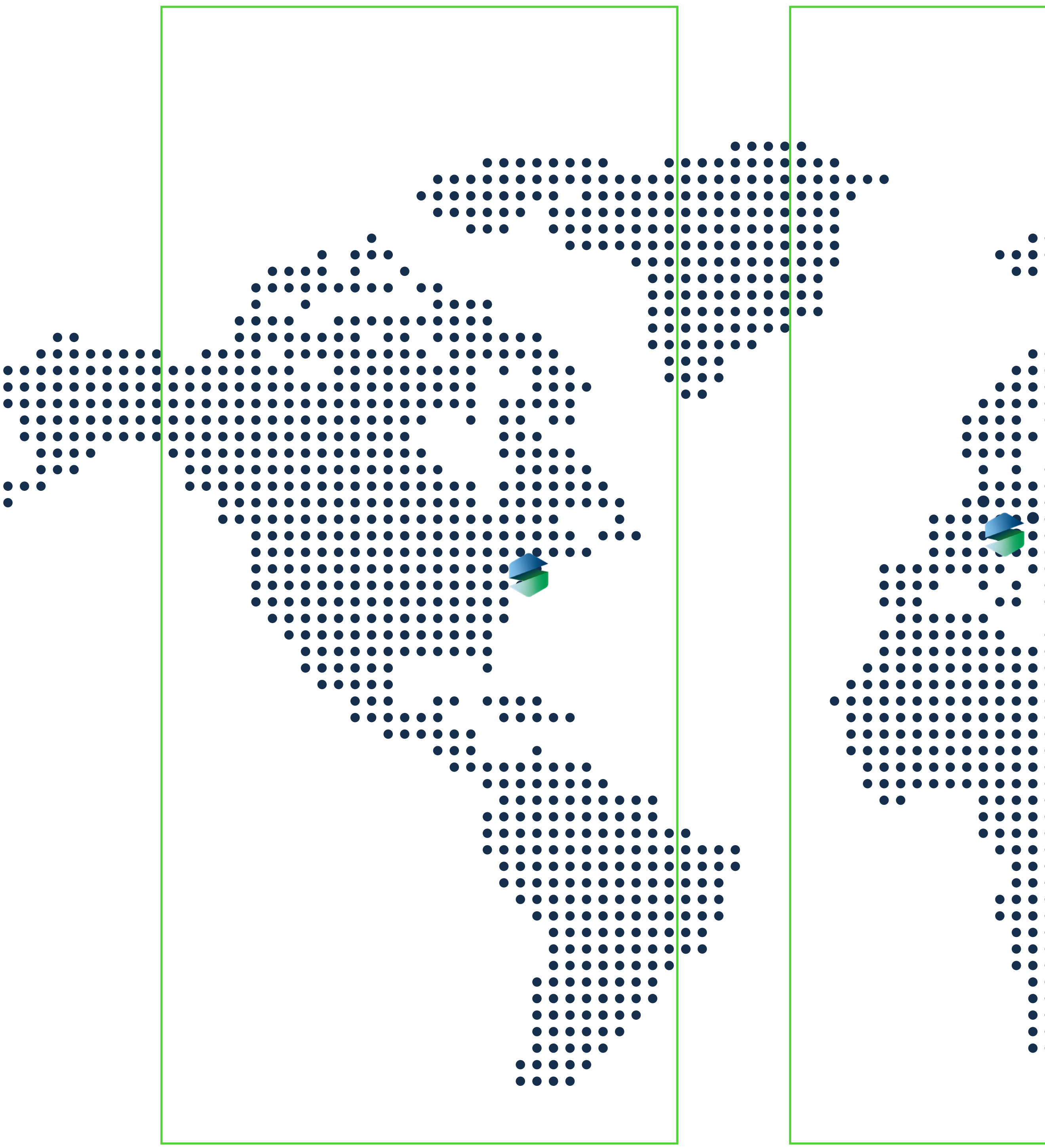
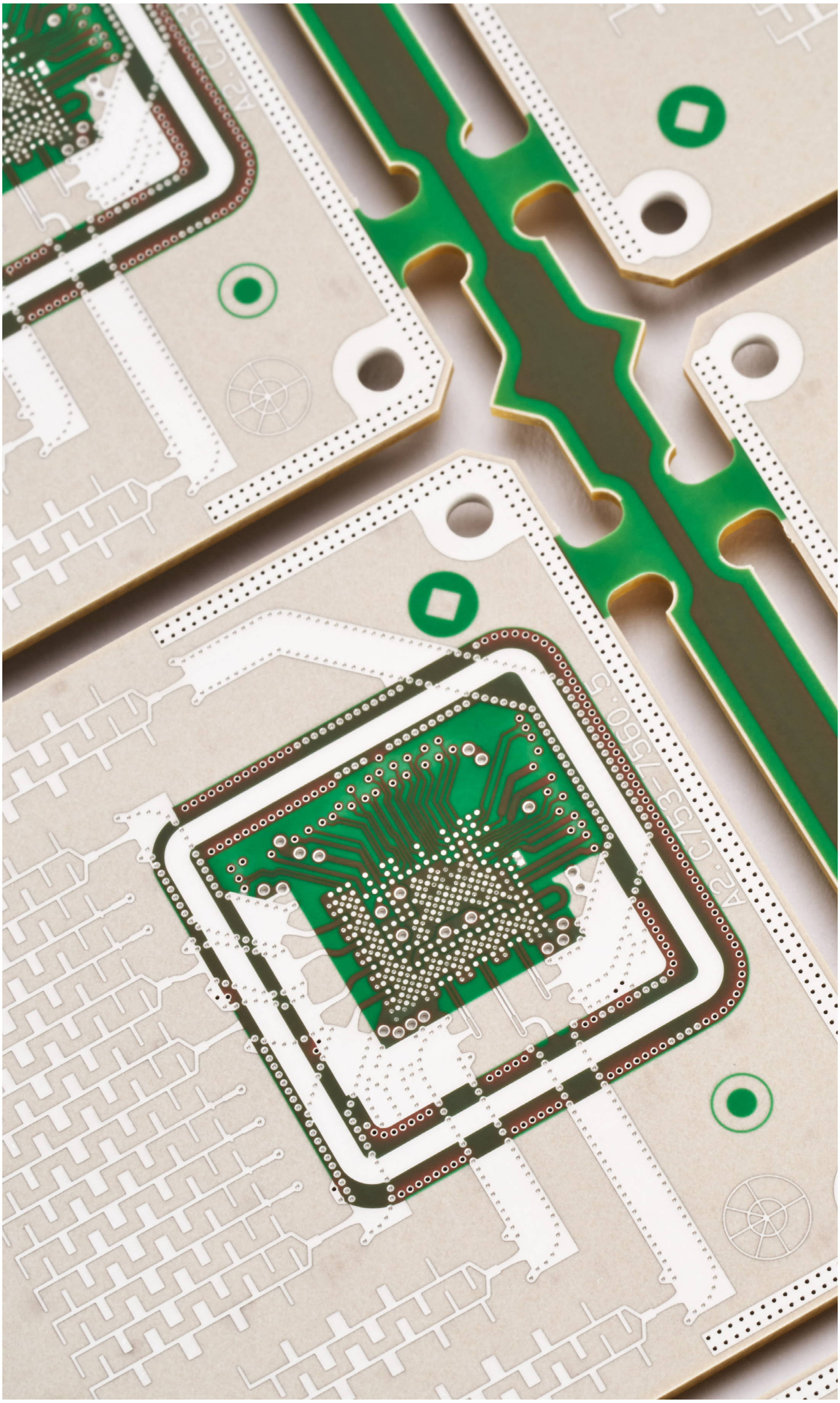
SCHWEIZER WORLDWIDE

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FURTHER DEVELOPMENT OF OUR GROWTH STRATEGY

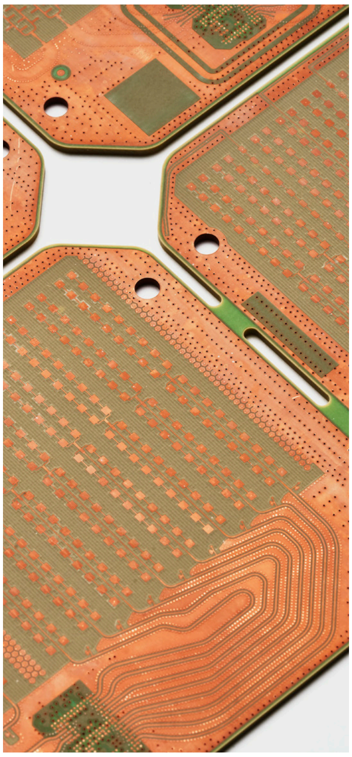
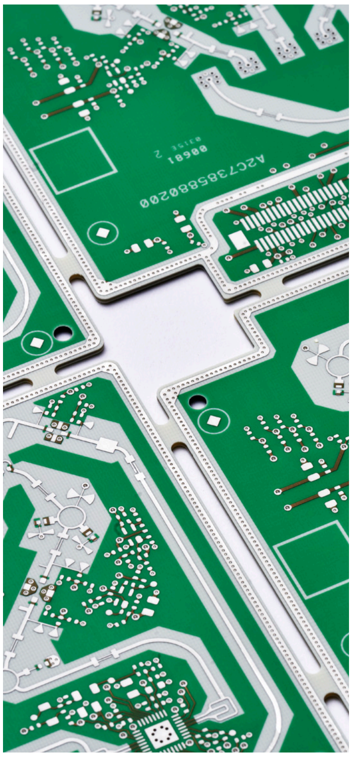
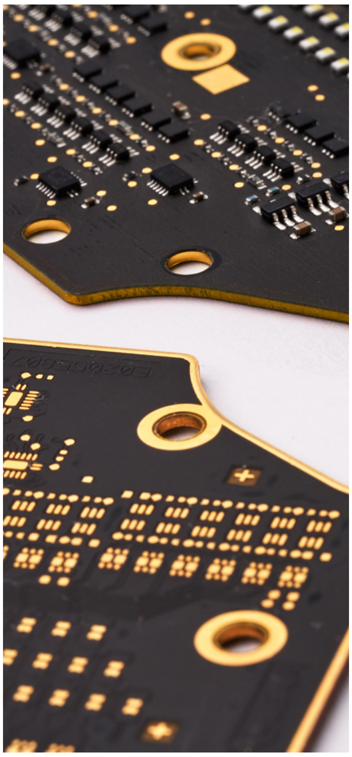
Energy efficiency in e-mobility, sensor solutions for smart driver assistance systems and higher requirements in power electronics continue to be strong market drivers for innovative, high-technology printed circuit boards in our core markets, automotive and industry.

In order to be able to better use these developments, Schweizer is continuing on the growth path it has taken together with the establishment of Schweizer Electronic (Jiangsu) Co., Ltd. ("SEC"), adapting its global market approach and significantly expanding its offering on the market.

With the restructuring of the business in China by issuing the majority in SEC to our long-standing partner, WUS Printed Circuit (Kunshan) Co. Ltd. ("WUS"), Schweizer is heading into the future stronger. The WUS Group from Taiwan is one of the world's largest suppliers of printed circuit boards (PCBs) and has been Schweizer's most strategically important since as far back as 2014, and now also holds a direct stake in Schweizer Electronic AG. With the change in ownership structure, SEC will also continue to be an essential part of the Schweizer Group strategy. For this purpose, we are collaborating intensively with WUS in terms of technology in order to drive the production of chip embedding (p^2 Pack) and technologically advanced PCBs for Schweizer forward.

Irrespective of the changed ownership structure of SEC, this allows Schweizer to offer high-tech products from SEC in China to customers in the future, in addition to offering these products from the German production site.

Furthermore, we are expanding our long-term sales and production collaboration with WUS to the entire product range of WUS. In the area of high-frequency PCBs, Schweizer already achieves almost 30 percent of Group sales on this basis.

The offering on the market, products from Germany and China and their combination for scale effects will continue unchanged, be strengthened and consistently expanded to almost all volume and technology classes for PCBs.
On the whole, for Schweizer this reorientation means transitioning from a growth strategy based on in-house production to a new market approach based on the "fab light" concept.

As a reliable partner, Schweizer offers the production of PCBs and embedding solutions according to the specifications and requests of the customer from in-house production in Germany and partner products in Asia. In doing so, Schweizer supports the entire product life cycle, from the prototype stage to mass production.

The focus here is on finding holistic solutions to the customer's problem – from technical advice on design, layout and cost optimisation to the co-development of sophisticated technologies – whether the company's own production plant in Germany is used or those of partner plants in Asia.

At the same time, there was even great focus on the development of new high-tech PCBs and embedding technologies together with the R&D centres of well-known OEM and ODM customers, leading technology companies, development partners in the chip industry, research institutes and international tertiary institutions.

Comprehensive worldwide consulting and services from a single source by local experts in Germany, France, China, Singapore and the US as well as tailor-made solutions for global supply chain management supplement the offer.

Schweizer also continues to rely on the Schramberg production site to follow the trend of increased value creation locally and supply chain security and to also be able to provide services for larger, technically sophisticated volumes from Europe.

Schweizer aligns its regional growth even more clearly on this basis.

On the Chinese market, we will pursue a close collaboration with WUS in order to benefit from WUS' exceptionally good network in particular in the area of mobility. With this, we expect our p² Pack technology to gain greater visibility and penetration in the dynamically growing e-mobility market in China.

In Europe and North America, Schweizer aims to penetrate the mobility market even further based on the expanded offer portfolio and to capture new market segments in the area of industry, medical technology and aerospace.

The further development of our market approach (fab light), the more intense cooperation with WUS and our partner network, an expanded product range as well as strong proprietary technologies for PCBs and embedding in the area of power electronics and sensors will make an important contribution to the continuation of our growth strategy.

DECOUPLING, SUPPLY CHAIN SECURITY AND DATA SECURITY

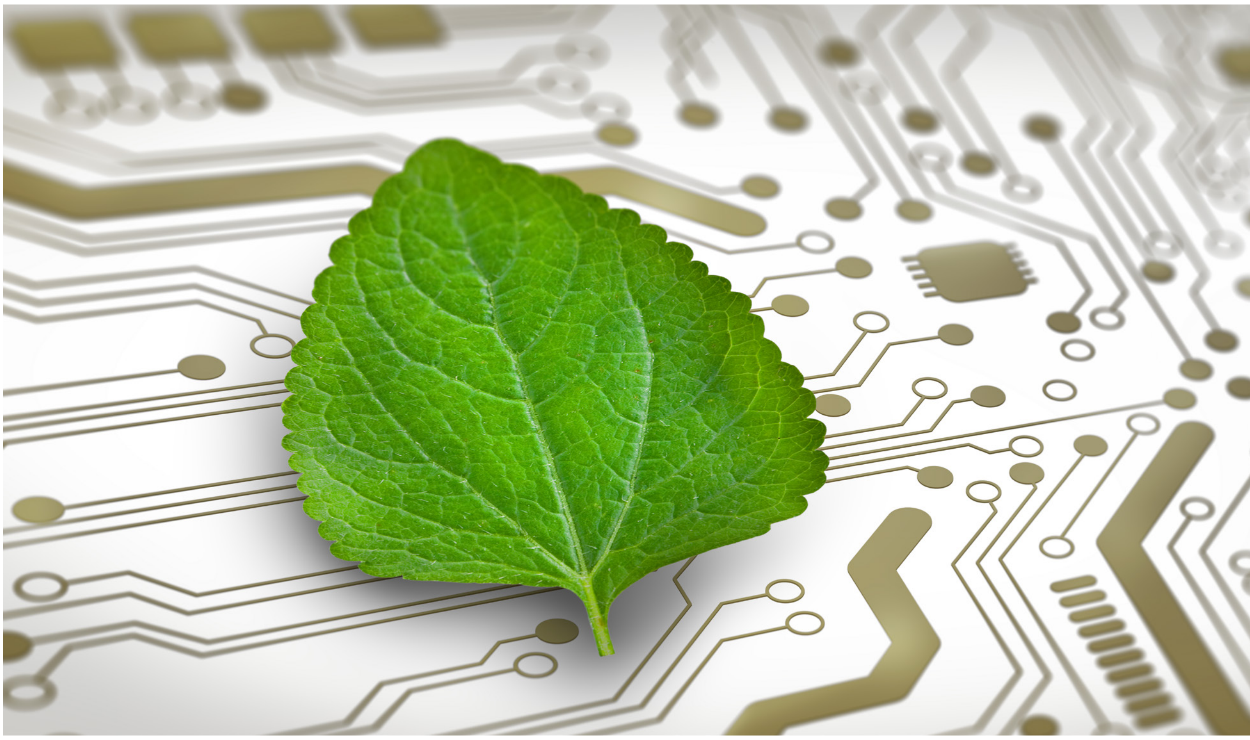
In recent decades, China has developed to become the most important procurement market for PCBs and electric components in the global electronics industry. In a parallel development, the strong internationalisation and networking of the German and global economy has created a high level of dependency on stable supply chains worldwide.

The pandemic, geopolitical tensions and trade sanctions have resulted in significant disruptions to these supply chains. This increasingly induces companies to reduce their dependency on China as a procurement market.

Schweizer supports the reorientation of the purchasing strategy of global customers and securing the supply chains through its unique positioning.

As an operator of the largest PCB factory in Europe, we offer customers not only a combined manufacturing process in Germany and Asia but also re-shoring solutions for complete projects as well as backup production in Germany. Schweizer is developing this offering further. In addition, we support the diversification of production for our customers in Asia through our partner network in Taiwan and, in the future, also in Thailand.

As a manufacturer of customised PCBs, Schweizer protects its customers' intellectual property and sensitive data worldwide with intelligent systems, including during production in China.



SUSTAINABILITY AS A CONTINUOUS MISSION

Schweizer is also constantly developing the topics of sustainability, social responsibility and corporate governance as the basis of our actions. We see sustainability as a continuous mission to design and practise value-added processes and corporate strategy in the interests of the environment.

Schweizer in Germany and its renowned partners in Asia already meet the highest ESG standards today.

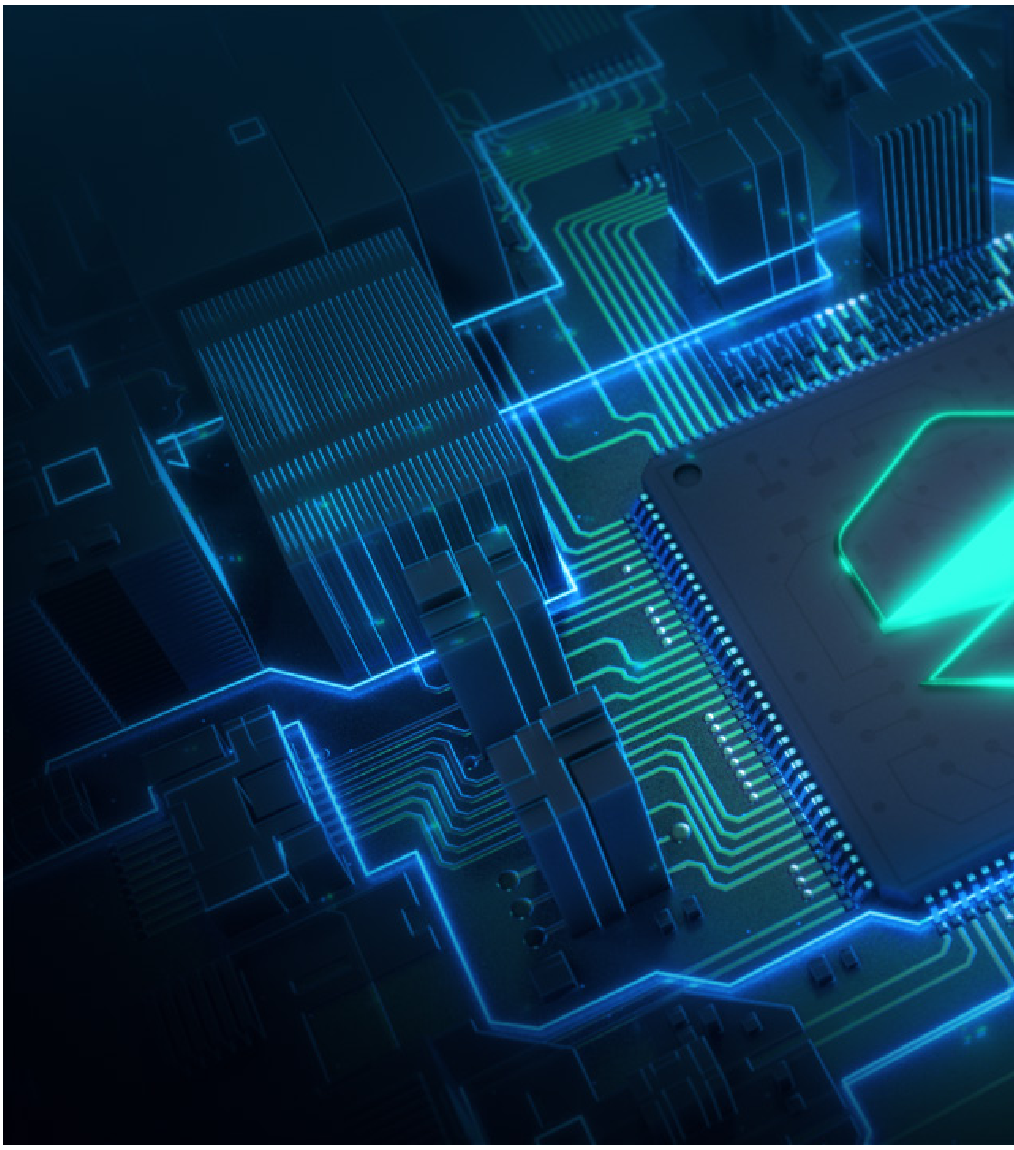
As a value-driven company, Schweizer thereby also contributes to improving the ESG ratings of its customers in the global supply chain and differentiates itself from a large number of competitors, especially those in Asia.

The "ZVEI Code of Conduct on Social Responsibility" (CoC) serves as the basis for this. These guiding principles from the Zentralverband Elektrotechnik- und Elektronikindustrie e. V. (German Electronic and Digital Industry Association, ZVEI) state what corporate responsibility means for working conditions, social and environmental impacts, trusting collaboration and dialogue.

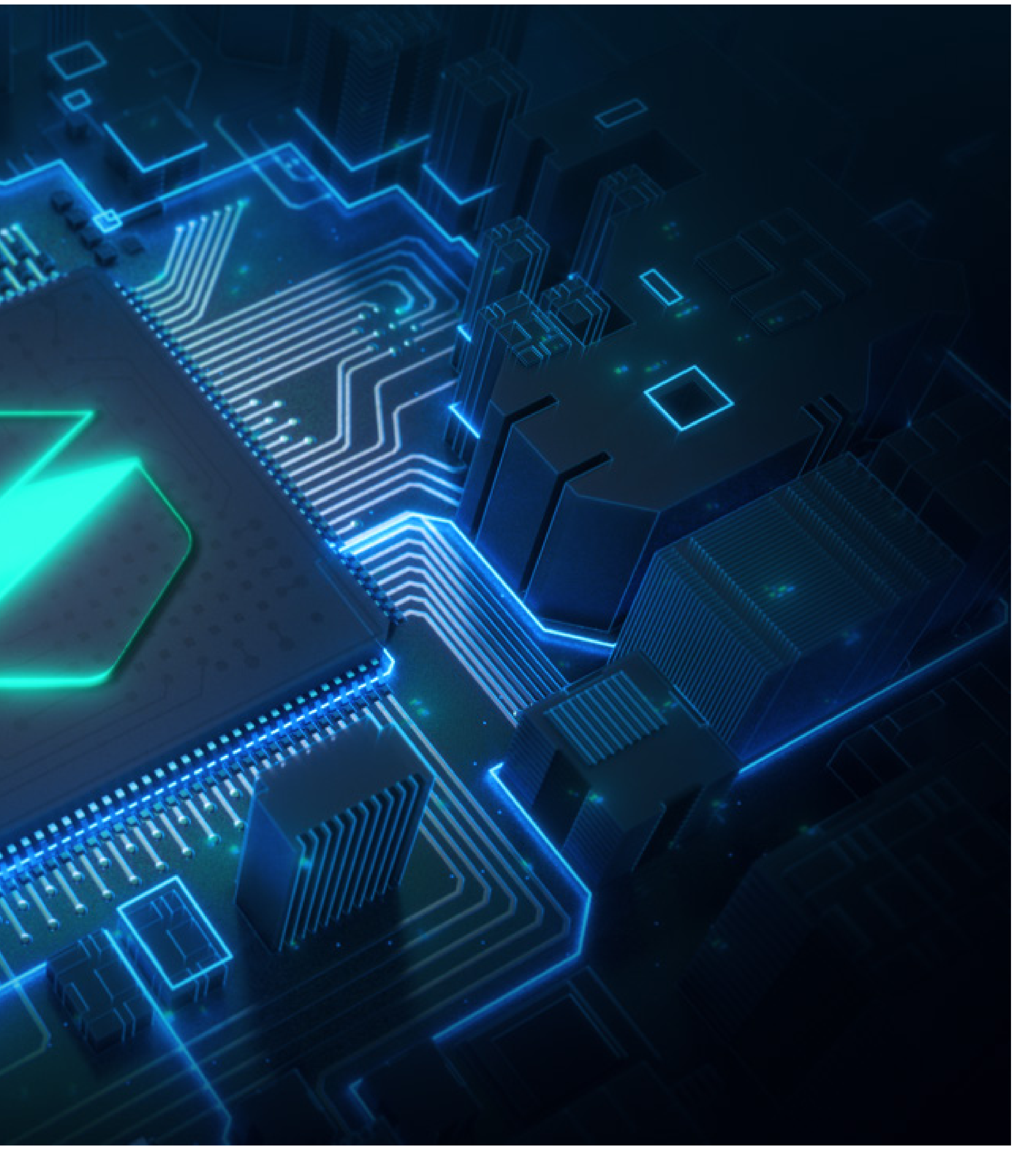
We secure our high standard in environmental and energy management through external audits. The quality of our systems is reflected in the successful tests and certifications in accordance with DIN EN ISO 50001:2018 and ISO 14001:2015.

In addition, we are continuously working to improve our carbon footprint. To this end, we participated in the CARBON DISCLOSURE PROJECT for the first time in 2022. The CDP (Carbon Disclosure Project) is a non-profit organisation whose aim is to create greater transparency on emissions that are harmful to the climate, water consumption and companies' relevant strategies. Data on companies' climate protection and climate strategy are obtained every year for investors and companies by means of a questionnaire.

Of a total of 44,000 companies invited, only 15,000 participated; of these, 59 percent of participating companies received a rating of between D- and C. Schweizer received a respectable "C" rating for its initial rating. With its first participation, Schweizer's rating is therefore at the average global rating as well as the average rating for companies for electrical and electronic equipment.



SCHWEIZER
MORE THAN PCBS



LETTER FROM THE EXECUTIVE BOARD

Dear Shareholders,

In 2022, our company's development saw a very mixed picture.

The signs of recovery in the global electronics market that emerged at the end of 2021 were weakened again by the start of the Russian invasion of Ukraine and the intensifying geopolitical tensions between global regions. This again led to a challenging year for our company in 2022.

In particular, the weaker than expected growth rate in the Chinese economy and the cost developments in the cost of material and energy, the latter related to Europe, had to be countered. Despite this disadvantageous competitive situation for German production in the global PCB market, we succeeded in asserting ourselves as a European company in this environment. Stringent cost management, intensive market cultivation and the exploitation of our technological and qualitative differentiating features enabled us to achieve growth for the Group.

Of particular significance were the increasing political changes in the economic areas of the United States, China and Europe. Our main strategic focus was on these reorientations in customer relationships and supply chains, which were also triggered by certain regulations in the individual economic areas. The new type of collaboration and political orientation had to be countered. An essential aspect of this was and is the securing of supply chains in all industry segments, although it goes without saying that a complete decoupling of economic areas is neither possible nor conducive to a positively developing global economy. The challenge here is not to bypass individual economic areas, but to deal with the new framework conditions.

Even though the challenges at the site in China are essentially due to multiple external factors, we could not be satisfied with the development. The challenging time of the start of production in 2020 at the beginning of the pandemic, the weak development especially in our largest market segment of automotive, the semiconductor shortage as well as the global supply chain problems did not augur well for the strategically correct and important growth project. As a result, it was necessary to adapt the corporate strategy to the new geopolitical conditions. In this context, we decided to reorganise our business in China on the one hand and to generally realign our corporate strategy on the other.

In December last year, we agreed to change the shareholdings in our joint ventures in China and thus the majority takeover by our strategic partner of many years, WUS. A proven highly successful and strategic collaboration over ten years binds us with WUS. As one of the most successful PCB companies in China, WUS is now taking over the operational management of the joint venture and will lead our joint site to success by also more strongly leveraging synergy potentials with its other sites in China.

After some challenging years, and with the reorientation of the Schramberg site, we were able to get back onto the path of success in the last year. It was and is particularly important that the German production and development site will play a central strategic role within the now intensified cooperation with WUS. In the future, a resilient European technology supply chain will only be possible with strong, series-capable and local PCB manufacturers. Due to the stronger integration of all WUS production sites in the Schweizer portfolio, we additionally expect to see significantly increasing and more intensive market penetration in Europe and North America.

Schweizer has always been in a position to overcome even the most difficult of challenges, including in the face of multiple exogenous challenges, due to its adaptability and clear decision-making. We have proven this in our 173 years of corporate history.

We would like to give a special thanks to all the employees in Europe, Asia and the US who, through their untiring commitment, again demonstrated that they are able to overcome major challenges with us. We are deeply grateful for their loyalty, trust and diligence.

We would also like to thank our Supervisory Board, which provided us with clear supervision and comprehensive advice throughout the year.

We would like to thank you, dear shareholders, for your trust, loyalty and faith in the entire Schweizer Electronic AG team.

Yours sincerely,

Nicolas-Fabian Schweizer & Marc Bunz

Nicolas-Fabian Schweizer
Chief Executive Officer

"Facing constant change and adapting to changing framework conditions is one of the essential strengths of SCHWEIZER. This ability to change will take us into the future."

"For SCHWEIZER, 2023 is a year of financial turnaround. The further development of our market strategy and the expansion of the successful collaboration with our partner network is a strategic focus of ours."

Marc Bunz
Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Financial year 2022 was another year of difficult challenges for Schweizer Electronic AG. The travel restrictions to and from China in particular continued to hamper the start-up of our new factory in Jintan. The Russian invasion of Ukraine and the resulting drastic increase in energy costs noticeably weighed on our Company. The shortage of semiconductors did not abate and, due to the lower production, our customers required fewer printed circuit boards.

In financial year 2022, we made progress in developing the profitability of our parent plant in Schramberg. However, new customer acquisitions in non-European countries, in particular in China, did not progress as planned as it was still not possible for our experts to service customers locally due to the coronavirus travel restrictions. In addition, the semiconductor shortage also reduced the need for PCBs in China. For this reason, despite enormous efforts, our plant in Jintan remained siginificantly behind our original plan in terms of revenue development and profitability.

Nevertheless, our employees and the Executive Board were able to drive our Company further forward. Our unique chip embedding technology attracts a great deal of interest among manufacturers of electric vehicles. We are therefore well equipped for future growth with an innovative product portfolio and competitive production processes.

COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

The Executive Board and the Supervisory Board engaged closely with each other also in 2022. The Supervisory Board supported and advised the Executive Board on all strategic issues, and continuously reviewed and monitored its management. The benchmark for this was the tasks required of it by law, the Articles of Association, the Rules of Procedure and the German Corporate Governance Code.

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. Supervisory Board members were sent detailed monthly reports on the business performance between each meeting. In order to meet the requirements of the economic situation in financial year 2022, information on the liquidity and order situation was regularly provided in the form of additional reports. A wide 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 regulatory requirements were presented in good time, reviewed and the necessary resolutions passed. Where required, resolutions by the Supervisory Board were passed by circulation.

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

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

In four regular and four extraordinary meetings of the Supervisory Board in the 2022 financial year, the Supervisory Board dealt with all the issues relevant to the Company and made corresponding decisions. In addition, one resolution of the Supervisory Board was passed by means of circular resolution. When necessary, the Supervisory Board also met without the presence of the Executive Board. In financial year 2022, several meetings of the Supervisory Board took place as physical meetings with the option of attending virtually or as virtual meetings. No meeting took place as a telephone conference.

Individual attendance of Supervisory Board members at plenary meetings and meetings of the Audit Committee:

	Supervisory Board plenary meeting			Audit Committee		
	Number of meetings	Number of participants	Participation in %	Number of meetings	Number of participants	Participation in %
Dr Stefan Krauss Chair (since 24 June 2022)	8	8	100	5	5	100
Christoph Schweizer Chair and member (until 24 June 2022)	2	2	100	4	4	100
Dr Stephan Zizala Deputy Chair	8	7	88	5	5	100
Dr Harald Marquardt (from 24 June 2022)	6	4	67	1	1	100
Chris Wu	8	7[1)]	88[1)]			
Petra Gaiselmann	8	8	100			
Jürgen Kammerer	8	8	100			

[1)] Due to a conflict of interest, Mr Chris Wu did not attend one meeting.

FINANCE AND INVESTMENT PLANNING; CORPORATE STRATEGY

Both in the meetings as well as in the additional reports by the Executive Board, the Supervisory Board regularly dealt with the general business development, the financial and risk situation, the development of the various customer groups, the partner network and the existing compliance management system.

Other focal points during the reporting year were consultations and discussions with management on the impacts of China's coronavirus policy, the ongoing supply chain problems, the extreme price fluctuations in the energy sector, the price increases on the procurement side as a whole, the liquidity situation, the development of incoming orders and their effects on the Company.

The strategic further development of the Schweizer Group and the development of the new production sites in Jintan (China) were the focal points of the Supervisory Board's activities. Both the continuation of the introduced restructuring measures as well as the exchange on the status of negotiations with potential investors were discussed on a regular basis. Intensive consultations took place, which, in addition to the monetary aspects of the disposal of the shareholding to the Chinese subsidiary, focused extensively on the continuation of the Schweizer growth strategy and an improvement in the competitive position in order to drive forward a sustainable, positive development of the Schweizer Group despite all the challenges. The members of the Supervisory Board were kept fully informed about the development by means of a reporting system closely agreed between the Executive Board and the Supervisory Board.

PERSONNEL AND REMUNERATION

Personnel and remuneration issues were also discussed openly and in detail by the Supervisory Board. Among other things, Mr Marc Bunz's contract, which expires in March 2023, and his appointment as Deputy Chair of the Executive Board were extended early until March 2028.

Further topics related to the determination of the degree of target achievement and the resolution of the variable component of the Executive Board remuneration for financial year 2021, as well as the setting of targets for financial year 2022. In accordance with Section 162 AktG, the Supervisory Board and the Executive Board jointly prepared a remuneration report and submitted it to the auditor with a request for a formal audit. Details on the remuneration of the Executive Board and Supervisory Board can be found in the remuneration report.

IN ADDITION TO THE AFOREMENTIONED CORE ISSUES, THE SUPERVISORY BOARD DEALT WITH THE FOLLOWING ITEMS IN PARTICULAR AT ITS MEETINGS:

On 10 January 2022, the Supervisory Board agreed to a capital increase at the Chinese subsidiary and the simultaneous subscription of these shares by WUS Printed Circuit (Kunshan) Co., Ltd.

On 11 April 2022 (meeting to review accounts), the members of the Supervisory Board were informed of the target achievement meetings held by the Audit Committee with the Executive Board. The plenary meeting followed the recommendations of the Committee, and the resolution regarding the variable remuneration components MSTI and LTI for financial year 2021 was passed. The Supervisory Board dealt extensively with the accounting of Schweizer Electronic AG, the consolidated accounting for financial year 2021, and the audit conducted by the audit firm Ernst & Young GmbH. The statutory auditor participated in the meeting convened to review the accounts. The auditor reported in detail on their audit and their audit focal points. The audit results were discussed with the Supervisory Board and questions were answered satisfactorily. The Supervisory Board approved the audit results.

Furthermore, consultations were held with the Executive Board on the agenda for the Annual General Meeting as well as its execution as a virtual meeting. Against the background of the uncertainties existing at that time, the Executive Board's proposal to hold a virtual Annual General Meeting was approved. The Supervisory Board also dealt with the election proposal for the seat freed up by one member of the Supervisory Board by the Annual General Meeting. The plenary meeting unanimously welcomed the proposal to the Annual General Meeting of Dr Marquardt as a member of the Supervisory Board. In addition, the plenary meeting dealt with the extension of Mr Bunz’s appointment to the Executive Board.

In the meeting held on 24 June 2022, which took place following the ordinary Annual General Meeting, Dr Stefan Krauss was elected as the new Chair of the Supervisory Board and the Audit Committee. Furthermore, the plenary meeting unanimously elected the newly elected Dr Harald Marquardt as a third member of the Audit Committee. As an expression of his many years of service and exceptional performance, it was particularly important for the Supervisory Board to appoint Mr Christoph Schweizer as an honorary Chair of the Supervisory Board.

In the meetings held on 19 and 26 September 2022, the focus of discussions was the economic development of the Chinese subsidiary and the status of negotiations with potential investors for this unit.

In the meeting held on 9 December 2022, in addition to the regular issues, the Executive Board presented the budget planning for 2023 as well as the outlook for 2024 and 2025. The Supervisory Board approved the budget for 2023 and took note of the planning for the subsequent years Furthermore, the plenary meeting adopted the updated Declaration of Compliance and defined the competence profile of the Supervisory Board. The topics of the meeting held on 21 December 2022 were the sale of the majority of the Chinese subsidiary, a discussion on contractual conditions and the approval for the transaction.

SUPERVISORY BOARD SELF-ASSESSMENT

The Supervisory Board reviews and assesses its activity regularly every year by means of a questionnaire. The last review took place in autumn 2022. The results were then discussed by the Supervisory Board in a meeting. No major deficits were found.

SUPERVISORY BOARD COMMITTEES

To increase its efficiency, the Supervisory Board has set up an Audit Committee. 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. Furthermore, the Supervisory Board is informed of the outcome of the committee's deliberations.

KEY TOPICS OF THE AUDIT COMMITTEE

The Audit Committee held two ordinary and three extraordinary meetings. Of these, four meetings took place virtually. No meeting was held as a telephone conference. In financial year 2022, the Audit Committee dealt with the corporate risk management of Schweizer in the presence of the Director Finance & Controlling. Another topic was the execution of a transparent and non-discriminatory procedure for the election of the auditor for financial year 2022. For this purpose, the Supervisory Board had already resolved to introduce a tender procedure in accordance with the EU Audit Directive in June 2021. After carefully reviewing the applicants, the Audit Committee took a decision to propose two audit firms, KPMG AG, Wirtschaftsprüfungsgesellschaft, Freiburg, Germany, and PwC GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, with a preference for KMPG as auditor for the 2022 financial statements and audit review, to the Annual General Meeting. It stated that its recommendation was free of undue influence from third parties and that it was not subject to any clause that limited the selection to certain audit firms. Following their election by the Annual General Meeting, the Audit Committee issued the audit engagement to KPMG AG and determined the focal points of the audit.

The discussions and consultations of the Audit Committee, which met both with and without the Executive Board, focused on the challenge of the Chinese subsidiary, the restructuring measures initiated there and the progress of these measures. Active discussions about the pool of potential investors and the status of the negotiations, in particular on the aspect of a common strategic direction, took place.

Jointly with the Executive Board, the Audit Committee prepared the remuneration report for the Supervisory Board, and in accordance with its tasks, dealt with the consolidated financial statements, the annual financial statements, the summarised status report and audit of the non-financial report (including the EU taxonomy) and expressed the relevant recommendations to the Supervisory Board. Furthermore, it dealt with the half-yearly financial report before its publication.

In the presence of the auditor and the Executive Board, the Supervisory Board dealt with the topics and findings of the audit report as of 31 December 2022. Already in the context of the preparation and execution of the audit, the Audit Committee, or its Chair, held regular discussions with the auditor without the Executive Board. Furthermore, it monitored the quality of the audit.

In addition to the meetings, the regular tasks of the committee include conducting annual target and review discussions with the Executive Board and preparatory consultations on the targets and their achievement.

FURTHER EDUCATION AND TRAINING

Supervisory Board members carry out the further education and training required for their tasks under their own responsibility and are supported in this by the Company.

PERSONNEL CHANGES ON THE SUPERVISORY BOARD

The term of office our long-term member and Supervisory Board Chair, Mr Christoph Schweizer, ended at the end of the Annual General Meeting on 24 June 2022. Mr Schweizer did not make himself available for re-election to the Annual General Meeting after the end of his term of office. The Supervisory Board would like to thank him for his many valuable contributions during his term of office as a member of the Supervisory Board, the Audit Committee and as Chair of the Supervisory Board. Dr Harald Marquardt, Chair of the Executive Board of Marquardt Management SE, was newly elected to the Supervisory Board as a shareholder representative to succeed Mr Schweizer.

CORPORATE GOVERNANCE

At its December 2022 meeting, the Supervisory Board adopted an updated declaration in accordance with Section 161 AktG on the recommendations of the German Corporate Governance Code. Further information on this and corporate governance in general can be found in the corporate governance statement, which is available both in the Annual Report as an independent section and on the Company’s website.

EXAMINATION OF POSSIBLE CONFLICTS OF INTEREST

The principles of good governance have top priority for the members of the Supervisory Board and the Executive Board. Against this background, the professional handling of conflicts of interest of individual Supervisory Board members is crucial. In the reporting year, the signing of the contract for WUS Printed Circuit (Kunshan) Co., Ltd. to take over a share of 12.8 percent in January and a further 57.2 percent in December in Schweizer Electronic (Jiangsu) Co., Ltd. resulted in a conflict of interest for our Supervisory Board member, Mr Chris Wu. In accordance with the requirements of the Supervisory Board's Rules of Procedure, Mr Chris Wu did not participate in any of the two resolutions. With the exception of the contract signing described, the members of the Supervisory Board and the Executive Board did not submit any notifications of conflicts of interests in financial year 2022. Three Supervisory Board members hold high-ranking positions in companies with which SCHWEIZER has a business relationship. SCHWEIZER's business transactions with these companies are or were conducted under arms' length conditions. The Supervisory Board Chair in office until 24 June 2022 has a personal relationship with the Chair of the Executive Board.

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

The audit firm, KPMG AG, has audited the annual financial statements and consolidated financial statements as well as the summarised status report prepared by the Executive Board for Schweizer Electronic AG and the Group for 2022. At the proposal of the Supervisory Board, KPMG AG was elected as auditor by the Annual General Meeting on 24 June 2022. Prior to the proposal by the Supervisory Board to the Annual General Meeting as auditor, KPMG AG had confirmed to the Supervisory Board that there were no circumstances that could impair its independence as an auditor or give rise to doubts as to its independence. Mr Martin Armbruster signs as the German public auditor and Mr Mathias Laubert signs as the German public auditor responsible for the audit.

The audits of the annual financial statements, consolidated financial statements and the summarised status report did not give rise to any objections. The unqualified audit opinions were issued on 28 April 2023 based on these audits. The documents to be audited and the auditor’s audit reports were made available to every Supervisory Board member at the meeting on 28 April 2023 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 situation of the Group and of Schweizer Electronic AG and approves the annual financial statements and the consolidated financial statements as at 31 December 2022. The annual financial statements are thus adopted. The Supervisory Board supports the proposal of the Executive Board which envisages no dividend. The non-financial statement required by the CSR Directive Implementation Act was reviewed by the Supervisory Board.

The present Supervisory Board's report to the Annual General Meeting was adopted by the Supervisory Board.

The Supervisory Board thanks the members of the Executive Board and all employees for their dedicated commitment and constructive collaboration in the past financial year. The Supervisory Board also thanks the shareholders for the confidence they have shown.

Schramberg, 28 April 2023

The Supervisory Board

Dr Stefan Krauss
Chair

"Challenges have been overcome – now it's a new start"

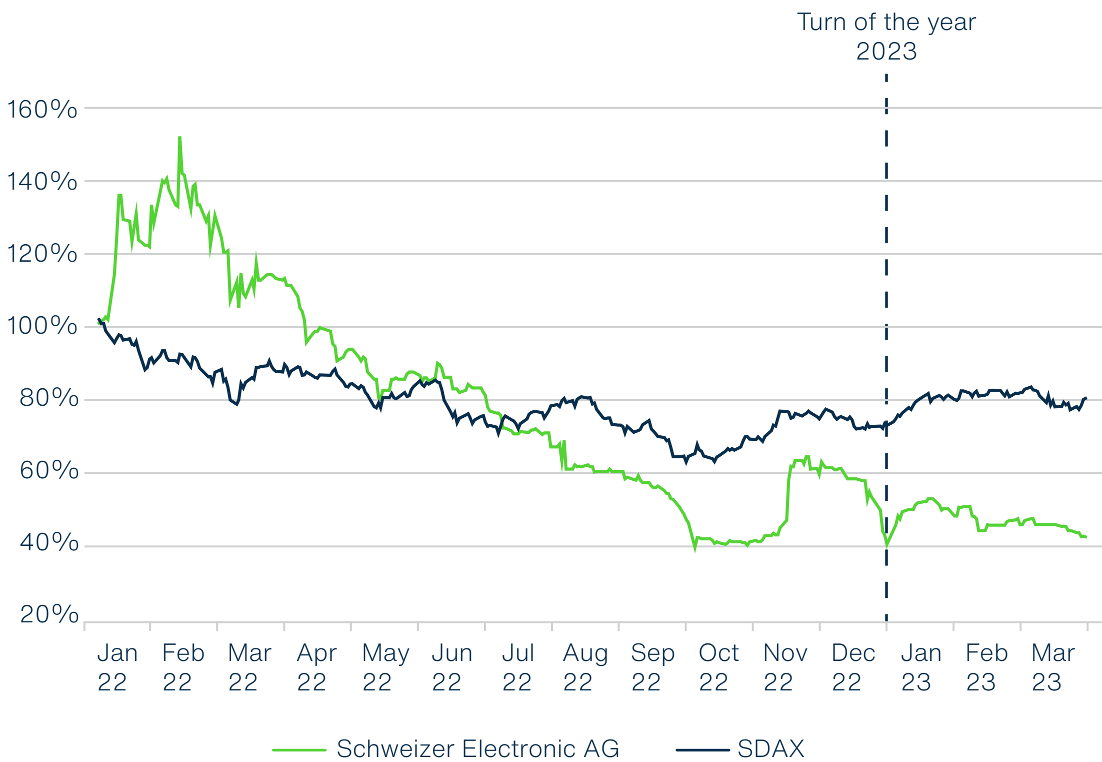
Dr Stefan Krauss
Chair of the Supervisory Board

THE SHARE

STOCK MARKET YEAR 2022:
WEAKER, WITH MANY CHALLENGES AND UNCERTAINTIES

After the concerns from the previous year regarding the pandemic had clearly receded into the background, the high level of inflation in Germany, the sharp rise in energy prices and fears of recession became the defining issues of 2022. While the German leading index DAX started 2022 on a favourable note and reached its high of 16,285 points on 5 January 2022, it gradually fell due to Russia's invasion of Ukraine on 24 February 2022 and reached its low for the year of 11,863 points on 28 September 2022. The beginning of October saw the start of a marked recovery, particularly due to technical factors, with the DAX adding more than 20 percent to 14,450 points from its low of the year. The bond markets also showed signs of easing and the yield on 10-year German government bonds fell back below the 2% mark. The uncertainties on the financial markets also led to significant price drops on the cryptocurrency markets. Since the beginning of the year, Bitcoin fell by almost 60 percent and more and more investors turned away from cryptocurrencies.

Due to inflation remaining high and many uncertainties remaining, such as the war in Ukraine, the extent of the economic slowdown and the consequences for corporate earnings or profit estimates and further developments in the energy markets, the Fed and the ECB made it clear in mid-December that further interest rate hikes to curb inflation would follow. The financial markets then corrected sharply or trended sideways around the 14,000-point mark until the end of the year.



The DAX closed on 30 December 2022 at 13,924 points, which corresponds to a performance of -12.4 percent since the beginning of the year. There were significantly larger losses in the second tier. The TecDAX lost 25.5 percent, the MDAX 28.5 percent and the SDAX 27.3 percent. On the other side of the Atlantic, the US indices Dow Jones and S&P closed down 8.8 percent (DJIA) and 19.4 percent (S&P 500) respectively. The Federal Reserve's tightening of monetary policy had significantly affected US technology stocks in particular in 2022. Former stock market darlings such as Tesla and Apple were trading at their lowest levels in 2022 shortly before Christmas, with drops of more than 50 percent.

In a difficult year for the stock market, few companies ventured onto the market with only four IPOs in Germany in 2022. Porsche was the largest listing in Europe in a decade with a volume of approximately EUR 9 billion. In Germany, it was the largest IPO since the listing of Deutsche Telekom a quarter of a century ago.

THE SCHWEIZER ELECTRONIC SHARE: WEAKER AFTER A FAVOURABLE START

The Schweizer Electronic share had a favourable start to the year with high trading volume – more than 30,000 shares were traded on 10 January 2022 – and reached its high for the year of EUR 14.95 on 9 February 2022.

By mid-May, the share trended weaker with moderate volumes and hovered around the EUR 8 mark until the end of June.

As the year progressed, it continued to decline, also against the backdrop of a weak overall market, and reached its low for the year of EUR 3.80 on 3 October 2022.

The share remained at a low level until 4 November 2022, after which it recovered with a volume of approximately 10,000 shares to EUR 6.26, which lasted until the beginning of December. This recovery coincided with the announcement of the business development for the third quarter of 2022.

Until the beginning of June, the development of the share was above the benchmark index SDAX. However, it then fell sharply in Q3 and Q4 to close the year at EUR 3.88, a performance for 2022 of minus 60 percent, while the SDAX was down 27 percent. The announcement on 22 December 2022 about the sale of the majority stake in Schweizer Electronic (Jiangsu) Co. Ltd. did not have any major impact on the price and trading volume. On average, 2,317 shares were traded during the year, compared to 2,199 in the previous year.

DIVIDEND

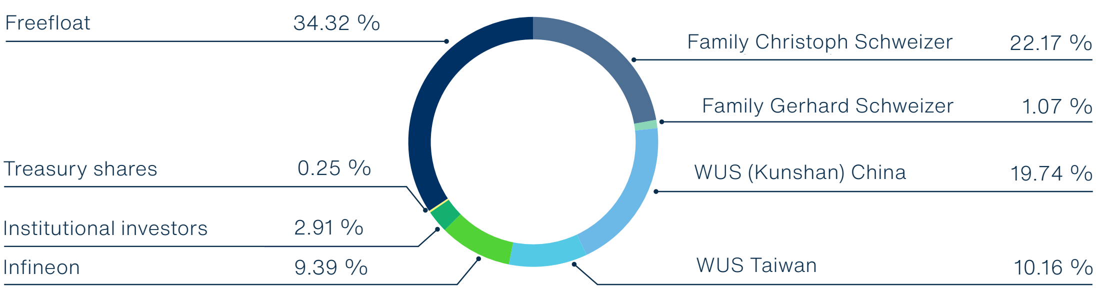
Schweizer improved its turnover by 6.8 percent in financial year 2022. However, the consolidated result was negative. The overall economic situation therefore does not yet form a suitable basis for the distribution of a dividend. In the medium term, however, management expects its strategic realignment to result in a disproportionately high increase in the value of the company.

INVESTOR RELATIONS

Our goal is openness and transparency in continuous dialogue with our shareholders and capital market participants. Our investor relations work focuses on strengthening confidence in our shares in the long term and achieving a fair valuation on the capital market. In 2022, Schweizer again provided all prospective capital market participants with comprehensive information through financial reporting, capital market and telephone conferences, and numerous one-on-one meetings. This allowed them at all times to make a reasonable evaluation of the current business situation and assess the company's prospects. The central forum for our private shareholders is the Annual General Meeting, which was again held virtually in 2022 due to the Covid-19 pandemic. In an effort to establish a sustainable and trusting relationship with all stakeholders, we have published additional company information on our website besides the documents required by law. Extensive numerical data, various presentations and an analyst's assessment are published at *https://schweizer.ag/en/investors-media*.

SHAREHOLDER STRUCTURE

The shareholder structure of Schweizer Electronic AG was as follows at the end of 2022:



SHARE DATA

	2022	2021
Year-end closing price*)	EUR 3.88	EUR 9.78
Year high	EUR 14.95	EUR 16.90
Year low	EUR 3.80	EUR 9.52
Market capitalisation at the end of the financial year	EUR 14.7 million	EUR 37.0 million
Dividend per share	EUR 0.00	EUR 0.00

*) Closing price on XETRA trading system of Deutsche Börse AG

BASIC SHARE DATA

ISIN	DE0005156236
WKN	515623
Symbol	SCE
Trading segment	Regulated market (General Standard)
Type of share	Registered no-par-value shares
Number of shares	3,780,000
Share capital	EUR 9,664,054

SUMMARISED STATUS REPORT

CONTENTS

SUMMARISED STATUS REPORT OF THE SCHWEIZER GROUP AND OF SCHWEIZER ELECTRONIC AG AS AT 31 DECEMBER 2022

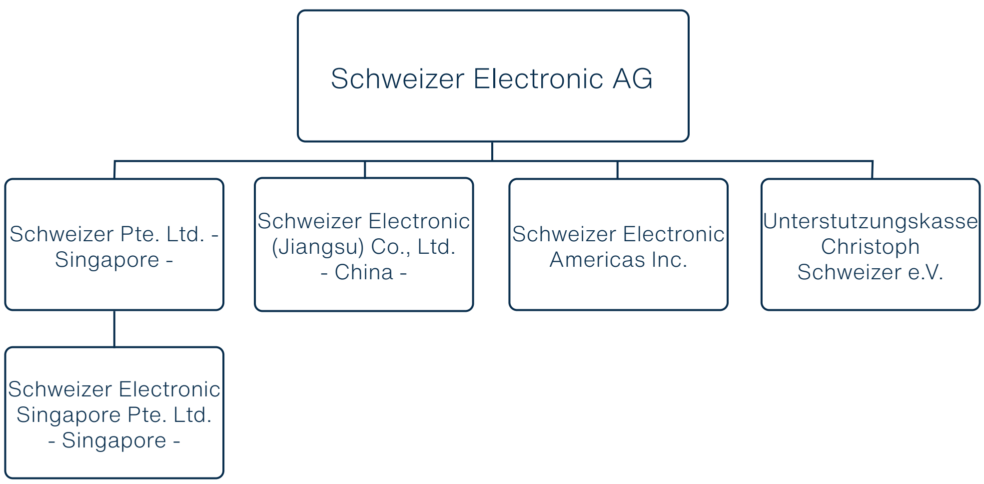
This report summarises the Group status report of the Schweizer Group ("Schweizer" or the "company"), comprising Schweizer Electronic AG and its consolidated subsidiaries, and the status report of Schweizer Electronic AG. It should be read in context with the audited consolidated financial statement including the notes thereto, which are presented elsewhere in this report. The audited consolidated financial statement is based on a series of assumptions and on accounting and valuation methods that are presented in detail in the notes to the consolidated financial statement. In addition, passages designated as such 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 are themselves 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.

BASIC PRINCIPLES OF THE GROUP

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.

GROUP STRUCTURE



With effect from 5 December 2022, the subsidiary of Schweizer Pte. Ltd., Singapore, Schweizer Energy Production Singapore Pte. Ltd., Singapore, was dissolved. With effect from 27 January 2022, Schweizer Electronic AG ("SEAG") holds 87.18 percent and WUS Printed Circuits (Kunshan) Co., Ltd., with registered offices in Kunshan (China) ("WUS") 12.82 percent in Schweizer Electronic (Jiangsu) Co., Ltd., in Jintan (China)("SEC").

In December 2022, the parties SEAG and WUS agreed the transfer of further shares of SEAG to SEC. After the transfer, SEAG still holds 30 percent of the shares in SEC, while WUS will hold 70 percent of the shares at this point in time. The purchase price will be paid on transfer of the shares ("closing date"). At this point in time, WUS will take over all the rights and duties of SEC in accordance with its shareholding. SEAG will remain represented with one seat on the Board of Directors of SEC.

BUSINESS MODEL

Schweizer is an international manufacturer of PCBs meeting the requirements of a variety of industries and markets. Schweizer's innovative PCB technologies are used in demanding applications in the automotive, aerospace, industrial and medical sectors as well as in communications and computing. Industry-leading companies around the world rely on Schweizer's innovative power and decades of experience as well as its product and service quality in PCB and embedding solutions. In addition, Schweizer's PCB technologies feature energy-saving and environmentally protective characteristics.

Thanks to ultra-modern PCB production sites in Schramberg and Jintan (China), the location of the affiliated company WUS Printed Circuit (Kunshan) Co., Ltd. ("WUS") as well as close partnerships with other technology leaders, Schweizer offers access to high-quality printed circuit boards – from standard to complex customer-specific solutions.

BUSINESS STRATEGY, GLOBALISATION AND DIVERSIFICATION

The focus of the global orientation are the sales regions of Europe, North America and Asia. Schweizer has established itself here as a leading manufacturer of printed circuit boards for the automotive industry, and made itself a good name worldwide as a provider of high-end PCB and embedding solutions in many other industries.

By intelligently linking German and Asian production, Schweizer provides the answer to the current challenges for securing a reliable global supply chain and meeting customers' requirements for local content.

After the sale of the majority stake of SEC, Schweizer will continue to fully utilise the capacities of SEC. This also secures the successful realisation of embedding technology in Jintan in collaboration with SEAG. Furthermore, WUS opens up the opportunity for SEAG to also access the technologies of the other WUS plants.

This makes it possible for SEAG to address product and market segments not previously cultivated, and increases the opportunity for additional growth. In the context of this "fab light" concept, each party focuses on its strategic strengths.

The direct market cultivation in China will be continued by a Schweizer sales subsidiary, still under establishment, which will commence its operating activity in the second quarter.

PCB technologies

The PCB as a solution space

From simple 2-layer circuits to complex high-current, logic or radar structures, Schweizer offers an extensive range of technologies and solutions for the highest requirements. Proven standard processes can be quickly and flexibly implemented in response to customer requests. For complex problems, expert teams are available to customers who provide expert advice and work out specific solutions in customer projects, from the initial idea to large-scale production.

Technology areas

Standard PCBs

The area of standard PCBs includes, for example, simple multi-layer structures through to complex HDI circuits that cannot be realised with conventional multi-layer technology. For all these PCBs, additional impedance requirements can be met.

Innovative PCB technologies

The area of innovative PCB technologies includes solutions for high-current, high-frequency, high-temperature and miniaturisation applications. State-of-the-art PCB technologies make high-end solutions possible. The inlay board, for example, offers maximum heat dissipation and current carrying capacity. Radar PCBs detect speeds, distances and objects, and FR4-Flex bendable PCBs are suitable for particularly small installation areas. Thick copper PCBs with thicknesses up to 400 µm enable a current carrying capacity of several hundred amps. The CombiBoard combines the functionality of several PCBs without connectors and cables.

Semiconductor embedding and systems

Embedding solutions with integrated power semiconductors make it possible to produce extremely reliable high-performance modules with significantly better switching behaviour and optimised heating compared to SMT solutions. The Smart p² Pack embedding solutions also allow combination with logic wiring without additional connecting elements.

BUSINESS UNITS

RESEARCH AND DEVELOPMENT

Process development

Within the framework of the funding projects of the Federal Office for Economic Affairs and Export Control, additional investment projects were realised, thus expanding SCHWEIZER's production competence with systems that enable electrostatic discharges (ESD-compatible) and are designed for larger panel formats.

In 2022, the project to determine the feasibility of the large-format sheets (603 mm * 712 mm up to 603 mm * 755 mm) was started and successfully completed. With the larger sheet size, it is possible to place more customer parts on the sheet, which significantly increases our competitiveness.

Quality features are further increased with investments in new equipment and the ongoing qualification processes in the procurement area and in production parameters.

Series development

In the past year, SCHWEIZER was able to record the first successes of its strategy to expand its product and technology portfolio to include HSD (High Speed Digital). Especially in the industry segment, this is a frequently requested product feature that is necessary for reliable and fast digital signal transmission. This success thus also has a beneficial effect on the diversification of our target markets. SCHWEIZER also sees further growth opportunities for 2023 and beyond in the traditionally strong segment of RF applications (radio frequency) in cooperation with its partner WUS. SCHWEIZER actively follows the potential technological developments on the ADAS market (driver assistance systems) and prepares for most of the possible next steps.

In the area of power electronics, the goal of gaining further series projects for the p^2 Pack technology in the 48 V area of application (mild hybrid vehicle) is actively pursued. The full advantage of the technology comes to bear here. With the now fully qualified p^2 Pack technology, individual customer applications can be fully realised with short lead times using a standardised semiconductor component.

Besides the p^2 Pack technology, progress is being made in the industrialisation of the QiT technology and in the competition for circuit boards that can only be realised with specialised technologies such as our inlay technology. This is where SCHWEIZER's many years of experience with these products and high technological competence benefits even highly complex applications of these technologies. For the p^2 Pack technology, a series ramp-up is also planned for 2023.

Innovation

In 2022, there was a high level of interest from customers and some research Institutes in the SCHWEIZER high-voltage p² Pack technology (800-900 V). Together with research institutes, demonstration units were built that could demonstrate the high-voltage p² Pack technology and its technological benefits and capacities. Based on previous good test results, demonstration units were built with other customers. As these results are promising, two projects in the area of innovation were passed on to serious development.

In addition, further activities on long-term tests of the materials used were started in order to examine the high-voltage capacities. The results are expected in Q2 2023.

SCHWEIZER has developed a good material combination for its high-voltage p² Pack demonstration units to provide customers with samples. To ensure the technical suitability of the materials for high-voltage applications, additional activities are carried out in the area of material selection and qualification with partners. The availability of high-voltage power semiconductors such as GaN (gallium nitride) and SiC (silicon carbide) remains challenging in the allocation phase. The availability challenges of semiconductor components have not yet led to delays in the construction of customer demonstration units. SCHWEIZER has been able to further expand its network to semiconductor suppliers in 2022 and has started discussions on collaboration and supply chain models with semiconductor suppliers and customers to jointly secure semiconductor supply for future projects.

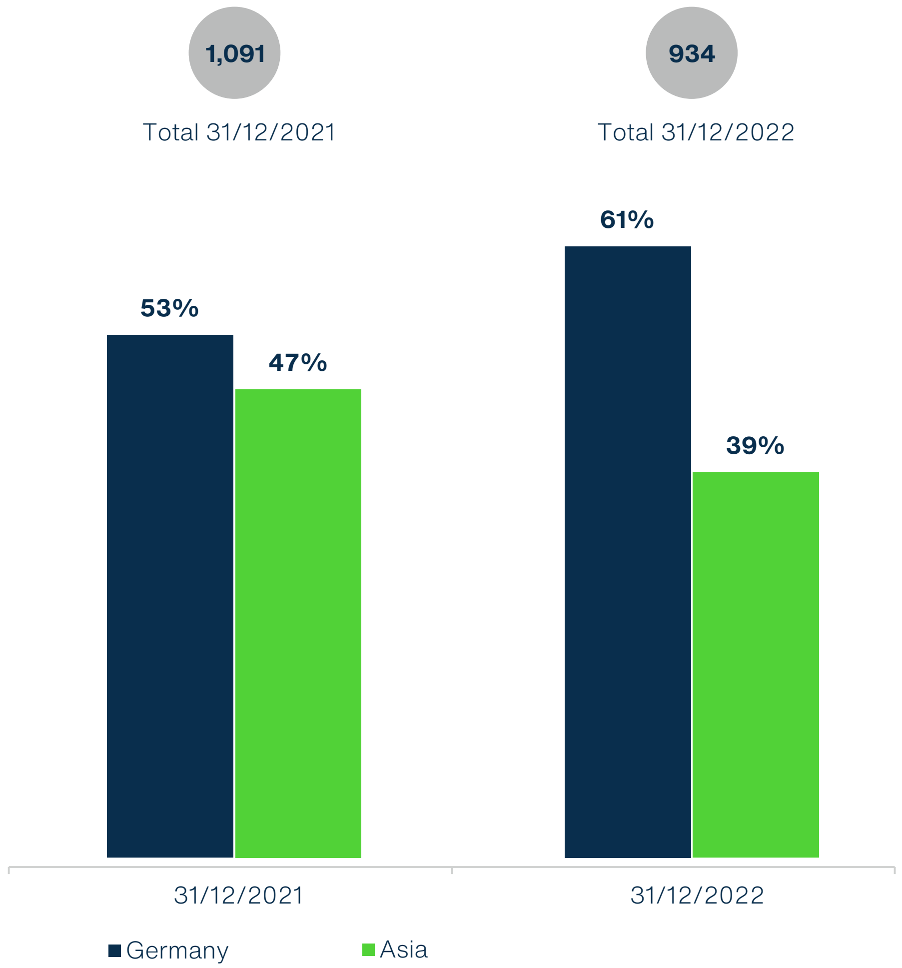
SCHWEIZER has been involved in the submission of several funding projects in order to continue to have the opportunities to develop new concepts and ideas with a network of experts from industry and research institutions in the future. SCHWEIZER is currently participating in the EU funding project "iRel 4.0" that was extended to Q3 2023.

Research and development expenses in 2022 amounted to EUR 3.1 million (2021: EUR 2.9 million). SCHWEIZER's research and development department is located in Germany. 35 employees were assigned to this department.

Patents

The total number of patents granted increased to 63 patents as of 31 December 2022 (31 December 2021: 58).

EMPLOYEES*) / LOCATIONS



*) including temporary staff

Employees

Schweizer had 934 employees as at 31 December 2022. The number of employees at the Schramberg site was stable compared to the previous year. On the other hand, the number of employees at the Chinese location was reduced due to restructuring measures.

QUALITY MANAGEMENT

In 2022, the company was re-certified according to EN 9100 and ISO 50001. During the audits for IATF 16949, ISO 14001 and Nadcap AC 7119, both system conformity was verified against various customer orders as well as the production and business processes.

After successful completion of the re-certification audit in 2022, preparations are underway for the re-certification for IATF 16949 which is due in 2023.

ENVIRONMENTAL AND ENERGY MANAGEMENT

Although the products and thus the processes and workflows required for production are becoming increasingly complex and multi-faceted, SCHWEIZER's higher-level goal is to limit the effects on the environment as far as possible through suitable product and process developments. This is also part of our mission statement. The consistent application of environmental and hazard analyses to protect the environment, our employees and the business partners involved in product manufacture/use are our top priority.

The effectiveness of our systems is regularly reviewed by means of internal audits and was once again confirmed for 2022 by the certification organisation as part of the ISO 14001 and ISO 50001 certifications.

ECONOMIC REPORT

ECONOMY AND SALES MARKETS

World

In 2022, the global economy grew by +3.2 percent compared to the previous year. Global gross domestic product (GDP) growth was thus significantly below the long-term average. In the period from 2000 to 2019, i.e. before the start of the Covid-19 pandemic, global GDP growth averaged +3.8 percent.

The development of the global economy was strongly influenced by the Russian invasion of Ukraine and the sharp rise in inflation rates in most international economies. The phasing out of protective measures in connection with the Covid-19 pandemic – especially in the industrialised countries – initially led to an upswing in economic activity with significant effects from pent-up demand. On the other hand, the war and the resulting sanctions against Russia as well as the general uncertainty again led to increased supply chain disruptions and a massive increase in energy and raw material prices. For example, reduced Russian natural gas supplies to Europe increased energy prices sharply, affecting the production of energy-intensive industries. This led to higher production costs, which were progressively passed on in consumer prices.

Especially in spring, there was a slump in production in China due to the ongoing restrictions from the lockdowns as a result of the Covid-19 pandemic. Although the Chinese economy recovered in the third quarter of the year, it slowed down again towards the end of the year as a result of the Chinese government's abandonment of its zero-Covid strategy and the accompanying infection rates. In India and the other emerging Asian economies, production increased over the course of the year, resulting in robust economic activity in these economies until the end of the year.

Inflation rates reached historic highs during the year, averaging +8.4 percent in the G7 countries in October. In the fourth quarter, however, first in the US economy and then increasingly in Europe, lower inflation rates became apparent again. The situation on the commodity markets gradually eased from the first quarter of the reporting year. Under the impact of subdued demand from China and cautious economic expectations, commodity prices for industrial production began to fall.

With the start of the war in Ukraine, spot prices for natural gas and electricity soared. In August of that year, prices on the spot markets exceeded ten times the average for the years from 2005 to 2020. In the third quarter, however, the price level on the European gas market also began to fall again. Nevertheless, the gas price was many times higher than prices at the beginning of 2021. In Germany, too, spot market prices for natural gas and electricity fell in the fourth quarter. However, prices on the futures markets remained at a significantly higher level compared to 2021.

In the wake of the dramatic rise in inflation, the major central banks of the industrialised countries reacted by successively raising key interest rates. This significantly tighter monetary policy contributed to the burden on the global economy in the second half of the year. In the fourth quarter of the year, global world trade weakened again for this reason, among others, causing the expansion dynamic to decline significantly in the fourth quarter of the year.

China

The national economy in China grew by +2.9 percent compared to the previous year and was thus below the global growth rate of +3.2 percent for the first time compared to its long-term growth trend. The Chinese government's strict measures to contain the coronavirus led to the closure of production facilities, especially in the first half of the year, which severely limited the growth dynamic and significantly disrupted downstream supply chains in global trade. Relative to global trends, consumer price inflation in China was comparatively low and below the Chinese central bank's target rate of +3.0 percent.

USA

The US economy expanded with a GDP of +1.9 percent year-on-year, well below the previous year's growth rate. Economic growth in 2021 was mainly driven by consumption-related pent-up demand following the removal of restrictions from the Covid-19 pandemic. The subdued growth in the first half of 2022 was influenced in particular by a reduction in inventories and lower fixed asset investments. In the second quarter, positive growth in exports and services only partially compensated for this. It was not until the second half of the year that the US economy began to pick up again. The positive development on the labour market also had an impact here, with the unemployment-to-job ratio at a very low level. The FED's key interest rate rose in several steps during the year from +0.25 percent to +4.5 percent, almost as high as at the end of the last pronounced phase of monetary policy tightening in 2007. As a result, the inflation rate in the US started to decline again in the last months of the year.

Euro area

GDP growth of +3.4 percent was recorded in the euro area. However, the increase in economic output was significantly lower than in the previous year. Although the monetary union's economy expanded into the third quarter despite the turmoil of the war in Ukraine, it lost momentum in the fourth quarter. In the individual European countries, too, the record-high inflation rates of +8.3 percent and the accompanying increases in key interest rates had a dampening effect on the economy. In December, the European Central Bank raised the interest rates for the marginal lending facility to +2.5 percent.

Germany

In the reporting year, GDP grew by +1.8 percent, below the average growth rate in the euro area. Due to its previous heavy dependence on Russian natural gas, Germany was particularly affected by the energy crisis. The industry was furthermore confronted with significantly increased energy costs in addition to the ongoing supply chain disruptions. There were also significant uncertainties related to a potential gas shortage, which did not materialise due to gas savings in the private and public sectors and the relatively mild winter.

In a year-on-year comparison, private consumer spending increased the most in 2022 at +4.6 percent (2021: +0.1 percent) and thus formed the main driver of growth in the year under review, although at the end of the year the passing on of energy prices and increased product costs to private households finally weighed on private consumption. The main factor was pent-up demand in the service sector following the lifting of almost all protective measures against the Covid-19 pandemic in spring 2022. Compared to the previous year, investments in equipment rose by +2.5 percent (2021: +3.4 percent) and government consumer spending by +1.1 percent (2021: +3.1 percent). Net exports dampened GDP growth with a decline of -3.5 percent (2021: +0.6 percent). In 2022, +3.2 percent more goods and services were exported abroad (2021: +9.9 percent). At the same time, imports increased by +6.7 percent (2021: +9.3 percent).

While the first three quarters were still characterised by robust growth rates of +0.8 percent, +0.1 percent and +0.5 percent respectively, the significant weakening of the economy in the fourth quarter led to a drop in GDP of -0.4 percent compared to the same quarter of the previous year. The continuing strong price increases in the basket of goods and the ongoing energy crisis with correspondingly sharp increases in energy costs continued to burden the German economy at the end of the year. Private household spending declined by -1.0 percent in the fourth quarter, and investment in equipment – especially machinery, appliances and vehicles – fell by -3.6 percent compared to the same quarter last year. The fourth quarter of 2021 was mainly influenced by a large increase in new commercial passenger car registrations. Only government spending on consumption increased by +0.6 percent in the fourth quarter. The labour market situation was at an all-time high with 45.9 million people in employment despite the difficult economic environment. The increase in the number of people in employment compared to the end of the previous year was +1.1 percent.
Sector environment.

SECTOR ENVIRONMENT

Automotive industry

The most important customer group for Schweizer – the automotive industry – which accounts for around 67 percent of sales, sold 80.6 million vehicles worldwide, which, compared to the industry forecast of 86.0 million units sold, is equivalent to a decline of some -6 percent compared to the forecast and a stagnation compared to the previous year. Compared to the initial forecast for 2022, the various crises have led to the loss of unit sales. The Covid-19 lockdowns in China are attributed -2 million units, the semiconductor supply bottlenecks -5 to -6 million units and, last but not least, the disrupted supply chains and the war in Ukraine -2 million units. Consumer demand could not be met in full. In relation to the base year of 2018, the production volumes in the regions Asia-Pacific, North America and Europe developed disparately. While the Asia-Pacific (in particular China) and North America regions at -5 and -15 percent were below the unit level of 2018, production volumes in Europe with -30 percent were significantly below that of the base year. In the North America and Europe markets, sales figures dropped compared to the previous year, while an increase in sales of +4 percent and +7 percent were seen in the other Asian countries.

In the European market, the first two quarters of the reporting year were still strongly characterised by supply bottlenecks in semiconductors. Despite the high demand, this prevented an increase in sales. Automobile producers reacted by prioritising the manufacture of models with higher margins, whereas the supply industry did not realise any higher prices due to unit-based compensation and price maintenance agreements with longer terms. Although the semiconductor supply improved in the third quarter of the year, it could not compensate for the backlog from the previous year.

In China, there were sharp fluctuation in the first four months of the year with a low being reached in April as a result of the Covid-19 lockdowns. Vehicle sales increased momentum in the rest of the year and even significantly exceeded that of the same months in the previous year. Demand in the internal market was stimulated by tax benefits for purchasing vehicles expiring at the end of the year.

As in Europe, the US market experienced severe restrictions in car production due to the shortage of semiconductors. In the fourth quarter, the supply situation of chips improved, which led to an increase in sales figures. In contrast to Europe, the war in Ukraine tended to have a minor impact on the supply situation.

The global market share of all-electric (BEV) and hybrid electric vehicles (PHEV) continued to increase in 2022. In the reporting year, approx. 7.7 million BEVs and approx. 2.8 million PHEVs were newly registered worldwide. The market share of BEVs reached approx. 9.5 percent with an increase in sales of +60 percent. The market share of PHEVs increased to 3.5 percent with +45 percent more units sold. The largest single market is China with approx. 5 million new registrations of BEVs, followed by Europe with approx. 1.6 million units. In Germany, the BEV market share in the reporting year was 17.7 percent, which was roughly equivalent to the market share of diesel vehicles.

Printed circuit board industry

The dominant market position of the PCB industry by Asian producers remained almost unchanged from the previous year with a share of 93 percent. Global PCB production grew moderately by +1.5 percent with a volume of USD 78.6 billion (2021: +14.5 percent). However, China was by far the most important production site for PCBs, with a declining share of 55.3 percent (2021: 62.6 percent). In second place are the other Asian producing countries (except Japan), such as above all Taiwan, South Korea and Vietnam, with a share of 29.9 percent. Of the total trading volume, 3.9 percent is attributed to the American continent and 2.8 percent to the EMEA countries.

The proportionate business volume for printed circuit boards used in automobiles was 10.4 percent (2021: 10.1 percent). This also illustrates the importance of the automotive industry in the purchase of electronic components. The supply problems with semiconductors in the automotive industry also had a dampening effect on the sales figures for printed circuit boards. To make matters worse, in the first half of the year the PCB industry itself had to deal with supply shortages and price increases for laminates, metals, freight rates and energy. As a result of the difficult situation in the procurement of materials and postponements of incoming orders from Tier 1 customers, high levels of inventories had to be kept. This resulted in additional costs for PCB producers and an increased need for liquidity. Although the price situation for raw materials and primary products improved from the third quarter onwards, the electricity costs of energy-intensive PCB production remained at a high level. Due to long-term supply contracts with customers, the price increases could not be passed on in full or only with a delay, with margins coming under pressure.

(Sources: Kiel Economic Outlook series no. 97, Federal Statistical Office (Destatis press release no. 020 of 13/01/2023 and no. 070 of 24/02/2023), Annual Reports of the German Council of Economic Experts 2022/23, LBBW Fokusbranche Automobil Feb/2023, ZVEI, own sources)

DEVELOPMENT OF EARNINGS (IFRS)

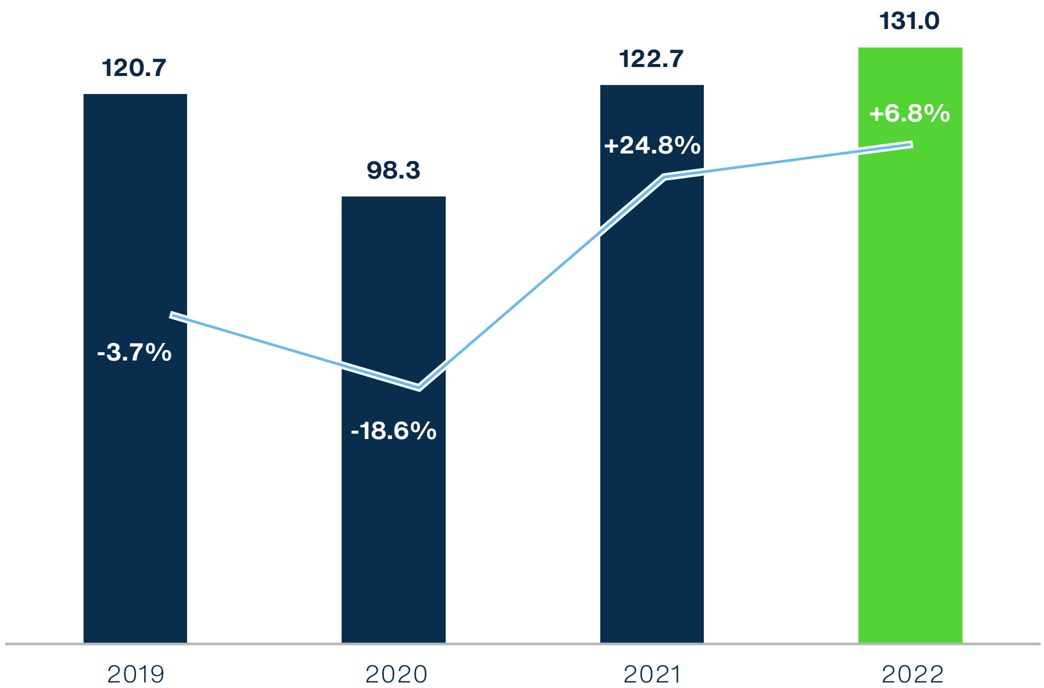
In the following section, we report on the Group's results of operations in accordance with International Financial Reporting Standards (IFRS).

Sales development and order book

Group sales amounted to EUR 131.0 million (2021: EUR 122.7 million). This is equivalent to an increase of +6.8 percent compared to the previous year.

Sales revenue

in EUR millions / change compared to previous year



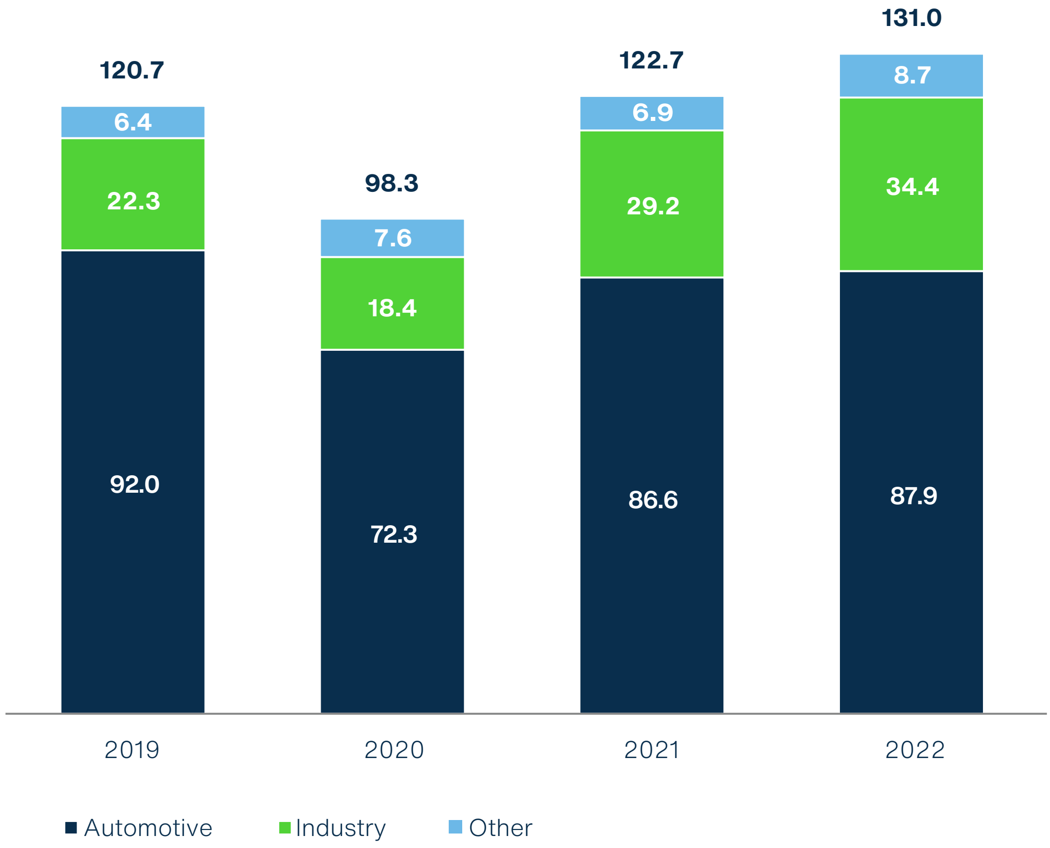
The +8.8 percent increase in sales in the first half of the year was significantly more dynamic than the increase of only +5.0 percent in the second half of the year compared to the same period of the previous year. In the fourth quarter of the financial year, a decline in turnover of -3.4 percent compared to the same quarter of the previous year was seen, while the first quarter and the third quarter showed growth rates compared to the same periods of the previous year of +18.6 percent and +13.9 percent respectively. The second quarter of the reporting year, however, was slightly below the previous year's quarter at -0.8 percent.

The increase in annual revenue, compared to 2021, affected both sales from in-house production with an increase of +4.0 percent as well by +14.3 percent of products manufactured by WUS at the Kunshan site or Meiko Electronics at the locations in China and Vietnam. On the whole, SCHWEIZER realised sales of EUR 38.6 million (2021: EUR 33.8 million) with these commercial products. The share of sales of commercial products increased to 29.5 percent compared to the previous year (2021: 27.6 percent).

Sales of EUR 87.9 million were generated with automotive customers, which is equivalent to an increase of +1.5 percent compared to the previous year. Sales with automotive customers amounted to 67.1 percent (2021: 70.6 percent). Sales of EUR 34.4 million were realised with industrial customers in the financial year. This corresponds to an increase of +18.0 percent compared to the previous year. This customer group, whose areas of application are primarily in detection, sensor technology and system controls, represents 26.3 percent of Group sales (2021: 23.8 percent). By contrast, other customers in the fields of communication, consumers and computers increased by +27.0 percent to EUR 8.7 million. This customer segment represents 6.7 percent of Group sales (2021: 5.6 percent). Thus, in addition to the moderate increase in sales generated from mobility customers, a higher growth rate of +19.7 percent was achieved with non-mobility customers.

Sales by customer group

in EUR millions

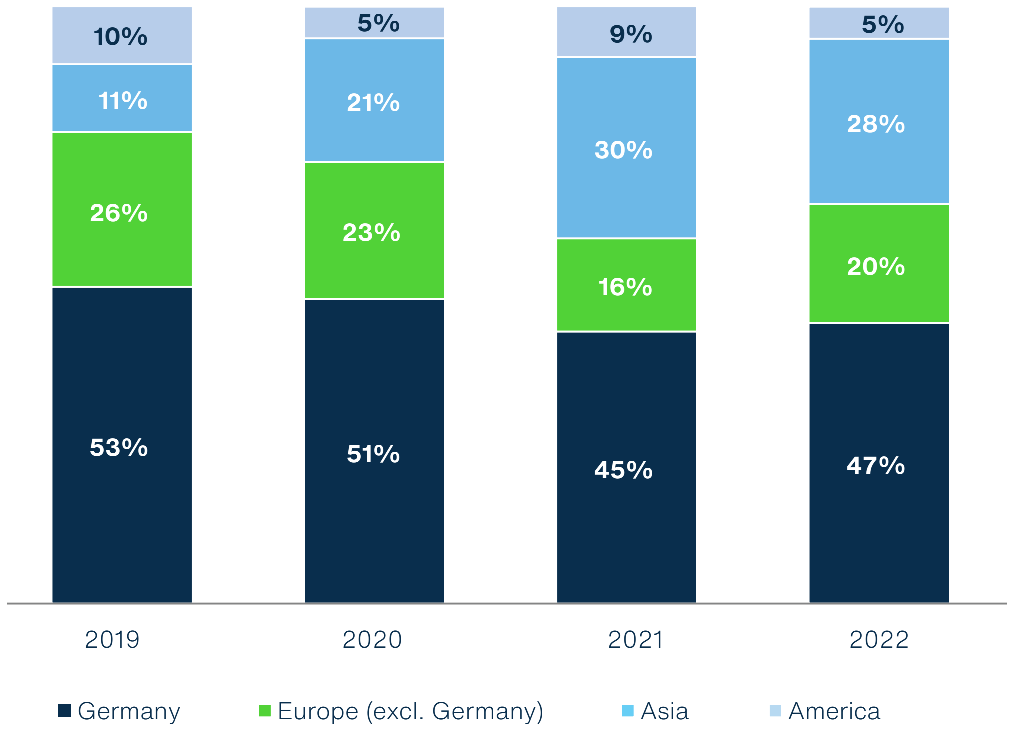


Compared to the previous year, there was a clear shift in the sales regions in favour of Germany and Europe. In the German market, there was an increase in sales of +10.2 percent and in the European markets of +36.4 percent. Sales growth in Asian countries declined by -2.1 percent. Exports to America and other exporting countries at -31.8 percent, on the other hand, declined.

Sales of 66.6 percent are attributable to Germany and Europe (2021: 60.9 percent), 27.7 percent to Asia (2021: 30.2 percent) and 5.7 percent to America/other countries (2021: 8.9 percent). Overall, the share of sales in the market regions excluding Germany decreased from 54.6 percent in the previous year to 53.2 percent.

Sales by region

in %



in EUR millions	2022	2021
Germany	61.3	55.7
Europe (excl. Germany)	26.0	19.1
Asia	36.2	37.0
America	7.0	10.4
Other	0.5	0.5
	131.0	**122.7**

In 2022, incoming orders at -5.1 percent decreased compared to the previous year and amounted to EUR 166.3 million (2021: EUR 175.2 million). This year, the book-to-bill ratio dropped slightly from 1.4 in the previous year to 1.3 this year. Incoming orders in the fourth quarter were characterised by significant postponements of orders, which led to a decline of -70.8 percent compared to the fourth quarter of the previous year.

At the end of the financial year, the order book amounted to EUR 234.4 million (31 December 2021: EUR 191.8 million). Of this, an order volume of EUR 132.6 million is due for delivery in 2023 (31 December 2021: EUR 128.3 million for 2022). The order volume for 2024 and subsequent years amounted to EUR 101.8 million as at the balance sheet date (31 December 2021: EUR 63.5 million for 2023ff). The falling share of 56.8 percent of short-term delivery dates signals longer-term planning by customers in the automotive and industrial sectors compared to the previous year (31 December 2021: 66.9 percent).

Operating margin and operating result

Gross profit on sales amounted to EUR -6.4 million (2021: EUR -4.9 million), which is equivalent to a negative gross margin of -4.9 percent (2021: -4.0 percent). This result also reflects the higher costs for raw materials and transport services, although a significant increase in energy costs could still be avoided through existing contracts with the utilities. These price increases could only be partially passed on to customers. The plant in China was also affected by sharply increased costs for supplier materials. In addition, the gross profit there was burdened by high reject rates due to the increasing expansion of the production programme with complex printed circuit boards. The strict quarantine conditions and the associated travel restrictions in China hindered the transfer of knowledge from the Schramberg site on topics relating to complex production processes, so that the plant in China had to cope with relatively high learning curve costs, as in the previous year. The Group's gross profit excluding China amounted to EUR +11.3 million, which equates to an decrease in gross profit of EUR -1.9 million compared to the previous year. Due to the excellent capacity utilisation situation, no short-time work was necessary at the Schramberg site during the financial year.

Other operating income amounted to EUR +4.7 million and corresponded to an increase of EUR +1.3 million compared to the previous year (2021: EUR +3.5 million). In the reporting year, other operating income, besides currency gains of EUR +1.5 million, includes grants from public authorities of EUR +1.0 million to fund development services in the innovation segment at Schweizer Electronic AG.

The functional costs of sales and administration as well as operating expenses increased overall by EUR +3.1 million, or +15.8 percent, compared to the previous year. Compared to the previous year, EUR +2.4 million higher currency losses had to be borne.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR -12.3 million (2021: EUR -9.8 million). The EBITDA ratio was -9.4 percent (2021: -8.0 percent). The Group excluding China achieved an EBITDA of EUR +5.0 million (2021: EUR +9.1 million).

Earnings before interest and taxes (EBIT) amounted to EUR -24.5 million (2021: EUR -21.2 million), a decrease of EUR -3.3 million compared to the previous year. Depreciation amounted to EUR -12.2 million (2021: EUR -11.4 million). In the plant in China, depreciation and amortisation increased by EUR +1.2 million compared to the previous year as a result of the full annual write-off of investments in the previous year and from the start of depreciation of asset additions in the reporting year. The Group excluding China achieved an EBIT of EUR -1.4 million in the financial year (2021: EUR +2.4 million).

Financial result

The financial result amounted to EUR -4.5 million (2021: EUR -3.5 million). The decrease resulted mainly from borrowing under the credit lines provided by the local domestic banks for the investments in China. The cash interest expense for current and non-current financial liabilities amounted to EUR -4.7 million (2021: EUR -3.9 million).

Consolidated result and earnings per share

Consolidated net income declined by EUR -5.9 million to EUR -33.5 million compared to the previous year (2021: EUR -27.6 million). Under taxes on income, the tax expense amounted to EUR -4.5 million in the financial year (2021: EUR -2.9 million). The main factor influencing Group taxes was the utilisation of capitalised deferred taxes from the valuation of a patent for the Chinese market to be recognised for tax purposes. The patent was contributed in kind by the parent company to the subscribed capital of the plant in China.

Earnings per share for financial year 2022 amounted to EUR -7.85 (2021: EUR -7.31).

The disclosures and changes in the financial, earnings and net asset position described below correspond to the assets and liabilities of the Schweizer Group before reclassification of the corresponding items of the disposal group to "Assets held for sale" and "Liabilities associated with assets held for sale", which are explained in the notes under Section 4.8.

Development of the financial position (IFRS)

As of the balance sheet date, liabilities to banks amounted to EUR 95.6 million (2021: EUR 94.4 million). Long-term financing amounted to EUR 86.4 million, representing an increase of EUR +5.3 million compared with the previous year. Schweizer Electronic AG repaid a loan in the amount of EUR 7.1 million from the special KfW programme in time on 30 June of the reporting year. Furthermore, the plant in China made loan repayments for the investment loan granted by the local Chinese banking consortium in the amount of EUR -4.4 million. In contrast, the plant in China took up loans in the amount of EUR +12.2 million from the master loan agreement for investments. The credit line made available with the agreement of the local banking consortium was thus recently fully utilised.

The loans (senior loans) included in total non-current liabilities to banks of Schweizer Electronic AG for the equity capital relating to the plant in China amounted to EUR 26.8 million. These loans have a term of eight to ten years and a variable EURIBOR interest rate with a margin grid that depends on the current gearing ratio of Schweizer Electronic AG.

In connection with the share purchase agreement concluded with WUS Printed Circuit (Kunshan) Co., Ltd. on 22 December 2022, the local banking consortium extended the repayment period for a loan repayment of EUR 2.5 million due in December of the reporting year to the second half of 2023. This ensured the solvency of the subsidiary in China.

The working capital credit lines amounted to EUR 5.7 million as at 31 December of the reporting year. As of the balance sheet date, credit lines in the amount of EUR 1.1 million were utilised.

In contrast to the long-term credit lines, all short-term credit lines are unlimited in time and unsecured. China did not yet have any working capital credit lines available as at 31 December 2022. Current financial liabilities amounted to EUR 9.2 million as at the balance sheet date (2021: EUR 13.2 million).

In the financial year, various assignments of receivables amounting to a cumulative EUR 49.2 million were used as financing instruments.

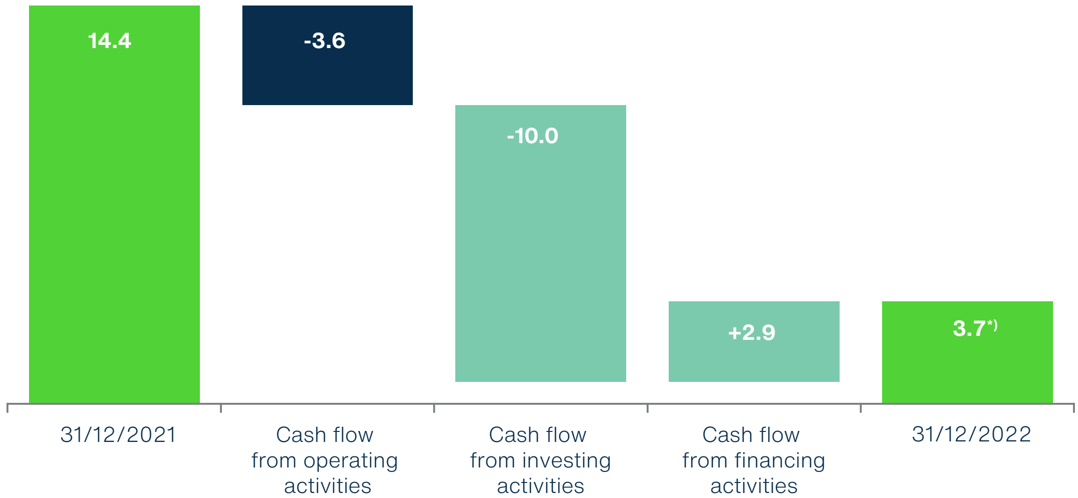
Development of liquidity

Liquid funds amounted to EUR 3.7 million as at the balance sheet date. This represents a decrease of EUR -10.7 million compared with the previous year. The freely available funds, including unused current account, forfaiting and leasing lines, total EUR 11.9 million. The forfaiting line represents the maximum amount for assigned receivables as at the respective balance sheet date.

Cash flow from operating activities amounted to EUR -3.6 million in the financial year and increased by EUR +9.2 million compared to the previous year (2021: EUR -12.7 million). In addition to EBITDA, which was EUR -2.4 million lower, a reduction in capital tied up as working capital of EUR +10.4 million was due here especially as a result of the reduction in inventories and the increase in trade payables. Cash flow from operating activities includes an effect of EUR +10.6 million resulting from a receivables assignment as at the reporting date. These cash-relevant investments mainly concerned the cash acquisition of property, plant and equipment and intangible assets for the production site in China of EUR -9.2 million before the deduction of grants from public authorities. Based on investments in the financial year, grants from public authorities of EUR +1.3 million (2021: EUR +23.1 million) were received. Overall, cash flow from investing activities was netted off at EUR -10.0 million (2021: EUR +3.9 million). At the beginning of the financial year, WUS Printed Circuit (Kunshan) Co. Ltd. with registered offices in Kunshan/China subscribed 7.5 million shares from a capital increase of the Schweizer subsidiary in China and thus acquired an approx. 12.8-percent holding this company's share capital. In the course of this, the purchase price resulted in a cash inflow of EUR +10.6 million. Furthermore, funds from the long-term loan commitments of the local consortium of domestic banks in China amounted to EUR +12.2 million during the financial year. This new debt was offset by principal and interest payments of EUR -21.0 million. Cash flow from financing activities thus amounted to EUR +2.9 million (2021: EUR -1.2 million). In total, the exchange rate-adjusted change in cash and cash equivalents amounted to EUR -10.7 million (2021: EUR -8.6 million). The liabilities of Schweizer Electronic AG were paid by the due date at all times utilising discount deductions. During the year, current account lines were used or receivables were assigned to cover peaks in financial requirements. Furthermore, the Chinese syndicate banks deferred a large part of a repayment due in December until July 2023.

Cash flow

(in EUR millions)



*) thereof reclassified to assets held for sale EUR 1,751 thousand

in EUR millions	**2022**	**2021**
Cash flow from current business activities	-3.6	-12.7
Cash flow from investing activities	-10.0	+3.9
Cash flow from financing activities	2.9	-1.2

Development of net assets (IFRS)

Compared to the previous year, total assets decreased by EUR -20.6 million to EUR 160.3 million. Non-current assets increased by EUR -6.5 million to EUR 109.2 million. The main causes were the reduction in deferred tax assets of EUR -2.7 million due to the offsetting of loss carryforwards against taxable profits and a decrease in rights of use according to IFRS 16 of EUR -6.4 million due to annual depreciation.

The investments to expand production at the site in China amounted to EUR 9.3 million. At the Schramberg site, EUR 2.4 million were invested. Of this amount, EUR 0.3 million related to additions from the lease financing. In total, the investments of the Schweizer Group amounted to EUR 11.7 million before deducting grants from public authorities (2021: EUR 17.9 million).

Current assets decreased by EUR -14.1 million to EUR 51.1 million compared to the end of the previous year (2021: EUR 65.2 million). The reduction in inventories by EUR -3.2 million and the decrease in cash and cash equivalents by EUR -10.7 million were decisive in this regard. Liquid funds amounted to EUR 3.7 million at the end of the financial year (31 December 2021: EUR 14.4 million).

Equity decreased mainly due to the negative Group net income to a deficit of EUR -8.8 million (31 December 2021: EUR 8.3 million). Other income had a partially compensating effect with a contribution of EUR +4.8 million. The equity ratio was thus -5.5% (31 December 2021: +4.6 percent).

Non-current and current financial liabilities increased slightly by EUR +1.2 million to EUR 95.6 million. Non-current financial liabilities increased by EUR +5.3 million to EUR 86.4 million, while current financial liabilities decreased by EUR -4.1 million. Trade payables increased by EUR +5.2 million to EUR 37.4 million (31 December 2021: EUR 32.2 million). Tax liabilities increased by EUR +1.7 million to EUR 1.9 million, mainly due to the expected income tax burden from the tax balance sheet result.

On 22 December 2022, Schweizer Electronic AG signed an agreement to sell a total of 57 percent of the shares in Schweizer Electronic (Jiangsu) to WUS Printed Circuit (Kunshan) Co., Ltd. (China) as part of a share deal. Up to that point in time, Schweizer Electronic AG held around 87 percent in SEC. Schweizer will now have a holding of 30 percent in the Chinese company. The transaction will be completed (closing) by 28 April 2023.

According to the relevant regulations of IFRS 5, there is a disposal group held for sale. On 31 December of the reporting year, the disposal group was stated at the lower of carrying amount and fair value less costs to sell.

KEY FIGURES FOR CORPORATE MANAGEMENT

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

- Economic efficiency
- 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. The following comparison relates to the target achievement compared to the forecast disclosed in the 2022 Annual Report published on 22 April 2022 with its last amendment published on 28 July 2022.

1. Economic efficiency

Schweizer assesses economic efficiency using the profitability ratios of EBITDA (earnings before interest, taxes, depreciation and amortisation) in EUR and the EBITDA ratio. The EBITDA ratio indicates EBITDA as a percentage of sales. EBITDA in EUR represents a profitability indicator within the income statement that also shows a high correlation to cash flow. For instance, it may be appropriate 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. In order to ensure a balance between quantitative and qualitative growth, both ratios are of equal importance at Schweizer.

In the 2021 Annual Report, Schweizer forecast an EBITDA ratio of -4 to +1 percent for the 2022 financial year. On the one hand, this forecast was based on expected disproportionate growth and a fixed cost degression with a positive effect on the result. On the other hand, cost increases were expected. These were due to a high inflation rate, rising raw material and energy prices as well as the expenses of the plant in China for the preparation of high-tech production processes. In the interim consolidated financial statements as at 30 June 2022, the expectation for the EBITDA ratio was corrected to between -8 and -4 percent. The decisive factor for updating the previous assessment was the cooling of the economy during the year as a result of inflation, rising interest rates and the still prevailing shortage of components in the automotive industry. In addition to the reduced sales expectations, further burdens were expected due to rising energy prices for natural gas and electricity as well as higher logistics costs.

The forecast originally published on 22 April 2022 with an EBITDA ratio of between -4 and +1 percent was based on an EBITDA range between EUR -5.4 and +1.5 million. The correction of the forecast as at 28 July 2022 corresponded to a range between EUR -10.3 and -5.2 million. The EBITDA in the financial year actually amounted to EUR -12.3 million, which represents an EBITDA ratio of -9.4 percent.

2. Growth and investment

Schweizer measures the "growth and investment" category on the basis of the key figures of growth ratio and investment ratio. The growth ratio shows the percentage change in sales compared to the previous period. For 2022, Schweizer set itself a growth target between +10 and +20 percent, which was roughly equivalent to a target turnover of between EUR 135 and 150 million. Actual sales of EUR 131.0 million were generated in the financial year. This represents an increase of +6.8 percent compared to the previous year.

The changes in the geopolitical situation due to the war in Ukraine and the resulting uncertainties regarding a natural gas shortage, as well as the historical inflationary trends, caused a significant decline in demand, which could not be taken into account to this extent in the original forecast. The growth forecast was therefore corrected in the interim report as at 30 June 2022 to a range between EUR 130 and 140 million.

The ratio of cash flow from investing activities (excluding divestments) to EBITDA in EUR represents the investment ratio. Due to the negative forecast for the EBITDA, calculating the investment ratio for 2022 was not appropriate. Group-wide, the expectation for total investments in 2022 was between EUR 10 and 15 million. The investments made in the financial year amounted to EUR 11.7 million.

3. Capital commitment

An important factor in liquidity management is the optimisation of capital commitment. The capital commitments are measured by the working capital. Working capital is the difference between current assets and current liabilities. This is calculated by deducting current liabilities from current assets (excluding liquid funds). There is growing pressure from customers to extend payment terms and to set up consignment warehouses. Longer payment terms combined with a higher sales volume will lead to an increase in receivables and thus in pre-financing requirements.

Another important factor is inventory management. As part of working capital management, the aim is to reduce inventories of raw materials, consumables and supplies, semi-finished goods and finished goods. The task of working capital management is to optimise supplier liabilities by managing payment terms and setting up consignment warehouses. Schweizer prefers to consistently exploit potential cash discount income where possible for reasons of maximising profitability. This is an attractive alternative, even given the current interest rate level and even if it does not minimise working capital.

Schweizer had forecast an increase in working capital in line with the change in sales in its Annual Report last year. During the financial year, working capital amounted to EUR -1.6 million. Compared to the previous year, working capital decreased by EUR -10.4 million. The main reasons for this capital release effect were a reduction in inventories by EUR -3.2 million and an increase in trade payables by EUR +5.2 million.

4. Financing

In recent years, before the direct investment in China, 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 net gearing ratio. The earnings situation and the net gearing ratio of the subsidiary in China continued to weigh on the development and structure of the key financial figures in the reporting year. In the 2021 Annual Report, an increase in the equity ratio to a range between 6 and 11 percent was forecast in comparison with the previous year for 2022. In the interim consolidated financial statements for the first half of 2022, this expectation was confirmed subject to a successful conclusion of the talks with Asian investors in the Chinese subsidiary, which were ongoing until then, and an associated capital contribution to the subsidiary. At the end of the financial year, the equity ratio was -5.5 percent. The completion of the planned capital measures to improve equity capital through a direct investment by another investor in the Chinese subsidiary did not take place as intended in the financial year. On 22 December 2022, the negotiations on the sale of the majority stake in the Chinese subsidiary to strategic partner and investor WUS Kunshan was concluded successfully. After the expected completion of the transaction on 28 April 2023, due to the deconsolidation of Schweizer China, the liabilities side of the Schweizer Group will be significantly freed up as the negative equity and debt of the subsidiary will no longer be included.

The net gearing ratio is calculated as interest-bearing liabilities less liquidity holdings in relation to equity. For 2022, no significant change to the net gearing ratio compared to the previous year (2021: 823%) is expected. The net gearing ratio could not be meaningfully presented due to the negative equity as at 31 December 2022.

The following table shows the attainment of the targets in financial year 2022:

Target attainment by the SCHWEIZER Group

	2021 actual	2022 target		2022 actual
		Forecast Annual Report of 22 April 2022	Forecast adjusted on 28 July 2022	
Sales / compared to PY	EUR 122.7 million / +24.8%	+10% to +20%	+5% to +15%	EUR 131.0 million / +6.8%
EBITDA ratio	-8.0%	-4% to +1%	-8% to -4%	-9.4%
Working capital	EUR 9.0 million	Somewhat disproportionate to sales	-	EUR -1.6 million
Net gearing ratio	959%	Stable	-	N/A (neg. equity)
Equity ratio	4.6%	6% to 11%	-	-5.5%

SCHWEIZER ELECTRONIC AG

Disclosures in accordance with HGB

Schweizer Electronic AG, headquartered in Schramberg, is the parent company of the six companies of the SCHWEIZER Group. Besides the plant in China, operational since spring 2020, Schramberg is home to a production facility for printed circuit boards, research and development, central sales and the central administrative functions of the Group. The financial statements of Schweizer Electronic AG were produced in accordance with Sections 242ff. and Sections 264ff. of the German Commercial Code (HGB) and according to the relevant provisions of the German Stock Corporation Act (AktG). The regulations regarding large corporations apply.

Development of earnings

Income statement in accordance with HGB (condensed version)

	2022 EUR thousands	2021 EUR thousands
Sales revenue	94,804	90,559
Cost of goods and services provided to generate sales	-84,049	-75,703
Gross profit	**10,755**	**14,856**
Distribution costs	-4,128	-4,051
General administration expenses	-11,080	-10,319
Other operating income	20,051	3,043
Other operating expenses	-1,936	-1,514
Income from holdings	0	0
Other interest and similar income	214	10
Depreciation from financial assets	-32,980	0
Interest and similar expenditure	-1,355	-1,484
Taxes on income and revenue	-4,430	+2,296
Earnings after tax/net loss for the year	**-24,888**	**2,837**
Loss carried forward (PY: profit carried forward)	-3,057	-5,895
Net loss	**-27,945**	**-3,057**

Schweizer Electronic AG achieved sales of EUR 94.8 million in the reporting year (2021: EUR 90.6 million), which corresponds to an increase of +4.7 percent. This means that the growth in sales forecast in the previous year in the range between +10 and +20 percent was not achieved. The changes in the geopolitical situation due to the war in Ukraine and the resulting uncertainties regarding a natural gas shortage, as well as the historical inflationary trends, caused a significant decline in demand, which could not be taken into account to this extent in the original forecast. While the sales of products manufactured in-house at the Schramberg site of EUR 79.5 million was almost exactly the same as the previous year, the sales of the purchase of commercial products from strategic partner companies increased by +37.6 percent to an amount of EUR 15.3 million.

As a result, the share of sales from commercial products is 16.2 percent of total sales (previous year 2021: 12.3 percent).

Incoming orders for the financial year increased by +1.4 percent to EUR 136.8 million compared to the previous year.

The order volume as at 31 December 2022 increased by +30.6 percent to EUR 178.2 million compared with the previous year. Of this total, PCBs worth EUR 89.8 million are scheduled for delivery in 2023.

The gross margin decreased by EUR -4.1 million to EUR 10.8 million, representing 11.3 percent of revenue (2021: 16.4 percent). Compared to the previous year, a disproportionate increase in raw material and energy costs and further inflation-related cost increases had to be borne. Due to price maintenance, only part of the cost increases could be passed on to the customers.

At EUR 4.1 million, distribution costs were at the same level as in the previous year (2021: EUR 4.1 million). Administrative costs increased by EUR +0.8 million to EUR 11.1 million (2021: EUR 10.3 million).

The operating result / EBIT in the financial year amounted to EUR +13.7 million (2021: EUR +2.0 million). The EBIT ratio was thus +14.4 percent (2021: +2.2 percent). Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR +18.0 million (2021: EUR +6.6 million). This corresponds to an EBITDA ratio of +19.0 percent (2021: +7.3 percent) and exceeded the forecast of +5 to +7 percent made for 2022. Both EBIT and EBITDA include extraordinary income of EUR +15.2 million from a patent value determined by an expert, which was contributed in kind to the subscribed equity of the subsidiary in China, Schweizer Electronic (Jiangsu) Co. Ltd., (SEC).

The utilisation of usable tax loss carryforwards by the amount to be recognised for income tax purposes from the patent valuation, resulted in, among other things, a tax expense of EUR -4.4 million. The other financial result includes a loss from the write-off of the investment book value in the subsidiary in China and amounts to EUR -33.0 million. The net loss for the year thus amounted to EUR -24.9 million (2021: net profit for the year of EUR +2.8 million).

Development of net assets and financial position

Balance sheet in accordance with HGB (condensed version)

	31/12/2022 EUR thousands	31/12/2021 EUR thousands
Assets		
Fixed assets		
Intangible assets	661	801
Property, plant and equipment	24,160	26,447
Financial assets	23,342	40,886
	48,162	**68,134**
Current assets		
Inventories	16,458	16,525
Receivables and other assets	17,651	15,988
Cash on hand, bank balances	1,103	7,668
	35,212	**40,181**
Prepayments and accrued income	573	316
Deferred tax assets	928	3,641
Total assets	**84,875**	**112,272**
Liabilities		
Equity	24,230	49,119
Provisions	13,102	13,797
Liabilities	47,543	49,357
Total liabilities	**84,875**	**112,272**

On 31 December 2022, the net assets of Schweizer Electronic AG decreased by EUR -27.4 million to EUR 84.9 million, of which an amount of EUR -17.5 million comes from the reduced financial assets. The main reason for this development was the special depreciation on the carrying amount of the investment, amounting to EUR -33.0 million, and the increase of the investment by EUR +15.2 million in the form of a contribution in kind to the equity of the subsidiary in the form of a transferred patent before the depreciation.

Compared to the previous year, intangible assets and property, plant and equipment decreased by EUR -2.4 million to EUR 24.8 million. Gross investments in the business year amounted to EUR 2.1 million. Of this amount, EUR 0.6 million from subsidies granted by the federal government for digitisation investments were to be deducted, so that the net addition amounted to EUR 1.5 million.

With effect from 10 October 2022, a patent right for the market in China was transferred to Schweizer Electronic (Jiangsu) Co., Ltd., in Jintan (China) at a value of EUR 15.2 million and included in the registered capital as a contribution in kind approved by the authorities. As a result of the contribution in kind, the carrying amount of the investment in SEC increased accordingly by EUR 15.2 million.

On 22 December 2022, an agreement on a share purchase of 33,450,000 shares at a selling price of RMB 1 per share was concluded between WUS Printed Circuit (Kunshan) Co., Ltd, (China) and Schweizer Electronic AG. According to this agreement, the sale of shares is deemed to be completed if the shareholders' meeting of the buyer approves the payment of the purchase price and the transfer of shares has taken place by 30 June 2023. As a result of this purchase price agreement, the carrying amount of the 30-percent stake held for retention now amounts to EUR 17.6 million. Accordingly, financial assets decreased by EUR -17.5 million compared to the previous year.

Current assets decreased by EUR -5.0 million to EUR 35.2 million. This was largely due to a decrease in liquid funds of EUR -6.6 million and an increase in receivables and other assets of EUR +1.7 million. As at the reporting date of the financial year, a portion of the receivables amounting to EUR 10.6 million was sold to a bank without recourse. Through assignment of receivables, the company received liquid funds of EUR 49.2 million during the year.

Deferred tax assets decreased by EUR -2.7 million compared to the previous year. This reduction is largely due to the hidden reserve from the patent valuation, which is effective for income tax purposes.

Equity decreased by EUR -24.9 million to EUR 24.2 million as at the balance sheet date as a result of the net loss for the year. The equity ratio thus amounted to 28.5 percent (31 December 2021: 43.8 percent). The forecast assumed a moderate increase in the equity ratio.

Due to the close integration and its weighting within the Group, Schweizer Electronic AG's target attainment is reflected in the Group’s target attainment. The development of the Group's business activity forecast in the previous year for this financial year is primarily a result of the development of the parent company's targets. Sales of PCBs produced at the Schramberg site in the amount of EUR 79.5 million (2021: EUR 79.4 million) increased moderately by +0.1 percent. The sales target and the forecast growth rate of between +10 and +20 percent were not achieved due to the economic downturn described above. EBITDA improved by EUR +11.4 million year-on-year and reached a ratio of +19.0 percent of revenue (2021: +7.3 percent). Working capital amounted to EUR 9.4 million and decreased by EUR -5.4 million compared to the previous year. In the forecast, an increase in line with the business volume was expected. As a result, the earnings development was above planned expectations. Net debt fell by EUR -2.6 million to EUR 28.1 million, in line with the forecast decrease in the key figure. In the financial year, a special loan from KfW in 2020 of EUR 7.1 million was repaid as scheduled, which also led to a decrease in liquid funds. In addition, there were scheduled repayments of non-current loans in the amount of EUR 3.2 million.

Forecast report (HGB)

The estimates of business development in the forecast report of the Schweizer Group also serve as premises for the forecast of Schweizer Electronic AG's key figures.

For the production site in Germany, sales growth of between +5 and +10 percent is expected for 2023. The EBITDA ratio is forecast to be between +4 and +6 percent of sales. The EBITDA ratio adjusted for the extraordinary result is +2.9 percent. Furthermore, it is expected that the net gearing ratio will decrease slightly and the equity ratio will increase moderately.

Forecast Schweizer Electronic AG

	2022 actual	2023 forecast
Sales / Growth ratio	EUR 94.8 million / +4.7%	+5% to +10%*)
EBITDA ratio	+19%	+4% to +6%*)
Working capital	EUR 9.4 million	Proportional to sales
Equity ratio	28.5%	29% to 30%
Net gearing ratio	116%	Approx. 110%

*) Change to the previous year

FORECAST REPORT

MARKET ENVIRONMENT

The macroeconomic forecasts for 2023 currently assume that there will be barely any growth due to persistently high inflation and high energy prices. A widespread recession is currently no longer expected, as was the consensus just a few months ago.

The less pessimistic forecasts are based on the surprisingly positive development of the global economy and the normalising energy prices. Nevertheless, high levels of uncertainty remain. The geopolitical situation remains fragile. A rapprochement between Russia and Ukraine is still not in sight. A further tightening of monetary policy is also realistically possible due to inflation, which is still high.

High interest rates and geopolitical uncertainties can have a negative impact on the propensity to consume and especially on the procurement of durable goods.

Globally, the IMF expects growth of 2.9 percent with a global inflation rate of 6.6 percent. This imbalance of growth and inflation may subsequently support a reduction in inflation rates.

Growth of 0.7 percent is expected in the euro area, our most important sales region, with Germany lagging well behind the European average with an increase in total output of 0.1 percent. Particularly burdensome for Germany are the energy imports, which have seen major price increases. Payments to foreign energy suppliers rose by just under EUR 80 billion in 2022 and will increase by another EUR 45 billion in 2023 (IfW).

The development in the US is forecast to be somewhat more optimistic. Economic growth of 1.4 percent is expected here. China's development is also important. After the coronavirus restrictions were dropped, the IMF revised its forecasts for China upwards to a plus of 5.2 percent. This could be an important factor in normalising international value chains.

Increasing importance will also be attached to the strategic realignment of global supply chains in 2023. Particularly in North America, but also in some cases in Europe, a gradual rebalancing of supply chains – i.e. a reduction in dependence on China in particular – is being pursued. This could have a positive effect on value creation in Europe.

SCHWEIZER's most important customer segment continues to be the automotive industry, which was hit hard by the Ukraine crisis, as the supply of wiring systems in particular was affected. This will have only a negligible impact for 2023, as the supply chains have now been relocated. Likewise, the semiconductor shortage seems to be gradually normalising, which led to rising sales figures, especially in the fourth quarter. Burdens from a semiconductor shortage should therefore be of secondary importance in 2023.

However, rising interest rates are likely to force some consumers to hold back on purchases.

The range of forecasts for 2023 extends from stagnation (IHS Global Insights) to moderate growth in global vehicle sales (LMC Automotive). Accordingly, expected sales figures range between 80.8 and 85 million vehicles (2022: approx. 81 million units). This means that the pre-coronavirus level will not be reached in any of the scenarios. According to LMC, this can be achieved again in 2026 at the earliest.

In the more optimistic scenario, 15.5 million units will be sold in Europe (+5 percent year-on-year), 17.5 million units in the NAFTA region (+7 percent) and 27.5 million vehicles in China (+4 percent). Worldwide, the growth in car sales will be just under 5 percent.

Electric mobility is one of our technology focus areas – power electronics solutions and also chip embedding support this market development. It is expected that the market shares of battery electric vehicles (BEVs) will increase from less than 10 percent today to around 30 percent in Europe by 2025. A similar development is forecast for China. The United States is lagging behind in this development. Here, the overall share of BEVs in the market is predicted to be below 20 percent by 2025. The growth rates for electric mobility are thus significantly higher than the industry average in the coming years.

The positive trend towards autonomous driving (ADAS) continues. It will further increase the demand for electronics per vehicle in the future.

OUTLOOK FOR SCHWEIZER

The fact that Schweizer is in the implementation phase of the sale of a majority stake in Schweizer Electronic (Jiangsu) significantly influences the forecast for 2023.

In particular, due to the nature of the transaction, there is a material impact on the operating results and the development of Schweizer's balance sheet ratios, which is why it is outlined below.

The agreement to sell a majority stake in Schweizer Electronic (Jiangsu) Co., Ltd. (China) ("Schweizer China") to the investor WUS Printed Circuit (Kunshan) Co., Ltd. (China) ("WUS Kunshan"), which was signed on 22 December 2022, states that a total of 57 percent of the shares in Schweizer Electronic (Jiangsu) be sold to Schweizer Electronic AG as part of a share deal. After the final completion of the transaction, WUS Kunshan will hold 70 percent and Schweizer Electronic AG 30 percent of the shares in Schweizer Electronic (Jiangsu). A share deal is characterised by the buyer assuming all the rights and obligations of the acquired company. Furthermore, the purchase agreement states that Schweizer shall retain an important influence over business policies. This is particularly evident in the fact that Schweizer holds a seat on the Executive Board ("Board") of Schweizer Electronic (Jiangsu). After the completion of the transaction, Schweizer will change from a fully consolidated company to an at equity consolidation of Schweizer Electronic (Jiangsu) as part of a transitional consolidation. In the context of the transitional consolidation, for example, all the losses and debts accumulated by Schweizer Electronic (Jiangsu) will no longer be shown in the books of the Schweizer Group. Among other things, the future business model envisages that the new Schweizer Group will have access to the production capacities in China and account for the resulting sales and margins in the context of a commercial business.

We assume that the contract conclusion (closing) with the investor WUS Kunshan will become effective on 28 April 2023. Likewise, Schweizer Electronic (Jiangsu) Co., Ltd. would no longer be fully consolidated in the SCHWEIZER Group from 1 May 2023. Conversely, this means full consolidation of the income statement and in the balance sheet of the SCHWEIZER Group for the months of January up to and including April. The date of 1 May 2023 is an assumption that was to be regarded as likely at the time this forecast was prepared.

Sales forecast

Sales performance exceeds growth of the market as a whole.

Within the framework of the forecast, growth of between +5 and +10 percent is expected for 2023 compared to 2022.

This would put Group turnover at a level of around EUR 140 million (2022: EUR 131.0 million). This forecast underpins the expectation that SCHWEIZER will be able to continue on its growth path with an adjusted business model despite the majority sale of Schweizer Electronic (Jiangsu).

Key factors influencing this expectation are the extent of the impact of the rise in interest rates on customers' purchasing behaviour with regard to durable capital goods and the assumption of the ongoing normalisation of the electronics supply chain from China.

The ongoing restrictive monetary policy, especially in the US but gradually also in Europe, could have a negative impact on purchasing behaviour for durable goods such as motor vehicles or investments in equipment and machinery. As SCHWEIZER's products focus on such goods, this may have a significant impact on customer demand and thus on growth. On the other hand, the currently high wage settlements and the easing off of the supply problem for semiconductors in the automotive industry could have a positive effect on vehicle sales and thus customer demand for printed circuit boards from SCHWEIZER.

For SCHWEIZER, 2023 will also be characterised by the large-scale production start-up of embedding technology as a growth driver. The exact timing of the customers' start of series production will influence revenue growth in 2023.

If the factors mentioned develop as expected or positively, sales are expected to be at the upper end of the range. If the demand situation in the overall market develops negatively, such as due to persistently high inflation, interest rates and energy prices, and if there is a certain delay in the start of series production of the embedding technology, we expect revenue growth at the lower end of the range.

Results forecast – a turnaround can be expected

Due to the new positioning of the Schweizer Group, profit margins will improve significantly compared to previous years. With an EBITDA ratio of between +4 and +6 percent (2022: -9.4 percent) and an EBITDA of between EUR +5.6 and +8.4 million, Schweizer will take a first important step towards a lasting improvement of the earnings situation.

Energy costs will be an important influence factor on the profitability of the Schweizer Group. Despite energy prices falling again since the summer of 2022, the current level is still significantly higher than in 2021 and early 2022. The energy mix at Schweizer consists of electricity and gas. The effectiveness of the government's energy price brake will also be of major importance for Schweizer. When it comes to energy prices, Germany as a production location has clear disadvantages compared to its Asian competitors. The possibility of passing on all or part of these price increases to customers thus plays a critical role.

As part of the new business model, sales that originate from the production of Schweizer China are considered commercial goods for accounting purposes. Due to the nature of the business, commercial goods generally have lower margins than self-produced goods. This could negatively affect the percentage margin of the new Schweizer Group.

On the other hand, the ramp-up losses of Schweizer Electronic (Jiangsu) Co., Ltd. are no longer consolidated in the Schweizer Group – this is the main factor for the significant improvement in profitability.

Return to solid balance sheet figures

We expect to close 2023 with an equity ratio of +25 to +30 percent (2022: -5.5 percent).

Thus, we anticipate a return to very solid balance sheet ratios, which are an important basis for further growth. The improvement in the equity ratio by more than 30 percentage points compared to the previous year's figure is one of the main effects of the majority sale of Schweizer China. This significantly eases the burden on the liabilities side of the balance sheet. Thus, the proportionate negative equity of EUR -12.4 million shown as of 31 December 2022 and the liabilities of EUR 91.2 million of Schweizer China from the consolidated balance sheet of Schweizer will not apply. Another factor influencing the financial result is the development of interest rates.

We forecast a change in working capital that is analogous to the sales development. This assumption is supported by two contrary developments. The deconsolidation of Schweizer China will have a negative impact on the development of working capital. Its working capital was characterised by above-average payment terms, which are due to a high share of liabilities for production facilities. The payment terms for production equipment are typically longer than usual in the business with suppliers of raw materials. The second factor weighing on working capital is the large-scale production start-up of chip embedding technology. Due to the processing of semiconductors in the printed circuit board, the share of own value creation in the final product will be lower, which will have an impact on working capital. The increasing share of the trading business will have a positive effect on working capital. In the trading business there is a shorter cash-to-cash cycle, i.e. the time between payment to the supplier and receipt of payment from the customer. The reason for this is that there are no production lead times in the trading business and there are also no stocks of semi-finished products. Furthermore, we assume that SCHWEIZER's solid balance sheet ratios will also extend the average payment terms to suppliers.

Significantly reduced investment requirements improve cash flow

In the future, SCHWEIZER will increase its focus on generating business by leveraging existing distribution channels, technology know-how and other key differentiating factors such as local proximity to customers' development departments. Due to having the largest PCB production facility in Europe, SCHWEIZER will play an important role in ensuring supply chain resilience and being able to meet customers' local content requirements. Investments in plants in SCHWEIZER China will take a back seat for SCHWEIZER in the future and will be carried out by the strategic partner WUS Kunshan. In 2023, SCHWEIZER plans investments of EUR 4.5 to 5.0 million with a focus on the Schramberg site.

The sale of SCHWEIZER China shares to the strategic partner and investor WUS Kunshan will lead to a liquidity inflow of around EUR 4.5 million by 28. April 2023.

Overall, we expect a positive development of free cash flow, which at EUR 5.0 to 7.0 million is expected to be higher than the scheduled cash outflows from repayments and interest on loans and lease agreements (2023: approx. EUR 4.8 million). Accordingly, we do not expect to take out any significant new loans. Only the utilisation of open leasing lines to finance investments is considered for 2023. As in the previous year, SCHWEIZER will use factoring and working capital lines to finance working capital.

Normalisation of Group net gearing

The net gearing ratio will improve significantly. The effects of the lower interest-bearing debt and the improved equity base in the new Group structure will contribute to this. Based on the forecasts, we see the net gearing ratio at around 150 percent in 2023. The net gearing ratio could not be meaningfully presented due to the negative equity in 2022.

OVERALL STATEMENT ON THE DEVELOPMENT

SCHWEIZER expects a turnaround of the earnings situation and a significant recovery of the balance sheet structures for 2023. The sale of the majority stake in Schweizer Electronic (Jiangsu) will make a significant contribution to improving the Group's earnings and balance sheet ratios for SCHWEIZER in 2023. Through its collaboration with WUS, SCHWEIZER can at the same time consistently continue the strategy it has put in place. The asset light strategy makes it possible to gradually expand and improve sales and results despite the lower need for own production facilities. In addition, a sales subsidiary will be established in China for direct marketing, which will start business operations in the second quarter of 2023.

Forecast for the SCHWEIZER Group

	2022 actual	2023 forecast
Sales / Growth ratio	EUR 131.0 million / +6.8%	+5% to +10%*)
EBITDA ratio	-9.4%	+4% to +6%*)
Working capital	EUR -1.6 million	Proportional to sales
Equity ratio	-5.5%	+25 to +30%
Net gearing ratio	N/A (neg. equity)	Approx. 150%

*) Change to the previous year

OPPORTUNITIES AND RISKS REPORT

For Schweizer, as a 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. Schweizer defines risks and opportunities as the occurrence of future deviations of a negative or positive nature from business planning.

In terms of risk management, the Schweizer Group distinguishes between the operational level of opportunity and risk management in the individual Group companies involved in the business and the risk and opportunity recording and assessment at Group level as corporate risk management.

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. The Executive Board provides regular written and oral reports to the Supervisory Board.

Reporting to the Executive Board takes the form of an annual risk report which, in addition to the individual risk status and risk-limiting measures, includes the determination of the risk-bearing capacity, the assessment of risks and opportunities and the aggregated overall risk.

In addition, an annual workshop is held with the Executive Board and divisional managers to identify, assess and manage risks. Other sources of information include weekly rolling liquidity planning and regular management reporting. Potential material risks and opportunities are discussed, ad hoc information about risks are categorised and evaluated and the required measures determined at fortnightly meetings between the Executive Board and the management staff. 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 (ICS) is on the financial accounting process with the aim of monitoring the correctness 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 fundamental design of the control system aims to ensure effectiveness and include all the important legal units and key functions. The system monitors the principles and procedures on the basis of preventive and detective controls.

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 that ensure correct IT-supported processing of accounting-related facts and data integrity,
- Inclusion of external experts for complex accounting issues in the accounting process as well as a multi-stage assessment process between the finance and accounting departments and the Executive Board,
- 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 financial statements and the consolidated financial statements.

Evaluation of effectiveness

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. In addition, risks that arise are systematically identified and suitable corrective measures initiated in the course of monthly reports to the Supervisory Board on the financial, earnings and net asset situation and process-related key figures.

At the end of the annual cycle, we check and confirm the effectiveness of the internal control system governing the financial accounting process. The Executive Board and 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.

In the year under review, the persons responsible carried out the assigned control tasks with the specified frequency, the required scope of random sampling and permanent automated controls in such a way as to ensure the adequacy and effectiveness of the accounting-related internal control system and the overarching internal control system*). Identified weaknesses in the control system were addressed and implemented promptly.

*) Unaudited information

RISK AND OPPORTUNITY MANAGEMENT SYSTEM

The risks relevant for the Schweizer Group are categorised as follows:

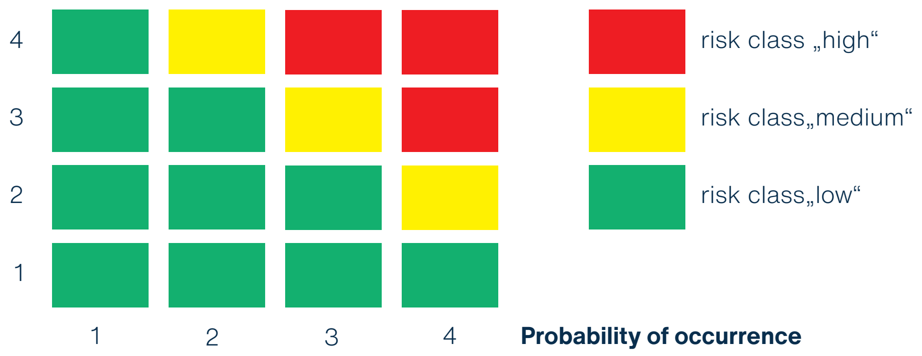
Strategic risks	Financial risks	Operating risks	Compliance risks
Market and competition, technology, expansion investments	Liquidity supply, Raw materials, Primary products	Procurement, IT processes	Patent and copyright infringement, cyber crime, espionage and data misuse

OVERALL ASSESSMENT

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

All risks and opportunities relevant to the Schweizer Group are evaluated uniformly from a quantitative and qualitative perspective using the dimensions of impact (relevance) and probability of occurrence. According to the degrees of impact and probability of occurrence pursuant to the risk classification matrix below, the risk is classified as "high", "medium" or "low":

Degree of impact (relevance)



Relevance

1	< EUR 1 million	tolerable impact on business objective
2	< EUR 6 million	significant impact on business objective
3	< EUR 10 million	major impact on business objective
4	> EUR 10 million	catastrophic, existential threat

Probability of occurrence

1	< 10%	every 10 years or more	very unlikely
2	< 33%	every 3 years	less likely
3	< 50%	every 2 years	likely
4	> 90%	annual	certain or almost certain

The loss in EUR, weighted with the probability of occurrence, defines the calculable upper limit of a gross maximum loss of an individual risk. The risk evaluation follows the net principle in that the evaluated influences, control and hedging measures are deducted from the gross value. The resulting net loss is the base value of the individual risks considered in the risk aggregation. The calculated values and their normal distribution from a Monte Carlo simulation are used to determine the total risk of Schweizer Electronic AG and each of its subsidiaries in China and Singapore. The maximum risk-bearing capacity threshold resulting from the annual risk-bearing capacity analysis is compared with the overall risk from the risk aggregation. This clarifies how likely the determined risk-bearing capacity of the respective legal entity is to cover the overall risk.

The following describes the risks that can have a significant to substantial impact on the consolidated result and equity and are assigned to the risk classes "high" and "medium".

STRATEGIC RISKS

Market and competition / customers (risk: high – opportunity: high)

The further development of geopolitical tensions and the effects of the coronavirus pandemic and of the supply chain problems are important factors for the further global economic development of the individual regions and sectors.

In the non-mobility sector, the acquisition of further market shares was successfully continued in 2022 and the customer base was further broadened. Nevertheless, Schweizer is highly dependent on the development of this sector with a 67-percent share of sales coming from automotive customers in 2022. Despite the further improvement in global passenger car sales, the level of 2019 could not be reached again in the reporting year and remained at the previous year's level. In addition to a major chip shortage, the main cause of this is the massive disruptions in the supply chains caused by the coronavirus and the economic restrictions arising from China's zero-Covid strategy.

According to the VDA, the growth forecasts for global passenger car sales in 2023 are better, at +5 percent. Due to the economic and geopolitical challenges, passenger car sales in 2023 at pre-coronavirus levels seem unlikely. As a result of the continuing global chip shortage, Schweizer expects to see only a slight improvement in this market for 2023. Should the weak passenger car sales trend continue or be exacerbated by an overall economic downturn, this would have an impact on the sales growth and profitability of Schweizer.

A further risk is the competitive situation in the automotive segment, which is becoming significantly fiercer in an international context. In particular, Asian PCB companies are forcefully trying to establish themselves in this customer segment, in order to profit from the medium-term growth opportunities and to better diversify their customer portfolios.

Schweizer counters this trend with its Asian partner network, the expansion of the high-tech plant in Jintan (China), which is operated as a joint venture, and its successful qualification with well-known customers. Schweizer has thus opened up the opportunity to tap into greater sales potential with new and existing customers and to gain additional market potential through a broader portfolio of technology products. Our partner WUS Printed Circuit (Kunshan) Co., Ltd.'s expansion of its participation in our joint venture in China will further strengthen these opportunities in the market.

The general risk of lower passenger car sales is countered by the transformation of the automotive industry towards more hybrid and electric vehicles (i.e. more electronics per vehicle) and thus a higher demand for PCBs as an opportunity.

Schweizer's high quality and technological expertise, as well as its local proximity to many of the world's largest Tier-1s, gives it the opportunity to be successful as a reliable partner in this market. Schweizer sees opportunities for a very good market position in the e-mobility sector through its embedding technology in the 48-volt applications sector. The acquisition of major projects in recent years confirms this. The high-voltage embedding sector is another milestone in this development.

A share of sales of 67 percent in the automotive sector and a 50-percent share in total sales of the five largest customers entails significant risks for Schweizer should there be significant changes in their market, profitability or financial situation.

The sales office established in the US last year improves Schweizer's customer presence in North America and global opportunities in the focus markets of automotive, industry, medical and aviation.

Furthermore, the global positioning with proprietary production facilities in Germany and a joint venture in China makes it easier to generate new customers in sales markets. With our technological expertise, flexibility and the quality standard of the parent plant in Germany and the transfer of these to the production facilities of our Chinese joint ventures, the chances of developing market share increases.

Schweizer has been able to establish itself as a reliable technology partner for the European and, in the future, also Asian automotive suppliers. This opens up good opportunities to profit from the innovative talent of these customers. Schweizer's most important customers are global leaders in their segments. The barriers to market entry are generally high for new competitors due to the high level of technological expertise and the required quality.

Technology (risk: medium – opportunity: high)
The market environment for printed circuit board production continues to be characterised by high competitive pressure. Standard products are mainly manufactured in low-cost countries, in particular in China.

Due to the start-up of the new production facilities in Jintan (China), risks regarding the timeline and production yields cannot be ruled out even in the ramp-up of the technologies still to be transferred. The impact of the coronavirus pandemic and the associated inability to send staff from Germany to China to support the transfer, as well as the inability to train staff from China in Germany, also contribute to the risks.

The availability of suitable power semiconductors and improved base materials, some of which are required for the new technology, is currently low, which poses a risk to their market launch.

Other risks can be seen in alternative technologies for drive inverters, known as power modules based on ceramic substrates. In the area of these power modules, there has also been a strong innovation boost, as the market for drive inverters is growing strongly and is therefore very attractive for many suppliers and other technologies. As a result, the achievable prices for drive inverters come under greater pressure.

The opportunities in the technology segment continue to be assessed as high. Schweizer has developed a broad technology portfolio primarily in the field of power electronics, which attracts much attention from our customers in the areas of electromobility, alternative energy generation and low-loss energy conversion. The major change in the automotive industry towards the electrification of vehicles therefore presents great opportunities for Schweizer.

With the newly introduced p² Pack technology, Schweizer is in the position of realising new products from our customers and has already won projects in the automotive sector for the 48-V wiring network. With other interested customers under pressure to realise further carbon reductions, Schweizer is well on the way to gaining additional volume in this technology. Further opportunities are offered in the area of automotive high-voltage 400-V and 800-V wiring networks. With the help of the p² Pack, the efficiency of drive inverters of battery electric vehicles (BEVs), can be increased which, in turn, increases the range of these vehicles. Schweizer was able to impressively demonstrate the suitability of this technology in a publicly funded project. The first demonstrators are currently being built for prospective customers. Schweizer also expects a successful introduction of the p² Pack technology in this market segment.

Expansion investments (risk: low – opportunity: high)

By selling the majority of Schweizer Electronic (Jiangsu), the company has left the strategic path of growth through extensive investments in capacity.

Within the framework of the "fab light concept", i.e. a mix of in-house production in Schramberg to ensure supply chain resilience and local production, and growth through access to production capacities in the joint venture with WUS as well as other Asian production plants, Schweizer is able to expand its range of products for customers and dynamically continue growth despite lower tied-up capital.

For this reason, we have decided to no longer consider the topic of expansion investments as a focus of the opportunity/risk report.

FINANCIAL RISKS

Schweizer Electronic China (SEC) as a going concern (risk: low – opportunity: high)

SEC's financial development is characterised by the company's sustained loss situation and the associated negative cash flows in the last four financial years. Accordingly, the subsidiary was in a serious crisis of success and liquidity in the reporting year. The company reports balance sheet over-indebtedness at the end of 2022.

In December 2022, the management of Schweizer Electronic AG (SEAG) therefore decided to sell approx. 57 percent of the shares in SEC to the strategic investor WUS Printed Circuit (Kunshan) (WUS) at a price of approx. EUR 4.5 million (RMB 33.45 million). The contract was signed on 22 December 2022. By signing the contract with WUS, it was possible to postpone the upcoming repayment instalments to the Chinese lending banks for December 2022 and March 2023. This made it possible to avoid a default situation.

On 13 April 2023, WUS received approval from WUS shareholders to implement the transaction (closing). WUS will then hold 70 percent of the shares in SEC. After a capital increase by WUS of approx. RMB 200 million, sufficient funds will be available to service the liabilities and for further investments in plants and working capital. In combination with measures to increase productivity and optimise costs, SEC will benefit from extensive synergy effects through integration in the WUS organisation in the area of purchasing prices for materials, financing costs, administrative expenses, etc. To preserve Schweizer's strategic interests, SEAG will keep one seat on the Board of SEC.

With the execution of the share purchase agreement, it can be assumed that SEC will be able to continue as a going concern.

Schweizer Electronic AG as a going concern (risk: medium/high– opportunity: high)

With the direct investment in the China plant (SEC) in 2018 and 2019, the debt of Schweizer Electronic AG (SEAG) increased. The higher net gearing ratio makes SEAG more susceptible to an economic downturn. This risk was exacerbated by the global coronavirus pandemic and the resulting and still current supply shortages of raw materials and primary products, and ultimately by the war of aggression in Ukraine. Inflation and rising key interest rates may continue to contribute to a downturn in the global economy. A sharp downturn in business could mean that Schweizer's planned sales and earnings contributions will not be achieved, which would also reduce its liquidity headroom. As a result of a write-down in the value of the shares held by SEAG in SEC, SEAG's equity available as at 31 December 2022 fell to 28.5 percent.

Market developments are constantly monitored by means of comprehensive and up-to-date reporting and corresponding mitigation measures are consistently introduced. This includes, for example, the early adjustment of capacities and inventories as well as the implementation of cost-saving programmes.

The effective sale of the majority stake in SEC will have both a positive impact on the Group's financial ratios (without SEC) and a positive influence on SEAG's strategy – and thus positively affect the company as a going concern. In addition to the agreed purchase price of around EUR 4.5 million, the repayment of receivables reported by SEAG from SEC in the upper single-digit million EUR range is also expected. The majority sale of SEC resulted in it no longer being fully consolidated, which will result in a significant improvement in the key figures of the remainder of the Group in the future. For example, a new Group equity ratio of 25 to 30 percent (Group as at 31 December 2022: -5.5 percent) is expected. This creates opportunities for new financing or optimised supplier payment terms. This development contributes to a financially stable SEAG and opens up additional opportunities in the markets.

Besides the short-term positive effects, SEAG will also benefit from the new business model in the collaboration with WUS. The model provides for Schweizer to initially continue to have full access to the capacities of SEC. This also secures the successful realisation of embedding technology in Jintan in collaboration with SEAG. Furthermore, WUS opens up the opportunity for SEAG to also access the technologies of the other WUS plants. This makes it possible for SEAG to address product and market segments not previously cultivated. This even increases the chance of exceeding the previous forecasts due to additional growth potential.

Due to the agreement with WUS to take over the majority of SEC, the going concern perspective for SEAG has improved. This holds from both a financial and a strategic point of view.

The review of the available liquidity for the next 12 months does not indicate any shortfall in SEAG's financing requirements at any time in the assumed plan scenario, and the Executive Board therefore assumes that the company will continue as a going concern.

As a result of the accumulated losses and especially due to the annual loss of EUR -27.9 million, the balance sheet equity in the individual financial statements (HGB) fell significantly from EUR 49.1 million to EUR 24.1 million. Group equity fell from EUR +8.3 million to EUR -8.8 million due to the negative Group result. In the event of deviations from the planned scenario compared to the assumed economic trend as a result of sustained weak demand, considerable shortfalls in sales could occur in the forecast period and thus negatively affect cash flow. In addition, should SEAG not receive payment of its claim against the SEC on time, this would mean that the liquidity shortfall could not be compensated. These events and circumstances, which could lead to an interim liquidity shortfall, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern and represents a risk to the company as a going concern. Such a scenario can be countered by means of suitable risk management measures of restructuring or raising capital, for example by issuing new shares, convertible bonds or corporate bonds.

Liquidity procurement (risk: high – opportunity: medium)

In terms of operations, liquidity depends on business performance. There is a risk that existing or future payment obligations may not be met due to insufficient availability of funds or that unfavourable financing conditions must be accepted in the event of bottlenecks. Schweizer Electronic AG drew down a special credit line from KfW in the previous year and in the financial year for the crisis year 2020. The loan of EUR 7.1 million was repaid on time in 2022.

In order to reduce the risk, management monitored strict compliance with cost budgets during the financial year, which were agreed with a view to sustainable and significant cost reduction. In addition, only investments and one-off costs for special projects with a high level of cost efficiency were approved.

Thanks to an appropriate investment strategy and a dividends policy based essentially on free cash flow, SCHWEIZER has the option of adjusting the net gearing, which arises from the respective economic financial and earnings position, based on ratings in the future.

Liquid funds and overdrafts of Schweizer Electronic AG can be accessed at short notice. The committed overall sum of the lines of credit amounts to EUR 5.7 million. Furthermore, the liquid funds of the subsidiary in Singapore can be used.

A weekly liquidity forecast enables potential bottlenecks to be analysed early and appropriate counteracting measures to be implemented. SCHWEIZER has sufficient other diversified financing channels available to it, such as factoring, leasing, equity measures or additional instruments of debt financing suitable for SMEs.

Major risks include the credit risk of major customers. In the event of an unexpected, material deterioration in creditworthiness, large-scale bad debts can arise. This aspect has taken on even more significance given the global coronavirus pandemic that broke out in 2020 and the economic consequences. The aim of gaining additional customers from non-automotive segments will make credit risk management even more important. Internal and external sources of information will be evaluated at regular intervals for the initial assessment of the credit line for new customers as well as for all existing customers. These analyses form the basis for internal credit limits. If internal credit limits are exceeded, production and supply orders will be suspended as a first step. If the credit limit cannot be lowered, e.g. by earlier payments, the escalation principle will be applied for a special discretionary approval by the Executive Board or delegation to the finance department. If there are indications of a significant deterioration in creditworthiness, various measures such as advance payment and a delivery suspension will be implemented for existing customers, depending on the extent of the problem. In the case of new customers, orders with payment on credit are rejected if their credit rating is insufficient. The Executive Board regularly reviews whether credit insurance policies are necessary for the most important customers. The underwriting capacity by credit insurance companies is currently restricted due to the continued constrained progression of the economy and the continuing uncertainties regarding macroeconomic development.

Raw materials, primary products (risk: medium – opportunity: medium)

Derivative financial instruments may be used to hedge risks arising from fluctuating commodity prices, in particular for gold and copper, in line with the assessment of price trends in the commodities market. The use of such financial instruments is subject to strict guidelines. As at the balance sheet date, there were two derivatives transactions for commodity price hedging due to the assessment of the market development during the year. The commodity hedges involve commodity swap derivatives (gold and palladium swaps), whereby a fixed price is paid for gold or palladium and the bank pays variable amounts. The total nominal amount is USD 1,110 thousand.

The volatility and fluctuation margins of the gold price on the global market can lead to significant increases but also to reductions in the use of materials in a financial year. In 2022, the procurement volume for the use of gold salts in the production process was EUR 4.2 million at an average price of EUR 37.72 per gram (2021: EUR 33.49 per gram). A fluctuation margin of +/- 10 percent in relation to this price would result in a maximum increase or decrease of approximately EUR 424 thousand in the price of the raw material for the same procurement volume, with a direct effect on the income statement. This holds true for the assumption that the gold price would be purchased at the corresponding market price, which would be higher or lower on average.

The plant in Schramberg uses approx. two thirds of its gas supply for the operation of a combined heat and power plant for the generation of operating power. One third of the purchased volume is used for process engineering and heating of the production and administration areas. In the event of a supply bottleneck, operation of the combined heat and power plant could be discontinued and the energy requirement compensated for by means of a direct electricity purchase. In the event of a potential restriction of the gas supply below 30 percent due to an corresponding allocation by the authorities, the production operation at the Schramberg site could not be maintained in the short term, as certain environmental conditions such as room temperature and air humidity must prevail for production. A lost day would correspond to a daily gross profit loss of EUR 114 thousand for in-house manufactured PCBs. Compared to the situation in 2022, the risk of a noticeably restricted gas supply in 2023 appears to be somewhat lower, as there has never before been a complete stop of deliveries from Russia despite a cutback via the pipelines, and higher storage levels have been reached again. In addition, the measures taken to land liquefied petroleum gas will have an increasingly compensating effect against a potential supply restriction.

OPERATING RISKS

Procurement (risk: medium – opportunity: medium)

For Schweizer, the risk that certain raw materials and production materials may not be available is also relevant in 2023. The global conflict regions in Europe (war in Ukraine) and Asia (China/Taiwan conflict) continue to pose the risk of bottlenecks or longer delivery times in 2023. The problems and risks in transport logistics remain unchanged (e.g. rail freight from China), although prices have eased in 2022. Schweizer could be affected here for raw materials / auxiliary materials / operating supplies and for commercial goods. Schweizer launched further qualifications in 2022 to drive multiple sourcing. The results of these qualifications will reduce but not completely eliminate procurement risks in 2023. Many raw materials that have a direct or indirect impact on the supply situation of Schweizer are mined in the conflict regions mentioned above or in Africa and South America. Auxiliary/operating materials and semi-finished products are also affected. For European suppliers, and thus also for Schweizer, the effects of the massive increase in energy prices remain a risk. Many suppliers have oriented themselves to the spot market for natural gas and electricity and thus only know what their energy costs are at the end of the period.

Despite all the difficulties, the overall procurement situation has improved, especially in the second half of 2022. Delivery times, especially for the most important commodity group for Schweizer – basic materials – have fallen massively and have almost returned to the pre-coronavirus pandemic range. The German government's decision to introduce a natural gas and electricity price brake from 2023 has had a positive effect on the market environment. Despite spot market contracts, price calculations have become possible again and have removed the temporary hysteria from the market.

IT processes (risk: medium – opportunity: medium)

Business and production processes, as well as internal and external communication at Schweizer, depend to a large extent on functioning IT systems and related IT infrastructure. These are potentially exposed to various risks.

In addition to general disruptions or downtimes, which can be triggered by a variety of causes, the generally observable dynamics in the area of cyber attacks and cyber crime are particularly significant risks.

This includes, above all, attempts by unauthorised third parties to gain access to confidential information or data, to take control of systems, to publish data or to render large parts of IT systems, including data backups, unusable, such as through encryption.

Schweizer regularly takes technical and organisational measures to mitigate the risk of impairments, IT system failures, cyber attacks or similar events that could significantly limit or even interrupt the company's operations for a longer period of time.

The measures taken include, among others, rules and procedures for IT operations and security based on an ISMS, an IT architecture that ensures the protection and availability of business-critical, operational procedures, but also the expansion of training measures, especially for increasing awareness within the workforce for the threat of cyber attacks.

In order to ensure the availability, integrity and confidentiality of our data and that of our customers, Schweizer follows recognised standards such as the ISO 27001 and TISAX standards.

If the measures are not sufficient to effectively limit the aforementioned risks, Schweizer could incur considerable losses and disadvantages due to downtimes or the knowledge and use of its information by third parties.

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 potential.

COMPLIANCE RISKS

Infringement of patents and 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. In order to mitigate this risk, the internal Stage Gate process for new product development includes an examination of a potential infringement of industrial property rights. Nonetheless, a potential 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 industrial property rights in this regard is increased.

CYBER CRIME, ESPIONAGE AND DATA MISUSE

(risk: high– opportunity: low)

Further risks arise from the increasing complexity of the organisational and technical networking of sites and systems. Despite extensive defence mechanisms, a manufacturing industrial company cannot fully protect itself against the risks of cyber crime. The financial consequences are difficult to calculate. To avoid loss, the departments are in regular contact with experts from the insurance company. Appropriate cyber insurance policies have been taken out.

OVERALL ASSESSMENT

The threat of a global recession cannot be ruled out. Although the forecasting institutes do not currently expect global economic output to fall, there is still a considerable degree of uncertainty. In particular, the further development of inflation and the interest rate policy of the central banks as well as a possible escalation of the Ukraine conflict could have a significant impact. Likewise, a dynamic intensification of the political situation between China and the US could lead to additional obstacles to growth.

The automotive industry will also depend on the further development of interest rates. In addition, the production volume of vehicles is strongly determined by the availability of semiconductors.

The US in particular is striving to adjust its global value chains. The goal is to become less dependent on China with the intention of increasing the resilience of supply chains. This opens up opportunities for Schweizer to play a more important role in the global electronics value chain of Western economies in the context of reshoring.

The sale of a majority stake in Schweizer Electronic (Jiangsu) improves the Group's opportunity/risk ratio. The "fab-light concept", i.e. a mix of in-house production in Schramberg to ensure supply chain resilience and local production, and growth through access to production capacities in the joint venture with WUS as well as other Asian production plants, allows Schweizer to expand its range of products for customers and dynamically continue its growth despite lower tied-up capital. The deconsolidation of Schweizer Electronic (Jiangsu) leads to an improvement in the balance sheet ratios, which makes it possible to raise equity or further debt financing such as convertible bonds or corporate bonds.

MATTERS RELEVANT TO ACQUISITIONS

(in accordance with Sections 289a (1) and 315a (1) 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). All company shares carry the same rights and obligations as set out in the law 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 holdings in the company's capital that exceed ten percent of the voting rights

Mr Christoph Schweizer, resident in Schramberg, Germany, 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 in the Articles of Association 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 company’s share capital until 24 June 2026 by up to a total of EUR 4,832,026.93 by issuing new, registered ordinary or preference 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 25 June 2021.

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 24 June 2026, to issue bearer or registered convertible bonds, warrant bonds, participation rights, participation bonds or combinations of these instruments (jointly referred to as "bonds") with or without a restriction on maturity in a total nominal amount of up to EUR 35,000,000 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 shall only be 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 25 June 2021 through to 24 June 2026, exercise 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 treasury shares or other forms of fulfilment are used to service these rights. The new shares shall be issued at the conversion or option price to be determined in each case in accordance with the aforementioned authorisation resolution in the terms and conditions of the bonds/options. 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 treasury shares and use thereof

The company is authorised, until 24 June 2026, to acquire its 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 et seq. 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 2021 at: *https://schweizer.ag/en/investors-media/annual-shareholders-meeting/archive*.

Essential agreements in 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 1.4 million provide for an extraordinary right of termination if one or more people, acting jointly within 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, at least 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, 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

The corporate governance statement pursuant to Section 289f and Section 315d HGB forms part of the combined status report and is available in the Annual Report under "Corporate governance statement" and on the Internet at: *https://schweizer.ag/en/investors-media/corporate-governance-en*.

NON-FINANCIAL REPORT OF THE COMPANY AND THE GROUP

The non-financial statement is available in the form of a non-financial report by the company and the Group as a separate section in the Annual Report and on the Internet at: *https://schweizer.ag/en/the-company/csr-en.*

Schramberg, 24 April 2023

Schweizer Electronic AG

The Executive Board

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

NON-FI-NANCIAL REPORT

CONTENTS

NON-FINANCIAL REPORT

1. INTRODUCTION

At SCHWEIZER, as a family business, responsible and sustainable management as well as social responsibility have a high priority due to our more than 173-year tradition. Sustainable action and social responsibility are firmly embedded in the approved Code of Conduct and our Company's guiding principles, and form the framework for our strategy and our actions, which we measure ourselves against. In addition, we consider the interests of our customers, employees, providers of capital, business partners and the public in our thinking and in our actions. We place the highest value on trusting relationships with all stakeholders.

SCHWEIZER is a manufacturer of printed circuit boards (PCBs) for every requirement in a wide variety of industries and markets. Our innovative PCB technologies are used in automotive, aerospace, industrial and medical technology as well as in communications and computing applications. Industry-leading companies worldwide rely on SCHWEIZER's innovative strength, decades of experience and the excellent product and service quality of its PCB and embedding solutions. In addition, PCB technologies from SCHWEIZER are used in customers' energy-saving and environmentally friendly applications.

With this non-financial report, we comply with our obligation (Section 289 b (1) HGB (German Commercial Code) and Section 315 b HGB) to disclose the "non-financial information" specified in the CSR Guidelines Implementation Act. This publication was prepared on the basis of the standards of the Global Reporting Initiative (GRI) and the key figures identified as significant for SCHWEIZER. The specific content of the GRI standard applied can be found in the index information at the end of the non-financial report. In accordance with the EU Taxonomy Regulation and the supplementary delegated acts, we report on its application in this non-financial report. The EU Taxonomy Regulation comprises rules and disclosures for economic activities in relation to a total of six environmental objectives. At present, information on two environmental objectives is to be reported on – climate change mitigation and adaptation. Further details can be found in Section 7.

The key figures stated in Section 3 refer to Schweizer Electronic AG's production site in Schramberg. For SCHWEIZER's Chinese production site, Schweizer Electronic (Jiangsu) Co., Ltd., in Jintan (China), the negotiations for the disposal of the majority of the shareholdings were successfully concluded in December 2022. Due to the changed majority stake and the production plant, which was not yet in constant, normal operations in 2021 and 2022, indicators identified as key were not included due to a lack of informative value.

SUSTAINABILITY

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 make the complexity surrounding sustainability tangible and to consistently integrate it into our activities. This manual is updated and expanded on an ongoing basis to meet the latest requirements.

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
- Public authorities

The Management Manual contains a comprehensive analysis of stakeholders and fields of materiality.

The following section of the non-financial report focuses on environmental, employee and social issues, as well as measures for respecting human rights and combating corruption and bribery.

All the information required for an understanding of the business processes, business results, the position of the Schweizer Group, and the effects of its activities on the aforementioned aspects is already part of the summarised status report or the corporate governance statement and is therefore not referred to again in this section of the Annual Report. This information can be found via the GRI Index starting on page 116.

2. OUR PRINCIPLES

CODE OF CONDUCT

The "ZVEI Code of Conduct on Social Responsibility" (CoC) is the foundation of our social responsibility in the context of our global activities. These guiding principles from the Zentralverband Elektrotechnik- und Elektronikindustrie e. V. (German Electronic and Digital Industry Association, ZVEI) state what corporate responsibility means for working conditions, social and environmental impacts, trusting collaboration and dialogue.

We do all this from our deepest conviction because we know that acting responsibly is worth it for a world worth living in, greater trust and ever better products.

OUR GUIDING PRINCIPLES

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 longstanding 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 conduct: Quality, speed, creativity and openness. These values represent the foundation for our past, present and future.

ATTENTION TO QUALITY AND ENVIRONMENTAL AWARENESS

We are continuously committed to improving our performance in respect of product and service quality, environmental protection and energy management. Relevant, binding obligations arising from our activities are essential foundations for our actions, as is compliance with relevant laws and regulations. Environmental protection for us comprises, among other things, reducing environmental pollution, optimising energy requirements as well as continuously improving processes and their safety. When it comes to all issues relating to environmental protection and incident management, we work with the authorities and the public. We stand for highest quality levels and operate with utmost care in all the facets of our business. This means that we are also working on reducing our rejects (zero error goal) in order to offer our customers the highest quality. This philosophy and approach ensure that we remain fit for the future and place us in the best possible position for any upcoming challenges.

The following guiding principles that determine our actions and are based on our values arise from our mission statement: We are customer-oriented, creative, globally coordinated, versatile, competent, cooperative, friendly, inviting, competitive and consciously responsible.

We have developed the Competency Framework for our employees. 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 quality assurance and environmental protection, supplemented with the efficient use of energy, ease the ecological burden and offer potential to reduce production costs. Our intention to continuously improve by regularly reviewing, defining and re-adjusting environmental and energy measures contribute to reducing the burden. When building the new plant in Jintan (China) between 2019 and 2022, environmental issues were extensively emphasised. The most modern and reliable facilities and procedures are used and meet all the strict environmental conditions imposed by the Chinese authorities.

Careful planning, regular ongoing maintenance, audits and training prevent the environment from being damaged by unforeseen incidents. For instance, large retention areas are available for hazardous liquids that prevent liquid from uncontrollably emanating from the buildings or from non-secure areas in the buildings. As a preventative measure, the population in a large radius of the vicinity was informed of unforeseeable events and measures taken to prevent such.

CERTIFICATION AUDITS EM ISO 14001 / EM ISO 50001

As a values-driven company, it is important to us to secure our high standards in environmental and energy management and to subject our actions to an external audit. The quality of our systems is reflected in the successful tests and certifications in accordance with DIN EN ISO 50001:2018 and ISO 14001:2015.

CARBON DISCLOSURE PROJECT

The CDP (Carbon Disclosure Project) is a non-profit organisation whose aim is to create greater transparency on emissions that are harmful to the climate, water consumption and companies' relevant strategies. Data on companies' climate protection and climate strategy are obtained every year for investors and companies by means of a questionnaire.

Of a total of 44,000 companies invited, only 15,000 participated; of these, 59 percent of participating companies received a rating of between D- and C. Schweizer took part in the CDP rating for the first time in 2022, receiving an impressive "C" rating for the first rating. With its first participation, Schweizer's rating is therefore at the average global rating as well as the average rating for companies for electrical and electronic equipment.

ENVIRONMENTAL ISSUES – CORE TOPICS AND INDICATORS

With respect to environmental issues, the following material core topics and performance indicators can be identified for Schweizer's line of business:

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

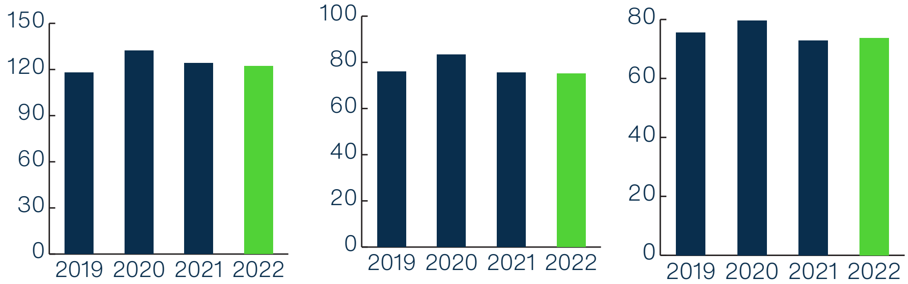
At Schweizer, our employees are actively committed to environmental protection. This is particularly evident in energy management, the high level of readiness to sort waste, and the careful use of water. When measuring the relevant sustainability indicators, the Company always refers to the production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

ENERGY CONSUMPTION AND 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 a company as energy-intensive as Schweizer, energy efficiency is of particular importance not only in terms of conserving resources, but also with regard to cost management. For example, the share of hybrid and electric vehicles increased again in 2022, and as at 31 December 2022, comprised 51 percent of the company fleet as a whole. The issue of electromobility in the Company's own fleet will also be the subject of targeted promotion in the future.

The specific electrical energy consumption is dependent on the Company's production capacity utilisation. The relatively high energy base loads of production facilities and air conditioning systems have an above-average effect on the energy efficiency key figures at low process times. With the successful implementation of energy savings measures in 2022, the specific electric energy consumption was reduced compared to 2021 and 2020.

The key figures identified at Schweizer Electronic AG 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).



Financial years	Specific total energy consumption (kWh/h)	Specific electrical energy consumption (kWh/h)	Compressed air consumption per standard cubic meter (Nm^3/h)
2022	122.3	75.2	73.8
2021	124.2	75.6	72.9
2020	132.2	83.3	79.7
2019	117.9	75.9	75.6

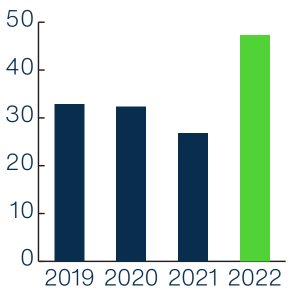
CARBON FOOTPRINT AND MEASURES TO REDUCE CO_2 EMISSIONS

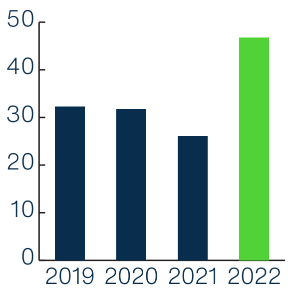
The overall CO_2 footprint[1)] is calculated from the production CO_2 footprint and the transport CO_2 footprint. For production, the data from the supply plants for the Schramberg site are used. For transport, CO_2 consumption data from the Federal Environment Agency (UBA), which is recorded per tonne of goods and kilometres driven with the respective means of transport, is used. 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.

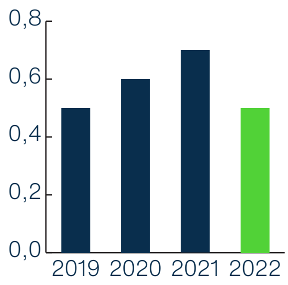
Despite the continuous implementation of energy savings measures, the CO_2 footprint from production increased to 46.8 in 2022. Due to rising energy costs, SCHWEIZER was forced to use an energy mix that had higher CO_2 emissions. This was necessary to keep the energy costs under control and maintain the Company's competitiveness. SCHWEIZER is, however, aware that the use of renewable energy is important and endeavours to continuously increase the share of renewable energy in the energy mix in order to reduce the CO_2 emissions in the long term.

All figures shown for the CO_2 footprint refer to production and transport from the Schramberg plant. Sales of Schweizer Electronic AG directly realised with its partner companies WUS and Meiko amounted to around 30 percent of total revenue in 2022 (2021: approx. 26 percent) and are not included in the disclosure. Overall, the transport CO_2 footprint accounts for less than one percent of the total CO_2 footprint.

1) Explanation of the calculation see GRI Index







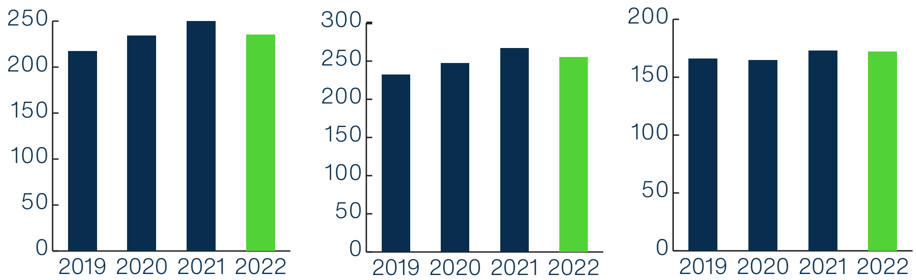
Financial years	Total CO2 footprint (kg CO_2/h from production)	CO_2 footprint from production from printed circuit boards (kg CO_2/h from production)	CO_2 footprint from the transport of printed circuit boards (kg CO_2/h from production)
2022	47.3	46.8	0.5
2021	26.8	26.1	0.6
2020	32.4	31.7	0.7
2019	32.9	32.3	0.5

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'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, at the Schramberg site, excess water from the air-conditioning systems are recirculated to fresh water treatment and not fed to the sewage system. By using rainwater, the Company saves between 10 and 15 thousand cubic metres of drinking water per year. In addition, the use of large rainwater storage tanks, which collect the drain water from the roof surfaces, relieves the drain system in the event of heavy rain. It is a given for us to consider environmentally friendly aspects when planning and purchasing new systems.

We have identified fresh water consumption (including consumption by the CHP unit) and waste water from production as relevant key figures for reporting on the Schramberg site, in each case in relation to hour of production. The target for 2022 was to fall below 180 l/h of waste water from production at the site. Fresh water consumption consists of the water supplied by the city, rainwater and recirculated water from the air conditioning system.

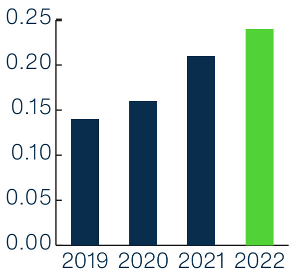
Analogous to the specific energy consumption, our fresh water consumption is not only dependent on the consumption due to production, but also on usage independent of the capacity utilisation. This consumption, which is independent of the process times, is caused, for example, by air conditioning systems or by maintenance work that is carried out independently of the capacity utilisation. Since operations have been partially suspended on weekends since 2020, the volume percentage that cannot be influenced has increased, particularly in the case of fresh water and waste water from production.

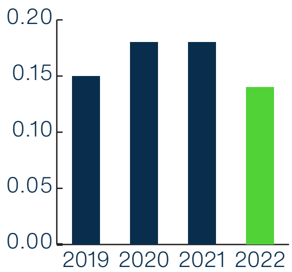


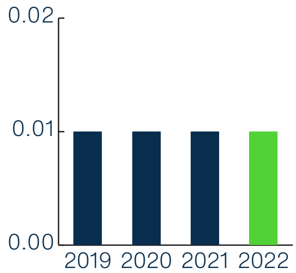
Financial years	Fresh water consumption (l/h production)	Fresh water consumption (l/h production) ncl. CHP unit	Waste water from production (l/h from production)
2022	235	255	172
2021	250	267	173
2020	234	247	165
2019	217	232	166

AMOUNT OF COPPER, NICKEL AND TIN IN WASTE WATER

The relevant metal content in the water for the Schramberg site includes copper and nickel in particular. Both have a permissible limit value of 0.5 mg/l of waste water. For the sake of completeness, we also show the tin content. The limit value here is much higher at 2 mg/l of waste water.





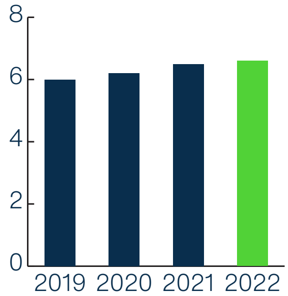


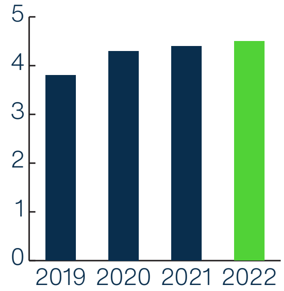
Financial years	Copper content of waste water (mg Cu/l of waste water)	Nickel content of waste water (mg Ni/l of waste water)	Tin content in waste water (mg Sn/l of waste water)
2022	0.24	0.14	0.01
2021	0.21	0.18	0.01
2020	0.16	0.18	0.01
2019	0.14	0.15	0.01

WASTE

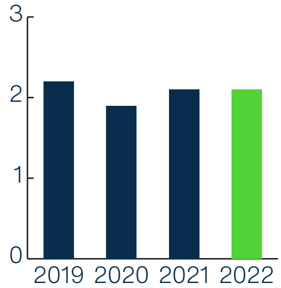
Since the first introduction of the environmental management system ISO 14001, the topics of waste and in particular the clean separation of waste is one of our focal points. The goal of consistent separation of the types of waste arising at the Company, in addition to the correct disposal, is the way to achieve the best possible use of the waste. Our aim is to avoid waste wherever this is possible in terms of both quality and organisationally. This aim of high-quality disposal is evident from the fact that almost 90 percent of our overall waste at the Schramberg site is recycled (e.g. in the recovery of metals and, if necessary, acids or the production of preliminary products for new goods and energy use). The high share of hazardous waste (in 2022: around 70 percent of waste arising) is common in the production of printed circuit boards.

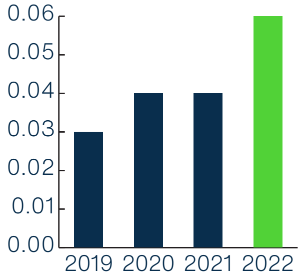
Besides special effects such as disassemblies and related waste disposals, the increasing share of specific hazardous waste and specific waste in recent years is explained by the fact that requirements for certain materials or quality require more production resources. This step is unavoidable. These production resources can generally not be used multiple times or only used multiple times to a limited extent. The materials are, however, recycled and the energy recovered.





Financial years	Total amount of waste (kg/h from production)	Hazardous waste* (kg/h from production)
2022	6.6	4.5
2021	6.5	4.4
2020	6.2	4.3
2019	6.0	3.8





Financial years	Non-hazardous waste** (kg/h from production)	Clean recyclable plastics (kg/h from production)
2022	2.1	0.06
2021	2.1	0.04
2020	1.9	0.04
2019	2.2	0.03

* In accordance with EU-wide official categorisation; increase in 2020: due to a change in the classification of waste previously not classified as hazardous now classified as hazardous waste.
** In accordance with EU-wide official categorisation; decrease in 2020: due to a change in the classification of waste previously classified as non-hazardous now classified as hazardous waste.

RESOURCES

The supply of resources for the manufacture of PCBs remains a concern. The printed circuit board market is highly volatile, which is generating a global shortage in the availability of raw materials resulting in massive price increases. Underutilisation of capacity leads to job losses for employees at manufacturers and suppliers, which, in turn, further exacerbates the situation in terms of market recovery.

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.

For the purposes of this report, we primarily define resources as the materials used in production, from base material laminates, a synthetic resin-impregnated fibre mat, a wide range of metals for the production of conductor paths and the refinement of surfaces, to the chemicals used in wet processes.

We generally expect our suppliers to use a QM system based on DIN EN ISO 9000ff and pursue further development towards IATF 16949 as well as have an environmental management system according to ISO 14001 and an energy management system according to ISO 50001/EMAS.

In 2022, we accorded even greater importance to the topic of energy than in the past. New alternative procurement models for electricity and gas will in future help to ensure flexibility in procurement, optimal pricing and security of supply. Intensive monitoring of the gas and electricity market and continuously following the legal framework conditions was and is essential.

We continuously monitor the global conflict regions and adapt our procurement strategies for the individual product categories in order to ensure security of supply for our production with a balanced selection of manufacturers and suppliers.

CIRCULAR ECONOMY

The circular economy is the solution to the global refuse problem; it slows the consumption of resources and reduces greenhouse gases harmful to the environment. For this reason, the recycling of all substances should be our long-term goal. The action we have taken in the areas of water, waste, copper, gold and innovations is our contribution to coming closer to achieving our goal. Besides the measures taken to optimise fresh water and waste water mentioned in the section "Water", the measures taken to separate waste described in the section "Waste" and the disposal and recycling of our copper and gold waste, our procurement side also contributes to the circular economy. In 2022, for instance, more than 95 percent of our gold consumption came directly from a 100-percent recycling process.

CONFLICT MATERIALS

Conflict materials are mined and sold under poor conditions with the aim of supporting and financing 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.

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.

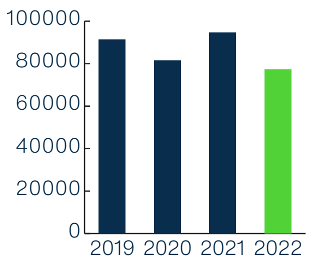
Companies like Schweizer, which supplies to US-listed companies, must also inform their customers when conflict materials are present in their products or supply chain. As Schweizer shares the opinion of its customers, we do our best not to purchase raw materials from the Democratic Republic of Congo. 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 customers, we ask our suppliers to complete the Conflict Mineral Report Template (CMRT).

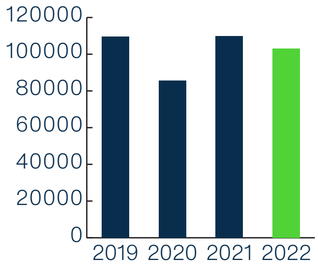
In addition to the existing reporting, the Extended Mineral Reporting Template (EMRT) was utilised. The report ensures the transfer of information via the supply chain in relation to the country of origin of the minerals and the mines, refineries and processing facilities used and supports the exercise of due diligence in accordance with the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. Even in the EMRT (materials: cobalt and mica), information about downstream companies and their supply chains through to the smelter is indicated.

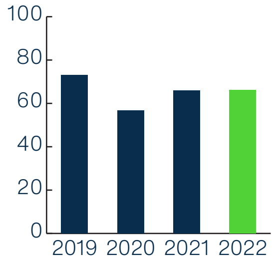
After the materials used declined sharply in 2020 in line with the production volume due to the coronavirus pandemic, there was a noticeable recovery in customer demand in 2021 and thus also very strong demand for materials from all product groups on the procurement side. In 2022, we saw a sideward trend. Standard materials developed analogously to the production volume and a development to more premium products was clearly identifiable.

Delivery times reduced drastically in 2022, in particular for the base material product group and developed to the pre-COVID level by the end of the year. However, delivery times of more than one year can still be found (e.g. for semiconductors and selected copper products). Massive bottlenecks were evident in chemicals, among other things, in the fourth quarter of 2022 and also led to extreme price increases. In some areas, orders still have to be placed up to two years in advance in order to meet delivery dates.

MATERIALS USED BY WEIGHT

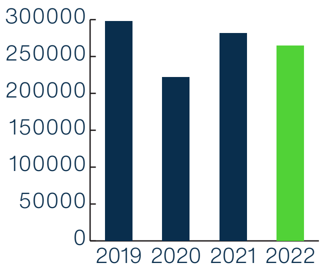


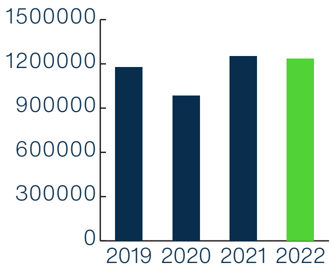




Financial years	Gold (g)	Copper*) (kg)	Aluminium (t)
2022	77,219	103,000	66.2
2021	94,679	109,822	65.9
2020	81,367	85,611	56.7
2019	91,362	109,627	73.2

* The quantities for copper refer to copper anodes; other copper products (foil or laminates or chemicals) are in the laminates and are not listed separately.





Financial years	Laminates (m^2)	Chemicals (l)
2022	265,000	1,234,695
2021	282,000	1,253,521
2020	222,000	985,486
2019	298,000	1,178,495

4. EMPLOYEE ISSUES

At Schweizer, the primary focus is on people. All employees act as one team and together form the foundation for our success, even during the coronavirus pandemic. Accordingly, during the global coronavirus pandemic, in addition to **satisfaction** and **education and training**, the focus has been, and still is, particularly on the topic of the **health and safety of our employees**.

In its Code of Ethics, Schweizer undertakes to comply with all the relevant legal provisions to prevent discrimination. All employees benefit from equal opportunities and equal treatment, irrespective of origin, skin colour, gender, creed, sexual orientation, political opinion, social status or other differentiating factors. Employee inclusion is a firm component of our corporate culture. The Company's management places great value on transparency and the opinion of individuals and for this reason the door to the Executive Board and the HR management is, in principle, open to all employees. Anonymised employee surveys and the whistleblowing system are available as further feedback opportunities.

The number of employees in the Schweizer Group amounted to 934 at the end of the year (of which 572 in Germany). The annual average staff turnover rate* in Germany was 6.39 percent (2021: 3.23 percent). More than 37 percent of our employees in Germany have been with us for more than 25 years. Schweizer employed 362 people in Asia at the end of the year (2021: 516). The reason for the reduction in employee numbers in Asia is the adjustment measures taken in 2022 at the Jintan plant.

* Staff turnover rate: resignations/average number of employees (excluding temporary workers).

Also due to the ongoing coronavirus pandemic, it is important for Schweizer to protect its employees. For this purpose, occupational health and **safety and protective measures** as well as zone concepts have been further developed by the in-house Corona Task Force in order to significantly reduce direct contact between employees and minimise the risk of infection. Employees have been continuously informed about the current regulations in the form of digital information and notices. Among other things, a rolling shift system in the area of office activities was implemented in particular for the pandemic in order to minimise contact between people and thus make a major contribution to fight the pandemic. In addition, vaccinations have been organised and carried out by Schweizer with the involvement of the company doctor at the site. Similarly, Group-wide preventive measures against the coronavirus pandemic and vaccination offerings were also implemented through the corresponding medical/official contact points. It is important to Schweizer to give its employees the best possible protection, also in order to fulfil its responsibility towards its employees' families and its customers.

Schweizer has implemented an employee app (SWAPP) as an information and communication platform globally. The reason for this was that employees had asked for more timely information and communication. This medium has resulted in greater transparency and made an important contribution to the rapid dissemination of information on coronavirus updates, but also to the **promotion of employee satisfaction and the support of intercultural cooperation**, in particular with the plant in Jintan (China). Thanks to an automated translation function in the app, it has become easier to communicate with colleagues around the world. The SWAPP app can be used by any employee and contains important news and interviews in order to obtain information, but also to actively discuss ideas. In terms of e-mobility, Schweizer has adopted the "green trend" and also gives employees the opportunity to use e-charging stations in the Company. Moreover, the Company offers a bicycle leasing model for e-bikes as well as normal bicycles. This programme met with a very positive response and is an important element of employer attractiveness as well as an offer to employees to take part in company health management campaigns. Through campaigns such as "CITY CYCLING – cycling for a good climate", Schweizer intends to raise awareness of climate protection and create offers to promote the health of its employees. **Company integration management**, as an important component of company health management, has been actively continued. Despite the restrictions imposed by the pandemic, initiatives regarding the reintegration of employees were supported and assisted by occupational medicine with the support of the company doctor – even remotely, in some cases. In this context, Schweizer also has the opportunity to offer the partial retirement model to employees who are about to retire. With company health management, the objective is to improve employees' health in the long term, strengthen human resources and reduce health risks. In addition, the aim is to increase motivation through good working conditions, raise work satisfaction and improve the working environment. For the Company, this means fewer sick days, higher productivity and performance as well as improvements in the quality of products and services.

At Schweizer, **training** is an important component of succession planning, as well as ensuring that additional requirements for the future are covered. On average, there are 16 trainees in the Company per year. In 2021, Schweizer decided to offer additional apprenticeships, as the demand for junior staff and skilled workers is increasing and plays a key role at Schweizer. We train with the aim of deploying our trainees in the respective departments, employing them in the long term and developing them further within the Company.

The training programme at Schweizer Electronic AG covers both commercial and technical professions. The Company trains industrial administrators as well as specialists in warehouse logistics, mechatronics technicians and surface coaters. Depending on requirements, apprenticeships for electronics technicians, IT specialists and dual students in the fields of business administration, industry and business informatics are offered.

Schweizer Electronic AG stands for high-quality training. In addition to technical training in the departments and training workshops, our trainees and dual students take responsibility for various projects. These very much promote motivation and independence in their everyday professional life. In China, on the other hand, there is no known training equivalent to the German model. Schweizer has decided to offer a trainee programme for one year. Through "Training on the Job", the new trainees get to know various departments and subject areas and thus have the opportunity to develop themselves further. The trainee programme also includes an assignment at the German site in Schramberg, which could, however, not yet be implemented due to the pandemic. The programme is aimed at specialists and young professionals from the Chinese subsidiary.

In addition to training for newcomers to the profession, the focus for experienced employees is on **internal and external further training**. Again limited by the pandemic, the focus in 2022 was on mandatory training, management training and specific specialist training, including on the topic of digitisation and processes. Likewise, management training and awareness-raising training regarding standardisations were offered at the site in China. As part of a pilot project, a combined English course was offered for team members from Germany and China in order to strengthen the team and promote intercultural competence.

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

Employees' appraisals have been carried out using a new performance assessment system since 2018. The new system is an assessment instrument that is transparent and easy to understand for all employees. The performance appraised determines the annual performance bonus that is paid as a variable remuneration component in addition to the basic salary and is linked with an annual appraisal meeting.

A works agreement on line manager assessments has been in place since 2019. Using this assessment, Schweizer makes it possible for employees to give targeted feedback to their line manager.

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, to inform them of key figures by means of regular, repeated briefings and to motivate them to act accordingly before they commence work for the first time.

The relevant key figures with regard to employment, occupational health and safety 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 AT THE SCHRAMBERG SITE

Financial year	Number of occupational and commuting accidents*)	Resulting days of absence
2022	12	175
2021	8	97
2020	4	42
2019	7	243

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

Of a total of twelve occupational and commuting accidents in 2022, two were reportable commuting accidents.

Number of employees (31 December)
in persons

		2022			2021		
		Men	**Women**	**Total**	**Men**	**Women**	**Total**
in Germany*)							
Categorie	Employees	147	62	209	146	58	204
	Blue collar	248	115	363	253	117	370
	Full-time	393	154	547	398	160	558
	Part-time	2	23	25	1	15	16
		395	**177**	**572**	**399**	**175**	**574**
in Jintan)**							
Categorie	Employees	89	43	132	118	53	171
	Blue collar	145	85	230	229	117	346
	Full-time	234	128	362	347	170	517
	Part-time	0	0	0	0	0	0
		234	**128**	**362**	**347**	**170**	**517**
Group		**629**	**305**	**934**	**746**	**345**	**1091**

*) Includes six part-time employees.
**) Includes two employees in Singapore, one employee in the USA.

Diversity among employees
in percent

		2022		2021	
Group		**Employees**	**Blue collar**	**Employees**	**Blue collar**
Gender	Women	31%	34%	29%	33%
	Men	69%	66%	71%	67%
Age group	< 30 years	11%	17%	12%	34%
	30-50 years	53%	48%	58%	37%
	> 50 years	36%	35%	30%	29%
of which in Germany					
Gender	Women	30%	32%	28%	32%
	Men	70%	68%	72%	68%
Age group	< 30 years	8%	11%	7%	11%
	30-50 years	37%	32%	40%	33%
	> 50 years	55%	57%	53%	56%
of which in Jintan*)					
Gender	Women	33%	37%	30%	34%
	Men	67%	63%	70%	66%
Age group	< 30 years	16%	27%	17%	59%
	30-50 years	76%	73%	79%	41%
	> 50 years	8%	0%	4%	0%

*) Includes two employees in Singapore, one employee in the USA.

5. SOCIAL ISSUES

CORPORATE SOCIAL RESPONSIBILITY

For more than 173 years, we have been closely committed to the Schramberg site and are 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. SCHWEIZER therefore supports, for example, the triathlon club, Triathlon Verein Tria Schramberg e.V., domiciled in Schramberg. The collaboration with Tria is a long-term and trusting one, in which SCHWEIZER not only supports, but the club also motivates SCHWEIZER employees to do sport, e.g. by offering training in running. Due to the coronavirus pandemic, the activities in respect of sport, art and culture, however, were very limited.

SCHWEIZER supports Forum Kunst in Rottweil by providing financial support as part of a "benefactor" agreement. Forum Kunst was established in 1970 as an art association with the aim of promoting engagement with contemporary art. Since its establishment, care has been taken to establish a forum (not) only for regional artists but also to bring national and international artists to the region and to promote exchange in this way. At the same time, this increases the region's attractiveness as a place to live for employees and their families.

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

WHISTLEBLOWING SYSTEM AT SCHWEIZER

As we have a keen interest in ensuring that violations against laws, regulations and internal rules are reported in order to detect unlawful conduct in the Company and to be able to clarify same, we introduced a whistleblowing system at Schweizer in 2018 and concluded a works agreement in this regard. Reports from employees, former colleagues, customers and third parties at an early stage can assist in developing a preventive strategy in order to avert tangible and intangible losses as well as legal consequences and reputational damage to the Company and its employees.

The whistleblowing system opens up a confidential communication channel in which employees and other persons have the opportunity to report legal violations or violations of internal guidelines in connection with the Company electronically to a central administrator. Special care is taken to ensure that participants' personality rights, informal right of self-determination and data privacy are preserved.

7. EU TAXONOMY

The EU Taxonomy for sustainable activities, which entered into force on 12 July 2020, aims to steer capital flows to sustainable projects and activities in order to achieve the EU's decarbonisation and environmental objectives for 2030 and become the first climate-neutral continent by 2050.

Against this background, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter referred to as the Taxonomy Regulation) which, as a uniform and legally binding classification system, establishes which economic activities in the EU are considered "ecologically sustainable". The results of this classification must be reported on an annual basis on a company-specific basis.

Article 9 of the Taxonomy Regulation states the following six environmental objectives:
a) Climate change mitigation;
b) Climate change adaptation;
c) The sustainable use and protection of water and marine resources;
d) The transition to a circular economy;
e) Pollution prevention and control;
f) The protection and restoration of biodiversity and ecosystems.

The EU has currently published guidelines on sustainable economic activities as defined in the EU Taxonomy for two environmental objectives (climate change mitigation and climate change adaptation).

With regard to the classification of an economic activity as "ecologically sustainable" as defined in the EU Taxonomy, a distinction must be made between taxonomy eligibility and taxonomy alignment. In the first step, it must be checked whether economic activity is described in the Delegated Act and whether it is therefore eligible under the taxonomy. Only taxonomy-eligible economic activities can be considered "ecologically sustainable" if certain criteria are met. Accordingly, in the second step an evaluation must be carried out as to whether the mentioned technical screening criteria are fulfilled and whether the minimum protection is complied with in order to be classified as taxonomy-aligned and therefore appropriately described as an enabling activity or a transitional activity.

In the first reporting year of 2021, only the shares of taxonomy-eligible and non-taxonomy-eligible economic activities in revenue as well as capital expenditure (CapEx) and operating expenses (OpEx) had to be disclosed. Whether these three key figures are taxonomy-aligned is additionally reported on in reporting year 2022.

The amounts used for the calculation of revenue, CapEx and OpEx key figures are based on the figures reported in the consolidated financial statements. All fully consolidated and proportionately consolidated Group companies are included in this consideration.

Based on Section 289b (1) in conjunction with Section 315b HGB and Article 8 of the Taxonomy Regulation, SCHWEIZER is obliged to apply the provisions of the Taxonomy Regulation. In accordance with Section 315e (1) HGB, the consolidated financial statements of Schweizer Electronic AG as at 31 December 2022 were prepared in accordance with IFRS. The IFRS consolidated financial statements thus serve as the basis for determining the following figures.

REVENUE

The revenue key figure is calculated as the ratio of the sales revenue from taxonomy-aligned economic activities of a financial year to the total sales revenue of this financial year.

The total revenue of EUR 131.0 million for the 2022 financial year form the denominator of the revenue key figure and can be found in the Group's income statement (see p. 122).

Schweizer's revenue reported in the consolidated income statement is examined across all Group companies to determine whether it was generated from taxonomy-aligned economic activities in accordance with Annex I (Substantial contribution to climate change mitigation) and Annex II (Substantial contribution to climate change adaptation) of Delegated Regulation 2021/2139 of the Taxonomy Regulation. A detailed analysis of the items included in revenue is used to allocate the respective revenue to the taxonomy-eligible economic activities.

For Schweizer, no relevant economic activities could be identified in the Delegated Acts in the current version of the Regulation. The taxonomy-eligible and taxonomy-aligned revenue is therefore 0%.

Schweizer supports these general objectives of the EU agenda and the EU Taxonomy as cornerstones to increase the required transparency to channel investments to sustainable activities. However, not all technologies that enable and support the EU's decarbonisation and environmental objectives are currently classified in the EU Taxonomy. Irrespective of the classification according to the specifications of the Delegated Acts, Schweizer's products are used in the area of sustainable mobility, renewable energy and energy-efficient energy conversion and thus contribute to sustainable topic areas.

INVESTMENTS (CAPEX)

According to Taxonomy Regulation Art. 8 Annex I 1.1.2.2, the CapEx key figure represents the share of capital expenditure that is either related to a taxonomy-aligned activity, linked to a credible plan to expand or achieve an ecologically sustainable economic activity, or is related to the purchase of products and services from a taxonomy-aligned economic activity.

Capital expenditure is based on additions to property, plant and equipment and intangible assets as well as rights of use under IFRS 16 before depreciation and amortisation and any revaluations for the financial year in question and without changes in fair value. The total capital expenditure in accordance with the Taxonomy Regulation Art. 8 Annex I 1.1.2.1 amounts to EUR 11,726 thousand (see the respective information on p. 152 of the consolidated statement of changes in fixed assets).

Based on the project description of the additions, an analysis is carried out with regard to taxonomy alignment and a comparison is made with Annex I (Substantial contribution to climate change mitigation) and Annex II (Substantial contribution to climate change adaptation) of Delegated Regulation 2021/2139 of the Taxonomy Regulation. In financial year 2022, investments in the amount of EUR 488 thousand were made in connection with the purchase of products from taxonomy-eligible economic activities in the areas of "5.1 construction, extension and operation of water collection, treatment and supply systems", "6.5 Transport by motorbikes, passenger cars and light commercial vehicles", "7.5 Installation, maintenance and repair of devices for measuring, regulation and controlling energy performance of buildings", "7.6 Installation, maintenance and repair of technologies for renewable energies" and "7.7 Purchase of and ownership of buildings" within the "Climate change mitigation" environmental objective and are therefore classified as taxonomy-eligible.

For the reported taxonomy-eligible economic activities 5.1, 6.5, 7.5, 7.6 and 7.7, the respective suppliers/business partners have currently not yet been able to provide evidence of whether the respective economic activity is taxonomy-aligned. The taxonomy-aligned investments (CapEx) thus amount to 0%.

OPERATING EXPENDITURE (OPEX)

The OpEx key figure indicates the share of operating expenses within the meaning of the EU Taxonomy associated with taxonomy-aligned economic activities, with a CapEx plan described above or with the purchase of products from taxonomy-aligned economic activities.

The basis for determining the key figure is the sum of the expenses for direct, non-capitalised research and development expenses, building renovation measures, short-term leasing as well as maintenance and repair. The total operating expenditure pursuant to the Taxonomy Regulation Art. 8 Annex I 1.1.3.1 amounts to EUR 7,344 thousand.

The numerator of the OpEx key figure in accordance with the Taxonomy Regulation Art. 8 Annex I 1.1.3.2. is determined by analysing the assets related to the expenditure recorded on the above accounts for their taxonomy eligibility. An amount of EUR 47 thousand was thus classified as taxonomy-eligible in connection with economic activities "7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and on parking areas belonging to buildings)" and "7.6 Installation, maintenance and repair of technologies for renewable energies" within the "Climate change mitigation" environmental objective.

This taxonomy-eligible operating expenditure was analysed to determine whether it was taxonomy-aligned. At the current time, no evidence that the products are taxonomy-aligned could be provided by the respective business partners for taxonomy-eligible economic activities 7.4 and 7.6. The taxonomy-aligned operating expenditure (OpEx) thus amounts to 0%.

When determining the above-mentioned key figures, various review steps, including documenting the data generation and ensuring reconciliation with other financial information, avoids any double counting of economic activities.

KEY FIGURES IN ACCORDANCE WITH THE EU TAXONOMY – REVENUE IN 2022

				Substantial contribution criteria					
Economic activities	Codes	Revenue (TEUR)	Proportion of revenue (%)	Climate change mitigation (%)	Climate change adaption (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
-				0.0%	0%	0%	0%	0%	0%
Revenue environmentally sustainable activities (taxonomy-aligned) (A.1.)		-		0.0%	0%	0%	0%	0%	0%
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)		**-**							
-									
Revenue taxonomy-eligible but not environmentally sustainable activites (not taxonomy-aligned activities) (A.2.)		**-**							
Total (A.1. + A.2)		**-**	**0.0%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
Revenue from taxonomy-non-eligible activities (B)		131,047	100%						
Total (A+B)		**131,047**	**100%**						

DNSH criteria ("do no significant harm")										
Climate change mitigation (Y/N)	Climate change adaption (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Proportion of taxonomy-aligned revenue year N (%)	Proportion of taxonomy-aligned revenue year N-1 (%)*)	Category (enabling activity)	Category (transitional activity)
–	-	-	-	-	-	-	0.0%			-
							0.0%			-
							-	-	-	-
								-		-

KEY FIGURES IN ACCORDANCE WITH THE EU TAXONOMY – INVESTMENTS (CAPEX)

				Category (transitional activity)					
Economic activities	Codes	CapEx (TEUR)	Proportion of CapEx (%)	Climate change mitigation (%)	Climate change adaption (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
-		-	0.0%	0%	0%	0%	0%	0%	0%
CapEx environmentally sustainable activities (taxonomie-aligned) (A.1.)		**-**	**0.0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
A.2. Taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned)									
Construction, extension and operation of water collection, treatment and supply systems	5.1.	81	0.7%						
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	309	2.6%						
Installation, maintenance and repair of devices for measuring, regulation and controlling energy performance of buildings	7.5.	20	0.2%						
Installation, maintenance and repair of technologies for renewable energies	7.6.	5	0.0%						
Purchase of and owner-ship of buildings	7.7.	73	0.6%						
CapEx taxonomy-eligible, but not environmentally sustainable activities (not taxonomy-aligned) (A.2.)		**488**	**4.2%**						
Total (A.1. + A.2)		**488**	**4.2%**						
B. TAXONOMY-NON-ELIGIBLE ACITIVITIES									
CapEx from non-eligible acitivities (B)		11,238	95.8%						
Total (A+B)		**11,726**	**100%**						

DNSH criteria ("do no significant harm")										
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned CapEx Year N (%)	Taxonomy-aligned CapEx Year N-1 (%)[*]	Category (enabling activity)	Category (transitional activity)
-	-	-	-	-	-	-	0%	-	-	-
							0%	**-**	**-**	**-**
								-	**-**	**-**
							0.0%	**-**	**-**	**-**

KEY FIGURES IN ACCORDANCE WITH THE EU TAXONOMY – OPERATING EXPENDITURE (OPEX)

Economic activities	Codes	OpEx (TEUR)	Proportion OpEx (%)	Category (transitional activity) Climate change mitigation (%)	Climate change adaption (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)
A. TAXONOMY-ELIGIBLE ACTIVITIES									
A.1. Environmentally sustainable activities (taxonomy-aligned)									
-		–	0.0%	0%	0%	0%	0%	0%	0%
OpEx environmentally sustainable activities (taxonomy-aligned) (A.1.)		**–**	**0.0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)									
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and on parking areas belonging to buildings)	7.4.	14	0.2%						
Installation, maintenance and repair of technologies for renewable energies	7.6.	33	0.4%						
OpEx taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		**47**	**0.6%**						
Total (A.1. + A.2)		**47**	**0.6%**						
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES									
OpEx from taxonomy-non-eligible activities(B)		7,297	99%						
Total (A+B)		**7,344**	**100%**						

DNSH criteria ("do no significant harm")										
Climate change mitigation (Y/N)	Climate change adaption (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Proportion of taxonomy-aligned OpEx Year N (%)	Proportion of taxonomy-aligned OpEx Year N-1 (%)*)	Category (enabling activity)	Category (transitional activity)
–	–	–	–	–	–	–	0.0%	–	–	–
							0.0%	**–**	**–**	**–**
								–	**–**	**–**
							0.0%	**–**	**–**	**–**

8. 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 disclosure	Reference to the pages of the Non-Financial Report in the Annual Report	Notes
Organisational profile			
102-1	Name of organisation	Annual Report 2022 p. 34ff	
102-2	Brands, products and services	Annual Report 2022 p. 35ff	
102-3	Company headquarters	Annual Report 2022 pp. 34, 128	
102-4	Overview of sites	Annual Report 2022 p. 34	
102-5	Ownership and legal form	Annual Report 2022 pp. 34, 128	
102-6	Markets	Annual Report 2022 pp. 40ff., 47	
102-7	Size of company	Annual Report 2022 p. 2, 45ff	
102-10	Significant changes within the organisation and its supply chains	Annual Report 2022 p. 34ff	
102-11	Precautionary principle or precautionary approach	Annual Report 2022 p. 67ff	
Strategy			
102-14	Statement by the highest decision-making body	Non-Financial report 2022 point 1 and 2	
102-15	Significant effects, risks and opportunities	Annual Report 2022 p. 67ff	
Ethics and integrity			
102-16	Values, principles, standards and code of conduct	Non-Financial report 2022 point 2.	
102-17	Procedures regarding advice and concerns relating to ethics	Non-Financial report 2022 point 6	
Governance			
102-18	Governance structure	Annual Report 2022 p. 188ff, 204ff	
Inclusion of stakeholders			
102-40	List of stakeholders	Non-Financial report 2022 point 1	
102-42	Determination and selection of stakeholders	Non-Financial report 2022 point 1	
102-43	Approach for the inclusion of stakeholders	Non-Financial report 2022 point 1	
102-44	Important topics and concerns	Non-Financial report 2022 point 1	

General standard disclosures	Brief description for the respective disclosure	Reference to the pages of the Non-Financial Report in the Annual Report	Notes
Reporting process			
102-45	Companies in the consolidated financial statements	Annual Report 2022 pp. 35, 131, 190	
102-46	Procedure for determining the content of the report and topic limits	Non-Financial report 2022 point 1	
102-47	List of important topics	Non-Financial report 2022 point 1	
102-48	New presentation of information	None	
102-49	Change in reporting	None	
102-50	Reporting period	Annual Report 2022 (01/01 - 31/12/2022)	
102-51	Date of last report	Date published: 22/04/2022	
102-52	Reporting cycle	annual	
102-53	Contact for questions about the report	Elisabeth Trik (Investor Relations)	
102-54	Notes on reporting in accordance with GRI standards	The report was prepared on the basis of the GRI standard (2016)	
102-55	GRI content index	Based on the GRI standard (2016)	
102-56	Internal audit	This sustainability report was not audited externally. The quality of the data was reviewed by the Supervisory Board.	

SPECIFIC STANDARD DISCLOSURES

General standard disclosures	Brief description for the respective disclosure	Reference to the pages of the Non-Financial Report in the Annual Report	Notes
Anti-corruption			
205-2	Communication and training on anti-corruption guidelines and procedures	Non-Financial report 2022 point 6	
205-3	Confirmed cases of corruption and measures taken	None	
Materials			
301-1	Materials used by weight or volume	Non-Financial report 2022 point 3	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			
302-1	Energy consumption within the organisation	Non-Financial report 2022 point 3	
302-3	Energy intensity	Non-Financial report 2022 point 3	The total energy consumption includes electricity and gas. The hour of production serves as the organisation-specific parameter for measuring the intensity. The information for Schweizer indicates specific energy consumption.
302-4	Decrease in energy consumption	Non-Financial report 2022 point 3	
Water			
303-1	Water withdrawal by source	Non-Financial report 2022 point 3	The information is not in absolute values but per production hour.
Emissions			
305-x	Emissions	Non-Financial report 2022 point 3	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.

General standard disclosures	Brief description for the respective disclosure	Reference to the pages of the Non-Financial Report in the Annual Report	Notes
Effluents and waste			
306-1	Volume of waste water discharge by quality and place of discharge	Non-Financial report 2022 point 3	The information is not shown in absolute values but in volume per production hour. The quality of the effluents is indicated in mass per volume based on selected residual metal impurities.
306-2	Waste by type and disposal method	Non-Financial report 2022 point 3	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.
Employees			
401-1	Total number of newly hired employees and staff turnover	Non-Financial report 2022 point 4	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.
Occupational health and safety			
403-2	Occupational accidents, lost days, fatalities	Non-Financial report 2022 point 4	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			
404-2	Competence management and training programmes	Non-Financial report 2022 point 4	
Diversity and equal opportunities			
405-1	Diversity in controlling bodies and employees	Corporate governance statement 2022 p. 204ff Annual Report	
Social evaluation of suppliers			
414-2	Negative social effects in the supply chain and measures taken	Non-Financial report 2022 point 6	

CONSOLIDA-TED FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED INCOME STATEMENT

	Note	01/01 – 31/12/2022 TEUR	01/01/ – 31/12/2021 TEUR
Sales revenue	3.1	131,047	122,657
Cost of sales | Cost of goods and services provided to generate sales		-137,413	-127,585*)
Gross profit		**-6,366**	**-4,928**
Distribution costs		-5,348	-5,056
Administration costs		-14,281	-13,575
Other operating income	3.2	4,700	3,450*)
Other operating expenses	3.3	-3,200	-1,088
Operating result		**-24,495**	**-21,197***)
Financial income	3.4	410	526
Financial expenses	3.5	-4,930	-3,990
Earnings before taxes on income and revenue		**-29,015**	**-24,661***)
Taxes on income and revenue	3.8	-4,504	-2,916
Consolidated result		**-33,519**	**-27,577***)
Of which attributable to:			
Shareholders of the parent company		-29,589	-27,577
Non-controlling interests	4.10	-3,930	0
Earnings per share			
Undiluted (=diluted) shareholding (in shares)		3,770,713	3,770,713
Undiluted, based on the profit attributable to holders of ordinary shares of the parent company (in EUR)	3.9	-7.85	-7.31*)
Diluted, based on the profit attributable to holders of ordinary shares of the parent company (in EUR)	3.9	-7.85	-7.31*)

*) Correction according to IAS 8, see note 6.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	01/01 – 31/12/2022 TEUR	01/01/ – 31/12/2021 TEUR
Consolidated result		**-33,519**	**-27,577**[*)]
Other income			
Other income to be reclassified to profit or loss in subsequent periods (after taxes):		**1,791**	**482**
Currency translation of foreign operations	4.9	1,791	482
Other income not to be reclassified to profit or loss in subsequent periods (after taxes):		**4,394**	**863**
Gains/(losses) on the revaluation of defined benefit pension plans	4.14	6,197	1,223
Related tax	3.8	-1,803	-360
Other income after tax		**6,185**	**1,345**
Total income after tax		**-27,334**	**-26,232**[*)]
Of which attributable to:			
Shareholders of the parent company		-23,356	-26,232[*)]
Non-controlling interests	4.10	-3,978	0

[*)] Correction according to IAS 8, see note 6.4

CONSOLIDATED BALANCE SHEET

	Note	31/12/2022 TEUR	31/12/2021 TEUR
Assets			
Non-current assets		**44,961**	**115,753**
Tangible assets	4.1	37,983	98,529*)
Intangible assets	4.1	629	1,699*)
Other participating interests	4.3	12	12
Other financial assets	4.3	5	5
Other assets	4.3	642	702
Deferred tax assets	3.8	928	3,641
Right of use pursuant to IFRS 16	4.2	4,762	11,165
Current assets		**115,328**	**65,163**
Inventories	4.4	12,258	18,137
Trade receivables	4.5	11,630	16,980
Contract assets	4.6	7,055	7,474
Tax receivables	4.3	3	5
Other financial assets	4.3	1,323	830
Other assets	4.3	2,291	7,315
Cash and cash equivalents	4.7	1,954	14,422
Assets held for sale	4.8	78,814	0
Total assets		**160,289**	**180,916**
Equity and Liabilities			
Equity	**4.9**	**-8,791**	**8,335*)**
Subscribed capital	4.9	9,664	9,664
Own shares	4.9	-24	-24
Capital reserves	4.9	21,779	21,779
Profit reserves	4.9	-37,970	-23,084*)
Equity attributable to shareholders of the parent company	4.9	-6,551	8,335
Non-controlling interests	4.10	-2,240	0
Non-current liabilities		**49,076**	**116,423**
Financial liabilities	4.11	24,250	81,127
Other financial liabilities	4.13	3,591	8,579
Provision for defined benefit pension plans	4.14	14,807	21,514
Trade payables	4.15	41	89
Other liabilities	4.15	2,672	578
Other provisions	4.16	1,229	3,749
Deferred tax liabilities	3.8	2,486	787
Current liabilities		**120,004**	**56,158**
Financial liabilities	4.11	4,994	13,248
Other current financial liabilities	4.13	1,577	2,049
Provision for defined benefit pension plans	4.14	970	943
Trade payables	4.15	13,364	32,224
Other liabilities	4.15	2,650	4,503
Liabilities from taxes	3.8	1,854	201
Other provisions	4.16	3,371	2,990
Liabilities associated with assets classified as held for sale	4.8	91,224	0
Total liabilities		169,080	172,581
Total equity and liabilities		**160,289**	**180,916**

*) Correction according to IAS 8, see note 6.4

CONSOLIDATED CASH FLOW STATEMENT

	Note	2022 TEUR	2021 TEUR
Operating activities			
Profit before tax		**-29,015**	**-24,661**[*)]
Adjustments to reconcile earnings before taxes to net cash-flows:			
Financial income	3.4	-344	-526
Financial expenses	3.5	4,930	3,990
Amortisation and impairment of tangible and intangible assets	4.1	12,205	11,353
Other non-cash income/expenses		360	4,765[*)]
Gains (-)/losses (+) from the disposal of property, plant and equipment and other non-current assets	4.1	13	0
Changes in the provision for defined benefit pension plans (without changes recognised directly in equity)	4.14	-482	-526
Change in other provisions	4.16	2,294	-430
Payments received from government grants	4.18	236	95[*)]
Change in trade receivables and other assets	4.3/4.5 /4.6	687	-841
Change in inventories	4.4	3,155	-8,192
Change in trade and other payables	4.13	2,171	3,754
Interest received	3.4	-12	-48
Paid / refunded taxes on income and revenue	3.8	223	-1,481
Cash flow from operating activities		**-3,579**	**-12,748**[*)]
Investment activities			
Proceeds from sale of tangible assets	4.1	0	4,881
Payments to acquire tangible assets and intangible assets	4.1	-11,323	-24,020
Payments received from government grants	4.1	1,294	23,079[*)]
Cash flow from investing activities		**-10,029**	**3,940**[*)]
Financing activities			
Acquisition of non-controlling interests	7.5	0	-99
Proceeds from equity contributions from other shareholders	7.5	10,586	0
Incoming payments from the take-up of loans	4.11	13,296	13,067
Payments for the repayment of loans	4.11	-14,744	-8,471[*)]
Payments for the repayment of lease liabilities	4.2	-1,541	-1,842
Interest paid	3.5	-4,677	-3,865
Cash flow from financing activities		**2,921**	**-1,212**[*)]
Net change in cash and cash equivalents		-10,687	-10,020
Changes in cash and cash equivalents owing to exchange rates		-30	1,469
Cash and cash equivalents at 1 January		**14,422**	**22,973**
Cash and cash equivalents at 31 December		**3,705**[**)]	**14,422**

[*)] Correction according to IAS 8, see note 6.4
[**)] of which reclassified to assets held for sale in 2022 1,751 TEUR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TEUR	Note	Subscribed capital	Own Shares	Capital reserve	Profit reserve
	4.9				
As of 1 January 2021		**9,664**	**-24**	**21,795**	**2,748**
Consolidated result*)					-27,574
Other income*)					1,345
Overall result*)					**-26,229**
Change in minority interests					398
Change in own shares					
Long-term incentives				-16	
As of 31 December 2021*)		**9,664**	**-24**	**21,779**	**-23,084**
As of 1 January 2022		**9,664**	**-24**	**21,779**	**-23,084**
Consolidated result					-29,589
Other income					6,235
Overall result					**-23,354**
Non-controlling interests	4.10				8,179
Other changes					288
As of 31 December 2022		**9,664**	**-24**	**21,779**	**-37,970**

*) Correction according to IAS 8, see note 6.4

Included in profit reserves:						
Profit/(Loss) on remeasuring defined benefit pension plans and comparable obligations	**Fair value reserve**	**Currency translation difference**	**Consolidated result (attributable to shareholders of SEAG)**	**Equity attributable to shareholders of the parent company**	**Minority interests**	**Equity**
-6,504	**274**	**-830**	**-37,601**	**34,183**	**91**	**34,274**
		-31	-27,543	-27,574		-27,574
863		482		1,345		1,345
863	**0**	**451**	**-27,543**	**-26,229**	**91**	**-26,229**
				398	-91	307
				0		0
				-16		-16
-5,641	**274**	**-379**	**-65,144**	**8,335**	**0**	**8,335**
-5,641	**-274**	**-379**	**-65,144**	**8,335**	**0**	**8,335**
			-29,589	-29,589	-3,930	-33,519
4,395		1,839		6,235	-48	6,187
4,395	**0**	**1,839**	**-29,589**	**-23,354**	**-3,978**	**-27,332**
			8,179	8,179	1,738	9,918
		379	-91	288		288
-1,246	**-274**	**1,839**	**-86,645**	**-6,551**	**-2,240**	**-8,791**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

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 (hereinafter referred to as the company or Schweizer). Schweizer Electronic AG'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 statements of the Schweizer Group for the financial year ending 31 December 2022 were prepared and approved for publication by the Executive Board on 24 April 2023.

The consolidated financial statements have been prepared in accordance with Section 315e of the German Commercial Code (HGB), International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as adopted by the European Parliament and Council Regulation No. 1606/2002 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 when these are added up.

The consolidated financial statement was prepared essentially applying the historical cost principle, except for derivative financial instruments, and certain debt and equity instruments 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.

These condensed consolidated financial statements have been prepared under the going concern assumption. For further information on this topic, please refer to the "Opportunities & Risks Report" section of the Group status report and to the "Assumptions and Estimates" section on the presentation of material uncertainties in connection with the company's activities.

ACCOUNTING PRINCIPLES APPLIED FOR THE FIRST TIME

The application of the following pronouncements of the International Accounting Standards Board (IASB) relevant to the Schweizer Group is mandatory for financial year 2022:

		Effects on the consolidated financial statements
IFRS 3	Amendment to IFRS 3 – reference to the conceptual framework	No significant effects
IAS 16	Amendment to IAS 16 Proceeds before intended use	No significant effects
IAS 37	Amendment to IAS 37 Onerous contracts – costs of fulfilling a contract	No significant effects
IFRS 1	Amendment to IFRS 1 First-time adoption of International Financial Reporting Standards – first-time adoption by a subsidiary	Not applicable
IFRS 9	Amendment to IFRS 9 Charges in the 10-percent cash value test before derecognition of financial liabilities	No significant effects
IAS 41	Amendment to IAS 41 Taxation in fair value measurements	Not applicable

No significant effects arise for the consolidated financial statements of the Schweizer Group from the initial application of these pronouncements.

Accounting principles 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.

No significant effects are presently expected from the initial application.

Standards/Interpretations		Mandatory application	Adoption into EU law	Anticipated effects on the consolidated financial statements
IFRS 17	Amendment to IFRS 17 Insurance contracts and first-time application of IFRS 17 and IFRS 9 – comparative information	1 January 2023	Yes	One application
IAS 1	Amendment to IAS 1 Presentation of financial statements – disclosure of accounting policies	1 January 2023	Yes	No significant effects
IAS 8	Amendment to IAS 8 Accounting policies, changes in accounting estimates and errors – definition of estimates	1 January 2023	Yes	No significant effects
IAS 12	Amendment to IAS 12 Income taxes – deferred taxes relating to assets and liabilities arising from a single transaction	1 January 2023	Yes	No significant effects
IFRS 10	Amendment to IFRS 10 Consolidated financial statements – sale or contribution of assets between an investor and its associate or joint venture	Application date not yet known	No	No significant effects
IFRS 16	Amendment to IFRS 16 Leases – lease liability on sale and leaseback	1 January 2024	No	None – monitoring of future business transactions
IAS 1	Amendment to IAS 1 Presentation of financial statements – classification of liabilities as current or non-current	1 January 2024	No	No significant effects
IAS 28	Amendment to IAS 28 Investments in associates and joint ventures – sale or contribution of assets between an investor and its associate or joint venture	Application date not yet known	No	No significant effects

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 at the reporting date, 31 December 2022. 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:

	Number of fully consolidated companies		
	National	International	Total
31 December 2020	**1**	**4**	**5**
Included for the first time in financial year 2021	-	1	1
Eliminated in financial year 2021	-	-	-
31 December 2021	**1**	**5**	**6**
Included for the first time in financial year 2022	-	-	-
Eliminated in financial year 2022	-	1	1
31 December 2022	**1**	**4**	**5**

A complete overview of the participating interests of Schweizer Electronic AG is provided in the list of shareholdings in Section 7.5.

CURRENCY TRANSLATION

The consolidated financial statements are prepared in the functional currency of the parent company, the EUR. 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.

Foreign currency transactions are translated into functional currency in the separate financial statements at the time of the transaction at the applicable spot rate. Assets and liabilities denominated in foreign currency are in principle converted using the average spot exchange rate applicable as at the balance sheet date. The effects are recognised in the income statement under other operating expenses or other operating income.

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

	Year-end rate		Average rate	
Foreign currencies	**31/12/2022**	**31/12/2021**	**2022**	**2021**
USD (USA)	1.0666	1.1326	1.0539	1.1835
CNY (China)	7.3582	7.1947	7.0801	7.6340
SGD (Singapore)	1.4300	1.5279	1.4520	1.5897

ACCOUNTING AND VALUATION PRINCIPLES

Intangible assets

The acquired intangible assets are in principle, measured at acquisition cost, reduced by scheduled depreciation and any impairments. When depreciating software on a straight-line basis, a useful life of three to eight years is used. There are no intangible assets with an indefinite useful life.

Internally generated intangible assets are capitalised at their production cost if it is probable that the use of the asset will result in a future economic advantage and the cost can be reliably determined. If the capitalisation criteria are not met, the expenses are recognised immediately in profit or loss in the year in which they arise. At Schweizer, capitalised development costs concern a technology that will be used in future PCBs and for which future customer orders have already been placed. Capitalised costs comprise all directly attributable direct and overhead costs. The asset is depreciated on a straight-line basis over a useful life of six years from the time it can be used. This is the case when it is at its location and is in the operational condition intended by management.

The useful lives and depreciation methods are reviewed regularly.

Property, plant and equipment

The property, plant and equipment item is 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 generally recognised as expenses. Costs for carrying out major maintenance work are capitalised if the recognition criteria are met.

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.

Leases

At the inception of the lease, Schweizer assesses whether the lease constitutes a lease in accordance with IFRS 16. This is the case if the agreement entitles the holder to control the use of an identified asset for a specified period in return for a fee. If these conditions are met, the Schweizer Group capitalises a right of use in the leased asset and shows the commitment to lease payment as a liability.

As lessee, the Schweizer Group records right-of-use assets at the date of provision (i.e. at the time when the underlying leased asset is ready for use). Rights of use are measured at cost less any accumulated depreciation and any accumulated impairment losses and are adjusted for any re-valuation of lease liabilities. The cost of rights of use comprises the recognised lease obligations, the initial direct costs incurred and the lease payments made at or before the date on which the asset is made available for use, less any incentives received.

Rights of use are amortised on a straight-line basis over the shorter of the lease term and the expected useful life of the rights of use. If ownership of the leased asset is transferred to the Group at the end of the lease term, or if the costs include the exercise of a purchase option, depreciation is calculated on the basis of the expected useful life of the leased asset.

On the date of provision, the Group recognises the lease liability at the present value of the lease payments to be made over the term of the lease. Lease payments include fixed payments (including de facto fixed payments) less any lease in-centives to be received. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the Group will actually exercise it and penalties for termination of the lease if the term of the lease takes into account that the Group will exercise the termination option.

In calculating the present value of the lease payments, the Group uses its incremental borrowing rate at the inception date of the lease if the interest rate the lease is based on cannot be readily determined. After the provision date, the amount of the lease liability is increased to reflect the increase in interest expense and decreased to reflect the lease payments made. In addition, the carrying amount of lease liabilities is reassessed if there are changes to the lease, changes to the term of the lease, changes to lease payments (for example, changes to future lease payments resulting from a change in the index or interest rate used to determine those payments) or a change in the assessment of a call option for the underlying asset.

The Group's lease liabilities are included in other financial liabilities.

The Schweizer Group avails itself of the relief provided for leased assets of low value and short-term leases with a term of less than one year. With respect to motor vehicles, the Schweizer Group makes use of the option to eliminate the separation of non-lease and lease components and accounts for the corresponding lease components and related non-lease components as one lease component.

Schweizer determines the term of the lease on the basis of the non-terminable basic term of the lease and including the periods resulting from an option to renew the lease if it is sufficiently certain that the company will exercise this option, or the periods resulting from an option to terminate the lease if it is sufficiently certain that the company will not exercise this option. This means that discretion is exercised when considering all relevant factors.

After the provision date, Schweizer reassesses the term of the lease if a significant event or change in circumstances occurs that is within its control and affects whether or not Schweizer will exercise its option to renew or terminate the lease (e.g. planned restructuring of the location or its size).

The interest rate on which the lease is based is generally not readily determinable, with the result that the marginal borrowing rate is regularly used to value the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow, with comparable certainty, the funds it would need to finance an asset with a value comparable to its right of use in a similar economic environment for a similar term. The Schweizer Group calculates the incremental borrowing rate using observable input factors (e.g. market interest rates), where available.

In the context of a sale and leaseback transaction, the Schweizer Group first checks whether the transfer of an asset is to be accounted for as a sale using the criteria from IFRS 15. If the transfer of an asset does not meet the requirements for accounting as a sale as set out in IFRS 15, the asset continues to be recognised and the proceeds received are recognised as a financial liability in accordance with IFRS 9.

Impairment of non-current assets

For non-current assets, including intangible assets, property, plant and equipment and right-of-use assets from lease agreements, a review is performed at every closing date to determine whether there are indications of an impairment of the assets. If such indications are found to exist, an impairment test is performed.

To test for impairment, assets are grouped into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or the cash-generating unit (CGU).

Irrespective of whether there is any indication of impairment, an impairment test is performed annually on intangible assets that are not yet ready for use. 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. The recoverable amount is determined for each individual asset, unless an asset generates cash inflows that are not largely independent of other assets or CGUs.

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.

An impairment test was carried out for each of the cash-generating units (CGUs) Schweizer Electronic AG and Schweizer Electronic (Jiangsu) Co., Ltd. There was no need for impairment for either CGU.

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

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, financial instruments are recorded at their fair value. Transaction costs directly attributable to the acquisition or issue are included unless the financial instrument is measured at fair value through profit or loss. Subsequent measurement is based on the respective classification of the financial instruments.

IFRS 9 contains three categories for the classification and measurement of financial assets: measured at amortised cost, measured at fair value in other comprehensive income and recognised in profit or loss. Classification is based on the Schweizer business model for managing financial assets (business model condition) and the contractual cash flows (cash flow condition).

Financial assets – measured at fair value through equity in other comprehensive income

Financial assets measured at fair value through other comprehensive income are assets with contractual payments that consist solely of interest and principal payments on the nominal amount outstanding and that are held both to collect the contractual cash flows and to sell. In the financial year, no financial instruments were measured at fair value through other comprehensive income.

Financial liabilities – measured at amortised cost

This category includes trade receivables, cash and cash equivalents, and other financial assets. They are measured at amortised cost, taking into account any impairment losses.

For trade receivables and contract assets, regardless of their term, the simplified approach is applied for determining value adjustments in accordance with IFRS 9. Accordingly, the expected loss over the entire term is always recognised as risk provisioning. The expected loss ratios are determined on the basis of customer-specific probabilities of default, taking into account external credit reports (where available). Receivables are generally derecognised only if a receivable is deemed uncollectible. Factors for uncollectibility include the conclusion of insolvency proceedings or the rejection of insolvency proceedings due to a lack of assets. Impairment losses are recognised under other operating expenses.

The general impairment approach is applied to the other financial assets in this category. A risk provision for expected loan defaults is then determined in two steps. For financial instruments whose credit risk has not increased significantly since initial recognition, a risk provision for loan losses must be recognised in the amount of the loan defaults expected to occur within the next twelve months. The determination of changes in default risk since initial recognition is based on credit ratings. If the credit risk has increased significantly since initial recognition, based on credit information or information on impending payment defaults, a risk provision in the amount of the expected credit defaults is formed. Gains or losses on these financial assets are recognised in profit or loss if they are impaired, modified or derecognised.

Financial assets – measured at fair value through profit or loss
All financial assets not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets and liabilities are offset and presented in the balance sheet as a net amount when the Group has a current, enforceable legal right to set off the recognised amounts and it is intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial liabilities
Financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when the contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognised at fair value based on the adjusted terms. No adjustments or derecognitions had to be made in the 2022 financial year. With regard to the IBOR reform, please refer to Section 4.12.

Derivative financial instruments
The Schweizer Group uses derivative financial instruments on a case-by-case basis to counter currency risks and commodity price risks. The derivative financial instruments of the Schweizer Group are allocated to the measurement category "at fair value through profit or loss". Changes in fair value are recognised in the income statement. There are no hedge accounting relationships in the Schweizer Group.

As at the balance sheet date, the Schweizer Group only held commodity derivatives for which purchase price agreements exist, which are not influenced by the IBO reform.

Determining fair values

In determining the fair value of an asset or liability, the Group uses observable market data to the extent possible. Based on the inputs used in the valuation techniques, the fair values are categorised into different levels of the fair value hierarchy:

Level 1: Use of listed (not adjusted) 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.

If the inputs used to determine the fair value of an asset or liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety into the level of the fair value hierarchy that corresponds to the lowest level input that is significant to the measurement as a whole. The Group recognises reclassifications between different levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

Inventories

Inventories are recognised at the lower of acquisition or production costs 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.

Contract assets

The contract assets are based on the period-related revenue recognition of customer-specific products that have no alternative use and for which an enforceable payment claim exists in the amount of the costs already incurred plus an appropriate profit margin. Contract assets are reclassified as trade receivables as soon as there is an unconditional right to receive the consideration. This point in time corresponds to the invoicing date to the customer.

For the impairment of contract assets, the simplified approach is applied, with the result that a risk provision is recognised for expected losses over the entire term of the contract.

Cash and cash equivalents

Cash, sight deposits and all financial resources with an original term of up to three months that are readily convertible to a fixed amount of cash and which are subject to an insignificant risk of changes in value are disclosed as cash and cash equivalents.

Provision for defined benefit pension plans

The provision for defined benefit pension plans is calculated on the basis of actuarial opinions in accordance with the projected unit credit method, taking into account future 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 towards 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.

Obligations arising from partial retirement arrangements are classified as other long-term employee benefits in accordance with IAS 19 and accrued. The provisions are calculated on the basis of an actuarial report using the projected unit credit method applying the FIFO method (first in, first out), in which the portion earned from all top-ups is distributed in such a way that the top-ups to be paid out first are also fully financed first. The accumulation period for all top-ups ends uniformly at the end of the work phase. The present value is determined as the settlement amount for the fully financed benefits. For the group of employees who have a legal claim to the conclusion of a partial retirement contract, potential provisions were created assuming the probable utilisation of partial retirement by the employees. The fair value of the plan assets from the insolvency protection of the partial retirement obligations is deducted from the present value of the benefit obligations, so that the net liability is recognised in the provisions.

Sales revenue

At Schweizer, revenue is recognised when the respective performance obligation is fulfilled, i.e. when the power to dispose of the promised goods is transferred to the customer. The power of disposition is transferred either at a particular point in time (date-related) or during a period of time (period-based) in accordance with the contractual circumstances and requirements.

Revenue from the sale of products is mainly recognised on a time-period basis, as there is no alternative use for the products and there is a legal claim to payment for the service already provided.

The period-related calculation of sales revenues is based on the input method. In this process, the manufacturing costs incurred for finished goods and work in progress are set in relation to the planned manufacturing costs in order to determine the sales revenue. Based on the determined percentage of completion and the sales price, the sales revenue is determined in accordance with IFRS 15 and the contract assets are recognised. The cost of sales attributable to these revenues are deducted from inventories and included in the cost of sales (see "Sales" Section 3.1).

In the other cases, the transfer of power of disposal takes place at the time of delivery of the parts or upon removal from the consignment warehouse.

The transaction price represents the consideration that Schweizer is expected to receive in exchange for the transfer of the promised goods or services to a customer. Revenue is recognised in the amount of the agreed price for the respective goods. In some cases, customers are granted bonuses, cash discounts, credit notes or rebates that represent variable consideration. These are recorded as a reduction in sales based on experience or sales revenue. In line with revenues, the costs of goods and products sold are recognised through profit or loss in the same period.

As warranty agreements exist in connection with the sold goods only with respect to the hedging of contractually agreed product specifications, these do not constitute a performance obligation. These will continue to be accounted for in accordance with IAS 37.

For Schweizer, the period of time between the transfer of the power of disposition of the promised goods and payment is no more than one year, meaning that Schweizer applies the practical remedy in accordance with IFRS 15.63 and does not adjust the consideration by a financing component.

The payment terms for service obligations under contracts with customers are usually between 30 and 90 days after invoicing. In most cases, the invoice is issued at the time of delivery.

Grants from public authorities

Government grants are recognised at fair value if there is adequate certainty that the grants will be forthcoming and the company meets the associated conditions. Grants provided for an asset are initially recognised in the balance sheet as a liability and are offset from the acquisition and manufacturing cost at the time the asset is capable of operating. Profit-related grants are deducted from the relevant expenses.

Recognition of other income and expenses

Other income is recognised at fair value at the time the legal claim came into being. Operating expenses are recognised in profit or loss at the time the service is used or at the time they are caused. Interest income and interest expenses are recorded for the relevant period and other financial income is recognised at the time the legal claim came into being.

Share-based remuneration

The cash-settled share-based payment (LTI plan) is measured at fair value in accordance with IFRS 2. Vested entitlements under the LTI plan in the form of virtual shares are measured at each reporting date and on the settlement date on the basis of the relevant stock market prices. At measurement dates prior to payment of the remuneration entitlements, the measurement is also carried out using the Black/Scholes model and, if necessary, on the basis of assumptions regarding future levels of target achievement. The calculated value is recognised under personnel expenses in the income statement on a time-proportionate basis in accordance with the consideration provided during the vesting period; the contra is booked under equity (capital reserve). Fluctuations in value due to changes in the share price occurring after the grant date are reported under personnel expenses.

Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale or held for distribution if it is highly probable that they will be realised primarily through sale or distribution rather than through continuing use.

Generally, these assets or the disposal group are recognised at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to any goodwill and then to the remaining assets and liabilities on a pro rata basis, with the exception that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies.

Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Intangible assets and property, plant and equipment are no longer depreciated or amortised on a scheduled basis.

Assumptions and estimates

Estimates and discretionary decisions played an essential role in the preparation of these consolidated financial statements. Management makes 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 on an ongoing basis. 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).

- *Measurement 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" Section 4.14).

- *Going concern assumption and the associated material uncertainty*

These condensed consolidated financial statements have been prepared under the going concern assumption. The assessment of the parent company's ability to continue as a going concern is based on the corporate planning currently prepared by the Executive Board. This includes significant assumptions and estimates regarding the development of turnover and earnings.

The sale of approximately 57 percent of the shares in Schweizer Electronic (Jiangsu) Co., ("SEC") to the strategic investor WUS Printed Circuit (Kunshan) ("WUS") at a price of approximately EUR 4.5 million (RMB 33.45 million) will have both a positive impact on the Group's financial ratios (without SEC) and a positive influence on SEAG's strategy – and thus positively affect the company as a going concern. The full consolidation of SEC in the financial year has a significantly negative impact on the Group's key figures. The deconsolidation of SEC significantly improves the key figures of the remainder of the Group. Management expects a new Group equity ratio of 25 to 30 percent (Group as of 31 December 2022: -5.5 percent). This will open up the possibility for new financing or better payment terms from suppliers. All this will lead to a financially stable SEAG and open up additional opportunities in the markets.

SEAG fulfilled the SEC's outstanding equity of EUR 15.2 million in the second half of 2022. For this purpose, a patent was brought in as a contribution in kind. This eliminated the potential risk of recourse in the amount of the capital not paid in. As a result of the fulfilment of the obligation to contribute to the liability capital, creditors of SEC cannot direct any further claims against the shareholders in satisfaction of their claims.

With regard to the existing current account lines, there are no signs or signals from the lending banks that these lines will be reduced or cancelled.

The use of a forfaiting line was extended by means of a contract extension of the forfaiting framework agreement with a credit institution for another two years until 30 June 2025.

To the best of our knowledge, there are no past events that could lead to unscheduled or extraordinary liquidity burdens beyond the circumstances recognised in the balance sheet as at 31 December 2022.

The geopolitical situation and the subdued economy may lead to postponed, but not cancelled, incoming orders from SEAG's customers. A catch-up effect in the second half of 2023 may lead to disproportionate demand and call-off of PCBs. The demand can be met with the existing production capacity reserves or by procuring additional personnel capacities. In addition, some of the call-offs can be met through the build-up of inventories in the first quarter of the year.

Special cash inflows from the share sale agreement have an effect on SEAG's liquidity. Based on the approval given on 13 April 2023 by the shareholders' meeting of WUS for the share purchase, it is expected that the purchase price of approx. EUR 4.5 million (RMB 34.45 million) will be received by 28 April. Furthermore, it is expected that after the implementation of a capital increase in the amount of approx. RMB 200 million by WUS, SEAG's claims in respect of SEC will be settled in the upper single-digit million euro range.

In the event of deviations from the planned scenario compared to the assumed economic trend as a result of sustained weak demand, considerable shortfalls in sales could occur in the forecast period and thus negatively affect cash flow. In addition, should SEAG not receive payment of its claim against the SEC on time, this would mean that the liquidity shortfall could not be compensated. These events and circumstances, which could lead to an interim liquidity shortfall, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern and represents a risk to the company as a going concern. The SCHWEIZER Group may therefore not be able to realise its assets and settle its liabilities in the ordinary course of business. Such a scenario can be countered by means of suitable risk management measures of restructuring or raising capital, for example by issuing new shares, convertible bonds or corporate bonds.

The material uncertainties associated with the Russia-Ukraine war have been taken into account in the discretionary decisions and estimates, where relevant, and are presented in the respective sections of the Notes. As in the previous year, there were no material adjustments to the carrying amounts of the reported assets and liabilities in financial year 2022.

SEGMENT INFORMATION

The SCHWEIZER Group comprises exclusively the electronic business segment. In this segment, the SCHWEIZER Group develops, produces and distributes high-quality printed circuit boards for the automotive, solar, aviation and general industries.

Please see Section 3.1 for information on sales revenue by geographical region and on our main customers.

The non-current assets as reported in the balance sheet are mainly attributable to Germany. With regard to the non-current assets in China, please refer to Section 4.8.

3. NOTES TO THE CONSOLIDATED INCOME STATEMENT

3.1 SALES REVENUE

Revenue from contracts with customers are broken down as follows:

Sales revenue for 2022 in EUR millions	HDI	Multilayer	Metallised circuits	Non-metallised circuits	Other	Total
Germany	32.2	13.7	12.2	1.2	2.0	61.3
Europe (excl. Germany)	13.5	8.9	2.7	0.9	-	26.0
China	13.9	10.9	0.8	0.1	-	25.7
Asia (excl. China)	5.8	1.5	0.5	2.6	0.1	10.5
America	5.2	1.6	-	0.2	-	7.0
Other countries	-	0.3	0.2	-	-	0.5
	70.6	**36.9**	**16.4**	**5.0**	**2.1**	**131.0**

Sales revenue for 2021 in EUR millions	HDI	Multilayer	Metallised circuits	Non-metallised circuits	Other	Total
Germany	32.2	10.3	10.1	1.5	1.6	55.7
Europe (excl. Germany)	6.8	8.7	2.8	0.8	-	19.1
China	12.3	11.8	0.8	-	-	24.9
Asia (excl. China)	6.1	0.9	0.2	4.7	0.2	12.1
America	4.3	2.7	3.2	0.2	-	10.4
Other countries	-	0.1	0.4	-	-	0.5
	61.7	**34.5**	**17.5**	**7.2**	**1.8**	**122.7**

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

The following table provides information on the balances of receivables and contract assets from contracts with customers:

Contract balances	2022 EUR thousands	2021 EUR thousands
Trade receivables	17,316	16,980
of which reclassified to assets held for sale	5,686	0
Contract assets	7,055	7,474

In 2022, sales revenue from three customers accounted for approximately 35 percent of total revenue (2021: 45 percent). The decline in relative figures compared to the previous year is due to the spin-off of a sub-company at the largest customer. The Schweizer Group now generates sales with both companies and also considers the independent company to be one of its largest customers.

Sales revenue generated from the largest customers amounted to EUR 25.3 million (2021: EUR 34.3 million), EUR 13.1 million (2021: EUR 7.0 million) and EUR 10.7 million (2021: EUR 11.2 million). After the spin-off, the largest customer still accounts for about 20 percent of total sales.

The total amount of the transaction price allocated to the unfulfilled period and date-related performance obligations at 31 December 2022 amounted to EUR 6,890 thousand (2021: EUR 8,219 thousand). These performance obligations were met in January and February 2023.

3.2 OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2022 EUR thousands	2021 EUR thousands
Proceeds from the recycling of gold waste	1,329	1,401
Currency gains	1,417	1,304
Income from the reversal of provisions	327	336
Income from the reversal of risk provisions	260	29
Income from subsidies	1,184	86*)
Other income	183	294
Total	**4,700**	**3,450**

*) In the previous year, income from subsidies included income that should have been deducted from acquisition and manufacturing costs (see Section 6.4).

3.3 OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2022 EUR thousands	2021 EUR thousands
Currency losses	2,750	380
Expenses from valuation allowances on receivables	118	40
Allocation to provision for product risks	205	4
Other expenses	127	664
Total	**3,200**	**1,088**

3.4 FINANCIAL INCOME

Financial income is made up as follows:

	2022 EUR thousands	2021 EUR thousands
Other interest and similar income	55	52
Other	356	474
Total	**411**	**526**

Other financial income includes interest income from changes in provisions of EUR 338 thousand (2021: EUR 474 thousand).

3.5 FINANCIAL EXPENSES

Financial expenses are made up as follows:

	2022 EUR thousands	2021 EUR thousands
Interest expenses	4,673	3,865
Other interest and similar expenses	257	125
Total	**4,930**	**3,990**

The interest expense of EUR 3,334 thousand (2021: EUR 2,465 thousand) is attributable to the local investment loan for the Jintan site and, in the amount of EUR 826 thousand (2021: EUR 896 thousand), for other financial liabilities. They also include interest expenses for lease obligations in the amount of EUR 364 thousand (2021: EUR 331 thousand).

Other interest and similar expenses mainly consist of changes in provisions of EUR 192 thousand (2021: EUR 125 thousand).

3.6 PERSONNEL EXPENSES

Personnel expenses are made up as follows:

	2022 EUR thousands	2021 EUR thousands
Wages and salaries	38,425	38,301
Social security costs	7,033	6,850
Pensions	735	708
Total	**46,193**	**45,859**

3.7 RESEARCH AND DEVELOPMENT EXPENSES

In the financial year, further development costs of EUR 28 thousand (2021: EUR 240 thousand) were capitalised as internally generated intangible assets. The expenditure for research and development recognised as an expense amounted to EUR 3.1 million (2021: EUR 2.7 million), of which EUR 2.8 million is attributable to personnel costs.

3.8 TAXES ON INCOME

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 base of assets and liabilities and their carrying amounts in the IFRS consolidated balance sheet or from the carryforward of unused tax losses to the extent that it is probable that taxable profit will be available in the future.

Deferred taxes are calculated based on the tax rates applicable in each country.

Taxes on income and earnings are made up of expense (+)/income (-):

	2022 EUR thousands	2021 EUR thousands
Current taxes related to the reporting period	1,586	243
Taxes on income from other periods	308	1,317
Deferred taxes	2,610	1,356
of which deferred taxes from temporary differences EUR 220 thousand (2021: EUR -202 thousand)		
of which change due to previously unrecognised tax losses of EUR 0 thousand (2021: EUR -2,303 thousand)		
of which change due to the use of tax losses already taken into account EUR 2,390 thousand (2021: EUR 3,861 thousand).		
Total taxes on income	**4,504**	**2,916**

Deferred taxes on transactions recognised in other comprehensive income in equity result from defined benefit pension plans and reduced equity in the financial year by EUR 1,803 thousand (2021: reduced equity by EUR 360 thousand).

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 29.13 percent (2021: 29.13 percent) on which the expected tax expense is based takes the company structure relevant for taxation into account.

Based on the consolidated annual result before income taxes and the expected income tax, the reconciliation to the actual income tax expense is as follows:

	2022 EUR thousands	2021 EUR thousands
Earnings before tax on profit	**-29,015**	**-24,661**
Expected income tax expense (-)/income (+)	8,451	7,184
Divergent tax rates	-1,221	-778
Tax-free income/expenses	318	-373
Non-tax-deductible expenses	-800	-859
Taxes from other periods	-308	-1,317
Effect from the adjustment of tax loss carryforwards of the previous year	0	-1,311
Effects from the use of loss carryforwards for which no deferred tax assets were previously recognised	0	0
Effects of non-recognition of deferred tax assets on loss carryforwards and consolidation measures	-10,850	-5,805
of which Schweizer Electronic AG	-	-
of which Schweizer Electronic (Jiangsu) Co., Ltd.	-6,669	-5,795
of which Schweizer Electronic Singapore Pte. Ltd.	-320	0
of which Schweizer Electronic Americas Inc.	-61	-10
of which consolidation measures	-3,800	0
Other	-94	344
Actual tax expense	**-4,504**	**-2,916**
Effective income tax rate in %	-16%	-12%

Tax receivables

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

	2022 EUR thousands	2021 EUR thousands
Corporate income tax refund	3	5
Trade tax refund	0	0
Total receivables relating to taxes on income	**3**	**5**
Non-current	0	0
Current	3	5

Liabilities and provisions relating to tax

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

	2022 EUR thousands	2021 EUR thousands
Corporate income tax 2022	886	0
Trade tax 2022	650	0
Other tax provision	318	201
Total tax provisions and liabilities	**1,854**	**201**
Non-current	0	0
Current	1,854	201

Deferred taxes

Deferred taxes result from the following balance sheet items:

	Deferred tax assets 31/12/2022 EUR thousands	Deferred tax liabilities 31/12/2022 EUR thousands	Changes through profit or loss 2022 EUR thousands	Deferred tax assets 31/12/2021 EUR thousands	Deferred tax liabilities 31/12/2021 EUR thousands	Changes through profit or loss 2021 EUR thousands
Property, plant and equipment	75	5,134	-224	128	5,370	
Intangible assets	0	78		0	70	
Rights of use	0	1,450	-96	1	1,770	-1,070
Inventories	1,223	0		954	0	
Receivables and other assets	0	0		135	168	
Contract assets	0	1,623	100	0	1,308	970
Provisions for pensions and similar obligations	3,319	0		5,221	0	
Other provisions	253	46		412	37	
Liabilities	1,153	0		1,588	0	302
Tax loss carryforwards	750	0	-2,390	3,140	0	-1,558
	6,773	**8,331**		**11,577**	**8,723**	
Netting	-6,773	-6,773		-8,723	-8,723	
Recognition of deferred taxes	**0**	**1,558**	**-2,610**	**2,854**	**0**	**-1,356**

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. In the consolidated balance sheet, deferred tax asset items amounting to EUR 928 thousand and deferred tax liabilities amounting to EUR 2,486 thousand were reported gross. A liability surplus of EUR 1,558 thousand was recognised.

The Group has loss carryforwards of EUR 2,399 thousand that can be used in Germany (corporate income tax; 2021: EUR 10,625 thousand) and EUR 2,781 thousand (trade tax; 2021: EUR 11,113 thousand) as well as loss carryforwards that can be used abroad in the amount of EUR 65,640 thousand (2021: EUR 38,672 thousand).

The loss carryforwards attributable to German Schweizer Electronic AG can be carried forward for an unlimited period of time. The deferred tax assets are offset by sufficient deferred tax liabilities, so that it can be assumed that they are recoverable.

The loss carryforwards that can be used abroad relate to Schweizer Electronic Americas Inc. (EUR 338 thousand) and Schweizer Electronic (Jiangsu) Co., Ltd., China (EUR 65,302 thousand); these can be carried forward for a limited number of years. Deferred tax assets were not recognised as it is not probable that they can be utilised.

Furthermore, deferred tax assets on temporary differences in the amount of EUR 3,800 thousand resulting from consolidation measures were not recognised due to a lack of recoverability.

SCHWEIZER has decided that the previously undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

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:

	2022 EUR thousands	2021 EUR thousands
Earnings attributable to holders of ordinary shares of the parent company	**-29,589**	**-27,577*)**

	2022	2021
Weighted average number of ordinary shares	**3,770,713**	**3,770,713**

Earnings per share, based on the profit attributable to the holders of ordinary shares of the parent company, amounted to EUR -7.85 for the financial year (2021: EUR -7.31*), after correction, see Section 6.4).

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1 TANGIBLE AND INTANGIBLE ASSETS

The development of property, plant and equipment as well as intangible assets in the financial years 2022 and 2021 is shown in the development of the Group's property, plant and equipment and intangible assets:

Development of consolidated fixed assets and intangible assets in 2022

	Acquisition and manufacturing costs							
in EUR thousand	**01/01/2022*)**	**Gross Aditions**	**Grants from public authorities**	**Aditions**	**Divestments**	**Transfer postings**	**Currency translation**	**31/12/2022**
Tangible assets								
Land and buildings	63,286	1,700	-277	1,423	0	215	-611	64,313
Technical equipment and machinery	121,183	1,844	-683	1,160	2,765	1,857	-731	120,705
Other plant, factory and office equipment	58,834	227	-19	207	192	70	-67	58,853
Advance payments and plants under construction	5,182	7,512	-783	6,729	0	-2,341	-273	9,297
Total tangible assets	248,484	11,282	-1,763	9,519	2,957	-199	-1,682	253,167
Rights of use								
Rights of use in accordance with IFRS 16	15,022	402	0	402	376	0	-123	14,926
Intangible assets								
Industrial property rights and licences to such rights and assets	6,941	13	-179	-167	45	804	-50	7,483
Internally generated in-tangible assets	240	28	0	28	0	0	0	269
Total intangible assets	7,181	41	-179	-138	45	804	-50	7,752
Total	**270,688**	**11,726**	**-1,942**	**9,784**	**3,377**	**605**	**-1,855**	**275,845**

*) Correction according to IAS 8, see notes in section 6.4

Accumulated depreciations							Carrying amounts	
01/01/2022*)	Aditions	Divestments	Transfer postings	Currency translation	31/12/2022	Reclassification to assets held for sale	31/12/2022	31/12/2021*)
18,583	1,983	0	0	-85	20,480	-23,204	20,629	44,703
79,336	5,966	2,473	-151	-227	82,450	-24,832	13,422	41,847
52,036	1,684	183	0	-26	53,511	-2,158	3,184	6,798
0	0	0	0	0	0	-8,549	747	5,182
149,954	9,633	2,656	-151	-339	156,441	-58,743	37,983	98,530
3,858	2,237	255	151	-50	5,941	-4,222	4,762	11,165
5,483	335	0	0	-10	5,807	-1,316	361	1,458
0	0	0	0	0	0	0	269	240
5,483	335	0	0	-10	5,807	-1,316	629	1,699
159,925	**12,205**	**2,911**	**0**	**-399**	**168,189**	**-64,281**	**43,374**	**111,394**

Development of consolidated fixed assets and intangible assets in 2021

	Acquisition and manufacturing costs							
in EUR thousand	**01/01/2021**	**Gross Aditions**	**Grants from public authorities*)**	**Aditions**	**Divestments**	**Transfer postings**	**Currency translation**	**31/12/2021*)**
Tangible assets								
Land and buildings	59,244	2,089	-558	1,530	0	0	2,510	63,283
Technical equipment and machinery	122,851	2,580	-656	1,923	8,341	1,550	3,201	121,183
Other plant, factory and office equipment	57,785	891	-57	834	113	62	275	58,843
Advance payments and plants under construction	7,911	5,280	-891	4,389	5,753	-1,715	350	5,182
Total tangible assets	247,791	10,840	-2,162	8,675	14,208	-103	6,336	248,491
Rights of use								
Rights of use in accordance with IFRS 16	7,725	6,755	0	6,755	0	0	543	15,022
Intangible assets								
Industrial property rights and licences to such rights and assets	6,671	95	-40	55	0	103	113	6,941
Internally generated in-tangible assets	0	240	0	240	0	0	0	240
Total intangible assets	6,671	336	-40	296	0	103	113	7,182
Total	**262,186**	**17,931**	**-2,202**	**15,726**	**14,208**	**0**	**6,991**	**270,695**

*) Correction according to IAS 8, see notes in section 6.4

Accumulated depreciations						Carrying amounts	
01/01/2021	**Additions*)**	**Divestments**	**Transfer postings**	**Currency translation**	**31/12/2021*)**	**31/12/2021*)**	**31/12/2020**
16,645	1,805	0	0	131	18,580	44,703	42,599
81,681	5,636	8,181	-151	351	79,336	41,847	41,170
50,100	2,010	113	0	47	52,045	6,798	7,685
0	0	0	0	0	0	5,182	7,911
148,425	9,451	8,294	-151	529	149,961	98,529	99,365
2,039	1,579	0	151	89	3,858	11,165	5,686
5,147	320	0	0	16	5,483	1,459	1,524
0	0	0	0	0	0	240	0
5,147	320	0	0	16	5,483	1,699	1,524
155,612	**11,350**	**8,294**	**0**	**633**	**159,301**	**111,394**	**106,575**

Additions and disposals of property, plant and equipment

The significant changes in the fixed assets of the Schweizer Group relate to additions of EUR 11.7 million (before deduction of grants from public authorities), due to further investments relating to the Jintan production site of EUR 9.3 million and to Schramberg of EUR 2.4 million. Modernisation investments at the Schramberg site that were started in the previous year were largely completed in the 2022 financial year, so that the subsidies received in 2021 in the amount of EUR 575 thousand were deducted from the acquisition costs. A further EUR 281 thousand from this subsidy programme is reported under assets under construction. The site in Jintan also received investment grants of EUR 1.3 million in the financial year and these were deducted from the acquisition and manufacturing costs of property, plant and equipment and intangible assets. Moreover, no interest expenses were recognised.

Reclassifications

As in the previous year, reclassifications from advance payments made and assets under construction mainly relate to the completion of facilities at the Jintan production site and the mostly completed modernisation investment in Schramberg.

Intangible assets

In the reporting year, further development costs of EUR 28 thousand were capitalised as internally generated intangible assets. The additions to the acquired intangible assets mainly consist of the completion of software projects amounting to EUR 804 thousand at the Jintan site.

Depreciation

Scheduled depreciation of property, plant and equipment is predominantly disclosed in the consolidated income statement under cost of sales. Given the coronavirus pandemic, there are no additional impairments from the current situation.

4.2 LEASES

The Schweizer Group is a lessee of real estate, technical equipment, motor vehicles and other assets. Leases for motor vehicles generally have a term of three years. For technical equipment, the contract term is generally between eight and ten years. Real estate contracts generally have a term of between two and four years.

At present, the Group has no significant contractually agreed extension or termination options that have not already been exercised in 2022.

In 2022, additions in an amount of EUR 402 thousand were recognised under right-of-use assets (2021: EUR 6,755 thousand). The following table shows the carrying amounts of the rights of use recognised in the balance sheet and the changes during the reporting period:

In EUR thousands	Technical equipment	Real estate	Motor vehicles	Other assets	Total
As at 31 December 2020	**3,761**	**749**	**808**	**368**	**5,686**
Acquisitions	6,613	-	142	-	6,755
Divestments	-	-	-	-	-
Depreciation expense	-1,237	-60	-371	-60	-1,730
Currency translation	352	30	31	39	452
As at 31 December 2021	**9,489**	**719**	**610**	**347**	**11,165**
Acquisitions	-	73	310	20	402
Divestments	-	-26	-347	-3	-376
Depreciation expense	-1,748	-57	-119	-159	-2,083
Currency translation	-108	-10	-8	2	-124
As at 31 December 2022	**7,633**	**699**	**446**	**207**	**8,985*)**

*) The carrying amounts are shown before reclassification of assets held for sale, to which EUR 4,222 thousand is attributable to Schweizer Electronic (Jiangsu) Co., Ltd ("SEC") (see Section 4.8).

The carrying amount of the lease liabilities is EUR 9,262 thousand (2021: EUR 10,492 thousand), of which EUR 4,201 thousand relates to SEC and was reclassified to the liabilities associated with assets held for sale. The maturity analysis of the lease liabilities is presented in Section 4.15.

The following amounts were recognised in the income statement in the reporting period:

	2022 EUR thousands	2021 EUR thousands
Depreciation expense for rights of use	2,237	1,730
Interest expenses for lease liabilities	364	331
Expenses for leases of low value assets	44	33
Total amount recognised in profit or loss	**2,645**	**2,094**

The Group's cash outflows for leases amounted to EUR 1,541 thousand in 2022 (2021: EUR 1,842 thousand). Future cash outflows for leases that have not yet commenced are currently not expected.

4.3 OTHER ASSETS

Other financial assets are comprised as follows:

	2022 EUR thousands	2021 EUR thousands
Vendors with debit balances	33	110
Financial receivable	1,122	524
Miscellaneous other financial assets	173	201
Total other financial assets	**1,328**	**835**
Non-current	5	5
Current	1,323	830

Other assets are comprised as follows:

	2022 EUR thousands	2021 EUR thousands
Turnover tax claim from investments	92	1,274
Receivables from outstanding grants from public authorities	3,352	4,506
Prepayments and accrued income	1,265	1,054
Receivables from tax refunds	444	354
Miscellaneous other assets	2,193	830
Total other assets	**7,346**	**8,017**
Non-current	642	702
Current	6,704	7,315
of which reclassified to assets held for sale (current)	4,412	0

The decrease in other assets to EUR 7,346 thousand (2021: EUR 8,017 thousand), before reclassification assets held for sale, resulted primarily from the inflow of outstanding grants from public authorities and VAT refunds at the Jintan site, which were recognised as receivables in the previous year.

Miscellaneous other assets include the research allowance granted for the years 2020 and 2021 in the amount of EUR 1,048 thousand. The tax refund amounts are based on the refund claims from energy tax of EUR 116 thousand (2021: EUR 121 thousand) and from electricity tax of EUR 197 thousand (2021: EUR 233 thousand).

4.4 INVENTORIES

	2022 EUR thousands	2021 EUR thousands
Raw materials and supplies	6,941	9,263
Unfinished products	4,204	3,950
Finished products	3,827	4,924
Total inventories	**14,972**	**18,137**
of which reclassified to assets held for sale	2,714	0

Write-downs on inventories, which were recognised as expenses in the reporting period, amount to EUR 1,423 thousand (2021: EUR 1,299 thousand) and are reported under cost of sales.

In 2022, inventories recognised as an expense in cost of sales amounted to EUR 85,761 thousand (2021: EUR 80,317 thousand).

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

4.5 TRADE RECEIVABLES

	2022 EUR thousands	2021 EUR thousands
Trade receivables	**17,316**	**16,980**
of which reclassified to assets held for sale	5,686	0

Trade receivables are not interest-bearing and are usually payable in 30 to 90 days. In order to optimise working capital, the Group makes use of the factoring line granted to it, whereby the assigned receivables are derecognised. Assignments of receivables amounting to EUR 49.2 million were realised in the financial year. As of the balance sheet date, receivables in the amount of EUR 10,629 thousand had been assigned and derecognised.

In EUR thousands	Gross carrying amount as at 31 December 2022	Risk provision as at 31 December 2022	Average expected probability of default in %	Gross carrying amount as at 31 December 2021
Not due	14,589	0	0	14,908
Past due by 1-30 days	1,513	6	0.0040	1,067
Past due by 31-60 days	883	1	0.0011	492
Past due by 90 days	474	135	0.2849	539
Total	**17,459**	**142**	**0.2900**	**17,006**

As at 31 December 2022, allocations to risk provisioning amounted to EUR 142 thousand. The estimates and measurement of the recoverability of receivables are based on the respective credit risk determined from credit checks, not on the overdue items as at the balance sheet date.

The risk provisions for receivables developed as follows:

	2022 EUR thousands	2021 EUR thousands
As at 1 January	**356**	**383**
Reversal	23	76
Addition to risk provision	142	49
As at 31 December	**475**	**356**

4.6 CONTRACT ASSETS

	2022 EUR thousands	2021 EUR thousands
Contract assets	**7,055**	**7,474**

An impairment loss of EUR 5 thousand was recognised for contract assets (2021: EUR 1 thousand).

4.7 CASH AND CASH EQUIVALENTS

	2022 EUR thousands	2021 EUR thousands
Bank balances and cash on hand	3,705	14,422
As at 31 December	**3,705**	**14,422**
of which reclassified to assets held for sale	1,751	0

Bank balances earn interest at variable rates for on-call deposits.

As of 31 December 2022, the Group had firmly committed credit lines of EUR 5,690 thousand (2021: EUR 7,190 thousand). The credit lines relate to Schweizer Electronic AG. It has transferred a credit line of EUR 1 million to Schweizer Electronic Singapore Pte, Ltd. Schweizer Electronic AG has given a guarantee for this. The means of payment shown are not subject to any restrictions on disposal. The terms and conditions of the credit lines are listed below:

Credit lines	Term in the financial year	Amount in EUR thousands
Schweizer Electronic AG		
Sparkasse Rottweil credit line	3.41%	3,400
Volksbank Schwarzwald-Donau-Neckar credit line	6.52%	290
Commerzbank AG – EUR credit line	4.39%	500
Commerzbank AG – USD credit line	6.25%	500
Schweizer Electronic Singapore Pte. Ltd.		
Commerzbank AG – USD credit line	2.25%	1,000

4.8 ASSETS HELD FOR SALE

The Executive Board of Schweizer Electronic AG was authorised in September to negotiate an agreement on the sale of shares to Schweizer Electronic (Jiangsu) Co., Ltd. with registered offices in Jintan, China ("SEC"). The Supervisory Board and the Executive Board assumed at that time that a sale of SEC's shares would most likely take place within the next 12 months.

Towards the end of 2022, management then committed to a plan to sell the majority of their shares in Schweizer Electronic (Jiangsu) Co., Ltd. with registered offices in Jintan, China ("SEC"). On 22 December 2022, a corresponding share transfer agreement for the sale of approx. 57 percent of the shares to WUS Printed Circuit (Kunshan) Co., Ltd. with registered offices in Kunshan/China ("WUS") was concluded. Up to that point in time, Schweizer Electronic AG held around 87 percent in SEC. Schweizer will now have a holding of 30 percent in the Chinese company.

With the entry of WUS, SEC's equity is strengthened for the volume production of embedding technologies. Schweizer's embedding technology will thus be produced both in the plant in Schramberg and in the plant in Jintan.

The transaction is expected to be completed (closed) in the second quarter of 2023. The purchase price for the shares in the company to be transferred under the share transfer agreement to SEC amounts to CNY 33,450,000.

The Supervisory Board of Schweizer Electronic AG approved the conclusion of the share transfer agreement on 21 December 2022. The agreement was approved by the WUS shareholders meeting on 13 April 2023.

No material impairment losses have been recognised in the write-down of the disposal group to the lower of its carrying amount and fair value less costs to sell.

As at 31 December 2022, the disposal group was stated at the lower of carrying amount and fair value less costs to sell and comprised the following assets and liabilities (after consolidation adjustments):

	2022 **EUR thousands**
Intangible assets	1,315
Property, plant and equipment	62,936
Inventories	2,714
Receivables	5,686
Other assets	4,412
Cash	1,751
Assets held for sale	**78,814**

	2022 **EUR thousands**
Liabilities to banks	62,147
Trade payables	24,050
Other current liabilities	826
Other current financial liabilities	4,201
Debt in connection with assets held for sale	**91,224**

Other comprehensive income includes accumulated expenses of EUR 375 thousand from currency translation differences related to the disposal group.

The subsequent measurement of IFRS 5 did not result in a need for devaluation as at the balance sheet date.

4.9 EQUITY

Schweizer Electronic AG

The share capital amounted to an unchanged EUR 9,664,054 as per 31 December 2022 and is divided into 3,780,000 nominal shares (no-par-value shares).

As at the balance sheet date, Schweizer Electronic AG held a total of 9,287 treasury no-par-value shares. This represents an amount of EUR 24 thousand or 0.25 percent of the share capital. The subscribed capital is shown net of the par value of the treasury shares. The excess amount from the buyback was offset against retained earnings. Each no-par share grants one vote at the Annual General Meeting of Schweizer Electronic AG and the same share in the profits in accordance with the dividend distribution resolved by the Annual General Meeting.

Share performance

	Treasury shares in EUR	Treasury shares in units	Outstanding shares in units
As at 1 January 2021	**23,743**	**9,287**	**3,770,713**
Share issues	0	0	0
As at 31 December 2021	**23,743**	**9,287**	**3,770,713**
Share issues	0	0	0
As at 31 December 2022	**23,743**	**9,287**	**3,770,713**

Authorised capital

By resolution of the Annual General Meeting of 25 June 2021 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 24 June 2026 by up to EUR 4,832,026.93 in total, by issuing new, registered ordinary or preference 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 occasions. 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 passed by the Annual General Meeting of 25 June 2021 and its entry in the commercial register, subject to the consent of the Supervisory Board and until 24 June 2026, 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 occasions. 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.

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 by Schweizer Electronic AG.

Profit reserves

The profit reserves essentially include changeover effects from the first-time preparation of IFRS consolidated financial statements, as well as undistributed profits and losses generated in previous years by Schweizer Electronic AG and the included subsidiaries.

In addition, differences from transactions through non-controlling interests are recognised in retained earnings.

Other comprehensive income

In addition to differences from currency translation and changes in the fair value of assets measured at fair value with no effect on income, effects from the revaluation of pension obligations less offsetting deferred taxes are also reported here. 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.

	2022 EUR thousands	2021 EUR thousands
Currency translation of foreign operations		
Consolidation-related currency effects	1,791	482
Total	**1,791**	**482**

Dividends

No cash dividend was distributed to the shareholders of Schweizer Electronic AG in the 2022 financial year in respect of the 2021 financial year.

Schweizer Electronic AG will not pay any dividends also for the 2022 financial year.

4.10 NON-CONTROLLING INTERESTS

The table below provides information on each of the Group's subsidiaries with significant non-controlling interests before intercompany eliminations.

	Schweizer Electronic (Jiangsu) Co., Ltd.
Percentage of non-controlling interests	**12.82%**
in EUR thousand	
Non-current assets	76,936
Current assets	14,659
Non-current liabilities	-62,148
Current liabilities	-41,022
Net assets	**-11,576**
Net assets of non-controlling interests	-1,483
Sales revenue	31,590
Loss	-26,677
Other comprehensive income	0
Overall result	**-26,677**
Result attributable to non-controlling interests	-3,930
Overall result attributable to non-controlling interests	-3,978
Cash flow from operating activities	-13,773
Cash flow from investing activities	-7,904
Cash flow from financing activities	18,401
Change in cash and cash equivalents	**-3,276**

In January 2022, WUS Printed Circuit (Kunshan) Co., Ltd., China, invested in Schweizer Electronic (Jiangsu) Co., Ltd., China (hitherto wholly owned subsidiary of Schweizer Electronic AG) as part of an increase in the share capital through new shares in the nominal amount of EUR 7.5 million, and now holds 12.8 percent of the share capital of Schweizer Electronic (Jiangsu) Co., Ltd., China.

Equity attributable to the shareholders of the parent company developed as follows:

	1 January 2022	31 December 2022
Percentage of non-controlling interests	**0%**	**12.82%**
Equity	9,721	-8,791
of which equity attributable to the shareholders of the parent company	9,721	-6,551
of which equity attributable to non-controlling interests	0	-2,240

4.11 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 optimise the Group's equity ratio or capital increases from the issue of new shares to increase the equity ratio.

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 in this connection. The net gearing ratio is calculated as interest-bearing liabilities less liquidity holdings in relation to equity.

Net gearing ratio as a performance indicator	**2022** **EUR thousands**	**2021** **EUR thousands**
Financial liabilities	91,391	94,375
Less cash and cash equivalents	-3,705	-14,422
Net financial liabilities	87,686**)	79,953
Equity	-8,791	8,335*)
Net gearing ratio	n/a	959%*)
Equity ratio	-5.5%	4.6%*)

Group equity amounted to EUR -8.8 million as of the balance sheet date (2021: EUR 8.3 million). SCHWEIZER's equity ratio reduced by 10.1 percentage points to -5.5 percent in financial year 2022 due to the Group's negative result (2021: 4.6 percent).

*) After correction, see Section 6.4
**) All carrying amounts are shown before reclassification of liabilities in connection with assets held for sale, see Section 4.8.

4.12 FINANCIAL LIABILITIES

Financial liabilities are broken down into the following types of bank loans and developed as follows in financial year 2022:

Financial liabilities	Term in the financial year	2022 EUR thousands	2021 EUR thousands
Fixed-interest bank loans		**2,444**	**9,850**
Schweizer Electronic AG			
KfW loan (coronavirus aid programme)	2.00%	0	7,100
Current account line utilised	3.41%	1,069	0
Bank loan for a nominal amount of EUR 3 million	1.15%	375	750
Bank loan for a nominal amount of EUR 3 million	2.45%	1,000	2,000
Variable-interest bank loans		**88,947**	**84,525**
Schweizer Electronic AG			
Bank loan for a nominal amount of EUR 25 million	2.25%[1)]	17,800	19,600
Bank loan for a nominal amount of EUR 9 million	2.25%[1)]	9,000	9,000
Schweizer Electronic (Jiangsu) Co., Ltd.			
Bank loan for a nominal amount of CNY 520 million (EUR 70.7 million)	5.39%[2)]	48,689	43,849
Bank loan for a nominal amount of USD 14.2 million (EUR 13.4 million)	4.50%[2)]	13,458	12,076
of which reclassified to liabilities in connection with assets held for sale		62,147	0

[1)] A variable interest rate of zero or positive 3-month Euribor plus a margin surcharge of 1 percent to 2.25 percent depending on the net gearing is agreed for these loans.
[2)] For the loans at the Jintan site, the interest rate depends on the 6-month Libor. The Group is in consultation with the respective banks to adjust the loans of Schweizer Electronic (Jiangsu) Co, Ltd. affected by the IBOR reform.

The bank loans involve non-current and current financial liabilities. The term of the loans ends between 2023 and 2028, any residual debt at the end of the term is final. Please refer to Section 4.17 for the maturities of the financial liabilities.

The variable loan of Schweizer Electronic AG and the loan with a residual value of EUR 375 thousand are secured with mortgages up to an amount of EUR 20.8 million. In addition, EUR 6.4 million (2021: EUR 8.6 million) is provided as collateral via an assignment of goods for inventory with a carrying amount of EUR 17.5 million (2021: EUR 19.1 million) at the Schramberg site. The pledge of the land use right at the Jintan site with a carrying amount of EUR 730 thousand (2021: EUR 763 thousand) serves as collateral under mortgage law.

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.

4.13 OTHER FINANCIAL LIABILITIES

	2022 EUR thousands	2021 EUR thousands
Lease liabilities	9,262	10,492
Derivatives with negative market value	39	79
Miscellaneous other financial liabilities	68	57
Total other financial liabilities	**9,369**	**10,628**
Non-current	7,138	8,579
Current	2,231	2,049
of which reclassified to liabilities in connection with assets held for sale (non-current)	3,547	0
of which reclassified to liabilities in connection with assets held for sale (current)	654	0

4.14 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 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 "2018 G guideline tables" of Prof Heubeck have been applied:

		2022	2021
Financial assumptions			
Discount rate as at 31 December	%	3.69	1.00
Future pay increases	%	-	-
Future pension increases, executive employees	%	2.50	2.50
Future pension increases, other	%	1.00	1.00
Demographic assumptions			
Age to be expected		GT 2018 G	GT 2018 G
Assumed retirement age, individual commitments	Years	60	60
Assumed retirement age, others	Years	Statutory	Statutory
Fluctuation p.a.	%	5.00	3.23

A salary trend based on future salary increases was not taken into account because all employment relationships have ended.

The net obligations are reported in the balance sheet in the amount of EUR 15.8 million (2021: EUR 22.5 million) and are derived as follows:

	2022 **EUR thousands**	**2021** **EUR thousands**
Changes in present value of defined benefit obligations		
Liability from defined benefit obligation as at 1 January	**22,457**	**24,544**
Expenses recognised in profit and loss		
Interest expense	220	125
Current service cost	185	236
Retirement benefits paid	-897	-887
Amounts recognised in other comprehensive income		
Actuarial gains and losses		
Changes in demographic assumptions	0	0
Changes in financial assumptions	-6,188	-1,561
Experience adjustments to gains (-)/losses (+)	0	0
Liability from defined benefit obligation as at 31 December	**15,777**	**22,457**
Benefit commitment amounts recognised in the balance sheet		
Present value of defined benefit obligations	15,777	22,457
Provisions for pensions and similar obligations	**15,777**	**22,457**

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

	2022 EUR thousands	2021 EUR thousands
Effects on the statement of comprehensive income		
Current service cost	185	236
Interest expense for defined benefit obligation	220	125
Amounts recognised in the income statement	**405**	**361**
Actuarial gains (-) and losses (+)		
from changes in demographic assumptions	0	0
from changes in financial assumptions	-6,188	-1,561
due to experience-based adjustments	0	0
Amounts recognised in other comprehensive income	**-6,188**	**-1,561**
Total (amounts recognised in the statement of comprehensive income)	**-5,783**	**-1,200**

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.

		2022 EUR thousands	2021 EUR thousands
Sensitivity			
Discount rate	+0.5%	-845	-1,528
Discount rate	-0.5%	930	1,715
Pension increase	+0.5%	799	-[1]
Pension increase	-0.5%	-738	-[1]
Change in life expectancy	+ 1 year	579	-[1]

[1] These levies were not part of the 2021 pension estimate.

In subsequent years, the following maturities of non-discounted payments for pensions are expected:

	2022 EUR thousands	2021 EUR thousands
Within the next 12 months (next financial year)	970	943
between two and five years	3,976	3,890
between six and ten years	4,943	4,937

The weighted average maturity of the defined benefit pension plans at the end of the financial year is 11.6 years (2021: 14.5 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 congruently funded provident fund. The contribution payments are recognised as a personnel expense and amount to EUR 559 thousand (2021: EUR 466 thousand) for the financial year.

Contributions to statutory pension insurance in the 2022 financial year came to EUR 2,384 thousand (2021: EUR 2,354 thousand).

4.15 TRADE AND OTHER PAYABLES

The increase in trade payables to EUR 37,455 thousand (2021: EUR 32,313 thousand) resulted mainly from outstanding invoices from the purchase of commercial goods in Schweizer Electronic Singapore Pte. Ltd. in the amount of EUR 5,778 thousand. Of the trade payables, EUR 24,050 thousand were attributable to Schweizer Electronic (Jiangsu) Co., Ltd, which were reclassified to liabilities in connection with assets held for sale.

Other liabilities are comprised as follows:

	2022 EUR thousands	2021 EUR thousands
Liabilities from salary and wage accounting	2,088	2,395
Liabilities from other taxes	1,128	1,287
Upfront liability	588	608
Miscellaneous other liabilities	2,343	791
Total other liabilities	**6,147**	**5,081**
Non-current	2,672	578
Current	3,475	4,503
of which reclassified to liabilities in connection with assets held for sale (current)	826	0

The upfront liability is based on a deferred payment receipt for anticipated price discounts from a supplier (upfront payment) of EUR 588 thousand (2021: EUR 608 thousand). The reversal takes place in the same way as the sales generated. Miscellaneous other liabilities include a compensation payment to a former member of the Executive Board in the amount of EUR 2,341 thousand.

4.16 OTHER PROVISIONS

Other provisions are broken down into the following types of provisions and developed as follows in financial year 2022:

In EUR thousands	As at 1 January	Acquisi-tions	Util-ised	Rever-sals	Interest effect	Reclassifi-cation	As at 31 December
Obligations vis-à-vis employees	1,389	1,490	1,039	195	-3	-9	1,632
Guarantees	288	882	677	0	0	0	493
Insurance premiums	0	13	0	0	0	0	13
Additional provisions	5,062	1,599	1,251	131	-30	-2,787	2,462
Total	**6,739**						**4,600**
Of which current	2,990						3,371
Of which non-current	3,749						1,229

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

The total obligation from partial retirement agreements amounted to EUR 603 thousand as of the balance sheet date (2021: EUR 837 thousand). Reinsurance assets secured against insolvency were netted at EUR 310 thousand (2021: EUR 535 thousand).

The compensation payment to a former member of the Executive Board was reclassified from other provisions to other liabilities as the recognition criteria were met. In addition, these mainly include provisions for product risks in the amount of EUR 493 thousand (2021: EUR 288 thousand), annual financial statement costs in the amount of EUR 421 thousand (2021: EUR 348 thousand) and outstanding cost invoices in the amount of EUR 196 thousand (2021: EUR 351 thousand).

For the majority of the other provisions, with the exception of provisions for compensation payments, retirement and anniversaries, an outflow of economic benefits is expected within the next 12 months.

4.17 ADDITIONAL INFORMATION CONCERNING FINANCIAL INSTRUMENTS

2022

In EUR thousands	fair value	1. Level	2. Level	3. Level	at amortised cost	not within the scope of IFRS 7	Carrying amount*)
Assets							
Participating interests	12			12			12
Trade receivables	17,316				17,316		17,316
Other non-derivative financial assets	1,328				1,328		1,328
Cash and cash equivalents	3,705				3,705		3,705
Liabilities							
Financial liabilities	91,496				91,391		91,391
Trade payables	37,455		37,455		37,455		37,455
Other derivative financial liabilities	31		31				31

*) All carrying amounts are presented before reclassification of assets held for sale and liabilities in connection with assets held for sale (see Section 4.8).

2021

In EUR thousands	fair value	1. Level	2. Level	3. Level	at amortised cost	not within the scope of IFRS 7	Carrying amount
Assets							
Participating interests	12			12			12
Trade receivables	16,980				16,980		16,980
Other derivative financial assets	24		24				24
Other non-derivative financial assets	835				835		835
Cash and cash equivalents	14,422				14,422		14,422
Liabilities							
Financial liabilities	94,663				94,375		94,375
Trade payables	32,313				32,313		32,313
Other derivative financial liabilities	79		79				79

Financial liabilities are classified and measured at amortised cost or fair value through profit or loss (FVTPL). Financial liabilities at FVTPL are measured at fair value and net gains or losses, including interest expense, are recognised in profit or loss.

Lease liabilities are not included in the financial liabilities measured at amortised cost as they do not fall within the area of application of IFRS 9. With regard to equity investments, the carrying amount corresponds to the fair value due to the measurement category.

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

As at 31 December 2022, the derivative financial instruments comprised commodity hedges. The commodity hedges involve commodity derivatives (palladium and gold swaps), with a fixed price being paid for gold and palladium and the bank paying variable amounts. Derivatives were valued on the basis of Level 2 inputs, i.e. on the basis of values for identical assets in active markets. Long-term gas and electricity procurement transactions are concluded at the Schramberg site. These are not to be accounted for as derivatives according to IFRS 9, as they are fully used by the company itself.

Net losses and gains on financial instruments by measurement category in accordance with IFRS 9 for financial year 2022

In EUR thousands	Fair value	Value adjustment	from interest	from dividends	Net result
Financial assets measured at amortised cost	-	-112	-45	-	-157
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-
Financial assets (equity instruments) measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-4,527	-	-4,527
Financial liabilities measured at fair value through profit or loss (FVTPL)	-	-53	-	-	-53
Total	**-**	**-165**	**-4,573**	**-**	**4,737**

Net losses and gains on financial instruments by measurement category in accordance with IFRS 9 for financial year 2021

In EUR thousands	Fair value	Value adjustment	from interest	from dividends	Net result
Financial assets measured at amortised cost	-	-38	13	-	-25
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-
Financial assets (equity instruments) measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-3,708	-	-3,708
Financial liabilities measured at fair value through profit or loss (FVTPL)	-	-83	-	-	-83
Total	**0**	**-121**	**-3,695**	**0**	**-3,816**

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 in line with the risk assessment. 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. For further explanations on this topic, please refer to the "Opportunity & Risk Report" section of the interim Group management report.

The risks which are hedged are primarily as follows:

Interest rate risks:

No interest rate hedging transactions were to be recognised as of the balance sheet date. The presentation of the quantitative indication of risk in relation to the interest rate risk required by IFRS 7 is based on a sensitivity analysis. This method is used to determine the effects of hypothetical changes in market interest rates on interest income and expenses and on equity as of the reporting date. The sensitivity analysis is based on the following assumptions: The variable-interest financial instruments are subject to interest rate risk and must therefore be included in the sensitivity analysis. Had the interest rate of the variable-rate loan increased (decreased) by 1 percent during the financial year, earnings before tax on profit would have increased or decreased by EUR 630 thousand (2021: EUR 587 thousand respectively).

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.

Had the euro risen (fallen) against the US dollar by 10 percent as at 31 December 2022, earnings before tax on profit would have increased by EUR 1,244 thousand (2021: EUR 930 thousand) or decreased by EUR 1,521 thousand (2021: EUR EUR 1,141 thousand). An increase (decrease) in the euro compared to the Singapore dollar of 10 percent would have resulted in a decrease (increase) of EUR 3 thousand or EUR 0 thousand in earnings before tax on profit. An increase (decrease) in the euro against the Chinese renminbi of 10 percent would result in a profit of EUR 6,345 thousand or a loss of EUR 705 thousand.

In order to reduce currency risks and to secure the calculation basis for customer orders, natural hedge transactions are carried out on a case-by-case basis or derivative financial instruments may be used depending on the assessment of developments on the currency market. Currency risks are monitored and managed centrally. There were no cross-year hedging contracts as of the balance sheet date.

Liquidity risks:

Risks arising from cash flow fluctuations are detected early within the framework of the established liquidity planning system. Due to the credit lines granted by banks, the Group has the possibility of accessing liquid funds. For the going concern assessment, see Section 2. Summary of significant accounting policies, see the subsection "Assumptions and estimates". In order to cushion any liquidity risks that may arise, the Group makes use of the factoring line granted to it. In 2023, SCHWEIZER will still receive special cash inflows from the share sale agreement with the strategic investor WUS. Based on the approval given on 13 April 2023 by the shareholders' meeting of WUS for the share purchase, it is expected that the purchase price of approx. EUR 4.5 million (RMB 34.45 million) will be received by end April. Furthermore, it is expected that after the implementation of a capital increase in the amount of approx. RMB 200 million by WUS, SEAG's claims in respect of SEC will be settled in the upper single-digit million euro range. In addition, developments or risk scenarios requiring liquidity can be countered by means of suitable risk management measures for raising capital, for example by issuing new shares, convertible bonds or corporate bonds.

Maturity analysis of liabilities

The financial liabilities have the following maturities:

2022*)	**31 December**	**up to 3 months**	**3 to 12 months**	**1 to 5 years**	**more than 5 years**	**Total**
	EUR thousands	**EUR thousands**	**EUR thousands**	**EUR thousands**	**EUR thousands**	**EUR thousands**
Financial liabilities	**91,392**					
Repayment		2,050	22,015	67,326	0	91,392
Interest		1,102	2,907	4,789	0	8,798
Balance		**3,152**	**24,922**	**72,116**	**0**	**100,190**
Trade payables	**37,455**	**32,359**	**5,053**	**41**	**0**	**37,455**
Other financial liabilities						
thereof lease liabilities	9,369	652	1,579	5,589	1,549	9,369
Repayment		547	1,579	5,589	1,549	9,262
Interest		36	95	180	2	314
Other derivative financial liabilities	**31**					
of which commodity swaps		0	31	0	0	31
Total	**138,205**	**36,203**	**74,713**	**34,894**	**1,551**	**147,286**

*) All carrying amounts are shown before reclassification of liabilities in connection with assets held for sale (see Section 4.8).

2021	31 December EUR thousands	up to 3 months EUR thousands	3 to 12 months EUR thousands	1 to 5 years EUR thousands	more than 5 years EUR thousands	Total EUR thousands
Financial liabilities	**94,375**					
Repayment		929	12,319	73,302	7,825	94,375
Interest		910	2,617	6,774	275	10,576
Balance		**1,839**	**14,936**	**80,076**	**8,100**	**104,951**
Trade payables	**32,313**	**29,900**	**2,323**	**89**	**0**	**32,313**
Other financial liabilities	**10,628**	**658**	**1,390**	**5,462**	**3,118**	**10,628**
thereof lease liabilities						
Repayment		601	1,311	5,462	3,117	10,492
Interest		92	264	681	157	1,192
Other derivative financial liabilities	**79**					
of which commodity swaps		1	78	0	0	79
Total	**137,395**	**32,490**	**18,991**	**86,308**	**11,375**	**149,164**

Counterparty risks:

Identifiable risks are taken into account by means of a corresponding risk provisioning. Otherwise, the carrying amount represents the maximum credit risk.

Counterparty default risks are taken into account using the expected credit loss model. This means that a risk deduction is made according to the probability of default and taken into account for the corresponding term of the assets. SCHWEIZER regularly reviews the expected credit losses model under IFRS 9 in order to identify potential effects on the model and make any necessary adjustments. There were no significant increases in the default risk in the context of the coronavirus pandemic. A review based on the current information situation therefore did not reveal a need for adjustment as at 31 December 2022. SCHWEIZER carries out active receivables management. All open receivables are classified as due or overdue on the basis of the relevant payment terms (see Section 4.5). The accounts receivable are divided into dunning levels and dunned according to the overdue date.

4.18 GRANTS FROM PUBLIC AUTHORITIES

The grants from public authorities received in financial year 2022 were mainly attributable to funded investments for buildings and machinery made by Schweizer Electronic (Jiangsu) Co., Ltd., China.

	2022 EUR thousands	2021 EUR thousands
Set-off of acquisition and manufacturing costs	-1,942	-2,203*)
Income recognised in profit or loss	1,184	95*)

*) Subsidies received in the previous year in the amount of EUR 1,386 thousand were reclassified in the financial year from the item "Received through profit and loss" to the item "Set-off of acquisition and manufacturing costs" (see Section 6.4).

5. NOTES TO THE CASH FLOW STATEMENT

CASH FLOW FROM OPERATING ACTIVITIES

Operating cash flow changed by a total of EUR 14.0 million to EUR -3.6 million (2021: EUR -17.6 million, after correction, see Section 6.4). The starting point is earnings before taxes, which were EUR 4.4 million lower than in the previous year.

CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities totalled EUR -10 million in the reporting year (2021: EUR 3.9 million).

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities decreased compared to the previous year by EUR 0.7 million to EUR 2.9 million (2021: EUR 3.6 million).

CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES

In EUR thousands	Balance at 1 January 2022	Currency differences	Cash flow from financing activities	New leases	Balance at 31 December 2022*)
Financial liabilities	94,375	-1,536	-1,448		91,391
Lease liabilities	10,492	-91	-1,541	402	9,262
Liabilities from financing activities	**104,867**	**-1,627**	**-2,989**	**402**	**100,653**
Non-current	89,713				74,464
Current	15,154				26,189

In EUR thousands	Balance at 1 January 2021	Currency differences	Cash flow from financing activities	New leases	Balance at 31 December 2021
Financial liabilities	84,948	4,832	4,595	0	94,375
Lease liabilities	5,034	545	-1,842	6,755	10,492
Liabilities from financing activities	**89,982**	**5,377**	**2,753**	**6,755**	**104,867**
Non-current	84,247				89,713
Current	5,735				15,154

*) All carrying amounts are shown before reclassification of liabilities in connection with assets held for sale (see Section 4.8).

6. OTHER DISCLOSURES

6.1 CONTINGENT LIABILITIES

As at 31 December 2022, there are liability amounts from cooperative shares of Schweizer Electronic AG in the amount of EUR 5 thousand (2021: EUR 5 thousand).

In connection with the financing of the new production unit Schweizer Electronic (Jiangsu) Co., Ltd., China, Schweizer Electronic AG already in 2018 provided an undertaking to the banking syndicate of the Industrial and Commercial Bank of China in the form of a letter of comfort to actively take measures to raise funds for the maintenance of normal debt servicing and operating financial requirements in the event of standstills in loan repayments or other liquidity bottlenecks at Schweizer Electronic (Jiangsu) Co., Ltd. This letter of comfort does not give rise to any obligation under a guarantee according to which Schweizer Electronic AG is liable for the repayment of any loans extended. In the event that repayment difficulties or other liquidity bottlenecks arise and Schweizer Electronic AG does not take any action, the banking syndicate could assert claims for damages arising from non-fulfilment of the obligations. However, possible claims for damages have not been further substantiated by the banking syndicate and no corresponding claims have been asserted at any time. With regard to the letter of comfort to a supplier of Schweizer Electronic Singapore Pte. Ltd. for financial year 2015, no liabilities existed as at 31 December 2022 (31 December 2021: EUR 0 thousand).

There are no contingent liabilities at the level of the subsidiaries.

The risk of claims arising from the contingent liabilities is deemed to be negligible.

6.2 SHARE-BASED REMUNERATION

The company has granted the members of the Executive Board share-based, long-term cash compensation as part of a long-term incentive plan (LTI) since financial year 2019.

The first payment under the LTI plan will be made after financial year 2022 at the earliest, as the first four-year cycle begins with financial year 2019.

The amount paid out under the LTI plan is based on the performance of the Schweizer Electronic AG share price, the achievement of the return on capital employed (ROCE) target and a corporate factor determined by the Supervisory Board. Payment under the LTI plan is made only if an average target achievement rate of at least 80 percent with respect to ROCE is achieved over a four-year performance period.

The amount paid out is largely determined by the average price of the Schweizer Electronic AG share at the end of the performance period. The amount to be paid out is calculated by multiplying this share price by the number of virtual shares granted to the Executive Board member under the LTI plan. The number of virtual shares is calculated as follows: Depending on the level of target achievement, a certain amount (40 percent of the gross annual fixed salary in the case of 100-percent target achievement; limited to a maximum of 80 percent of the gross annual fixed salary) is converted into virtual shares based on an average starting price determined at the beginning of the performance period. This initial number of virtual shares is adjusted using the ROCE target achievement factor on average over the performance period and the company factor to produce a final number of virtual shares at the end of the performance period.

The entitlements earned under the LTI plan up to the end of the reporting period are measured at a fair value of EUR 0 thousand as of the balance sheet date (2021: EUR 0 thousand) as the average ROCE target achievement level for the 2019 tranche (performance period from 2019 up to and including 2022) at the end of the performance period was less than 80 percent, as expected. No provision was made for this tranche.

Payment under the LTI plan is made in the form of a cash payment at the end of the 4-year performance period. Further information on the remuneration of the members of the Executive Board can be found in Section 6.3.

6.3 INFORMATION ON RELATED PARTY TRANSACTIONS

Related companies

Related companies controlled by Schweizer Electronic AG are presented in Section 7.5. The business transactions between Schweizer Electronic AG and its subsidiaries were eliminated within the framework of consolidation. Related companies are also pension plans managed at Schweizer as congruently funded pension funds for the Executive Board (see Section 4.12).

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 7.4) and their close family members.

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

	2022 EUR thousands	2021 EUR thousands
Current benefits (without share-based remuneration)	1,066	1,002
Benefits after termination of employment	559	466
Share-based remuneration	0	0
Total	**1,625**	**1,468**

The total remuneration of the Executive Board in accordance with Section 314 (1) no. 6a HGB amounted to EUR 886 thousand in the financial year (2021: EUR 809 thousand). This includes short-term variable benefits in the amount of EUR 166 thousand (2021: EUR 149 thousand) and the fair value of the share-based remuneration at the time they were granted in the amount of EUR 0 thousand (2021: EUR 0 thousand), but does not include contributions for post-employment benefits.

In the 2022 financial year, former members of the Executive Board and their surviving dependants were granted post-employment benefits of EUR 708 thousand (2021: EUR 593 thousand). Provisions for this group of persons amount to EUR 4,341 thousand for pensions (2021: EUR 5,694 thousand) and for the addition to the pension fund EUR 771 thousand (2021: EUR 839 thousand). Furthermore, there is a compensation payment obligation in the amount of EUR 2,341 thousand (2021: EUR 2,875 thousand) for a former member of the Executive Board.

The total remuneration of the Supervisory Board in accordance with Section 314 (1) no. 6a HGB comprised short-term benefits of EUR 180 thousand in the financial year (2021: EUR 180 thousand). The employees' representatives on the Supervisory Board, who are employed at Schweizer, 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 transactions with related parties

The aggregated value of business transactions and outstanding balances relating to companies controlled by members of the Supervisory Board were as follows:

	Transaction values		**Balances outstanding on 31 December**	
	2022	**2021**	**2022**	**2021**
	EUR thousands	**EUR thousands**	**EUR thousands**	**EUR thousands**
Sale of goods	10,034	9,806	15,233	1,648
Purchase of goods	29,155	23,484	1,027	12,963
Other services	20	32	4	3

None of the balances are secured. No bad or doubtful debts expense was recognised in the current year and previous year in respect of amounts due from related parties. With a company controlled by a member of the Supervisory Board, one equity transaction was carried out in the financial year at Schweizer Electronic (Jiangsu) Co., Ltd. Furthermore, further shares in Schweizer Electronic (Jiangsu) Co., Ltd were transferred in the second quarter of 2023 (see Sections 6.5 and 7.5).

6.4 CORRECTION IN ACCORDANCE WITH IAS 8.41

In the course of the audit of the 2022 individual financial statements of Schweizer Electronic (Jiangsu) Co., Ltd., China, it was determined that the grants from public authorities received in 2021 in the amount of RMB 10 million (EUR 1.4 million) do not represent performance-related grants. Instead of being recognised in other operating income, these grants are to be deducted from the acquisition and manufacturing costs. This correction has the following effects on the consolidated financial statements:

Consolidated balance sheet

31 December 2021	Effects due to the correction As reported previously EUR thousands	Adjustments EUR thousands	Adjusted EUR thousands
Property, plant and equipment	99,875	-1,346	98,529
Intangible assets	1,739	-40	1,699
Other assets	80,688		80,688
Total debt	172,581		172,581
Equity	9,721	-1,386	8,335

Consolidated income statement

31 December 2021	Effects due to the correction As reported previously EUR thousands	Adjustments EUR thousands	Adjusted EUR thousands
Consolidated result	-26,188	-1,386	-27,577
EBIT	-19,808	-1,386	-21,197
Other operating income	4,840	-1,390	3,450
Depreciation	-11,353	4	-11,349
Earnings per share	-6.95	-0.36	-7.31

The subsidies received in the amount of EUR 1.4 million were reclassified from cash flow from operating activities to cash flow from investing activities.

In addition, exchange rate effects were presented in the cash flow statement in the previous year. There is a shift between financing cash flow and cash flow from operating activities of EUR 4.8 million. The previous year's figures in the cash flow statement were adjusted.

6.5 EVENTS AFTER THE BALANCE SHEET DATE

As described in Note 4.8, the Group has committed to sell the majority of its shares in Schweizer Electronic (Jiangsu) Co., Ltd. with registered offices in Jintan, China ("SEC") on 22 December 2022. The approval of the shareholders of WUS Printed Circuit (Kunshan) Co., Ltd. with registered offices in Kunshan/China ("WUS") for the share transfer agreement, which was still outstanding as of the balance sheet date, was granted on 13 April 2023. Up to that point in time, Schweizer Electronic AG held around 87 percent in SEC. Schweizer will now have a holding of 30 percent in the Chinese company.

Had the agreement already been effective as at the closing date, the sale of the shares (around 57 percent) would have led to deconsolidation and thus to the recognition in profit or loss of the difference between the carrying amount and the fair value (consideration and revaluation of the retained shares). Based on current estimates, SEAG assumes a positive difference in the low double-digit million range and therefore expects income from the deconsolidation.

7. ADDITIONAL INFORMATION IN ACCORDANCE WITH HGB

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

The Executive Board and the Supervisory Board of Schweizer Electronic AG have issued the declaration for 2022 stipulated in Section 161 AktG and have made this declaration available to shareholders on the company website at *https://schweizer.ag/en/investors-media/corporate-governance-en*.

7.2 NUMBER OF EMPLOYEES

The average number of employees is:

	2022			2021		
	National	**International**	**Total**	**National**	**International**	**Total**
Wage-earning employees	320	227	547	323	283	606
Employees	194	151	345	185	169	354
Number of employees	**514**	**378**	**892**	**508**	**452**	**960**
Trainees	12	0	12	17	0	17
Number of employees (including trainees)	**526**	**378**	**904**	**525**	**452**	**977**

7.3 AUDIT AND CONSULTING FEES

The auditor's fee charged for the financial year amounts to EUR 500 thousand for audit services, EUR 0 thousand for other certification services, EUR 0 thousand for tax consulting services and EUR 35 thousand for other services (of which EUR 0 thousand is attributable to the previous year).

7.4 COMPANY EXECUTIVE BODIES AND THEIR MANDATES

Executive Board

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

Nicolas-Fabian Schweizer

Chair of the Executive Board

Responsible for Technology R&D, Business Development, Operations & Quality, Human Resources, Legal as well as Media & Communications (PR).

Activities and mandates within the Group:

- Director of Schweizer Pte. Ltd., Singapore
- President of Schweizer Electronic Americas Inc., Delaware, USA
- Supervisor of Schweizer Electronic (Jiangsu) Co., Ltd., Changzhou City, Jintan, China
- Member of the Executive Board of Unterstützungskasse Christoph Schweizer e.V., Schramberg

Marc Bunz

Member of the Executive Board, (Deputy Chair)

Responsible for Sales & Marketing, Finance & Controlling, Global Supply Chain, Information Technologies and Investor Relations.

Activities and mandates within the Group:

- Managing Director of Schweizer Pte. Ltd., Singapore
- Director of Schweizer Electronic (Jiangsu) Co., Ltd., Changzhou City, Jintan, China
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore (until 5 December 2022)
- Member of the Executive Board of Unterstützungskasse Christoph Schweizer e.V., Schramberg

Supervisory Board

The Supervisory Board consists of the following persons:

Dr Stefan Krauss
Chair (since 24 June 2022)
Chair of the Audit Committee (since 24 June 2022)

Lawyer, partner of the law firm, KRAUSS-LAW in Lahr, Black Forest,

Christoph Schweizer (until 24 June 2022)
Chair
Member of the Audit Committee

Former Managing Director of SCHWEIZER Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg

Dr Stephan Zizala
Deputy Chair
Deputy Chair of the Audit Committee

Chair of u-blox AG, Thalwil, Switzerland (since 1 January 2023)
at u-blox AG, Thalwil, Switzerland (since 1 October 2022), at Infineon Technologies AG (until 30 September 2022)

Dr Harald Marquardt (since 24 June 2022)
Member of the Audit Committee

Chair of the Management Board of Marquardt Management SE, Rietheim-Weilheim

Chris (Chuan Pin) Wu
President of WUS Printed Circuit (Kunshan) Co., Ltd., Kunshan, China

Other activities and mandates:
- Director of Biggering (BVI) Holdings Co., Ltd., British Virgin Islands, United Kingdom
- Director of Happy Union Investment Co., Ltd., New Territories, Hong Kong

Petra Gaiselmann[*)]
Control technology employee, Schweizer Electronic AG, Schramberg

Jürgen Kammerer[*)]
Mechanics process engineer, Schweizer Electronic AG, Schramberg

[*)] Employee representative

7.5 SHAREHOLDINGS AS AT 31 DECEMBER 2022

Name	Headquarters	Equity share (in percent)
Fully consolidated subsidiaries		
Schweizer Pte. Ltd.	Singapore	100.0
Schweizer Electronic Singapore Pte. Ltd.	Singapore	100.0
Unterstützungskasse Christoph Schweizer e.V. (provident fund)	Schramberg, Germany	100.0
Schweizer Electronic (Jiangsu) Co., Ltd.	Jiangsu / China	87.2
Schweizer Electronic Americas Inc.	New Castle / USA	100.0
Other participating interests		
SCHRAMBERGER WOHNUNGSBAU GmbH	Schramberg, Germany	1.3

In January 2022, WUS Printed Circuit (Kunshan) Co., Ltd., China, invested in Schweizer Electronic (Jiangsu) Co., Ltd., China (hitherto wholly owned subsidiary of Schweizer Electronic AG) as part of an increase in the share capital through new shares in the nominal amount of EUR 7.5 million, and now holds 12.8 percent of the share capital of Schweizer Electronic (Jiangsu) Co., Ltd., China. During the course of the year, the Singapore company Schweizer Energy Production Singapore Pte. Ltd., Singapore was liquidated.

Schramberg, 24 April 2023
Schweizer Electronic AG

The Executive Board

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

ESEF DOCUMENTS OF SCHWEIZER ELECTRONIC AG AS AT 31 DECEMBER 2022

The reproductions of the consolidated financial statements and the combined management report ("ESEF documents") prepared for the purpose of disclosure with the file name “529900X0-OMB39EW0OC11-2022-12-31-de.zip” (SHA256 hash value: a19633db4dbfab22a17980 c70df 635c29196a37a7227a3e0f14215a9ca35277e) are available for download by the issuer in the protected client portal.

INDEPENDENT AUDITOR'S REPORT

To Schweizer Electronic AG, Schramberg

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

Audit opinions

We have audited the consolidated financial statements of Schweizer Electronic AG, Schramberg, and its subsidiaries (the Group) – comprising the consolidated balance sheet as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2022 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the report on the status of the Company and the Group (hereinafter referred to as the 'summarised status report') of the Schweizer Electronic AG for the financial year from 1 January to 31 December 2022.

In accordance with German legal requirements, we have not audited the content of the components of the summarised status report mentioned in the "Other information" section of our auditor's report.

In our opinion based on the findings of our audit,

- the enclosed consolidated annual financial statements are in all material respects in compliance with IFRS as applicable in the EU and the supplementary provisions under commercial law pursuant to section 315e(1) of the German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and result of operation of the Group as at 31 December 2022 and its earnings situation for the financial year from 1 January to 31 December 2022 in accordance with these requirements and

- the accompanying summarised status report provides a suitable understanding of the Group's position. In all material aspects, this summarised status report is consistent with the consolidated financial statements, complies with German law and suitably presents the opportunities and risks of future development. Our audit opinion on the summarised status report does not cover the content of the components of the summarised status report mentioned in the section 'Other information'.

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

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the summarised status report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter: "APrVO") and the generally accepted German 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 the summarised status report" of our audit report. We are independent of the Group companies 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 audit opinions on the consolidated financial statements and summarised status report.

Material uncertainty related to the going concern assumption

We refer to section "2 Summary of material accounting principles", subsection "Assumptions and estimates" in the notes to the consolidated financial statements as well as the information in the section "Opportunities and risk report", subsection "Financial risks" of the summarised status report, in which the legal representatives describe, that as a result of the accumulated losses and in particular the negative consolidated result, the equity in the consolidated financial statements decreased from EUR 8.3 million to EUR -8.8 million. The legal representatives explain that the review of the available liquidity for the next 12 months in the assumed plan scenario does not indicate any shortfall in SEAG's financing requirements at any time. They further state that in the event of deviations from the planned scenario occurring in the forecast period compared to the anticipated economic trend as a result of sustained weak demand, there could be considerable shortfalls in planned sales that could negatively impact cash flow and lead to a temporary shortfall in liquidity. In addition, should SEAG not receive payment of its claim against the SEC on time, this would mean that the liquidity shortfall could not be compensated.

As stated in the section "2 Summary of material accounting policies", subsection "Assumptions and estimates", in the notes to the consolidated financial statements and in the disclosures in the section "Opportunities and risk report", subsection "Financial risks", of the summarised status report, these events and circumstances indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and that constitutes a going concern risk within the meaning of section 322 (2) sentence 3 HGB.

In accordance with Article 10(2)(c)(ii) EU-APrVO, we summarise our audit response to this risk as follows:

We have interviewed the legal representatives and the Chair of the Supervisory Board regarding their assessment of the going concern assumption and obtained a written assessment of the going concern assumption from the Executive Board.

With the involvement of our restructuring specialists, we have assessed the appropriateness of the key assumptions for the company's liquidity planning for the next 12 months. For this purpose, we discussed the expected sales and results with the person responsible for planning. In addition, we compared the planned figures for the current year with the actual figures for the first quarter and compared the previous year's planning with the actual figures for the 2022 financial year.

To account for forecast uncertainty, we have examined the impact of sustained plan failures and delays in the settlement of receivables by creating alternative scenarios.

Furthermore, we have verified that significant payments received up to the audit date from the sale of the shares in the SEC have been received as considered in the liquidity planning.

Finally, we evaluated the adequacy of the disclosures made in the summarised status report and notes.

We do not express a separate opinion on these matters.

The assumptions made by the Executive Board and the presentation in the notes and the summarised status report are reasonable.

Our audit opinions on the consolidated audit report and the summarised status report are not modified with respect to this matter.

Particularly significant 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 to 31 December 2022. 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 audit opinion on these issues. In addition to the matter described in the section "Material uncertainty related to the going concern assumption", we have identified the matters described below as key audit matters to be communicated in our audit opinion.

Planned sale of Schweizer Electronic (Jiangsu) Co., Ltd.

Please refer to the notes to the consolidated financial statements for information on the accounting policies applied. Information on the disposal group can be found in the notes to the consolidated financial statements under Note 4.8 on page 38.

Risk for the financial statements

In September 2022, the subsidiary Schweizer Electronic (Jiangsu) Co., Ltd ("SEC") and the associated assets and liabilities were identified as a disposal group held for sale. At this point in time, the Executive Board considered it highly likely that a sale could be realised within the next twelve months.

On 22 December 2022, a share transfer agreement for the sale of 57.18 per cent of the shares at a purchase price of RMB 33.5 million (equivalent to approx. EUR 4.5 million) was agreed. The economic and legal transfer of the shares took place on payment of the purchase price.

As at 31 December 2022, assets of EUR 78.8 million and liabilities of EUR 91.2 million were recognised in the consolidated balance sheet in connection with the disposal group held for sale. The classification and therefore the presentation of the assets and liabilities associated with SEC as a disposal group held for sale in accordance with IFRS 5 is complex and subject to discretionary decisions.

To test the recoverability of the assets of the disposal group, the carrying amounts immediately prior to classification as held for sale were determined in accordance with the relevant IFRS. In addition, the value in use of SEC as a cash-generating unit was determined and compared with the carrying amount.

The calculation of the value in use according to the DCF method is complex and, with regard to the assumptions made, highly dependent on estimates and discretionary decisions by the company. These include, among other things, the estimation of future earnings developments and long-term growth rates as well as the determination of capitalisation interest rates.

In addition, the explanatory disclosures in the notes to the consolidated financial statements in connection with the disposal group are complex.

In terms of the consolidated financial statements, there is a risk that the disposal group held for sale has not been properly identified and the necessary valuations have not been carried out properly, with the result that the assets concerned are subsequently not recoverable.

With regard to the explanatory disclosures on the disposal group held for sale in the notes to the consolidated financial statements, there is a risk that the explanations are not sufficiently detailed and appropriate.

<u>Our audit procedure</u>

We have satisfied ourselves, through Supervisory Board minutes and explanations from the legal representatives, whether there was an intention to dispose of the shares in the SEC in September 2022 and whether a disposal was considered highly probable. We accepted the discretionary decision of the legal representatives regarding the reclassification as a disposal group held for sale.

We obtained an understanding of the company's process for determining the value in use of SEC as a cash-generating unit through explanations provided by accounting staff. With the involvement of our valuation specialists, we assessed the arithmetical correctness and compliance with IFRS of the valuation method used to determine the value in use of SEC as a cash-generating unit.

We also assessed the reasonableness of the company's key assumptions. For this purpose, we discussed the expected development of results and the assumed long-term growth rates with those responsible for planning. In addition, we assessed the consistency of the assumptions with external market assessments. We also performed reconciliations with other internally available forecasts and the budget prepared by the legal representatives. The corporate planning underlying the valuation is based on the Group's overall budget approved by the Supervisory Board, which is updated to include more recent findings due to the outlined disposal.

We compared the assumptions and data underlying the capitalisation rate, in particular the risk-free interest rate, the market risk premium and the beta factor, with our own assumptions and publicly available data, with the assistance of our valuation specialists.

In order to account for the existing forecast uncertainty, we have examined the effects of possible changes in the capitalisation rate and the expected results on the fair value by calculating alternative scenarios and comparing them with the company's valuation results (sensitivity analysis).

In order to ensure the mathematical accuracy of the valuation method used, we traced the company's calculations on the basis of risk-oriented selected elements.

We have assessed whether the explanations in the notes to the consolidated financial statements regarding the discontinued operations are sufficiently detailed and appropriate.

<u>Conclusions</u>

The classification of SEC as a disposal group held for sale in accordance with IFRS 5 is appropriate. The assumptions underlying the impairment test and the subsequent measurement as at the balance sheet date are appropriate. The explanations in the notes to the consolidated financial statements on the disposal group held for sale are sufficiently detailed and appropriate.

Miscellaneous information

The legal representatives and/or the Supervisory Board are responsible for the other information. The other information comprises the following material components of the summarised status report that have not been audited:

- the separate combined non-financial report of the Company and the Group, referred to in the summarised status report,
- the combined corporate governance statement of the Company and the Group, referred to in the summarised status report, and
- information contained in the summarised status report that is not part of the status report and is marked as unaudited.

The other information also includes the other parts of the Annual Report. The other information does not include the consolidated financial statements, the audited content of the in the summarised status report and our associated audit opinion.

Our audit opinion on the consolidated financial statements and summarised status 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, our responsibility is to read the other information and, in doing so, to assess whether the other information

- show material inconsistencies with the consolidated financial statements, the materially audited information in the summarised status report or our findings gained during the audit, or
- otherwise appears materially misrepresented.

Based on the work performed by us, should we conclude that a materially false disclosure has been made in this other information, we are obligated to report on this matter. In this respect, we have nothing to report.

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

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements, which must correspond in all material respects with IFRS as applicable in the EU and the additional requirements of German law pursuant to section 315e(1) HGB, and for the ensuring that the consolidated financial statements provide, in accordance with these provisions, a true and fair view of the net assets, financial position and the results of operation of the Group. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to permit the preparation of consolidated financial statements free from material misstatement, whether due to fraud or error (i. e. manipulations of the accounting process and asset misappropriation).

In preparing the consolidated financial statement, 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.

Moreover, the legal representatives are responsible for the preparation of the summarised status report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems), that they have deemed necessary to enable the preparation of a summarised status report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the summarised status report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the summarised status report.

Responsibility of the auditor for the audit of the consolidated financial statements and the summarised 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 due to fraudulent acts or error, and whether the summarised status report as a whole provides an accurate view of the Group's position and in all material respects is in accordance with the consolidated financial statements and our findings gained in the audit, complies with the requirements of the German legal regulations and accurately 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 summarised status report.

Reasonable certainty is a high level of assurance, but not a guarantee that an audit conducted in accordance with section 317 HGB and the EU-APrVO, as well as with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will in all instances reveal a material misstatement. Misstatements may result from fraudulent acts or error and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of recipients made based on these consolidated financial statements and summarised 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 in the consolidated financial statements and in the summarised status report based on fraudulent acts or error, 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 of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misleading representations or override 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 summarised status report for planning audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit 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 audit evidence obtained, whether any material uncertainty exists 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 in the summarised 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 the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Group no longer being able to continue its business activities.
- we assess the 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 provide, in accordance with IFRS, as applicable in the EU, and the additional requirements of German law pursuant to section 315e(1). HGB, a true and fair view of the net assets, financial position and results of operation of the Group.
- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express audit opinions on the consolidated financial statements and the summarised 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 summarised status report with the consolidated financial statements, its compliance with the law and the picture it conveys of the Group's situation.
- we perform audit procedures on the forward-looking statements presented by the legal representatives in the summarised status report. On the basis of sufficient suitable audit evidence, we follow up on the significant assumptions underlying the forward-looking disclosures of the legal representatives and assess the appropriate derivation of the future-oriented statements from these assumptions. We do not express an independent audit opinion on these forward-looking disclosures 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 actions or protective measures taken to eliminate threats to independence.

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

Note on the audit of the electronic reproductions of the consolidated financial statements and the Group status report prepared for the purposes of publication pursuant to section 317(3a) HGB

In accordance with section 317(3a) HGB, we performed an audit with sufficient certainty as to whether the representations of the consolidated financial statements and of the summarised status report (hereinafter also referred to as "ESEF documents") contained in the provided file "529900X0OMB39EW0OC11-2022-12-31-de.zip" (SHA256-hash value: a19633db4dbfab22 a17980c70df635c29196a37a7227a3e0f14215a9ca35277e), and prepared for the purpose of disclosure comply in all material respects with the requirements of section 328(1) HGB for the electronic reporting format ("ESEF format"). In line with German statutory regulations, this audit only extends to the translation of the information in the consolidated financial statements and the summarised status report into the ESEF format and, therefore, not to the information contained in these reproductions and nor to other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the summarised status report contained in the above-mentioned, provided file for the purpose of disclosure comply with the requirements of section 328(1) HGB regarding the electronic reporting format in all material respects. Beyond this audit opinion and our audit opinions contained in the aforementioned “Note on the audit of the consolidated financial statements and the summarised status report” on the enclosed consolidated financial statements and the enclosed summarised status report for the financial year from 1 January to 31 December 2022, we do not provide any opinion whatsoever regarding the information contained in these reproductions as well as the other information contained in the above-mentioned file.

We performed our audit of the reproductions of the consolidated financial statements and summarised status report contained in the above-mentioned file in line with section 317(3a) HGB taking into account the IDW audit standard: Audit of the electronic reproductions of financial statements and status reports prepared for the purposes of publication pursuant to section 317(3a) HGB (IDW PS 410 (06/2022)). Our responsibility thereafter is described in more detail below. Our audit firm has applied the requirements of the quality control system of the IDW quality control standard: Requirements for quality control in audit firms (IDW QS 1).

The Company's legal representatives are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the summarised status report pursuant to section 328(1) sentence 4 no. 1 HGB and for the mark-up of the consolidated financial statements pursuant to section 328(1) sentence 4 no. 2 HGB.

Furthermore, the Company's legal representatives are responsible for the internal controls they regard as necessary to enable the preparation of ESEF documents that are free of material – intentional or unintentional – violations of the provisions of section 328(1) HGB regarding the electronic reporting format.

The Supervisory Board is responsible for monitoring of the process of the preparation of the ESEF documents as part of the accounting process.

Our objective is to obtain reasonable certainty whether the ESEF documents are free of material – intentional or unintentional – violations of the requirements of section 328(1) HGB. During the audit, we exercise due discretion and maintain a critical attitude. In addition,

- we identify and assess the risks of material – intentional or unintentional – violations of the requirements of section 328(1) HGB and 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.
- we gain an understanding of the internal controls relevant to the audit of the ESEF documents for planning audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.
- we assess the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815 in the version valid as at the reporting date regarding the technical specification for this file.
- we assess whether the ESEF documents enable an identical XHTML reproduction of the audited consolidated financial statements and the audited summarised status report.
- we assess whether the labelling of the ESEF documents with inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as amended at the reporting date, allows for an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other disclosures in accordance with Article 10 EU-APrVO

We were elected as Group auditors by the Annual General Meeting held on 24 June 2022. We were appointed by the Chair of the Audit Committee on 6 July 2022. We have been the Group auditors of Schweizer Electronic AG without interruption since the financial year 2022.

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

OTHER ISSUES – USE OF THE AUDIT OPINION

Our audit opinion must always be read in conjunction with the audited consolidated financial statements and the audited summarised status report as well as the audited ESEF documents. The consolidated financial statements translated into the ESEF format and the summarised status report – including the versions to be entered in the company register – are only electronic reproductions of the audited consolidated financial statements and the audited summarised status report and do not substitute them. In particular, the ESEF note and our opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

NOTE ON SUPPLEMENTARY AUDIT

We issue this auditor’s report on the consolidated financial statements and the summarised status report as well as on the electronic reproductions of the consolidated financial statements and summarised status report submitted for the first time for audit, contained in the file “529900X0OMB39EW0OC11-2022-12-31-de.zip” (SHA256-hash value: a19633db4dbfab22a17980c70df635c29196a37a7227a3e0f14215a9ca35277e) provided and prepared for disclosure purposes based on our mandatory audit completed on 28 April 2023 and our supplementary audit completed on 19 June 2023, which referred to the first submission of the ESEF documents.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Mathias Laubert.

Freiburg im Breisgau, 28 April 2023/limited to the audit of the ESEF documents mentioned in the notes on the supplementary audit: 19 June 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft [Audit firm]

Laubert	Armbruster
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, 24 April 2023

Executive Board

Nicolas-Fabian Schweizer

Marc Bunz

COR-PORATE GOVER-NANCE

CONTENS

CORPORATE GOVERNANCE

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. The corporate governance statement in accordance with Section 289f and Section 315d HGB (German Commercial Code) forms part of the combined status report.

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 procedural rules.

The Supervisory Board monitors, advises and supports the Executive Board in its activities. The procedural rules of both boards regulate aspects such as the collaboration between them. With the German Corporate Governance Code, a standard for the transparent control and management of companies was established, which is focused particularly on the interests of the shareholders.

1. DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 AKTIENGESETZ (STOCK CORPORATION ACT)

The Declarations of Conformity made by Schweizer Electronic AG have been made available to all interested parties on the Company's website at *https://schweizer.ag/en/investors-media/corporate-governance-en/compliance-declarations*.

The Executive Board and the Supervisory Board of Schweizer Electronic AG issued the following Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz: AktG) on 9 December 2022:

DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 AKTG (AS AT: DECEMBER 2022)

The Executive Board and the Supervisory Board of Schweizer Electronic AG (hereinafter "Company") issue the following Declaration of Conformity pursuant to Section 161 AktG with respect to the recommendations of the "Government Commission on the German Corporate Governance Code" and will ensure that it is published on the Company's website. The Executive Board and the Supervisory Board of Schweizer Electronic AG issued the last Declaration of Conformity in accordance with Section 161 AktG in November 2021 and then updated it in August 2022. The following declaration relates to the period between November 2021 and 26 June 2022 and refers to the recommendations of the German Corporate Governance Code ("Code") in the version of 16 December 2019, which was published in the Federal Gazette on 20 March 2020 (2019 version).

For the time period after 27 June 2022, the following declarations refer to the recommendations of the Code in the edition of 28 April 2022, which was published in the Federal Gazette on 27 June 2022 (2022 version).

The Executive Board and the Supervisory Board of Schweizer Electronic AG declare that the recommendations of the Code have been complied with since the last Declaration of Conformity was issued in November 2021, with the following exceptions:

B.5: The Code recommends that an age limit be specified for members of the Executive Board and disclosed in the Corporate Governance Statement (recommendation B.5 of the Code). The Company has not complied with and is not complying with this recommendation. The Executive Board and the Supervisory Board do not consider a specification of an age limit for members of the Executive Board to be meaningful. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.

C.2: C.2 of the Code recommends that an age limit be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement. The Company has not complied with and is not complying with this recommendation. The Supervisory Board does not consider a general specification of an age limit for members of the Supervisory Board to be meaningful. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.

C.7: According to recommendation C.7, para.1 of the Code, more than half of the shareholder representatives shall be independent from the Company and the Executive Board. This recommendation was not complied with until the close of the Company's Annual General Meeting on 24 June 2022, as the shareholder representatives did not consider two of the shareholder representatives to be independent. On 24 June 2022, the Annual General Meeting of the Company elected Dr Harald Marquardt, another shareholder representative independent of the Company and the Executive Board, as a member of the Supervisory Board. Since then, the shareholder representatives have estimated that three – and thus more than half of the shareholder representatives – are independent of the Company and the Executive Board. Recommendation C.7 of the Code has therefore been complied with since the end of the Company’s Annual General Meeting on 24 June 2022.

C.10: According to recommendation C.10 sentence 1 of the Code, the Chair of the Supervisory Board, the Chair of the Audit Committee and the Chair of the committee dealing the Executive Board remuneration should be independent of the Company and of the Executive Board. The Company had not complied with this recommendation by 24 June 2022. Since the Supervisory Board had elected Dr Stefan Krauss as Chair of the Supervisory Board and Chair of the Audit Committee dealing with Executive Board remuneration on 24 June 2022, recommendation C.10 sentence 1 of the Code has been complied with since then.

C.12: According to recommendation C.12 of the Code, members of the Supervisory Board shall not perform any executive function or advisory duties with significant competitors of the Company and shall not have a personal relationship with a significant competitor. This recommendation has no longer been fully complied with since July 2022. Since then, Schweizer has been a qualified supplier of new PCB applications produced in-house to a significant extent. Due to the fact that one member of the Supervisory Board has an executive function at another PCB-producing company, which could be regarded as a significant competitor of Schweizer, recommendation C.12 of the Code is no longer fully complied with.

C.13: C.13 of the Code recommends that in its election proposals to the General Meeting, the Supervisory Board shall disclose the personal and business relationships of every candidate with the enterprise, the governing bodies of the Company, and any shareholders with a material interest in the Company. The Company has not complied with and is not complying with this recommendation, because the Supervisory Board believes the requirements of the Code regarding the duty of disclosure are vague and unclear in their delimitation. In this context, such a report is not considered useful.

D.2, D.3, D.4: With the earlier establishment of the Personnel and Finance Committee and since 26 November 2021 of the Audit Committee, the Supervisory Board has complied with recommendation D.2 sentence 1 of the Code (formation of committees of members with relevant specialist expertise depending on the specific circumstances of the Company and the number of its members). However, as a highly precautionary measure, a deviation from this Code recommendation is declared.

Since Mr Christoph Schweizer was Chair of the Audit Committee and simultaneously Chair of the Supervisory Board until 24 June 2022 and is also a close family member of a member of the Executive Board, recommendation D.4 sentence 1 at the end and sentence 2 of the Code (2019 version) was deviated from until 24 June 2022.

Since Dr Stefan Krauss has been Chair of the Supervisory Board and simultaneously Chair of the Audit Committee since 24 June 2022, only recommendation D.4 sentence 2 of the Code (2019 version) and D.3 sentence 5 of the Code (2022 version) have been deviated from since.

Furthermore, there is still no Supervisory Board Nomination Committee as recommended in D5. of the Code (2019 version) and D4. of the Code (2022 version). The Supervisory Board does not believe it is either reasonable or necessary to set up such a committee for a company the size of Schweizer Electronic AG with only six members sitting on the Supervisory Board. The tasks intended for the Nomination Committee as well as the other tasks of the Supervisory Board can easily be dealt with in plenary meetings, provided they are not entrusted to the existing Audit Committee of the Supervisory Board.

Given the size of the Company and the size of the Supervisory Board of Schweizer Electronic AG, the Supervisory Board maintains it is neither reasonable nor necessary to set up additional committees.

F.2: In F.2, 1st half-sentence of the Code, it is recommended that the consolidated financial statements and the Group status report shall be made publicly accessible within 90 days from the end of the financial year.

The Company has not complied with and is not complying with this recommendation. Compliance with a term of 90 days is not possible due to the time required to prepare consolidated financial statements and a Group status report. However, the consolidated financial statements and group management report have been and are disclosed within the statutory period.

G.4: The Code recommends in G.4 that to ascertain whether remuneration is in line with usual levels within the enterprise itself, the Supervisory Board shall take into account the relationship between Executive Board remuneration and the remuneration of senior managers and the workforce as a whole, and how remuneration has developed over time.

The Supervisory Board has not fully complied with this recommendation. When concluding employment contracts, the Supervisory Board did take steps, in accordance with the provisions of the German Stock Corporation Act (AktG), to ensure that the total remuneration awarded to Executive Board members does not exceed the customary remuneration without specific reason. However, insofar as the Code specifies this review of vertical appropriateness of Executive Board remuneration, which is already required under the German Stock Corporation Act, and defines in more detail the relevant comparison groups as well as the time scale for the comparison, a deviation is declared in this respect.

The Supervisory Board considers the requirements of the recommendation to still be too vague. In particular, the Supervisory Board does not have sufficiently specific information on how the senior management staff should be distinguished from junior management and which sections of the workforce are relevant and which irrelevant in this respect. It is also unclear what time frame and perspective should be considered in terms of "development over time". The Supervisory Board is therefore of the view that the measures already implemented for determining the remuneration of the Executive Board are sufficient to ensure appropriate remuneration for members of the Executive Board.

G.13: In G.13 sentence 2 of the Code, it is recommended that if post-contractual non-compete clauses apply, the severance payments shall be taken into account in the calculation of any compensation payments. The Company has not fully complied with and is not fully complying with this recommendation. However, the remuneration system adopted by the Supervisory Board on 12 April 2021 and approved by the Annual General Meeting on 25 June 2021 for the members of the Schweizer Electronic AG Executive Board provides for any severance payment to be offset against compensation payments for observing non-compete obligations. Since 1 July 2022, the service contracts of the members of the Executive Board have included a corresponding offsetting provision in some cases. The recommendation will be fully complied with from 1 April 2023.

G.18: According to Code recommendation G.18, sentence 2, performance-related remuneration promised to members of the Supervisory Board is intended to be geared towards sustainable or long-term corporate development. The Company has not complied with and is not complying with this recommendation, because the performance-related compensation promised to Supervisory Board members is linked to the dividend distributed for the respective financial year. The Executive Board and the Supervisory Board believe that linking performance-related remuneration to the dividend adequately reflects the responsibility of the Supervisory Board for sustainable business development and that the existing compensation arrangement provides the members of the Supervisory Board with sufficient incentive to orient the exercise of their duties towards the long-term, successful development of the Company.

2. REMUNERATION REPORT AND REMUNERATION SYSTEM

The remuneration system applicable to the members of the Executive Board pursuant to Section 87a AktG, which was approved by the Annual General Meeting on 25 June 2021, as well as the resolution on the remuneration of the Supervisory Board passed by the Annual General Meeting pursuant to Section 113 para. 3 AktG is available at *https://schweizer.ag/investoren-und-medien/corporate-governance*. The remuneration report and the audit opinion can be found at the same web address.

3. STRUCTURE OF THE COMPANY'S MANAGEMENT AND MONITORING

3.1 SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of Schweizer Electronic AG exercise their rights as part of the Company's Annual General Meeting held at least once a year. The Chair of the Supervisory Board presides over the Annual General Meeting. Each share represents one vote. All shareholders who are entered in the share register and have registered by the deadline are entitled to participate in the Annual General Meeting. The Annual General Meeting decides on all the tasks allocated to it by law, in particular with respect to the appropriation of profits, formal approval of the actions of the Executive Board and Supervisory Board, appointment of auditors, capital measures and changes to the Articles of Association. The Company assists shareholders in exercising their rights at the Annual General Meeting. Furthermore, the Investor Relations department is available for the exchange of information between the Company and shareholders throughout the year.

It is the goal of Schweizer to make it as easy as possible for shareholders to participate in the Annual General Meeting. All the documents necessary for participation are therefore published online. The shareholders can register for the Annual General Meeting in writing or electronically, and they can issue authorisations by postal vote or online, for example, to the Company's proxy holders. The Annual General Meetings in 2020 to 2022 took place virtually due to the COVID-19 pandemic. All shareholders were given the opportunity to attend or follow the Annual General Meetings.

3.2 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 and, besides long-term economic targets, also takes environmental and social targets into account. The Executive Board consults on and agrees on these targets with the Supervisory Board and ensures their implementation. The Executive Board ensures appropriate risk management and controlling in the Company. The Executive Board leads the Company under its own responsibility.

The Executive Board is responsible for preparing the interim announcements, the semi-annual financial report as well as the annual financial statements and summarised status report of Schweizer Electronic AG and the Group. The Executive Board prepares the remuneration report jointly with the Supervisory Board.

It has established an appropriate and effective internal control system and risk management.

Furthermore, the Executive Board ensures that statutory provisions, official regulations and internal corporate guidelines are adhered to and acts to ensure that they are complied with through the Group companies (compliance). 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. The Company has established a whistleblowing system in order to investigate violations fairly and appropriately. Schweizer employees as well as external parties can report violations using this system. The whistleblowing system ensures that absolute confidentiality is maintained when processing the information provided. Information on the risk management system is described in the summarised status report and published as a separate section in the Annual Report under *https://schweizer.ag/en/investors-media*.

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 Directive Implementation Act is available in the Non-Financial Statement as a separate section in the Annual Report and is available on the website at: *https://schweizer.ag/en/the-company/csr-en*.

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.

3.2.1 Composition of the Executive Board

The Board consist of two members. The Executive Board consists of Mr Nicolas-Fabian Schweizer (appointed until 30 June 2027) and Mr Marc Bunz (appointed until 31 March 2028). Further information regarding the first appointment, areas of responsibility, mandates and resumes of the Executive Board members can be found on the Company's website at: *https://schweizer.ag/en/the-company/institutions*.

3.2.2 Targets and diversity for the composition of the Executive Board

In its resolution dated 11 April 2022, the Supervisory Board determined the targets and diversity of Executive Board appointments. When selecting suitable candidates for the Executive Board, the Supervisory Board has always oriented and will continue to orient itself in the future primarily on their technical and personal suitability, irrespective of gender or age. A general age limit, as recommend in the GCGC, is not provided for members of the Executive Board. Should the Executive Board be increased to more than three members, the Supervisory Board intends to appoint a woman to this position. The target applies as from 12 April 2022 and is valid until 31 December 2026.

3.2.3 Long-term succession planning for the Executive Board

In fulfilment of its task with respect to the appointment and dismissal of Executive Board members, the Supervisory Board decides on appointments to the Executive Board. With the support of the Executive Board the Supervisory Board, jointly with the Audit Committee, carries out sustainable long-term succession planning for the Executive Board. In this planning, the requirements of the German Stock Corporation Act (Aktiengesetz), the German Corporate Governance Code and the procedural rules of the Supervisory Board are taken into account in addition to the criteria determined by the Supervisory Board for the composition of the Executive Board. Taking into account the specific qualification requirements and the criteria mentioned, an appointment profile is developed on the basis of which the Audit Committee prepares a shortlist of available candidates (internal and external). Structured interviews are held with these candidates. A recommendation is then made to the Supervisory Board for the passing of an appropriate resolution. If required, external consultants are called in to support the development of the requirements profile in the selection of candidates.

When considering the composition of the Executive Board, a balanced age structure is observed without a fixed age limit being set.

D&O insurance with an excess has been concluded for the Executive Board.

3.3 SUPERVISORY BOARD

Under the Articles of Association, the Supervisory Board of Schweizer Electronic AG is made up of six members, of whom two are chosen 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. Elections to the Supervisory Board are held as individual elections.

The Chair and Deputy Chair of the Supervisory Board are chosen 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 per year. The members of the Executive Board participate in Supervisory Board meetings unless the Chair of the Supervisory Board issues a directive to the contrary. However, the Supervisory Board should also meet regularly without the presence of the Executive Board. In financial year 2022, several meetings of the Supervisory Board and the Committee were held virtually or as face-to-face meetings with the option of participating virtually.

The Supervisory Board adopts the annual financial statements and approves the consolidated financial statements. The Audit Committee commissions the auditor and they jointly determine the focal points of the audit. Further details on its way of working are explained in the Supervisory Board report.

The Supervisory Board reviews and assesses its activity regularly every year by means of a questionnaire. The last review took place in autumn 2022. The results were then discussed by the Supervisory Board in a meeting. No major deficits were found.

The members of the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. When passing resolutions, the Supervisory Board ensures that potential conflicts of interest are taken into account. Further details can be found in the Supervisory Board report.

Any further education and training measures required are carried out by the members of the Supervisory Board under their own responsibility and are supported by the Company in doing so.

D&O insurance with an excess has been concluded for the Supervisory Board.

Audit Committee
The Supervisory Board has an Audit Committee, which carries out both the tasks of the former Personnel and Finance Committee and the tasks of an audit committee. The committee chair regularly informs the Supervisory Board of the consultations and resolutions of the committee. The Audit Committee comprises three shareholder representatives, the Chair Dr Stefan Krauss from 24 June 2022 (until 24 June 2022: Mr Christoph Schweizer), Dr Stephan Zizala and Dr Harald Marquardt (from 24 June 2022). Further information on the members of the Supervisory Board and the current Audit Committee is available under point 3.3.3 and at *https://schweizer.ag/en/the-company/institutions.*

3.3.1 Targets for the composition, competence profile and diversification concept of the Supervisory Board

In the meeting held on 11 April 2022 and 9 December 2022, the Supervisory Board passed and updated a resolution on its targets for its composition, diversity concept and competence profile. Accordingly, the Supervisory Board should have a composition such that it can perform its tasks set out by law and the Articles of Association in the best possible manner. This includes ensuring that the Supervisory Board carries out qualified control of and consultation with the Executive Board and, in doing so, appropriately take into account long-term economic, environmental and social targets both in the corporate planning and in the risk management system. The Supervisory Board and the Audit Committee deal with the non-financial reporting pursuant to Section 289b and 315b HGB (German Commercial Code) every year.

Competence profile of the Supervisory Board
Ensuring that appropriate appointments are made to the Supervisory Board is an important issue in good corporate governance. The Supervisory Board of Schweizer Electronic AG has adopted the competence profile below for the composition of the overall body, which is reviewed and adapted on a regular basis, in line with the legal requirements and the German Corporate Governance

Code (GCGC). Accordingly, the Supervisory Board should have a composition such that it can perform its tasks set out by law and the Articles of Association in the best possible manner. This includes ensuring qualified control of and consultation with the Executive Board by the Supervisory Board. In its election proposals to the Annual General Meeting, the Supervisory Board takes into account the targets it has set for the composition of the Supervisory Board and aims to fill this competency profile, while at the same time taking the targets of the diversity concept for the Supervisory Board into account.

Objectives of the competence profile

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.

The aim is to have all the knowledge and experience regarded as significant given the activities and business fields of Schweizer on the Supervisory Board as a whole. With its competence profile, the Supervisory Board defines the requirements as well as the personality of each individual Supervisory Board member as well as the technical competence of the body as a whole.

Requirements of individual Supervisory Board members

Personal requirements

In the context of election proposals, the **independence, loyalty, mandate limitations, availability and professionalism** of the persons proposed for election should be taken into account in particular.

Technical competence of the Supervisory Board as a whole

The Supervisory Board should cover the following areas of competence. Not every Supervisory Board member needs to have all the named competences. Rather, the knowledge, skills and technical experience as a whole is understood as the sum of all the knowledge, skills and experience of individual Supervisory Board members.

Area of competence	Requirements profile
Strategy	Experience and knowledge of corporate strategy development and strategy processes
Management	Experience and knowledge of managing an industrial company
Technical	Experience and knowledge in the field of PCB technology, PCB production or related sectors and their procurement markets
Internationality	Experience and knowledge in the field of international business activities and related topics (e.g. sales/marketing)
Finance and accounting	Knowledge and experience in the areas of accounting and financial statement auditing*) as well as sustainability reporting and the related audits
Risk management	Experience and knowledge of risk management and compliance
Sustainability	Expertise in the field of sustainable corporate governance, Environmental Social Governance (ESG) and Corporate Social Responsibility (CSR)

*) Pursuant to Section 100 para. 5 and Section 107 para. 4 AktG, at least one member of the Audit Committee must have expertise in the area of accounting at least one other member must have expertise in the area of financial statement auditing.

Given the purpose and size of the Company as well as the proportion of international business activities. the Supervisory Board of Schweizer Electronic AG aims to consider the following elements:

1. 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);

2. no more than two seats on the Supervisory Board for persons having an advisory or executive role at customers, suppliers, lenders or other business partners of Schweizer Electronic AG; this is intended to limit potential conflicts of interest within the Supervisory Board;

3. a minimum of two seats on the Supervisory Board on the shareholder side for independent Supervisory Board members as defined by the GCGC;

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

In contrast, the Supervisory Board does not regard the determination of a general age limit for Supervisory Board members as appropriate. Rather, competence, technical knowledge and experience, evaluated independent of age, are considered important. This target is valid from 12 April 2022 until 31 December 2026.

3.3.2 Implementation of the targets for the composition of the overall body

With the exception of point 2, the composition of the Supervisory Board meets the targets for the composition. The target mentioned in point 2 states no more than two seats on the Supervisory Board for persons having an advisory or executive role with customers, suppliers, lenders or other business partners of Schweizer Electronic AG; this is intended to limit potential conflicts of interest within the Supervisory Board. Currently, three members of the Supervisory Board have either an advisory role for Schweizer or an executive role with a customer or supplier. Dr Stefan Krauss advises Schweizer Electronic AG on matters relating to labour law. The legal regulations and relevant case law to be observed relating to the separation of the advisory role as a service provider and member of the Supervisory Board were and are always met. As the Chair of the Executive Board of Marquardt Management SE, Dr Harald Marquardt holds an executive role with a customer. The volume of business with companies of the Marquardt Group is regarded as immaterial for both Schweizer as well as for the Marquardt Group. As President of WUS Printed Circuit (Kunshan) Co., Ltd., Mr Chris Wu has an executive role with a supplier and shareholder of Schweizer Electronic AG. When making decisions, the Supervisory Board always considers potential conflicts of interest and takes relevant precautionary measures.

The Supervisory Board as a whole has all the required technical and personnel qualifications and is familiar with the business fields of Schweizer. The diversity of the Supervisory Board is appropriate. The target of having one woman on the Supervisory Board by 31 December 2026 has been met since the Annual General Meeting in 2017.

Competence matrix:

Based on its target composition, the Supervisory Board of Schweizer Electronic AG has prepared the following overview:

		Dr Stefan Krauss	Dr Stephan Zizala	Dr Harald Marquardt	Chris Wu	Petra Gaiselmann[1)]	Jürgen Kammerer[1)]
Membership	Member since	2021	2016	2022	2017	2019	2019
Personal suitability	Independence[2)]	✓	✓	✓		✓	✓
	Mandate limitation	✓	✓	✓	✓	✓	✓
Diversity	Gender	male	male	male	male	female	male
	Area of activity	Lawyer	Chair of the Executive Board (since 1/1/2023)	Chair of the Executive Board	President of a PCB company	Operations	Operations
Skills	Strategy	✓	✓	✓	✓		
	Management	✓	✓	✓	✓		
	Technical		✓	✓	✓	✓	✓
	Internationality		✓	✓	✓		
	Finance and accounting	✓	✓	✓			
	Risk management	✓	✓	✓	✓		
	Sustainability			✓			

[1)] Employee representative
[2)] In accordance with the GCGC or, in exceptional cases, as justified by the Company
✓ based on an annual self-assessment by the Supervisory Board. A tick means at least good knowledge (4) on a scale of 5 (very good) to 1 (no knowledge).

3.3.3 Members of the Supervisory Board and Supervisory Board member mandates

Name	Current profession	Date of birth	Member since	Appointed until[1]	Membership in statutory domestic or foreign controlling bodies of commercial enterprises (as of: 31/12/2021)
Dr Stefan Krauss[2] Chair Chair of the Audit Committee	Commercial lawyer / specialist lawyer in labour law	24/11/1964	06/2021	2026	-
Dr Stephan Zizala Deputy Chair Audit Committee member	from 1 October 2022 at u-blox AG, Thalwil, Switzerland and from 1 January 2023 Chair of the Executive Board of u-blox AG	24/11/1972	2016	2024	-
Dr Harald Marquardt[3] Audit Committee member	Chair of the Executive Board of Marquardt Management SE	08/05/1961	06/2022	2027	-
Chris Wu	President of WUS Printed Circuit (Kunshan) Co., Ltd.	20/09/1971	2017	2024	Director, Biggering (BVI) Holdings Co., Ltd. Director, Happy Union Investment Co., Ltd.
Petra Gaiselmann[4]	Control technology employee at Schweizer Electronic AG	22/06/1971	2019	2024	-
Jürgen Kammerer[4]	Process engineer for mechanics at Schweizer Electronic AG	12/03/1966	2019	2024	-

[1] The term of office ends at the end of the (respective) ordinary Annual General Meeting
[2] Chair of the Supervisory Board and Audit Committee since 24 June 2022
[3] Member of the Supervisory Board and Audit Committee since 24 June 2022
[4] Employee representative

4 TARGETS FOR AND IMPLEMENTATION OF THE PROPORTION OF WOMEN ON THE SUPERVISORY BOARD, EXECUTIVE BOARD AND AT MANAGEMENT LEVEL

The "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act" stipulates a minimum quota of 30 percent for women and men (known as the gender quota) on the supervisory boards of companies that are publicly listed and subject to parity co-determination. 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.

For the period from 1 July 2017, for the percentage of women on the **Supervisory Board**, the Supervisory Board set a target 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. This target was extended until 31 December 2026 and has been met since the Annual General Meeting held in 2017. 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 to 30 June 2022. At the time this target was determined, there were no women on the Executive Board. With the new target valid from 12 April 2022 until 31 December 2026, the Supervisory Board has set itself the goal that, should the Executive Board be increased to more than three members, a woman will be appointed to this position. Further information on determining the target figure and diversity for the composition of the Executive Board can be found in the "Executive Board" section of this declaration.

Since 1 July 2017, the Executive Board has determined a target for the proportion of women in the **key management** level below the Executive Board. This target was extended until 31 December 2026, with at least one woman to be appointed to one position. The legally stipulated second management level below the Executive Board is not defined as such at Schweizer. For this reason, the target relates to the key management level. At the time the new targets were stipulated, the key management level below the Executive Board related to employees who report directly to the Executive Board and comprised a total of ten persons. When defining the new target figure, there were no women at this management level.

In the current composition, the agreed targets for the percentage of women on the Supervisory Board and Executive Board were achieved. The target percentage of women for the key management level set by the Executive Board has not been met since an employee left in April 2021. It is, however, always taken into account for personnel decisions to be made for the key management level.

5 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, KPMG AG Wirtschaftsprüfungsgesellschaft, Freiburg im Breisgau branch, that the Chair of the Supervisory Board be immediately informed of key issues arising 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 AktG. The auditor personally attends the Supervisory Board meetings at which the consolidated financial statements and the annual financial statements are approved and adopted.

6 TRANSPARENCY

Schweizer attaches great importance to ensuring consistent, comprehensive and timely information. The business situation and the results are reported in the Annual Report, in earnings calls, in the interim 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: *https://schweizer.ag/en/investors-media*. Furthermore, the Investor Relations department is available to answer any questions throughout the year.

7 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 member concerned or related persons reaches a total volume of EUR 20,000 within one calendar year. The transactions reported to Schweizer Electronic AG during the last financial year were duly disclosed and can be viewed on the Company's website at: *https://schweizer.ag/investoren-und-medien/corporate-governance/managers-transactions*.

Schramberg, 24 April 2023

Executive Board	Supervisory Board
Nicolas-Fabian Schweizer	Dr Stefan Krauss
Chair of the Executive Board	Chair of the Supervisory Board

REMUNE- RATION REPORT

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REMUNERATION REPORT 2022

In accordance with the Act Implementing the Second Shareholder Rights Directive (ARUG II), the Executive Board and Supervisory Board of Schweizer Electronic AG (SCHWEIZER) are required, since the 2021 financial year, to prepare a remuneration report in accordance with section 162 of the German Stock Corporation Act (Aktiengesetz, AktG) and submit it to the Annual General Meeting for approval. The remuneration report for the 2021 financial year was approved by the Annual General Meeting on 24 June 2022 with a majority of 95.44%. The auditor has audited the remuneration report in accordance with section 162(3) sentences 1 and 2 AktG and prepared a note on the audit of the remuneration report. The audit note is enclosed with the remuneration report.

I. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

At its meeting on 12 April 2021, the Supervisory Board of Schweizer Electronic AG approved a new remuneration system for the members of the Executive Board that meets the requirements of section 87a(1) AktG and takes into account the recommendations of the German Corporate Governance Code (GCGC). The Annual General Meeting approved the remuneration system on 25 June 2021 with a majority of 95.12% of votes cast.

There were no personnel changes in the Executive Board in the 2022 financial year. The Chair of the Executive Board, Mr Nicolas-Fabian Schweizer, was appointed as a member of the Executive Board for a further five years from 1 July 2022 to 30 June 2027 by an early resolution of the Supervisory Board dated 7 July 2021 and was once again appointed Chair of the Executive Board.

Likewise, Mr Marc Bunz was appointed as a member of the Executive Board for a further five years from 1 April 2023 to 31 March 2028 by an early resolution of the Supervisory Board dated 11 April 2022 and was once again appointed Deputy Chair of the Executive Board.

1. PRINCIPLES OF THE REMUNERATION SYSTEM

The remuneration system for the members of the Executive Board of Schweizer Electronic AG makes an important contribution to furthering the Company's business strategy. The structure of the remuneration system also motivates the members of the Executive Board to achieve significant strategic Group objectives – in particular, to increase the value of the Company and to strengthen its market position in the PCB industry.

When determining the remuneration of the Executive Board, the Supervisory Board is guided by the following principles:

Promotion of the corporate strategy

The remuneration of the members of the Executive Board is geared toward the long-term and sustainable development of the Company. The remuneration system as a whole makes a significant contribution to the promotion and implementation of the business strategy by defining sustainable performance criteria related to the long-term success of the Company.

The inclusion of important financial figures in the Executive Board remuneration is intended to incentivise the long-term and sustainable growth as well as the increasing profitability and viability of SCHWEIZER. In addition, performance that contributes to the strategic, technical and structural development of SCHWEIZER should also be taken into account. The variable remuneration is predominantly based on a multi-year assessment basis. The long term incentive (LTI) is aimed at a continuous and sustainable increase in the Company's value, more specifically by taking into account the share price over a period of several years, and can thus make a significant contribution to a positive, long-term development of the Company.

In the context of long-term variable remuneration, non-financial target criteria that support sustainable corporate development are also agreed with the members of the Executive Board.

Appropriateness of remuneration

The remuneration of the members of the Executive Board should be proportionate to their duties and performance and should take into account the complexity and economic situation of the Company. Compared to similar companies, the remuneration is in line with market conditions and at the same time competitive.

Linking performance and remuneration

The remuneration of Executive Board members is linked to their performance, in that the variable remuneration components depend on the attainment of certain target criteria. This means that outstanding performance is remunerated appropriately, while failure to meet the specified targets leads to a significant reduction in remuneration.

Harmonisation with shareholder and stakeholder interests

The remuneration system makes a key contribution to linking the interests of the Executive Board with the interests of shareholders and other stakeholders. The major portion of the variable remuneration is linked to the performance of the Company.

Consistency of the remuneration system

The remuneration system for the members of the Executive Board builds on the remuneration system for managers in the Group, sets comparable incentives and thus prescribes uniform targets.

2. DEFINITION OF THE SPECIFIC TARGET TOTAL REMUNERATION

In accordance with the remuneration system, the Supervisory Board determines the amount of the total target remuneration for each member of the Executive Board for the coming financial year. To this end, it must be considered that the respective remuneration is proportionate to the duties and performance of the Executive Board member as well as the position of the Company, does not exceed the usual remuneration without significant cause and is geared toward the long-term and sustainable development of Schweizer Electronic AG. For this purpose, both external and internal comparative observations are conducted:

a) Horizontal (external) comparison

The Supervisory Board uses an external independent remuneration consultant to assess the appropriateness and customary level of the actual total remuneration of the Executive Board members compared to other companies, using a suitable comparison group (horizontal comparison). The criteria of this comparison group are: Industry, company size and internationality. The comparison group of other companies used by the Supervisory Board to assess the appropriateness of the Executive Board remuneration in financial year 2021 included, for example, Sick AG (Waldkirch), Harting Stiftung & Co. KG (Espelkamp) and Manz AG (Reutlingen). The remuneration and employment conditions of employees were not taken into account when determining the remuneration system.

b) Differentiation according to the respective requirement profile

The remuneration system allows the Supervisory Board to take the function and area of responsibility of the individual member of the Executive Board into account when calculating the total target remuneration. Function-specific differentiations at the discretion of the Supervisory Board are therefore permissible. Criteria such as market practice, the experience of the respective Executive Board member and the Executive Board functions for which they are responsible are taken into account here.

c) Maximum remuneration limits

The variable remuneration is intended to ensure a balanced risk/opportunity profile. Therefore, if the set targets are not met, the amount of the variable remuneration paid out may fall to zero. If the targets are significantly exceeded, the amount paid out is limited to 200% of the target amount for both the short-term and long-term variable remuneration components.

In addition, in accordance with section 87a(1) sentence 2 No. 1 AktG, the Supervisory Board has set a maximum amount for the sum of all remuneration components, including ancillary benefits and pension costs (hereinafter referred to as "maximum remuneration"). The maximum remuneration for the Chair of the Executive Board and their Deputy amounts to EUR 1,400 thousand and for other members of the Executive Board to EUR 1,000 thousand each. These caps apply in each case to the sum of all payments resulting from the remuneration regulations for a financial year. This is the maximum possible calculated remuneration. The remuneration actually paid out is lower, as can be seen from the remuneration reports for the last financial years.

In the 2022 financial year, the maximum remuneration actually contractually agreed was EUR 1,200 thousand for Mr Nicolas-Fabian Schweizer and EUR 1,100 thousand for Mr Marc Bunz. The remuneration granted and owed to the two members of the Executive Board in the 2022 financial year (see the details in section 6.a) below) was below the amounts specified, which is why the maximum remuneration was complied with in each case.

d) Overview of components and structure of the total target remuneration

The remuneration system basically provides for fixed, non-performance-related and variable performance-related remuneration components.

The fixed performance-related remuneration components comprise the annual salary, ancillary benefits and a pension commitment.

The variable remuneration components comprise a remuneration component with a Medium & Short Term Incentive (hereinafter referred to as MSTI) and a remuneration component with a long-term incentive effect and risk element (long-term incentive, hereinafter referred to as LTI). Prior to the beginning of each financial year, the Supervisory Board sets target criteria for the variable remuneration components with regard to the strategic objectives, the requirements of sections 87, 87a AktG and the GCGC in their respective versions, the degree of achievement of which determines the amount of the actual payment.

The annual fixed salary contributes 35-45% to the target remuneration. While the variable short- and medium-term remuneration component contributes 10-15%, the long-term remuneration component contributes 15-20% to the target remuneration. Pension costs make up about 25-30% of the target remuneration and ancillary benefits make up about 2-5% of the target remuneration.

The following overview provides a brief description of the key remuneration components, which are explained in detail in the following sections, as well as explanations of how the remuneration furthers the long-term development of the Company and the corporate strategy:

Compensation component	Structure	Strategy reference
Non-performance-related remuneration		
Annual fixed salary	Fixed remuneration, paid in twelve equal monthly amounts at the end of each month	Attracting and retaining qualified Executive Board members by providing competitive remuneration
Ancillary benefits	Company car, reimbursement of travel expenses, D&O insurance, accident insurance, employer's liability insurance association contribution, health and nursing care insurance contributions	
Pension commitment	Retirement benefits in accordance with a pension commitment	
Variable remuneration		
Medium and short-term incentive	• Annual variable remuneration with short and medium-term incentive effect • Cap: 60% of the annual fixed salary • Financial performance criteria: EBITDA (weighting: 60%), Free cash flow (weighting: 40%) • Cash payment after adoption of the annual financial statements	Incentive to increase SCHWEIZER's profitability and viability
Long-term incentive	• Variable remuneration with long-term incentive effect and risk element, which is rolled over in annual tranches with a term of four years each (performance period) • Cap: 80% of the annual fixed salary • Depending on financial (ROCE) and non-financial (corporate factor) performance criteria as well as share price performance • Cash payment after the end of the respective performance period	Incentives to promote SCHWEIZER's long-term and sustainable growth strategy and to create sustainable value in the interests of shareholders
Other		
Malus regulation	Possibility of full or partial reduction of variable remuneration	Incentive to ensure sustainable business development and to avoid taking inappropriate risks
Maximum compensation	Maximum amount of all remuneration components	Limitation of the remuneration for the Executive Board to ensure the appropriateness of the Executive Board remuneration and to avoid disproportionately high costs for the Company

The Supervisory Board has set the following target total remuneration for the 2022 financial year:

Target remuneration 2022 in EUR thousand	**Nicolas-Fabian Schweizer** Chair of the Executive Board		**Marc Bunz** Deputy Chair of the Executive Board	
	2022	**2021**	**2022**	**2021**
Annual fixed salary	360	322	330	298
Ancillary benefits	14	16	15	24
Pension benefits[1]	272	231	287	235
Total fixed non-performance-related target remuneration	**646**	**569**	**632**	**557**
MSTI	108	97	99	89
LTI	144	129	132	119
Total variable target remuneration	**252**	**225**	**231**	**209**
Total target remuneration	**898**	**794**	**863**	**766**

[1] Contributions to external pension providers in accordance with pension commitments for the Company pension scheme.

3. APPLICATION OF THE REMUNERATION SYSTEM IN FINANCIAL YEAR 2022

a) Annual fixed salary

The annual salary is fixed remuneration related to the entire financial year, which is paid out in twelve equal monthly instalments at the end of each month. The annual salary is reviewed by the Supervisory Board at intervals of two years.

In financial year 2022, Mr Nicolas-Fabian Schweizer was granted a fixed annual salary of EUR 360,000 and Mr Marc Bunz EUR 330,000.

b) Ancillary benefits

The following ancillary benefits were granted to the members of the Executive Board in financial year 2022:

- the provision of a company car, which may also be used privately,
- reimbursement of travel expenses,
- the conclusion of a D&O insurance policy with an excess in accordance with section 93(2) sentence 3 AktG. D&O insurance is group insurance for all directors and officers of the Group and is not included in the amount of benefits granted and owed,
- accident insurance,
- contributions to the employer's liability insurance association, and
- health and long-term care insurance contributions in application of section 257 of Book V of the German Social Code (SGB V) and section 61 of Book XI of the German Social Code (SGB XI).

c) Pension benefits

Each member of the Executive Board receives pension benefits in accordance with a pension commitment.

The system of pension commitments for company pension benefits for members of the Executive Board who joined the Company up to 2017 refers to a percentage of the base salary at the start of the retirement pension upon reaching the age of 65, but not before leaving the service of Schweizer Electronic AG. The pension commitment for Mr Nicolas-Fabian Schweizer amounts to 67% of the basic salary and for Mr Marc Bunz 48%. The commitment for occupational disability and surviving dependants' benefits relate to the occurrence of the underlying event (occupational disability and death). These benefits have been outsourced to external retirement funds and are based on the Company's contributions contractually promised to the Executive Board members paid to the reinsured, defined benefit pension fund.

The following table lists the allocations to pension funds made by the Company for the respective year and the annual pension entitlement earned as at 31 December in the event of an expected retirement at the age of 65 for the members of the Executive Board.

Pensions of the Executive Board members

in EUR thousand	Allocated to pension funds	as at 31 December annual earned pension entitlement
Nicolas-Fabian Schweizer Chair of the Executive Board	**272**	**98**
(2021)	231	80
Marc Bunz Deputy Chair of the Executive Board	**287**	**102**
(2021)	235	86
Total	**559**	**200**
(2021)	466	166

If a Board member leaves the Company before the age of 65, the entitlement is reduced to the entitlement earned on leaving the Company. The contributions to the pension funds are adjusted accordingly upon leaving. The pension reinsurance asset values for tax purposes amounted to EUR 1,987 thousand for Mr Nicolas-Fabian Schweizer and EUR 1,893 thousand for Mr Marc Bunz as at 31 December 2022.

For Dr Maren Schweizer and Bernd Schweizer, the two former members of the Executive Board, the following reduced amounts will continue to be paid to the pension funds in 2022.

in EUR thousand	Allocated to pension funds	as at 31 December annual earned pension entitlement
Dr Maren Schweizer (until 2/2017)	**47**	**91**
(2021)	47	91
Bernd Schweizer (until 5/2015)	**16**	**38**
(2021)	16	38
Total	**63**	**129**
(2021)	63	129

The pension reinsurance asset values for tax purposes of the former members of the Executive Board, Dr Maren Schweizer and Mr Bernd Schweizer, amounted to EUR 1,574 thousand and EUR 771 thousand respectively as at 31 December 2022.

d) Variable remuneration component (Medium & Short Term Incentive (MSTI))

aa) Essential features

In the employment contract, the Supervisory Board agrees on a target amount for Medium & Short Term Incentive (hereinafter "MSTI target amount") for each member of the Executive Board, which is granted if the target is 100% achieved.

In the event of 100% target achievement, the MSTI amounts to 30% of the annual fixed salary. The maximum amount of MSTI to be paid is limited to 200% of the target amount, i.e. 60% of the annual fixed salary.

bb) Financial performance criteria

The origin and amount of the MSTI depends on the achievement of certain individual and/or company- or department-related objectives. The Supervisory Board currently defines the following two key figures as financial performance criteria within the meaning of section 87a(1) sentence 2 no. 4 AktG:

- EBITDA - Earnings before interest, taxes, depreciation and amortisation
- Free cash flow – The difference between the cash flow from operating activities and the cash flow from investing activities.

In order to calculate the MSTI, the degree of achievement of the currently defined targets – the EBITDA target of 60% and the free cash flow target of 40% – is weighted.

cc) Achievement of financial performance criteria

For each financial performance criterion, the target value for achieving a target of 100% corresponds to the value resulting from the planning for the respective financial year. Each year, the Supervisory Board determines the values for achieving the targets of 0% to a maximum of 200% for each financial performance criterion.

The degree of achievement of the target is determined by the target curve defined for the respective key figure. The targets and the corresponding target curves are defined in advance by the Supervisory Board.

For financial year 2022, the Supervisory Board has set a target of EUR -4,225 thousand (2021: EUR -2,518 thousand) (= 100% target) and a performance corridor of between EUR -7,177 thousand and EUR 178 thousand (2021: between EUR -5,610 thousand and EUR 791 thousand) for both Executive Board members respectively for the financial performance criterion, EBITDA. The actual EBITDA value achieved amounts to EUR -12,290 thousand (2021: EUR -8.580 thousand). This results in a target achievement of 0% (2021: 0%).

For the financial performance criterion of free cash flow, the Supervisory Board has set a target of EUR -15,335 thousand (2021: EUR -20,308 thousand) (=100% target) and a performance corridor of between EUR -18,287 thousand and EUR -10,932 thousand (2021: EUR -23,400 thousand and EUR -16,999 thousand) for both members of the Executive Board respectively for the 2022 financial year. The actual free cash flow value achieved amounts to EUR -13,608 thousand (2021: EUR -13,739 thousand). This results in a target achievement of 110% (2021: 200%= cap).

In accordance with the weighting of the two KPIs explained above, the target achievement rate for calculating the MSTI is 52% (2021: 80%).

In 2022, the MSTI 2022 is reported as remuneration granted and paid to Executive Board members in financial year 2023 once the annual financial statements have been adopted.

With regard to the MSTI, the following target achievement and disbursement amounts result for the members of the Executive Board:

MSTI 2022	**Target amount**	**EBITDA**		**Free cash flow**		**Overall target achievement**	**Disbursement amount**
	in EUR thousand	Weighting	Target achievement	Weighting	Target achievement		in EUR thousand
Nicolas-Fabian Schweizer Chair of the Executive Board	**108**	**60%**	**0%**	**40%**	**110%**	**52%**	**56**
(2021)	97	60%	0%	40%	200%	80%	77
Marc Bunz Deputy Chair of the Executive Board	**99**	**60%**	**0%**	**40%**	**110%**	**52%**	**51**
(2021)	89	60%	0%	40%	200%	80%	72

e) Variable remuneration component (Long Term Incentive (LTI))

aa) Essential features

The long-term incentive (hereinafter "LTI") is intended to promote the Executive Board's long-term commitment to the Company and its sustainable growth. It is a remuneration component with a long-term incentive effect and risk element, which is rolled over in annual tranches each with a 4-year term (performance period).

The amount of the LTI is determined by the performance of the share price (start share price and end share price in the respective performance period), the target achievement of a determined key figure (currently Return on Capital Employed (ROCE)) and a corporate factor determined by the Supervisory Board. In order to respond to the respective situation of the Company, the Supervisory Board may change the key figure before the start of the respective tranche.

The corporate factor takes into account the sustainable development of the Company as a whole and thus contributes to promoting SCHWEIZER's sustainable growth strategy. With regard to the corporate factor, the Supervisory Board determines to what extent the individual targets of particular Executive Board members or targets applicable for all Executive Board members jointly are decisive.

The target amount is converted into virtual shares and paid out in cash at the end of the respective performance period, i.e. each LTI tranche, after four years.

The LTI target amount is converted into a conditional number of virtual shares granted for the purpose of calculating the LTI tranche. The start share price is decisive for the conversion (calculation of the start number of virtual shares). The start share price is the share price based on the average of the closing price of the Company's shares in the Xetra trading system of Deutsche Börse AG on the last 60 trading days before the start of the respective performance period.

In the event of 100% target achievement, the LTI amounts to 40% of the annual fixed salary. The maximum amount of LTI to be paid out is limited to 200% of the target amount, i.e. 80% of the annual fixed salary.

bb) Achievement of financial and non-financial performance criteria
The calculation of the LTI payout amount is shown below based on the currently defined key figure ROCE. The LTI payout amount is calculated for each LTI tranche using the following formula: Start number of virtual shares x ROCE target achievement factor x corporate factor = final number of virtual shares x end share price = LTI payout amount.

The target achievement of ROCE and the corporate factor is determined at the end of each of the four-year performance periods.

ROCE targets are agreed for each year within a performance period. The target achievement value at the end of the performance period corresponds to the average of the individual target achievement values of this performance period. If the average ROCE target achievement is 100%, a 100% payout is made. The annual ROCE targets for the performance period and the corresponding target achievement curve are defined in advance by the Supervisory Board for each performance period.

The Supervisory Board decides on the level of the corporate factor (degree of target achievement), which is generally determined on the basis of non-financial criteria for each tranche. The objectives and their weighting are defined at the beginning of each performance period for their duration. The corporate factor influences the LTI level in a range between plus and minus 20%, i.e. it amounts to a factor between 0.8 and 1.2.

The end share price is measured on the basis of the average closing price of the Company's shares in the Xetra trading system of Deutsche Börse AG on the last 60 trading days before the end of the respective performance period.

Payment is made as a gross amount after the respective end of the performance period. The LTI remuneration is reported as remuneration granted at the end of the respective performance period and is paid out in the following year after the annual financial statements have been adopted.

The end of the LTI tranche 2019 was reached at the end of financial year 2022. The performance targets set for the LTI tranche 2019 by the Supervisory Board, that covers the period 2019-2022, were not achieved. The gross amount paid out for this period is therefore EUR 0.

In order to compensate for the conversion of the previous contractual regulations, a transitional arrangement (LTI-TA) was also agreed for 2019, 2020 and 2021. For these three years, the performance period of the LTI-TA is one year, for each of which an intermediate ROCE target has been defined and agreed in the first 4-year tranche.

4. OTHER PROVISIONS RELEVANT TO REMUNERATION

a) Malus provision

If an Executive Board member in their role as a member of the Executive Board commits a demonstrably deliberate gross violation of one of their duties of due diligence within the meaning of section 93 AktG, of an essential principle of action of the internal guidelines issued by the Company, or of any of their other duties arising from their employment contract, the Supervisory Board may, at its discretion, reduce in part or in full, to zero the variable remuneration to be granted for the financial year in which the gross violation occurred (hereinafter “malus provision”). The remuneration system does not provide opportunities for the Company to recover variable remuneration components ("clawback").

Any claims for damages by Schweizer Electronic AG against the Executive Board member, in particular from section 93(2) AktG, remain unaffected by the agreement of a malus provision.

In the 2022 financial year, there were no circumstances justifying the application of the Malus regulation. The Supervisory Board has therefore not exercised the option to reduce the variable remuneration.

b) Term and termination options

When appointing members of the Executive Board and during the term of the Executive Board contracts, the Supervisory Board complies with the statutory provisions of section 84 AktG and the recommendations of the GCGC. In the event of an initial appointment to the Executive Board, the term of the appointment and the term of the employment contract are generally three years. In the event of re-appointments or in the event of an extension of the term of office, the maximum duration of the employment contract is five years.

The employment contracts do not provide for an ordinary termination option; the mutual right to extraordinary termination of the employment contract for good cause remains unaffected. In the event of a member of the Executive Board becoming permanently incapable of work during the term of the employment contract, the employment contract shall cease at the end of the third month after determining the permanent incapacity for work.

Payments to a member of the Executive Board in the event of premature termination of his or her Executive Board duties without good cause, including ancillary benefits, do not exceed the value of two years’ remuneration but do not remunerate more than the remaining term of the employment relationship (severance pay cap). If the employment contract is terminated for good cause for which the Executive Board member is responsible, no payments shall be made to the Executive Board member. The total remuneration of the past financial year and, if applicable, the estimated total remuneration for the current financial year form the basis for the calculation of the severance payment cap.

A post-contractual non-competition clause is agreed with each member of the Executive Board for a period of 24 months. Appropriate compensation (compensation for non-competition) amounting to 55% of their final average contractual compensation is granted for this period.

In the event of a change of control, the Executive Board member has the right to resign from their Executive Board position and terminate the employment contract with three months' notice. The Company is also entitled to this right of termination. If the office and the employment contract ends due to a change of control, the member of the Executive Board is entitled to compensation and a severance payment. The Executive Board member is entitled to compensation in the amount of 100% of their average annual remuneration (gross), consisting of annual salary, MSTI and LTI, earned over the last three financial years prior to the departure for the remaining term of their employment contract. The compensation payments amount to a maximum of the value of two annual salaries. In addition, the Executive Board member shall receive a severance payment of one year's remuneration. Combined compensation and severance benefits are limited to a maximum of three times the annual remuneration of the Executive Board member.

There was no change to the Executive Board in financial year 2022, which is why no benefits were granted or owed in the event that a member of the Executive Board leaves the Company.

5. NO THIRD-PARTY SERVICES

In the 2022 financial year, no Executive Board member was promised or granted remuneration by third parties with regard to their activity as Executive Board member.

6. REMUNERATION GRANTED AND OWED

a) Active Executive Board members in financial year 2022

The following table details the remuneration granted and owed to the Executive Board members in office in the 2022 and 2021 financial years in accordance with section 162(1) sentence 1 AktG. Accordingly, the table contains all amounts actually received by the members of the Executive Board in the 2022 and 2021 financial years (in fact) (remuneration granted) as well as all remuneration components due but not yet received (remuneration owed).

Remuneration granted and owed in EUR thousand	**Nicolas-Fabian Schweizer** Chair of the Executive Board				**Marc Bunz** Deputy Chair of the Executive Board			
	2022	**In % of total remuneration**	2021	In % of total remuneration	**2022**	**In % of total remuneration**	2021	In % of total remuneration
Annual fixed salary[1)]	360	84%	322	77%	330	83%	298	76%
Ancillary benefits	14	3%	16	4%	15	4%	24	6%
Total fixed non-performance-related remuneration	**374**	**87%**	**338**	**81%**	**345**	**87%**	**322**	**82%**
MSTI	56	13%	77	19%	51	13%	72	18%
LTI tranche 2019[1)]	0	0%			0	0%		
Total variable remuneration	**56**	**13%**	**77**	**19%**	**51**	**13%**	**72**	**18%**
Total remuneration	**430**	**100%**	**415**	**100%**	**396**	**100%**	**394**	**100%**

[1)] The LTI tranche 2019 comprises performance in financial years 2019 – 2022

b) Former members of the Executive Board

As part of a court settlement, a severance agreement was concluded with former member of the Executive Board Dr Maren Schweizer at the Rottweil Regional Court, from which Dr Schweizer was granted severance pay from August 2021, payable in monthly instalments of EUR 16,326.53 (gross). The amount owed in financial year 2022 amounted to EUR 196 thousand (2021: EUR 82 thousand). The total liability as at 31 December 2022 amounted to EUR 2,341 thousand (31 December 2021: EUR 2,875 thousand).

In addition, pension payments of EUR 282 thousand (2021: EUR 281 thousand) were granted to former members of the Executive Board in the 2022 financial year. In accordance with section 162(5) AktG, the personal details of former members of the Executive Board may not be disclosed as they left the Executive Board before 31 December 2012.

II. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board is set out in Article 13 of the Company's Articles of Association. The Annual General Meeting confirmed the remuneration of the members of the Supervisory Board provided for in Article 13 of the Company's Articles of Association and the remuneration system underlying the remuneration with the information pursuant to sections 113(3) sentence 3, 87a(1) sentence 2 AktG on 25 June 2021 with a majority of 95.07% of votes cast.

Supervisory Board members receive a fixed remuneration for their work, the amount of which depends on the duties assumed by the Supervisory Board and its committees. In addition, the members of the Supervisory Board receive performance-related remuneration based on the amount of the dividend.

The system for the remuneration of the members of the Supervisory Board, which forms the basis of the regulations of the Articles of Association, is based on the legal requirements and takes into account the recommendations of the German Corporate Governance Code:

- In addition to a fixed remuneration, the system for the remuneration of the members of the Supervisory Board provides for performance-related remuneration, which is based on the dividend distributed to the shareholders for the respective financial year. In addition, the members of the Supervisory Board receive reimbursement of expenses for training and further education measures up to an amount of EUR 2,500.00 per year. In addition, the members of the Supervisory Board receive reimbursement of their expenses and any value added tax to be paid on the remuneration. No attendance fee is granted.
- The Supervisory Board remuneration consists of the following components: Members of the Supervisory Board receive a fixed remuneration of EUR 15,000.00 for each financial year, the Chair of the Supervisory Board receives twice this amount, i.e. EUR 30,000.00, and the Deputy Chair receives one and a half times this amount, i.e. EUR 22,500.00. In accordance with recommendation G.17 of the German Corporate Governance Code, the greater time required of the Chair and Deputy Chair of the Supervisory Board is taken into account in the remuneration. The same applies to chairing and membership of committees. For membership of a committee of the Supervisory Board, members of the Supervisory Board receive an additional remuneration of EUR 15,000.00 per financial year and per committee membership. The Chair of a committee receives twice this amount, i.e. EUR 30,000.00, as additional remuneration, while the Deputy Chair receives one and a half times this amount, i.e. EUR 22,500.00.
- In addition, the members of the Supervisory Board receive variable remuneration. The only criterion for the granting and amount of variable remuneration is the amount of the dividend distributed to the shareholders for the respective financial year. The members of the Supervisory Board receive a performance-related remuneration of EUR 300.00 for each EUR 0.01 profit share decided by the Annual General Meeting, which is distributed to the shareholders in addition to a profit share of EUR 0.40 per share with full profit entitlement. If preferred shares are issued, the performance-related remuneration is based on the profit share per ordinary share. The variable remuneration is limited to a maximum amount of EUR 18,000.00. The regulation on performance-related remuneration deviates from recommendation G.18 Clause 2 of the German Corporate Governance Code. The Executive Board and the Supervisory Board believe that the existing compensation arrangement provides the members of the Supervisory Board

with sufficient incentive to orient the exercise of their duties towards the long-term, successful development of the Company. Dividend payments are also a key performance indicator for the shareholders. The orientation of the performance-related remuneration of the members of the Supervisory Board to this performance indicator contributes to the long-term promotion of the Company's success.

- The upper limit for the remuneration of the members of the Supervisory Board is the sum of the fixed remuneration, the amount of which depends in detail on the tasks assumed by the Supervisory Board and its committees, the maximum amount of performance-related remuneration and the maximum amount for the reimbursement of expenses for training and further education measures. Conversely, there is no quantified maximum remuneration figure for the members of the Supervisory Board.
- The amount and structure of the Supervisory Board remuneration is in line with the market and enables the Company to continue to be able to recruit qualified candidates for the Supervisory Board in the future. This is a prerequisite for the best possible exercise of the advisory and monitoring activities by the Supervisory Board, which in turn make a significant contribution to the promotion of the business strategy and the long-term development of the Company.
- The fixed remuneration is due for payment at the end of the respective financial year. The performance-related remuneration is due at the time of a corresponding resolution of the Annual General Meeting on the appropriation of the balance sheet profit. There are no deferral periods for the payment of remuneration components.
- The remuneration of the members of the Supervisory Board is finally regulated in the Articles of Association; there are no ancillary or supplementary agreements. Remuneration is linked to the duration of the appointment as a member of the Supervisory Board. If members of the Supervisory Board resign from the Supervisory Board or one of its committees during the course of a financial year, they receive pro rata remuneration. There are no commitments to dismissal compensation, pension and early retirement schemes.

The following table shows the remuneration granted and owed to the members of the Supervisory Board in the reporting period:

in EUR thousand	Fixed remuner-ation	in %[4]	Remunera-tion Committee work	in %	Variable remunera-tion	in %	Total re-muneration
Dr Stefan Krauss[1]	**23**	**50%**	**23**	**50%**	**0**	**0**	**45**
(2021)	8	50%	8	50%	0	0	15
Christoph Schweizer[2]	**15**	**50%**	**15**	**50%**	**0**	**0**	**30**
(2021)	30	50%	30	50%	0	0	60
Dr Stephan Zizala	**23**	**50%**	**23**	**50%**	**0**	**0**	**45**
(2021)	23	50%	23	50%	0	0	45
Dr Harald Marquardt[3]	**8**	**50%**	**8**	**50%**	**0**	**0**	**15**
Chris Wu	**15**	**100%**	**-**	**-**	**0**	**0**	**15**
(2021)	15	100%	-	-	0	0	15
Petra Gaiselmann	**15**	**100%**	**-**	**-**	**0**	**0**	**15**
(2021)	15	100%	-	-	0	0	15
Jürgen Kammerer	**15**	**100%**	**-**	**-**	**0**	**0**	**15**
(2021)	15	100%	-	-	0	0	15
Total for 2022	**113**	**63%**	**68**	**37%**	**0**	**0**	**180**
(Total for 2021)	113	63%	68	37%	0	0	180

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

[1] Since 24 June 2022, Chair of the Supervisory Board and the Audit Committee and, until 24 June 2022, ordinary member of the Supervisory Board and the Audit Committee
[2] Until 24 June 2022, Chair of the Supervisory Board and the Audit Committee
[3] Since 24 June 2022, member of the Supervisory Board and the Audit Committee
[4] Share of total remuneration

III. COMPARATIVE PRESENTATION OF EARNINGS PERFORMANCE AND ANNUAL REMUNERATION

In accordance with section 162(1) sentence 2 no. 2 AktG, the following table shows SCHWEIZER's earnings performance, the annual change in remuneration of the members of the Executive Board and the Supervisory Board as well as the annual change in the average remuneration of employees on a full-time basis over the last five financial years.

In addition to the net income/loss for the year under commercial law of Schweizer Electronic AG, the earnings trend is shown using the EBITDA KPI for the Group. As a key performance indicator, the Group EBITDA is also part of the financial objectives of the MSTI and thus has a significant influence on the amount of remuneration paid to the members of the Executive Board.

For the members of the Executive Board and the Supervisory Board, their remuneration granted and owed in the respective financial year within the meaning of section 162(1) sentence 1 AktG is outlined.

For the presentation of the average remuneration of employees, SCHWEIZER's workforce in Germany (including trainees) is used, which included an average of 489 (2021: 517) employees (full-time) in financial year 2022. In comparison, the SCHWEIZER Group had around 1,000 employees worldwide as of 31 December 2022 (2021: around 1,100). The average remuneration of employees includes personnel expenses for wages and salaries, for fringe benefits, for employer contributions to social security and for any short-term variable remuneration components attributable to the financial year. Thus, consistent with the remuneration reported for the Executive Board and the Supervisory Board, employee remuneration also complies in principle with the remuneration components granted and owed as defined in section 162(1) sentence 1 AktG.

The following table shows the values in a manner that allows comparison:

Financial year	2018	2019	Change in %	2020	Change in %	2021	Change in %	2022	Change in %
Earnings performance (in EUR millions)									
EBITDA[1]	9.2	0.1	-99%	-9.5	>-100%	-8.5	11%	-12.3	-45%
Annual net profit (loss) as per HGB[2]	3.1	-2.8	>-100%	-9.1	>-100%	2.8	>+100%	-24.9	>-100%
Average remuneration of employees (in EUR thousand)									
Employees in Germany	58	53[3]	-9%[3]	60[4]	+12%[4]	63[5]	+7%[5]	68	+7%
Remuneration of Executive Board members in office[6] (in EUR thousand)									
Nicolas-Fabian Schweizer	443	563	+27%	385	-32%[7]	415	+8%	430	+4%
Marc Bunz	421	535	+27%	367	-31%[7]	394	+7%	396	+1%
Remuneration of former Executive Board members (in EUR thousand)									
Dr Maren Schweizer[8]	-	-	-	-	-	82	-	196	+139%
Payments made to Executive Board members who left before 31/12/2012)	278	278	0%	262[10]	-6%	281	+7%	282	0%
Supervisory Board remuneration (in EUR thousands)									
Dr Stefan Krauss Chair of the Supervisory Board and the Finance Committee since 24 June 2022 Member of the Supervisory Board and the Audit Committee since 25 June 2021	-	-	-	-	-	15	-	45	+200%
Christoph Schweizer Chair of the Supervisory Board and the Personnel and Finance Committee from 28 June 2019 to 24 June 2022	-	30	-	60	+100%	60	0%	30	-50%
Dr Stephan Zizala Deputy Chair of the Supervisory Board and the Personnel and Finance Committee since 7 July 2017	45	45	0%	45	0%	45	0%	45	0%
Dr Harald Marquardt Member of the Supervisory Board and the Audit Committee since 24 June 2022	-	-	-	-	-	-	-	15	-
Chris Wu Member of the Supervisory Board since 7 July 2017	15	15	0%	15	0%	15	0%	15	0%
Petra Gaiselmann Member of the Supervisory Board since 28 June 2019	-	8	-	15	+100%	15	0%	15	0%
Jürgen Kammerer Member of the Supervisory Board since 28 June 2019	-	8	-	15	+100%	15	0%	15	0%

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

1) Group EBITDA is a key performance criterion for determining the MSTI
2) The indicator net income for the year of Schweizer Electronic AG (German Commercial Code, HGB) is not relevant for the variable remuneration of the members of the Executive Board
3) Excluding short-time allowance (period of partial short-time work: March to July 2019)
4) Excluding short-time allowance (period of partial short-time work: April to December 2020) | Voluntary waiver of fixed remuneration and special payments from some of the employees taken into account
5) Excluding short-time allowance (period of partial short-time work: January to February 2021)
6) Fixed and variable remuneration components
7) Voluntary waiver of 30% of the contractually agreed fixed remuneration from April – June 2020
8) Since August 2021, payment of severance pay, payable in monthly payments
9) The remuneration shown consists of pension payments
10) Waiver of 10% of the contractually agreed pension payment from April – December 2020

Schramberg, 24 April 2023

Schweizer Electronic AG

For the Executive Board

(Nicolas-Fabian Schweizer) (Marc Bunz)

For the Supervisory Board

(Dr Stefan Krauss)

AUDIT OPINION

NOTE FROM THE INDEPENDENT AUDITOR ON THE AUDIT OF THE REMUNERATION REPORT PURSUANT TO SECTION 162(3) AKTG (IDW PS 870)

To Schweizer Electronic AG, Schramberg

Audit opinion

We have formally examined the remuneration report of Schweizer Electronic AG, Schramberg, for the financial year from 1 January 2022 to 31 December 2022 to determine whether the information pursuant to Section 162 (1) and (2) of the German Stock Corporation Act (AktG) was provided in the remuneration report. In accordance with Section 162(3) AktG, we have not audited the content of the remuneration report.

In our opinion, the information pursuant to Section 162(1) and (2) AktG has been provided in all material respects in the attached remuneration report. Our audit opinion does not extend to the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report pursuant to Section 162(3) AktG, taking into account the IDW auditing standard: Audit of the remuneration report pursuant to Section 162 (3) AktG (IDW PS 870(08/2021)). Our responsibility under this regulation and this standard is further described in the "Responsibility of the auditor" section of our note. As an auditing firm, we applied the requirements of the IDW quality assurance standard: Requirements for quality control in audit firms (IDW QS 1). We have complied with the professional duties in accordance with the German Public Auditors' Ordinance and the professional statutes for auditors/sworn accountants, including the requirements for independence.

Responsibility of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board are responsible for preparing the remuneration report, including the related information, which complies with the requirements of Section 162 AktG. In addition, they are responsible for the internal controls that they have determined to be necessary for the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraudulent acts or error (i.e. manipulations of the accounting process and asset misappropriation).

Responsibility of the auditor

Our objective is to obtain reasonable certainty whether the information pursuant to Section 162 (1) and (2) AktG has been provided in all material respects in the remuneration report and to issue an audit opinion in a note on this.

We planned and performed our audit in such a way that we were able to determine the formal completeness of the remuneration report by comparing the information provided in the remuneration report with the information required in accordance with Section 162(1) and (2) AktG. In accordance with Section 162(3) AktG, we have not audited the accuracy of the content of the information, the completeness of the content of the individual disclosures or the appropriate presentation of the remuneration report.

Handling of misleading representations

In connection with our audit, we have a responsibility to read the remuneration report, taking into account the knowledge gained from the audit of the financial statements, and to remain alert for indications as to whether the remuneration report contains misleading representations as to the accuracy of the content of the disclosures, the completeness of the content of the individual disclosures or the fair presentation of the remuneration report.

Based on the work performed by us, should we conclude that such a materially false disclosure has been made, we are obligated to report on this matter. In this respect, we have nothing to report.

Freiburg im Breisgau, 28 April 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft [Audit firm]

Laubert	Armbruster
Auditor	Auditor

INFOR-
MATION

CONTENTS

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.

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.

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.

FREE CASH FLOW

Calculated as the difference between the cash flow from operating activities and the cash flow from investing activities.

GENERAL STANDARD

One of the three levels of transparency that companies can choose to have listed on the regulated market. 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 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.

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. Variable remuneration component with a long-term incentive effect and risk character in the form of a “share matching” plan.

MSTI
Abbreviation for medium and short-term incentive. Variable remuneration component with a medium and short-term incentive effect.

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.

ROCE
Abbreviation for return on capital employed. The ratio of EBIT to long-term capital employed (consisting of equity and long-term debt).

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.

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.

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.

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. Due to the rapid succession of on/off pulses, almost any form of energy flow can be simulated.

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 wide range of technological possibilities, which can be combined with each other, according to the modular principle.

NTI
NT Information Ltd. (Circuit board expert editor, Hayao Nakahara).

p^2 PACK TECHNOLOGY
Innovative technology for manufacturing power electronics, with integrated power semiconductors.

μ^2 PACK TECHNOLOGY
Innovative technology for manufacturing logic & sensor electronics, with integrated semiconductors of any complexity.

SIC
SiC stands for silicon carbide.

LEGAL NOTICE

Schweizer Electronic AG
Einsteinstraße 10
78713 Schramberg
Germany
Tel.: +49 7422 512-0
Fax.: +49 7422 512 397
www.schweizer.ag

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In this report, Schweizher Electronic (Jiangsu) Co., Ltd. is also referred to as SCHWEIZER China.
In this report, WUS Printed Circuit (Kunshan) Co., Ltd. is also referred to as WUS.
In this report, Meiko Electronics Co., Ltd. is also referred to as MEIKO.
All figures are rounded, which can lead to minor deviations when these are added up.

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SAFE HARBOUR STATEMENT

This communication contains forward-looking statements and information; that is, statements about events 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 such 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.

THERE TO HELP ALL AROUND THE WORLD

INNOVATIVE TRECHNOLOGIES

INDIVIDUAL SOLUTIONS

Schweizer Electronic AG
Einsteinstrasse 10
78713 Schramberg

Postfach 561
78707 Schramberg

Germany