SCHWEITER TECHNOLOGIES

2013

Annual Report 2013

Board of Directors, Group Management, Auditors

Board of Directors

Term of office 8 May 2013 to 7 May 2014

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

Group Management

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

Auditors

Deloitte AG, Zurich

Report of the Board of Directors

Dear Shareholders

Schweiter Technologies delivered a solid business performance in 2013. Revenues rose slightly by 2%, while EBITDA remained just under CHF 70 million, resulting in an EBITDA margin of more than 10%. Further positive effects such as cost savings generated by the concentration of production capacities in Ecuador or the appreciation in the value of the Neuhausen site resulting from the start of work on the development following the successful outcome of the municipal referendum are not yet included in the results for the year under review.

3A Composites has achieved an organic growth and made significant progress above all in Asia. The acquisition of Durabuild in India represents a further step towards strengthening the Asian markets. This is also impressively demonstrated by product innovations such as shade-producing façade elements, acoustic ceiling solutions, KAPAtech, new paints and surface structures with ALUCOBOND naturAL, the first installed bridges with a balsa wood core, the CLEAR Sheets display series and COMFLOOR, the new standard in underfloor heating for trains.

Although the wind power sector remained challenging as expected, with prices coming under strong pressure, we achieved an increase in delivered volumes as well as the successful launch of SealX and other new product innovations. The cooperation with our Chinese joint venture partner made encouraging headway and was a key factor in our strong market position.

The SSM Textile Machinery division noted an impressive increase in revenues and net income. The major success of Giudici's fine-twist machines confirmed that efforts to generate additional added value from process machinery were the right way forward.

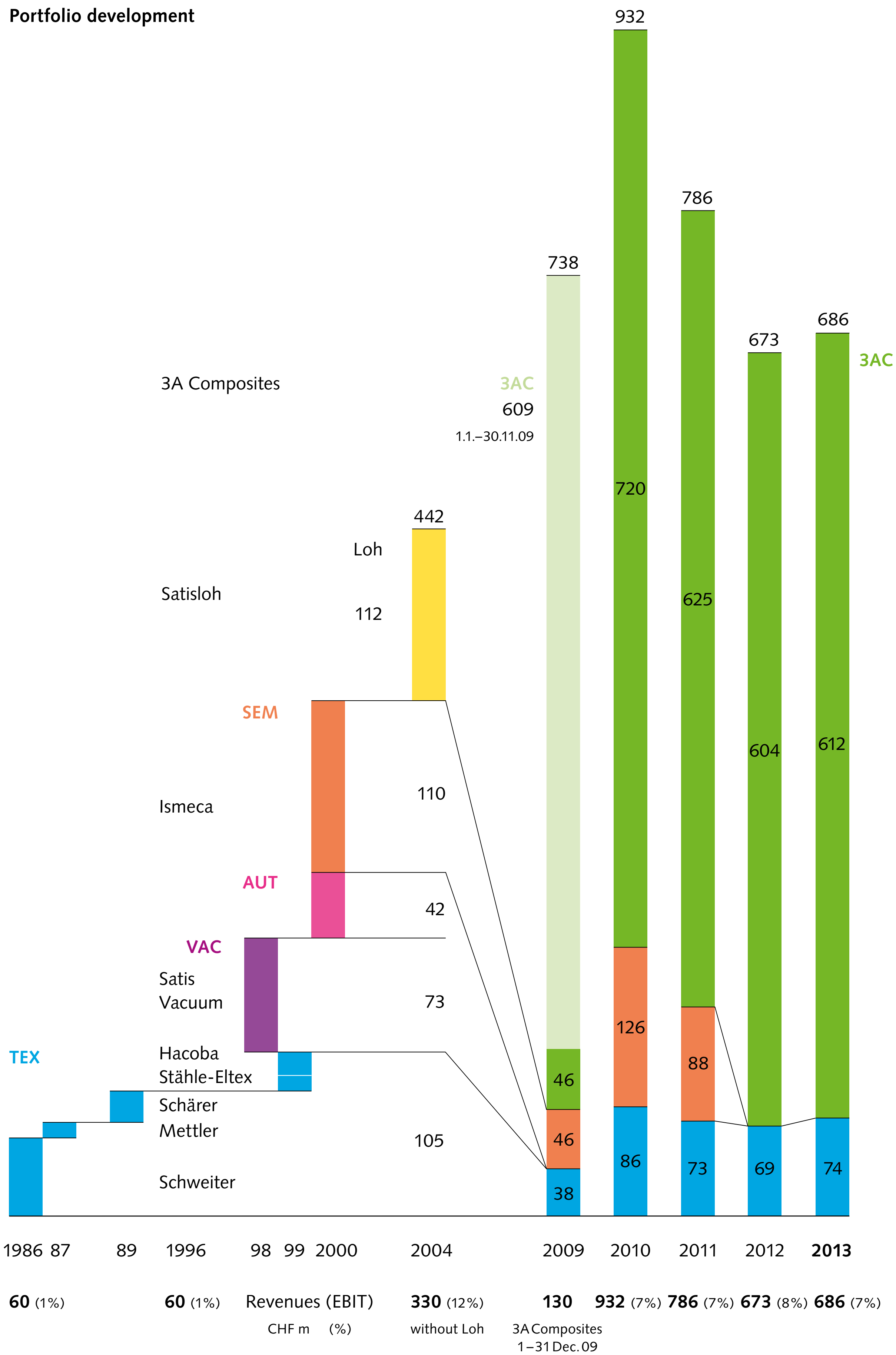
Behind all these achievements are committed staff and an outstanding management team under the CEO, Heinz Baumgartner. The Board of Directors would therefore like to thank all staff for their sterling efforts.

As in previous years, we will continue to make a substantial cash return to our shareholders. There are also a number of promising opportunities for acquisitions which would bring Schweiter additional growth.

The structural and organizational parameters for 2014 are good. This, coupled with the emerging global economic recovery, points to a solid financial year.

Yours sincerely

Portfolio development



Group

Portfolio strategy

1. Schweiter Technologies develops business in the composite and mechanical engineering segments. 3A Composites manufactures materials and composite solutions in lightweight construction through the combination of suitable materials for specific applications and industry segments. SSM Textile Machinery covers a maximum of customer needs through a minimum of standardized and modular components and machinery. This is the basis for quality, cost-effectiveness and reliable procurement.

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

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

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

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

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

Current situation

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

Financial overview

	2013	2012 [1]
Income statement (in CHF m)		
Orders received	706.1	666.1
SSM Textile Machinery	78.2	71.6
3A Composites	627.9	594.5
Net revenue	686.2	673.5
SSM Textile Machinery	73.7	69.3
3A Composites	612.0	603.8
EBITDA before impact of change in pension obligation [2]	68.7	70.5
EBITDA	68.7	81.1
EBIT	45.5	50.8
Net income	30.2	40.2
Balance sheet (in CHF m)		
Total assets	853.4	884.1
Net operating assets [3]	301.2	294.6
Shareholders' equity	648.4	667.2
Net cash and cash equivalents	352.1	382.6
Statement of cash flow (in CHF m)		
Cash flow from operating activity	38.5	79.7
Cash flow from investment activity	– 7.2	26.2
Free cash flow	31.3	106.0
Key figures (in %)		
ROS (EBITDA before impact of change in pension obligation/net revenue)	10.0	10.5
ROS (EBITDA/net revenue)	10.0	12.0
RONOA [4]	15.3	15.5
Equity ratio (shareholders' equity / total assets)	76.0	75.5
Employees as at 31 December (Number)		
Total employees	2 329	2 641
Ratios per share (in CHF)		
34 Earnings per bearer share	21.44	28.44
Equity	449	462
Payout [5] (dividend / repayment of reserves from capital contributions)	40.0	40.0
Stock market capitalization as at 31 December (in CHF m)		
Stock market capitalization	977.4	758.0

[1] Continuing operations
[2] 2012: improvement of CHF 10.6 million due to reduced pension liabilities
[3] Trade receivables, inventories and property, plant and equipment minus trade payables and payments on account received from customers
[4] EBIT as % of the average net operating assets (return on net operating assets)
[5] 2013 – dividend proposal of the Board of Directors

▲ For additional details see notes to the consolidated financial statements

Key figures [1)]

Orders received (in CHF m)

Net revenues (in CHF m)

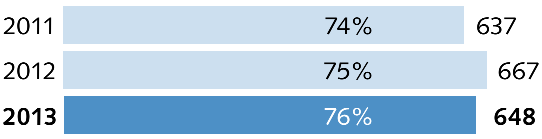
EBITDA (in CHF m)

Net income (in CHF m)

Cash flow from operating activity (in CHF m)

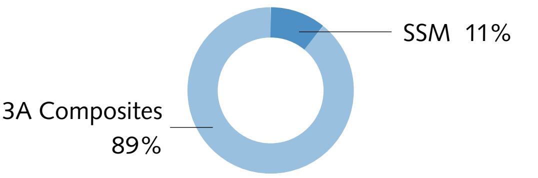
Cash and cash equivalents (in CHF m)

Equity (in CHF m) / Equity ratio

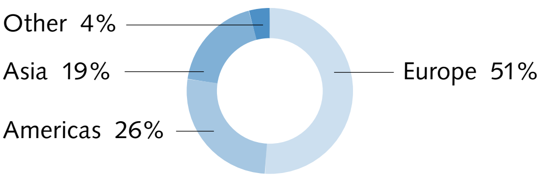


Dividend payout in % of equity

Net revenues 2013 by divisions (in %)

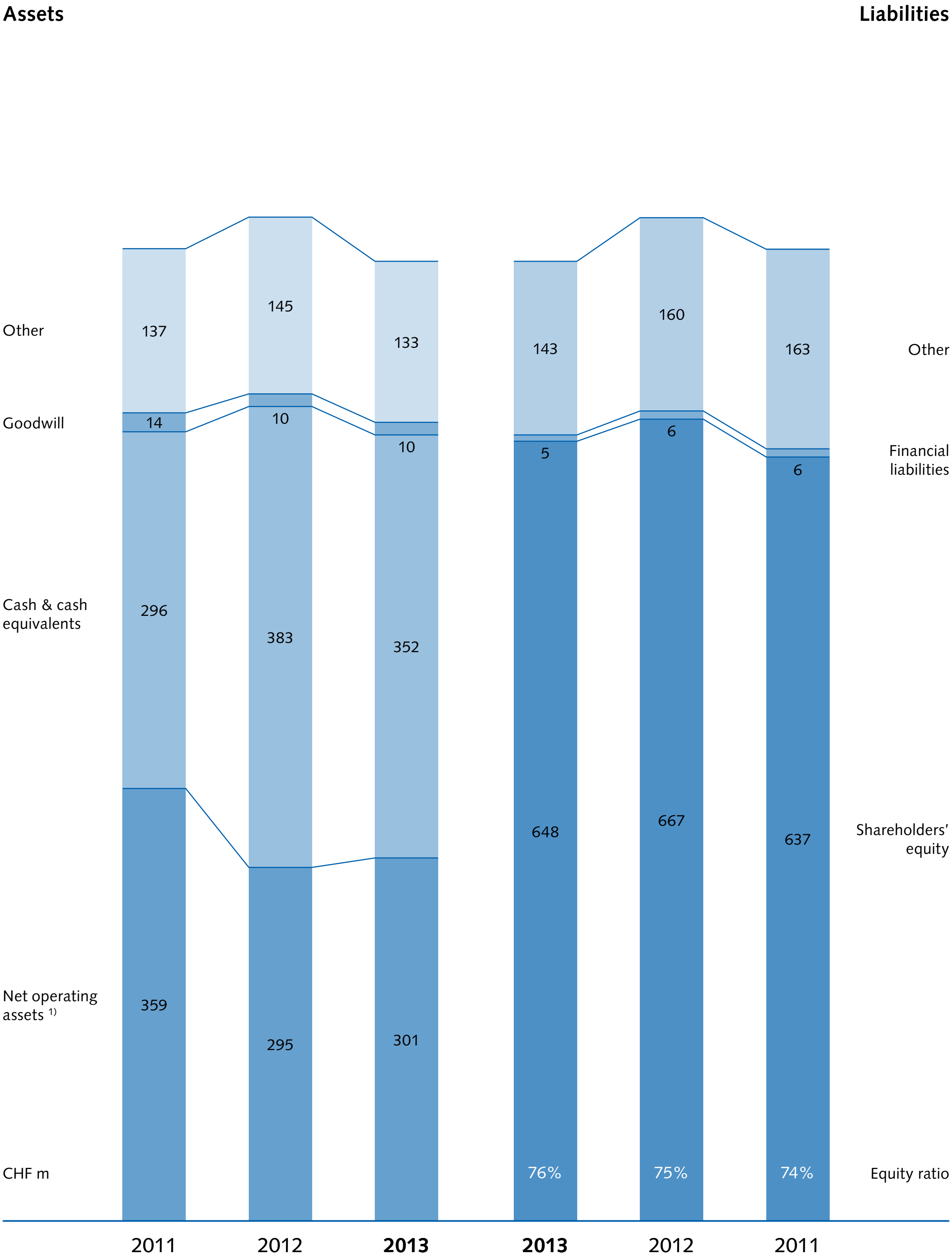


Net revenues 2013 by regions (in %)



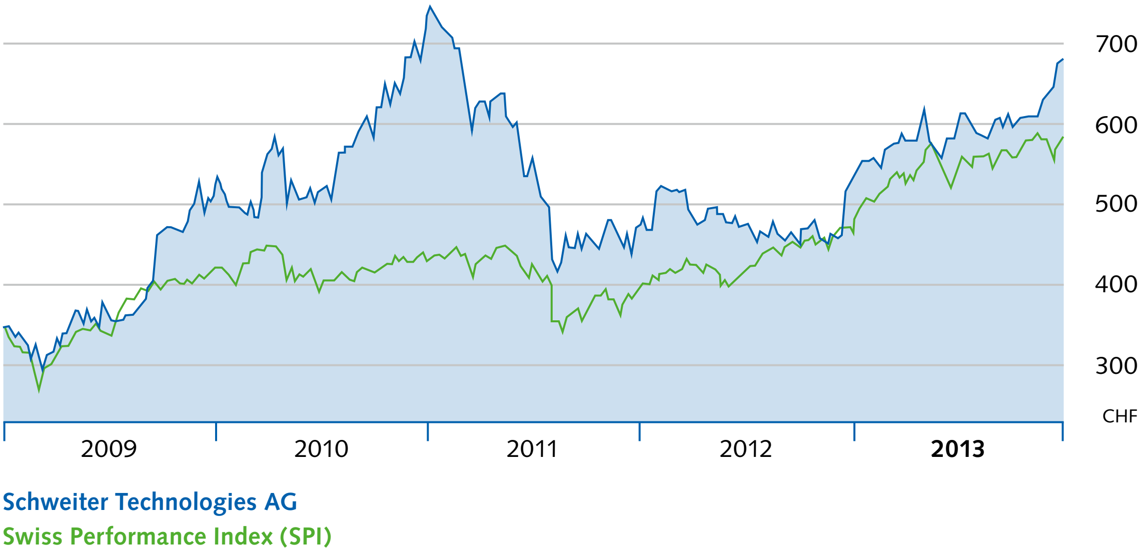
[1)] Continuing operations

Essentials of the consolidated balance sheet



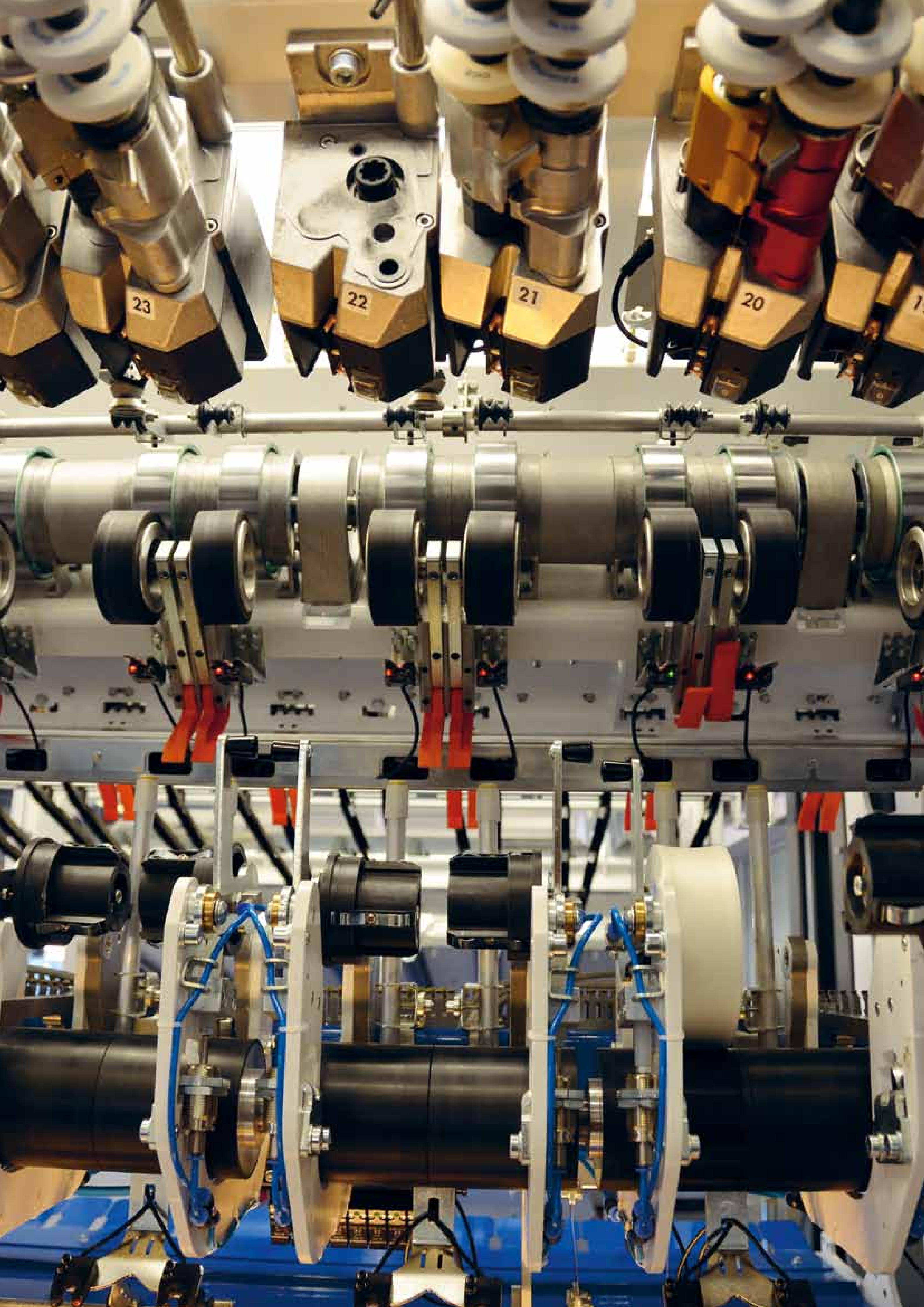
[1] Net operating assets = Trade receivables, inventories and property, plant and equipment minus trade payables and payments on account received from customers

Share price and stock information



Key figures for 5 years	2013	2012	2011	2010	2009
Share capital as at 31 December					
Bearer shares with a par value of CHF 1	1 443 672	1 443 672	1 443 672	1 443 672	1 443 672
Treasury shares	14 748	5 634	77 809	77 809	77 809
Share price					
Share price as at 31 December (in CHF)	677	525	504	750	543
Stock market capitalization					
as at 31 December (in CHF m)	977	758	728	1 083	784
Net income / loss					
per bearer share (in CHF)	21	42 [1]	33	35	– 14
Cash flow from operating activity					
per bearer share (in CHF)	27	55 [1]	37	15	8
Equity					
per bearer share (in CHF)	449	462	441	443	432
Distribution [2] [3]					
Total amount (in CHF m)	57.7	57.5	55.6	14.4	13.0
per bearer share (in CHF)	40.0	40.0	38.5	10.0	9.0
Dividend payout					
in % of equity	8.9	8.6	8.7	2.3	2.1

[1] Including net income / cash flow from discontinued operations (Ismeca Semiconductor)
[2] 2013 proposal of the Board of Directors
[3] Dividends and repayment of reserves from capital contributions (cash and distribution in form of treasury shares)


23
22
21
20

SSM Textile Machinery

Markets

In addition to the main Asian markets of China and India, Taiwan once again played an important part in the cotton/staple sector, albeit at a lower year-on-year level due to a slowdown which began at the end of 2012. SSM was able to maintain its leading position in all important Asian countries.

A rise in cotton prices encouraged the diversification towards man-made fibers in many locations. Thanks to its strong market position in the texturing segment, SSM benefited from this trend. The Turkish man-made fibers market helped to compensate for the lower order volumes in China. Overall, the market for man-made fiber yarns developed very positively, as reflected in SSM's generally encouraging order intake of CHF 78.2 million during the year under review (previous year: CHF 71.6 million).

While focusing on the key Asian markets, SSM once again intensively cultivated the "old markets" in Europe. The emerging success of SSM in Central and Eastern Europe first evident in 2012 could be continued in 2013. The result was a gratifying order intake for both cotton and man-made fibers – thanks not least to buoyant demand for air-texturizing machines.

Individual countries in North Africa and the Middle East were hit by political turmoil, which led to very cautious investment activity.

The Italian subsidiary SSM Giudici, acquired in 2012, played a key part in the success of the man-made fibers segment. The integration of the company was successfully completed in the year under review. The know-how available in Italy was actively exploited, and a new machine was developed which complements SSM's product portfolio in the texturizing segment. The market launch takes place in early 2014.

Revenues and income

At CHF 73.7 million (previous year: CHF 69.3 million) revenues are up 6% year-on-year. Despite unfavorable exchange rates and a challenging economic environment, EBIT came to CHF 6.9 million (operating EBIT previous year: CHF 4.2 million), representing an above-average improvement and despite further significant expenses incurred for innovation projects.

Product range

2013 saw a continuation of the two-pronged focus of product development on our main Asian markets and on the rapidly growing man-made fibers market. The necessary product streamlining following the SSM Giudici acquisition was completed in the first quarter of 2013. The development and rollout of the dobby machine (for air texturizing) marked the introduction of a further product for the man-made fibers sector. The campaign originally launched in 2009 to port all main products to new modular platforms was also systematically pursued in 2013 and will in future lead to even greater flexibility for our customers while at the same time reducing manufacturing costs.

The development of a new machine for technical yarns signals SSM's entry into a new segment. This innovation will be presented at the ITMA Asia trade fair in spring 2014. New applications and customer segments promise attractive growth potential.

International organization

As a result of the acquisition of SSM Giudici in Galbiate, Northern Italy, SSM has three highly efficient production sites. Together with our subsidiary in Zhongshan, Southern China, we have a local presence in all key regions. SSM machines manufactured in China have gained high levels of acceptance in our three main Asian markets. The production strategy is based on a strong international network of manufacturers of parts and components, with final assembly located as close as possible to customers while maintaining high quality standards.

SSM Textile Machinery

Outlook

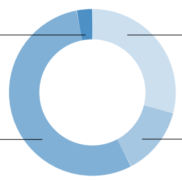
The healthy order backlog of CHF 21.3 million (previous year: CHF 16.7 million) will ensure that 2014 gets off to a promising start. At the beginning of the year, the production capacity at the plant in Northern Italy is already fully utilized until mid-2014. The markets of China and India are showing positive signs of an ongoing recovery. The textile industry is not expected to witness substantial growth or a marked downturn in 2014. A key question is not only how Asia will develop, but also how the "resurrected" markets of Turkey and Eastern Europe will perform.

Over the past few years, SSM has retained and continuously improved its lean structures. The ground has been prepared for another pleasing result in 2014.

Machine program

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

Sales markets 2013 (in %)



Management

Ernesto Maurer	Chief Executive Officer
Martin Klöti	Chief Financial Officer (until 28 February 2014)
Marco Sarain	Chief Financial Officer (from 1 March 2014)
Davide Maccabruni	Head of R & D
Christian Widmer	Head of Operations
Ernesto Maurer	Head of Marketing & Sales
Martin Toti	Head of Aftersale Services

Employees (at year-end)

2013	2012	2011	2010	2009
242	256	233	235	192

3A Composites

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

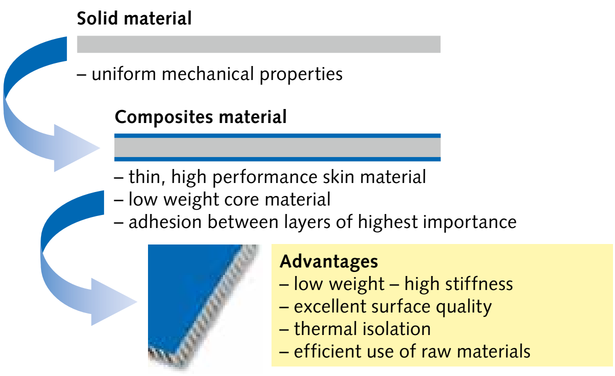
In all target markets, 3A Composites offers a unique product range for the respective high-end segment and owns the brands that define the category, such as ALUCOBOND®, AIREX®, BALTEK®, DIBOND®, GATOR®, KAPA® etc.

Vision and strategy

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

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

The 3A Composites business segments focus on a series of niche applications where innovative composite materials solutions are substitutes for traditional materials.



The advantages of the materials and composites lie in
- their decorative and functional surfaces
- structural properties and high rigidity of materials and composites
- the ease of further processing
- other specific properties, such as thermal insulation, absorption of structure-borne sound etc.

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

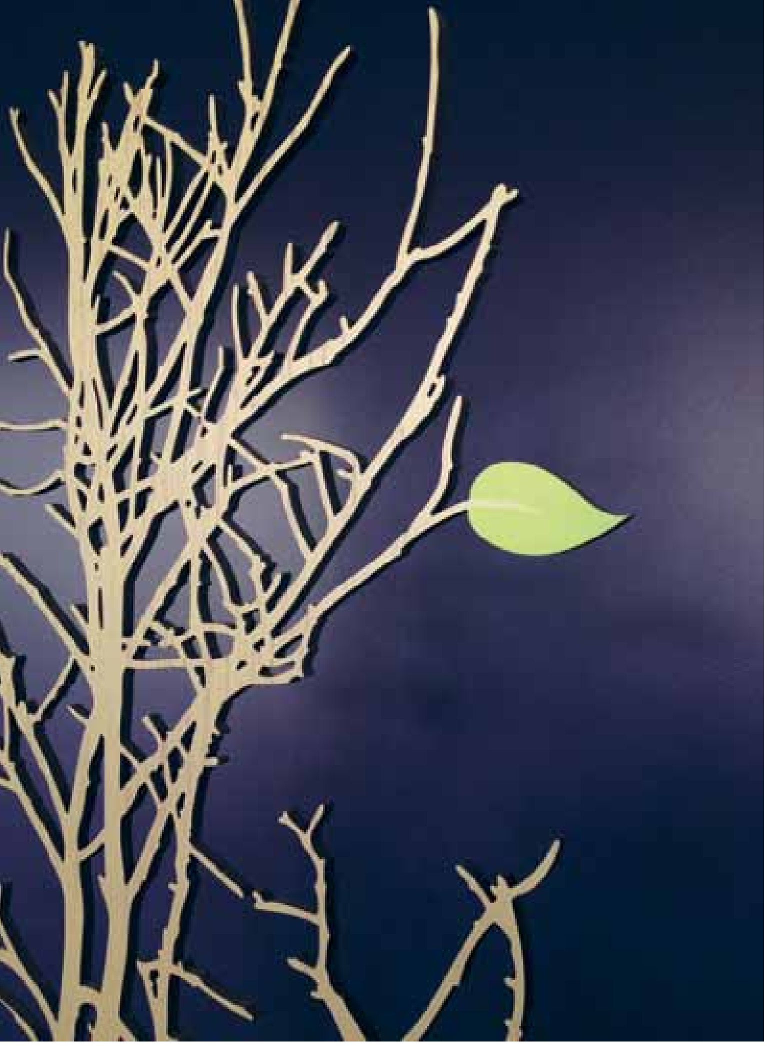
The products are sold to fabrication and distribution partners. In this context, the company's leading brands and broad product range give access to the leading distribution organizations in each market segment. In some cases, such as the wind power sector, products are supplied directly to leading global OEMs. In the architecture sector, specifications are often provided directly through the architect.

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

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

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

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



Stand-up tree display,
CSI Printing & Graphics, USA
GATORFOAM®

Market

Display

The display markets are closely linked to the general economic development and as part of the overall advertising market are shaped by a high degree of internal dynamism. Despite the persisting weak environment in most European target markets, 3A Composites was once again able to strengthen its market position and gain additional market share. One factor which contributed to this was the successful integration of the Foamalite operations, acquired in mid-2012, which expanded the product range and increased revenues.

Shop window, Mode Zinser, Singen, Germany, GATORFOAM® / FOREX®

3A Composites

Consistent, systematic product innovation enables 3A Composites to continuously respond to changing market requirements and the resulting shifts in demand. Through targeted product launches at leading trade fairs, such as the "Fespa" in London, 3A Composites can successfully set itself apart from the competition and support future growth.

In North America, the market for shopfitting and shopping centers showed an overall moderate growth for display products. The demand for high-quality products remained strong, with growth mainly concentrated in the mid-range product segment. In this environment, 3A Composites was able to increase its sales volume year-on-year.

Architecture

In the US market, the façade segment experienced a modest, low single-digit growth in line-with the construction market as a whole. In the institutional buildings market, sales were adversely affected by a decline in investment, whereas the corporate design segment showed signs of an increase in demand.

In Europe, the construction sector again presented a mixed picture with a weak trend in Southern and parts of Eastern Europe, stable conditions in Central Europe and growth stimuli in some countries in the north, the most prominent of which was Germany, the most important European market.

Marc Cain, Administrative Head Office, Bodelshausen, Germany, ALUCOBOND® Pure white

3A Composites

Despite the mixed market conditions, 3A Composites benefited from the constantly innovating Alucobond® product program. Following the leading construction trade fair "Munich BAU", the division noted a burst of growth which led to a good production utilization levels in the second half of the year.

Overall, revenues increased significantly. While volumes fell short of expectations in Southern Europe, the revenues in the key Central European countries Germany, Switzerland and Austria were maintained at a high level or even increased.

Business trends in the Middle East, Asia and the Pacific region were very encouraging. Although Asia's markets were impacted by the financial crisis and its knock-on effects, 3AC realized a significant growth in all Asian regions. This was essentially due to the following factors:

- After years in which the markets have been flooded with cheap products that subsequently failed, there are signs of a trend towards saturation, placing quality suppliers in a better position to market their unique attributes.
- 3AC has successfully brought higher added-value products onto the Chinese market and has extended these offerings to other Asian countries.
- Marketing efforts have been regionalized to a greater extent in order to further increase penetration.

As a consequence, Asian revenues have risen by 20%, driven largely by China. In India, where growth has been lower than inflation for some years, we succeeded in becoming the main corporate identity supplier to the big national gas station networks. In the industrially developed countries of Southeast Asia too, growth was achieved by focusing on specification work for the right projects and through the variety of specialties offered. Whereas the Middle East is still being held back by the Arab Spring, business has been boosted significantly by the change of leadership in Iran.

In operational terms, the results in Asia-Pacific were very encouraging, despite the negative impact of the devaluation of the Indian rupee against the US dollar. The successful acquisition of a paintshop for aluminum coils in India has further strengthened our local presence and competitiveness and has significantly reduced our vulnerability to fluctuating exchange rates.

Marine

With the US and European markets gradually recovering, we successfully locked into growth opportunities in the core materials business.

Wind power

Substantial improvements in technology and cost efficiency have enhanced the competitiveness of wind energy, reinforcing the industry's long-term prospects. Over the short and medium term, the continuing imbalance between demand and capacity is leading to an ongoing price pressure along the value chain.

Constantly challenging market conditions in China and low volumes in Europe and the US created a difficult economic environment for the sandwich core materials operations of 3A Composites. Despite these unfavorable conditions, the division achieved a respectable result.

Transportation

As budgets remained tight in many European countries, investment in public transport vehicles was restricted, with the exception of the UK and certain Eastern European countries. The Asian region also shows continuing strong demand, albeit at a lower level compared to previous years. Mobility is a mega-trend and all leading manufacturers are looking for lightweight solutions to reduce the weight of

Windblade: Root joints of rotor blades, AIREX® T90

3A Composites

their vehicles and enable them to comply with ever stricter environmental requirements. This opens up tremendous potential for 3AC applications.

By relocating part of the production to Poland, among other measures, we were able to stabilize the rail vehicle cabin business. Apart from the lower payroll costs, another key reason for the relocation was the geographical proximity to the growth markets in the East. Orders received and margins have since been developing positively.

Sales of integrated floor systems for rail vehicles were robust, while sales of other floor and roof solutions for buses and rail vehicles fell short of expectations. However, in the wake of Europe's foremost bus trade fair "Busworld" held in Belgium last October, a sharp increase in enquiries about 3AC's lightweight solutions was observed.

Revenues and income

At CHF 612.0 million (previous year: CHF 603.8 million), revenues are up 1% year-on-year. Excluding the previous year's positive one-off effects resulting from pension plan adjustments, EBITDA decreased to CHF 57.6 million (previous year: CHF 76.2 million).

Product range

The proportion of high added-value products such as modular wall components and acoustic ceiling solutions for the Chinese architecture market was in-line with targets, and efforts to introduce the range of products to other Asia-Pacific countries have begun.

Market research findings for the new BANOVA® products based on FSC-certified rotary-cut balsa veneer were positive. In Ecuador a substantial investment of around USD 15 million was initiated in an integrated production line for manufacturing BANOVA® lightweight panels. This investment will make 3A Composites the world's first industrial supplier of products based on balsa plywood. The main benefit to the user is a 40%–70% weight reduction in comparison with traditional wooden panels. Other outstanding features of the new product family include good insulation values and ease of processing.

FSC-certified balsa plantations and the headway made in the industrialization of balsa processing

in Ecuador in recent years represent a unique basis for the sustainable expansion of this new business segment.

Following the installation of the first composite road bridge at the end of 2012, 2013 saw the installation of the first composite bridge for pedestrians and light vehicles based on the 3AC-COLEVO® construction design.

Organization

The discontinuation of production in Manta marked the final stage in the restructuring of the balsa processing plants in Ecuador. The remaining central production site was gradually expanded into a modern, industrialized processing plant. In all 3AC segments, marketing and sales functions were focused even more strongly on the target segments and in some cases were greatly expanded. Expansion efforts concentrated on the growth markets in Asia-Pacific, the development of new markets for the core materials with a view to reducing dependence on the wind sector, as well as the marketing of BANOVA® products in Europe and the US.

Paläon – New Research and Experience Centre, Schöningen Speere, Germany, ALUCOBOND® Plus Reflect

3A Composites

Outlook

The emerging recovery in the US means that the target markets Display, Architecture and Marine have a better starting point than in the previous year.

In Europe, the more positive economic expectations have created growth opportunities in a number of countries which 3AC will exploit with a renewed product program and a stronger, focused sales organization.

With regard to system solutions for the European transport market, a clear increase in sales is projected for the bus segment, while sales in the rail vehicle segment will fluctuate at around current levels. The largest increases are expected in Eastern Europe, Turkey and the UK.

The Asia-Pacific region is likely to see sustained strong growth, which will be driven mainly by:
- Further market penetration in China, Central Asia, Southeast Asia and the Middle East
- Expansion of the system business with higher value creation
- Increase in investment after the Indian elections.

Scania DD Citybus, UK, Structural Composites components such as interdeck floors and roofs in bus length

Management

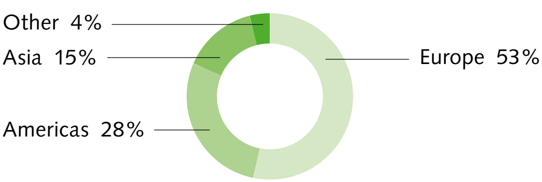
Dr. Joachim Werner	Chief Executive Officer Architecture & Display Europe
Brendan Cooper	Chief Executive Officer Display & Architecture Americas
Dr. Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Dr. Armin Raiber	General Manager Airex Composite Structures
Roman Thomassin	Chief Executive Officer Core Materials
Georg Reif	Chief Technology Officer
Ashwin Shanbhag	Chief Financial Officer (until 31 January 2014)

Employees (at year-end)

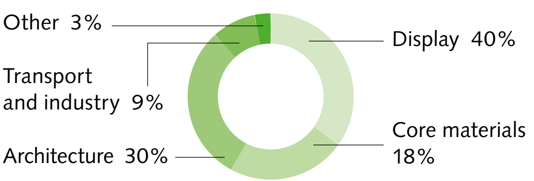
2013	2012	2011	2010
2 081	2 151	2 495	3 142
[1] 609	696	953	1 471

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

Sales markets 2013 (in %)



Net revenues 2013 by operations (in %)



Consolidated financial statements of Schweiter Technologies AG

Consolidated balance sheet as at 31 December 2013

	Assets (in CHF 1000s)	2013	%	2012	%
	Current assets				
1	Cash and cash equivalents	352 055		382 604	
2	Trade receivables	77 684		70 485	
	Current income taxes receivables	3 423		4 412	
	Advances to suppliers	5 562		4 100	
3	Other receivables	25 789		18 733	
	Prepaid expenses and accrued income	2 225		791	
4	Inventories	112 521		110 048	
	Total current assets	**579 259**	67.9	**591 173**	66.9
	Non-current assets				
5	Property, plant and equipment	167 605		165 091	
6	Investment property	21 251		35 611	
7	Biological assets	13 564		14 452	
8	Investment in associated companies	1 168		4 325	
9	Financial assets	3 567		1 253	
30	Deferred tax assets	15 921		19 346	
10	Intangible assets (incl. Goodwill)	51 103		52 844	
	Total non-current assets	**274 179**	32.1	**292 922**	33.1
	Total assets	**853 438**		**884 095**	
	Liabilities (in CHF 1000s)				
	Current liabilities				
11	Current financial liabilities	2 639		2 236	
	Trade payables	45 978		42 385	
	Prepayments received from customers	10 582		8 603	
12	Other payables	6 051		7 267	
13	Accrued expenses and deferred income	35 090		33 534	
17	Current provisions	1 897		3 056	
	Current income taxes	10 739		10 953	
	Total current liabilities	**112 976**	13.2	**108 034**	12.2
15	Non-current financial liabilities	2 793		3 352	
31	Deferred tax liabilities	22 685		22 572	
17	Non-current provisions	15 837		16 098	
16	Pension obligations	50 741		66 834	
	Total non-current liabilities	**92 056**	10.8	**108 856**	12.3
	Total liabilities	**205 032**	24.0	**216 890**	24.5
	Shareholders' equity				
18	Share capital	1 444		1 444	
18	Treasury shares	– 7 400		– 2 500	
	Reserves from capital contributions	63		39 845	
	Retained earnings	685 006		657 730	
	Currency translation adjustments	– 30 707		– 29 314	
	Total shareholders' equity	**648 406**	76.0	**667 205**	75.5
	Total liabilities and shareholders' equity	**853 438**		**884 095**	

▲ For additional details see notes to the consolidated financial statements

Consolidated income statement for the financial year 2013

	(in CHF 1000s)	2013	%	2012	%
	Continuing operations:				
22	**Net revenues**	**686 182**	99.7	**673 523**	100.9
	Change in inventories of semi-finished and finished goods	2 325	0.3	– 6 207	– 0.9
	Total operating income	**688 507**	100.0	**667 316**	100.0
	Material expenses	– 355 957	– 51.7	– 338 735	– 50.8
16	Personnel expenses	– 145 891	– 21.2	– 127 696	– 19.1
23	Other operating expenses	– 132 548	– 19.2	– 126 669	– 19.0
24	Income/expenses from investment property – net	5 730	0.8	445	0.0
25	Other operating income	8 893	1.3	6 453	1.0
26	Depreciation and amortization	– 23 284	– 3.4	– 26 878	– 4.0
	Operating result	**45 450**	6.6	**54 236**	8.1
27	Financial income	944	0.1	2 134	0.3
28	Financial expenses	– 3 925	– 0.6	– 3 558	– 0.5
8	Share of result of associated companies	– 1 546	– 0.2	– 1 990	– 0.3
	Income before taxes	**40 923**	5.9	**50 822**	7.6
29	Income taxes	– 10 716	– 1.5	– 10 674	– 1.6
	Net income from continuing operations	**30 207**	4.4	**40 148**	6.0
	Discontinued operations:				
32	**Net income from discontinued operations**	–		**20 685**	3.1
	Net income	**30 207**	4.4	**60 833**	9.1
34	**Earnings per share** (in CHF)				
	From continuing operations:				
	– undiluted	21.14		28.44	
	– diluted	21.11		28.40	
	From continuing and discontinued operations:				
	– undiluted	21.14		43.09	
	– diluted	21.11		43.02	

▲ For additional details see notes to the consolidated financial statements

Consolidated statement of comprehensive income for the financial year 2013

(in CHF 1000s)	**2013**	2012
Net income	**30 207**	**60 833**
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	– 1 393	– 6 753
– Exchange differences on translation of foreign operations transferred to the income statement	–	7 282
– Tax effect	0	0
Total	– 1 393	529
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial gains / (losses) on defined benefit plans	18 252	– 15 252
– Tax effect	– 4 030	2 699
Total	14 222	– 12 553
Total other comprehensive income	**12 829**	**– 12 024**
Comprehensive income	**43 036**	**48 809**

Consolidated statement of cash flows for the financial year 2013

	(in CHF 1000s)	**2013**	2012
	Net income from continuing operations	30 207	40 148
	Net income from discontinued operations	–	20 685
	Net income	**30 207**	**60 833**
	Non-cash items:		
26	Depreciation and amortization	23 284	27 875
	Depreciation on properties held as financial investments	1 029	480
	Change in provisions and pension obligations	– 1 118	– 17 143
32	Gain from sale of business operations	– 746	– 17 637
	Gain from sale of investment properties	– 4 711	–
	Other positions not impacting cash	– 2 058	– 2 441
27	Financial income	– 944	– 2 155
28	Financial expenses	3 925	3 528
29	Income taxes	10 716	11 079
	Change in working capital:		
	Change in trade receivables	– 7 822	16 828
	Change in other receivables and accruals	– 7 828	– 1 075
	Change in inventories and work in progress	– 2 078	9 609
	Change in trade payables	3 540	5 187
	Change in other liabilities and deferrals	2 851	– 9 859
	Interest paid	– 244	– 615
	Income taxes paid	– 9 544	– 4 801
	Cash flow from operating activity	**38 459**	**79 693**
33	Purchase of business operations	– 471	– 13 021
32	Sale of business operations	2 207	48 814
	Purchase of intangible assets	– 15	– 18
	Purchase of property, plant and equipment	– 30 207	– 17 670
	Proceeds from sale of property, plant and equipment	5 666	5 476
	Proceeds from sale of investment properties	18 143	–
	Investments in investment property	– 594	–
	Increase in financial assets	– 2 588	–
	Proceeds from derivative financial instruments	–	671
	Repayment financial assets	–	420
	Dividend of associated companies	–	141
	Interest received	660	1 412
	Cash flow from investment activity	**– 7 199**	**26 225**
	Repayment leasing liabilities	– 559	–
	Repayment of current loans on current accounts with banks	–	– 978
	Increase in current bank loans	111	1 118
	Purchase of treasury shares	– 4 900	– 916
	Dividend paid	– 17 455	–
18	Repayment of reserves from capital contributions	– 39 772	– 16 946
	Cash flow from financing activity	**– 62 575**	**– 17 722**
	Currency exchange differences on cash and cash equivalents	766	– 1 392
	Change in cash and cash equivalents	**– 30 549**	**86 804**
	Cash and cash equivalents as at January 1	382 604	295 800
	Cash and cash equivalents as at December 31	**352 055**	**382 604**
	The figures given above include the following cash flows from		
	discontinued operations: – Net cash flow from operating activity	–	11 486
	– Cash flow from investment activity	–	– 210
	– Cash flow from financing activity	–	–

▲ For additional details see notes to the consolidated financial statements

Consolidated statement of changes in equity

	(in CHF 1000s)	Share capital	Treasury shares	Reserves capital contributions	Retained earnings	Currency translation difference	Total shareholders' equity
	Balance as at 1 January 2012	**1 444**	**–28 690**	**93 555**	**600 717**	**–29 843**	**637 183**
	Net income				60 833		60 833
	Other comprehensive income	*0*	*0*	*0*	*–12 553*	*529*	*–12 024*
	Comprehensive income	*0*	*0*	*0*	*48 280*	*529*	*48 809*
19	Share-based remuneration				305		305
18	Repayment of reserves from capital contributions						
	– Distribution in cash			–16 961			–16 961
	– Distribution in form of treasury shares		27 612	–36 749	8 423		–714
	Change in treasury shares		–1 422		5		–1 417
	Balance as at 31 December 2012	**1 444**	**–2 500**	**39 845**	**657 730**	**–29 314**	**667 205**
	Net income				30 207		30 207
	Other comprehensive income	*0*	*0*	*0*	*14 222*	*–1 393*	*12 829*
	Comprehensive income	*0*	*0*	*0*	*44 429*	*–1 393*	*43 036*
19	Share-based remuneration				305		305
	Purchase of treasury shares		–4 900				–4 900
18	Repayment of reserves from capital contributions			–39 782			–39 782
	Dividend				–17 458		–17 458
	Balance as at 31 December 2013	**1 444**	**–7 400**	**63**	**685 006**	**–30 707**	**648 406**

▲ For additional details see notes to the consolidated financial statements

Notes to the consolidated financial statements 2013

Accounting policies

General

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

Accounting principles

Schweiter Technologies AG prepares its consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS) on the basis of historical acquisition values with the exception of "financial assets at fair value through profit or loss", which are stated at fair value. In addition, it presents the information required by Swiss company law.

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

Adoption of new or revised accounting policies

The following new or revised standards and interpretations of the International Accounting Standards Board (IASB) were applied for the first time for the financial year beginning 1 January 2013:

New and revised standards adopted

IAS 1	(amendment) Presentation of Items of Other Comprehensive Income
IAS 27	Separate Financial Statements (as amended in 2011)
IAS 28	Interests in Associates and Joint Ventures (as amended in 2011)
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Miscellaneous	Amendments resulting from the Annual Improvement Project

These new and revised standards had no impact on the consolidated financial statements – with the exception of the amended presentation of items of other comprehensive income (IAS 1) and the additional disclosures relating to interests in other entities (IFRS 12) as well as relating to fair value measurement (IFRS 13). Schweiter Technologies has early applied the revised standard IAS 19 Employee Benefits early as of 1 January 2011.

Issued standards not yet adopted

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

New standards and interpretations		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IFRS 9	Financial Instruments	to be determined	to be determined	1)
IFRIC 21	Levies	1 January 2014	Financial year 2014	1) 2)
Amendments to standards				
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014	Financial year 2014	2)
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	Financial year 2014	2)
IAS 39	Novation of Derivatives	1 January 2014	Financial year 2014	3)
Misc.	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1 January 2014	Financial year 2014	3)
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014	Financial year 2014	3)

1) No or no material effects are expected on the consolidated financial statements of Schweiter Technologies.
2) Additional disclosures or amendments in the presentation of the consolidated financial statements of Schweiter Technologies are expected.
3) No effects are expected on the consolidated financial statements of Schweiter Technologies.

Basis of consolidation

The Group's consolidated financial statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, as well as the consolidated statement of cash flows and the consolidated statement of changes in equity are based on the audited annual statements of the companies included as at 31 December 2013 and 31 December 2012. The statements of the individual companies, which follow local requirements and customary practices, have been adapted to IFRS on the basis of standard Group-wide accounting and valuation principles and have been combined into the consolidated financial statements.

Principles of consolidation

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

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

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

Accounting policies

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

Operating segments

In line with the management structure and the procedures for reporting to Management and the Board of Directors, the operating segments comprise the two operationally active divisions SSM Textile Machinery and 3A Composites and the segment "Other/Eliminations", which contains the central management and financial functions of Schweiter Technologies AG (Holding) and eliminations from consolidation. The Group's chief operating decision maker is the Board of Directors of Schweiter Technologies AG. There are no differences between the accounting and valuation principles applied to segment reporting and those applied to the consolidated financial statements. Geographic information is broken down into the regions Europe, Americas, Asia and the rest of the world.

Changes in the scope of consolidation

During 2013, there were no business combinations that were either individually material or that were considered material on an aggregated basis.

As disclosed in the 2012 Annual Report, 3A Composites acquired JSB Plast's 50% share of the associated company Windkits LLC in accordance with its contractual obligations. The acquisition of the remaining 50% share took place on 1 July 2013. As of 30 September 2013 the 100% interest in Windkits LLC was sold to JSB Plast A/S.

Scope of consolidation

The following companies were fully consolidated as at 31 December:

				Investments	
Company	Purpose	Share capital in 1000s		**2013**	2012
Schweiter Technologies AG Horgen, Switzerland	Holding company	CHF	1 444	–	–
Nerwal SA La Chaux-de-Fonds, Switzerland	Property management	CHF	1 000	100%	100%
SSM Schärer Schweiter Mettler AG Horgen, Switzerland	Development, production and distribution	CHF	6 000	100%	100%
SSM Vertriebs AG Steinhausen, Switzerland	Distribution	CHF	100	100%	100%

Company	Purpose	Share capital in 1000s		Investments 2013	2012
SSM (Zhongshan) Ltd. Zhongshan, China	Production and distribution	USD	500	100%	100%
SSM Giudici S.r.l. Galbiate, Italy	Production and distribution	EUR	100	100%	100%
3A Composites Holding AG Steinhausen, Switzerland	Holding company	CHF	10000	100%	100%
3A Composites International AG Steinhausen, Switzerland	Distribution and management	CHF	100	100%	100%
3A Technology & Management AG Neuhausen, Switzerland	Development and property management	CHF	600	100%	100%
Airex AG Sins, Switzerland	Production and distribution	CHF	5000	100%	100%
3A Composites Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
3A Composites Holding Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
Foamalite Ltd. Loch Gowna, Ireland	Production and distribution	EUR	1905	100%	100%
3A Composites GmbH Osnabrück, Germany	Production and distribution	EUR	2556	100%	100%
3A Composites Holding Inc. Wilmington, DE, USA	Holding company	USD	0.1	100%	100%
Baltek Inc. Wilmington, DE, USA	Production and distribution	USD	0.05	100%	100%
3A Composites USA Inc. St. Louis, MI, USA	Production and distribution	USD	1	100%	100%
Alucobond (Far East) Pte. Ltd. Singapore	Distribution	SGD	15800	100%	100%

Accounting policies

Company	Purpose	Share capital in 1000s		Investments 2013	Investments 2012
3A Composites (China) Ltd. Shanghai, China	Production and distribution	USD	20 000	100%	100%
Alucobond Composites (Jiangsu) Ltd. Changzhou, China	Production and distribution	USD	1 500	100%	0%
3A Composites India Pte. Ltd. Mumbai, India	Production and distribution	INR	65 693	100%	100%
Plantaciones de Balsa Plantabal S.A. Guayaquil, Ecuador	Production	USD	42.4	100%	100%
Balmanta S.A. Guayaquil, Ecuador	Production	USD	3 018	100%	100%
Banova Innovaciones en Balsa S.A. Quevedo, Ecuador	Production and distribution	USD	1 000	100%	0%
3A Composites do Brasil Ltda. Cuiabá, MG, Brazil	Production	BRL	340	100%	100%

Net revenues and realization of income

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

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

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

Foreign currency translation

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

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

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

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

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

The following exchange rates were applied (in CHF)				Year-end rate 31.12. for the balance sheet		Average rate for the income statement	
				2013	2012	**2013**	2012
USA	Dollar	USD	1	0.893	0.913	0.927	0.938
EU	Euro	EUR	1	1.227	1.207	1.230	1.205
China	Yuan	CNY	1	0.146	0.145	0.149	0.148
Singapore	Dollar	SGD	1	0.702	0.746	0.741	0.751
India	Rupee	INR	100	1.440	1.671	1.590	1.744

Derivative financial instruments

Derivative financial instruments are recorded in the balance sheet at market values in accordance with IAS 39. The financial instruments are recorded on the balance sheet as of the trading date. The Group partially uses forward exchange contracts as a means of hedging foreign currency risks. A forward exchange contract used to hedge an underlying transaction, in particular a firm commitment or a trade receivable denominated in a foreign currency, constitutes a fair value hedge. In this case the changes in market value arising from the hedging transaction and the change in the value of the underlying transaction arising from the hedged risk are taken to income under consideration of deferred taxes. In addition, the Group uses derivative financial instruments to hedge cash flows (especially foreign currency and aluminum forwards). The group applies no hedge accounting for these derivative financial instruments. The changes in the market value of derivative financial instruments are recognized in other operating expenses or income. The classification of financial instruments is set out in note 35.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, postal and bank account balances and money market investments with maturities up to 3 months.

Accounting policies

Trade receivables

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

Inventories

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

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

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

Property, plant and equipment

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

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

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

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

Investment property

Investment properties are undeveloped land, residential, office and warehouse space and technical laboratories held for the purpose of generating rental income. These buildings are not used by Schweiter Technologies or only to an insignificant degree. Investment properties are carried at historical cost less commercially necessary straight-line depreciations. Current market values are periodically determined by independent experts and disclosed in the notes.

Biological assets

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

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

Tree plantings older than two years are stated at market value, derived from the market price for green balsa sawn timber. In principle, the market valuation is restated whenever there is a significant price change, but at least at the end of each quarter.

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

Investments in associated companies

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

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for the non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed.

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

Other intangible assets

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

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

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

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

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

Impairment

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

Provisions

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

Income taxes

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

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

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries and associates except where the

Accounting policies

Group is able to control the distribution of earnings from these respective entities and where dividend payments are not expected to occur in the foreseeable future.

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

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

Employee benefits

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

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

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

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

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

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

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

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

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

The pension obligations or pension plan assets recognized in the consolidated financial statements correspond to the surpluses or shortfalls of the defined benefit pension plans. However, the pension plan assets recognized are limited to the present value of the economic benefit to the Group from future reductions in contributions or refunds.

Obligations resulting from termination of employment are recognized at the stage when the Group no longer has any other option but to finance the benefits offered. In any event, the expense will be recognized latest at the stage when the other restructuring expenses are also recognized.

For other long-term benefits, the present value of the obligation is recognized on the balance sheet date. Changes in the present value are recognized directly in the income statement as personnel expenses.

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

Share-based payments

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

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

Non-current assets (or disposal groups) classified as held for sale

Any non-current assets held for sale and discontinued operations are presented under this item. This includes all those assets associated with the discontinuation of entire lines of business or geographical areas of operation, which are to be realized through a sale transaction rather than through continued use.

Reclassifications are only made if management is committed to the sale and has started seeking buyers. In addition, the asset or disposal group must be available for sale in its current condition and its sale must be highly probable within one year.

Non-current assets or disposal groups classified as held for sale are no longer depreciated. If necessary, they are written down for impairment.

The income and expenses of discontinued operations are separated from ordinary income and expenses in the income statement for both the reporting period and the prior-year down to the net income level. The resulting gain or loss (after taxes) is presented separately in the income statement.

Risk assessment

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

Risks borne by the company itself are strictly monitored. The most recent risk assessment by the Board of Directors was performed in October 2013.

Accounting policies

Financial risk management

Market risks and
risk management basic principles

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

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

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

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

Foreign currency risk

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

Foreign currency risks arising from the conversion of items in the income statements and balance sheets of foreign Group companies are not hedged. If the Swiss franc had been 5% stronger against the euro (US dollar) on 31 December 2013 with all other variables unchanged, the pre-tax result of the Schweiter Technologies Group would have been lower by CHF 0.6 million (CHF 0.6 million) (previous year: CHF 0.6 million (euro) and CHF 2.4 million (US dollar)) and shareholders' equity would have been lower by CHF 1.6 million (CHF 1.8 million).

Conversely, if the Swiss franc had been 5% weaker against the euro (US dollar) on 31 December 2013 with all other variables unchanged, the pre-tax result of the Schweiter Technologies Group would have been higher by CHF 0.6 million (CHF 0.6 million) (previous year CHF 0.6 million (euro) and CHF 2.4 million (US dollar)) and shareholders' equity would have been higher by CHF 1.6 million (CHF 1.8 million).

Interest rate risks

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

A 1% point rise in interest rates would push up the interest result by around CHF 3.5 million (previous year: CHF 3.8 million). By the same token, a 1% point fall in interest rates would reduce the interest result by CHF 0.5 million (previous year: CHF 0.9 million).

Credit risks

Cash and cash equivalents:
As a component of risk policy, the Group's cash and cash equivalents are invested with various first-class banks, mainly in the form of term deposits or current account balances. The Group is exposed to credit risks in the event of banks failing to fulfill their obligations. The banks' credit ratings are regularly reviewed, as are the sums invested with each bank.

Receivables:
There is no concentration of credit risks relating to trade accounts receivable. To minimize default risks, additional collateral (e.g. irrevocable confirmed documentary credits, bank guarantees, credit risk insurance etc.) is agreed upon where appropriate based on specific industry, country and customer analysis.

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

Liquidity risk

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

As of 31 December 2013 and 31 December 2012, the Group's financial liabilities have the following due dates. The information is calculated on the basis of the terms to maturity within the balance sheet and the contractually agreed interest and repayment figures.

Financial liabilities 2013: carrying amount and cash outflows

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

Financial liabilities 2012: carrying amount and cash outflows

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

Accounting policies

Capital management

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

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

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

Assumptions and use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities as well as contingent liabilities and contingent assets at the date of the financial statements, and which also affect expenses and revenues in the reporting period. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances. The results subsequently achieved may differ from these estimates.

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

Revenue recognition

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

Property, plant and equipment, goodwill and intangible fixed assets

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

Income taxes

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

Receivables and inventories

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

Pension plans

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

Provisions for litigation

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

Operating segments 2013

	(in CHF millions) **Continuing operations**	SSM Textile Machinery	3A Composites	Other/ Eliminations	Group
	Net revenues from continuing operations [1]	73.7	612.0	0.5	686.2
	Operating income from continuing operations	74.9	613.2	0.4	688.5
26	Depreciation and amortization [2]	1.2	21.0	–	22.2
26	Impairment	–	1.1	–	1.1
	Operating result from continuing operations	**6.8**	**35.5**	**3.2**	**45.5**
	Financial income				0.9
	Financial expenses				– 3.9
	Share of result of associated companies	–	– 1.6	–	– 1.6
	Income before taxes				**40.9**
	Income taxes				– 10.7
	Net income from continuing operations	**6.8**	**16.2**	**7.2**	**30.2**
	Capital expenditure in property, plant and equipment	0.8	30.2	–	31.0
	Capital expenditure in intangible assets	–	–	–	–
	Total capital expenditure	0.8	30.2	–	**31.0**
	Assets	54.5	538.6	260.3	**853.4**
	Liabilities	41.1	378.5	– 214.6	**205.0**
	Employees at year-end	242	2081	6	**2329**

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

Geographical information 2013 (in CHF millions)

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

[3] The revenues in Switzerland are insignificant.

Information on major customers 2013

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

Operating segments 2012

(in CHF millions)

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

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

Geographical information 2012 (in CHF millions)

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

[3] The revenues in Switzerland are insignificant.

Information on major customers 2012

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

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2013**	2012
CHF	264 500	240 259
EUR	42 190	33 555
USD	22 946	78 768
RMB	18 959	27 272
Other	3 460	2 750
Total	**352 055**	**382 604**

Cash and cash equivalents consist of cash deposits with banks and in postal check accounts. They carry interest ranging from 0% to 9.25% (INR).

2 **Trade receivables** (in CHF 1000s)	**2013**	2012
Total trade receivables	80 615	72 656
– less allowance for doubtful accounts receivable	– 2 931	– 2 171
Total trade receivables – net	**77 684**	**70 485**

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

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

Changes in the value adjustment for doubtful accounts receivable:	2013	2012
Balance as at 1 January	2 171	2 170
Change in the scope of consolidation	–	76
Foreign currency differences	– 2	– 14
Bad debt allowance used	– 31	– 336
Bad debt allowance released	– 257	– 241
Bad debt allowance increased	1 050	516
Balance as at 31 December	**2 931**	**2 171**

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

3 **Other receivables** (in CHF 1000s)	2013	2012
Financial assets:		
– Derivative financial instruments	54	36
– Receivables from associated companies	9 274	5 198
– Other receivables	8 163	5 500
Non-financial assets:		
– Receivables from indirect taxes	7 825	7 120
– Accounts receivable from social insurance schemes	473	879
Total	**25 789**	**18 733**

4 **Inventories** (in CHF 1000s)	2013	2012
Raw materials and production parts	55 377	57 018
Semi-finished goods and work in progress	15 835	15 950
Finished goods and trading goods	41 309	37 080
Total	**112 521**	**110 048**

The net value of the inventories is after value adjustments of CHF 16.4 million (previous year: CHF 19.1 million). As in prior year, all finished goods are stated in the balance sheet at manufacturing cost. The value adjustment was determined on the basis of the salability and range of the inventories. As in prior year, no reinstatements were recorded as income. No inventories are encumbered by rights of lien.

Notes to the consolidated financial statements

5 Property, plant and equipment 2013

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery Tools	Furnishings	Computer equipment	Vehicles	Assets under construction	Total
Cost								
Balance as at 1 January 2013	114331	11098	221399	2585	11994	3514	6276	371197
Additions	8942	863	5922	170	897	240	14005	31039
Disposals	−1730	−551	−1456	−37	−574	−495	–	−4843
New classifications	492	152	4575	–	60	43	−5322	0
Exchange rate differences	−963	−6	−434	−3	84	−32	−409	−1763
Balance as at 31 Dec. 2013	**121072**	**11556**	**230006**	**2715**	**12461**	**3270**	**14550**	**395630**
Accumulated depreciation								
Balance as at 1 January 2013	−34462	−5196	−154360	−1535	−7523	−2731	−299	−206106
Depreciation for the year	−3771	−1065	−15948	−277	−2210	−317	–	−23588
Impairment	−571	–	−525	–	–	–	–	−1096
Disposals	86	435	1320	37	523	471	–	2872
New classifications	–	–	–	–	–	–	–	–
Exchange rate differences	−47	−76	8	17	−77	27	41	−107
Balance as at 31 Dec. 2013	**−38765**	**−5902**	**−169505**	**−1758**	**−9287**	**−2550**	**−258**	**−228025**
Net book value 31 Dec. 2013	**82307**	**5654**	**60501**	**957**	**3174**	**720**	**14292**	**167605**
Insurance values								504028
Net book value of pledged land and buildings								–
Net book value of leased property, plant and equipment								6607
14 Leasing obligations for property, plant and equipment reported on balance sheet								3629

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

5 Property, plant and equipment 2012

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

Insurance values	544 751
Net book value of pledged land and buildings	–
Net book value of leased property, plant and equipment	7 736
14 Leasing obligations for property, plant and equipment reported on balance sheet	4 368

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

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

Notes to the consolidated financial statements

6 Investment property

Rhytech site Neuhausen

The investment property in Neuhausen (RhyTech site) will continue to be carried at book value. On 9 June 2013, the population of Neuhausen approved the revision of the zoning plan for the RhyTech site. The completion of the rezoning and district planning procedures is expected in 2014. Construction of the new building complexes is planned to start in spring 2015. The conclusion of both planning procedures and the further development of the investment property will have a positive impact on the fair value of the investment property. However, the new market value (fair value) cannot be quantified exactly at this time, since the fair value is dependent on the future realization of the planned construction project.

The fair value of the investment property was reassessed by an independent expert at the end of 2013. As premises had deliberately been left vacant, fair value was assessed on the basis of intrinsic value rather than using the DCF method. At the same time the intrinsic value was based on the current valid zoning code (industrial zone). The current market value of the buildings was re-estimated at CHF 14.5 million (previous year: 16.5 million). Together with the land value of CHF 7.3 million (previous year: 5.2 million), the fair value of the property as a whole is assessed at CHF 21.8 million (previous year: 21.7 million).

The market value as of the end of 2013 is higher than the book value of the investment property, which is still stated at acquisition costs less straight-line depreciation over a useful life of 40 years.

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

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

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

(in CHF 1000s)	**2013**	2012
Cost		
Balance as at 1 January	37 047	23 124
Reclassification from property, plant and equipment	0	13 329
Additions	0	594
Disposals	– 13 923	0
Exchange rate differences	0	0
Balance as at 31 December	**23 124**	**37 047**
Accumulated depreciation		
Balance as at 1 January	– 1 436	– 956
Reclassification from property, plant and equipment	0	0
Disposals	592	0
Depreciation for the year	– 1 029	– 480
Exchange rate differences	0	0
Balance as at 31 December	**– 1 873**	**– 1 436**
Net book value 31 December	**21 251**	**35 611**

7 Biological assets

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

Balsa (Ochroma pyramidale) is a fast growing tree which can reach heights of up to 30 meters. Balsa is very soft and light and has an open-pored surface structure. It is also very firm and rigid relative to its weight, has excellent fatigue properties and shows high impact resistance. Balsa bonds very well with all common types of adhesive and can be worked using most standard timber processing techniques.

At the end of 2013, Baltek Ecuador had 106 plantations with a surface area of 9364 hectares, 4500 hectares of which are currently planted with balsa trees. This makes Baltek Ecuador's largest plantation owner and balsa wood producer. In 2013, a total of 24449365 board feet of green sawn timber were produced from our own plantations. A "board foot" is a unit of volume for timber. The quantity produced is equivalent to 57694 cubic meters.

At the end of 2013, the value of the biological assets amounted to CHF 13.6 million (previous year: CHF 14.5 million), of which CHF 4.0 million (previous year: CHF 4.0 million) are accounted for by young plantations less than two years old that are stated at amortized acquisition and production costs. Plantations more than two years old are stated at market value (level 2 valuation), which came to CHF 9.6 million (previous year: CHF 10.5 million).

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

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

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

(in CHF 1000s)	**2013**	2012
Book value as at 1 January	**14 452**	**15 638**
Gain or loss as a result of change in market value less selling costs	306	– 781
Increase as a result of growth and maintenance measures	2 289	2 557
Decrease as a result of harvest	– 2 221	– 2 479
Wind damage	– 172	– 93
Sale of plantations	– 788	0
Exchange rate adjustments as a result of currency translation	– 302	– 390
Book value as at 31 December	**13 564**	**14 452**

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

Notes to the consolidated financial statements

8 Investment in associated companies

As disclosed in the 2012 Annual Report, 3A Composites acquired JSB Plast's 50% share of the associated company in accordance with its contractual obligations. The acquisition of the remaining 50% share took place on 1 July 2013. Due to the fact that the 100% interest in Windkits LLC was sold to JSB Plast A/S on 30 September 2013, the company 3Tee Composites Ltd. is the only investment in associated companies as at 31 December 2013. The associate 3Tee Composites Ltd. operates in the wind market in China. The investment is accounted for using the equity method.

The following table provides an overview over the investment in associated companies as at 31 December:

		Investments	
Company	**Purpose**	**2013**	2012
Windkits LLC Wilmington, DE, USA	Production and distribution	–	50.0%
3Tee Composites (Shanghai) Co. Ltd. Shanghai, China	Production and distribution	49.9%	49.9%

Aggregated information of associates that are not individually material:

(in CHF 1000s)	**2013**	2012
Net income / (loss) from continuing operations	– 3 014	– 1 694
Net income / (loss) from discontinued operations	0	0
Other comprehensive income	24	– 176
Total comprehensive income	– 2 990	– 1 870
Aggregated carrying amount of the Group's interest	**1 168**	**4 325**

For more information regarding the sale of investments in associated companies please refer to note 32.

9 **Financial assets** (in CHF 1000s)	**2013**	2012
Non-current receivables	2 020	119
Other financial assets	1 547	1 134
Total	**3 567**	**1 253**

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

Since no end to the useful life of the capitalized brand names AIREX®, ALUCOBOND®, BALTEK®, DIBOND®, GATOR® and KAPA® is foreseeable and as they are still maintained through marketing activities, they are defined as assets with an indefinite useful life. Brands with an acquisition value of CHF 33.9 million as of the end of December 2013 will therefore not be amortized on a planned basis, but are subjected to an annual impairment test or whenever there is an indication of impairment.

The recoverable amount of the brands was calculated on the basis of fair value less cost to sell. This involved applying the relief-from-royalty method, whereby the commercial advantage of the brand owner is determined on the basis of the discounted royalty savings. During the budgeted period of five years, the cash flow forecasts are based on the expected royalty savings of between 0.4% and 3.0%. The constant annual growth rate after the fifth forecasting year is between 1.0% and 4.0%. The cash flows calculated in this way are discounted at various rates for each brand name ranging from 10.0% to 12.1% p.a. (previous year: 8.7% to 11.3% p.a.). A 1% point increase in the discounting rates would also not result in any impairment.

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

As in the previous year, no development expenses were capitalized in the year under review. Development expenses amounted to CHF 12.2 million (previous year: CHF 11.9 million).

Notes to the consolidated financial statements

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

Goodwill 2013

Cash generating unit	Book value in CHF 1000s	Method	Basis for determining recoverable amount	Discount rate before taxes	Projection period	Long-term growth rate
SSM Giudici	2 078	DCF	Value-in-use	10.7%	5 years	1%
3A Composites Division	8 177	DCF	Value-in-use	9.5%	5 years	1%
Total	**10 255**					

In the course of a review of the cash-generating units it has been determined that the Indian company does not generate independent cash flows and therefore does not meet the criteria of a cash generating unit. Due to the integrated business model, the 3A Composites division is the smallest identifiable cash generating unit. Consequently, the previously reported goodwill from 3A Composites India (CHF 5.8 million) was allocated retrospectively to the goodwill from the 3A Composites division. In 2013, an impairment test for the goodwill 3A Composites India was performed on both levels – at the level of the local entity (former cash-generating unit) as well as at the level of the 3A Composites division (new cash generating unit).

Neither the impairment test at the local level nor the impairment test at the division level led to an impairment.

Goodwill 2012

Cash generating unit	Book value in CHF 1000s	Method	Basis for determining recoverable amount	Discount rate before taxes	Projection period	Long-term growth rate
SSM Giudici	2 044	DCF	Value-in-use	10.3%	5 years	1%
3A Composites Division	8 177	DCF	Value-in-use	9.1%	5 years	1%
Total	**10 221**					

11 **Current financial liabilities** (in CHF 1000s)	**2013**	2012
Loans falling due within one year	2 080	1 583
14 Short-term leasing liabilities	559	653
Total	**2 639**	**2 236**

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

31 December	**2013**	Actual interest rates	31 December	2012	Actual interest rates
INR	2 080	3.11%	INR	1 583	3.00%
CHF	559	2.76%	CHF	559	2.61%
EUR	0	–	EUR	94	7.72%
Total	**2 639**			**2 236**	

12 **Other payables** (in CHF 1000s)	**2013**	2012
Financial liabilities:		
– Derivative financial instruments	0	0
– Other liabilities	3 393	4 700
Non-financial liabilities:		
– Obligations towards social insurance schemes	1 998	1 499
– Obligations resulting from sales taxes	660	1 068
Total	**6 051**	**7 267**

13 **Accrued expenses and deferred income** (in CHF 1000s)	**2013**	2012
Outstanding volume discounts and customer credits	6 797	6 947
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	17 152	17 275
Cost of materials / overheads	3 136	2 353
Other accrued expenses and deferred income	8 005	6 959
Total	**35 090**	**33 534**

14 **Obligations arising from finance leasing** (in CHF 1000s)	**2013**	2012
Obligations arising from finance leasing (nominal), due in:		
– one year	643	674
– 2 to 5 years	2 420	2 548
– more than 5 years	566	1 146
Total nominal value	**3 629**	**4 368**
less future financial expense	– 277	– 363
Total present value of minimum leasing obligations	3 352	4 005
Reporting on balance sheet by due date		
11 – in one year (in current financial liabilities)	559	653
15 – in more than one year (in non-current financial liabilities)	2 793	3 352
Total present value of minimum leasing obligations	**3 352**	**4 005**

Notes to the consolidated financial statements

	15 **Non-current financial liabilities** (in CHF 1000s)	**2013**	2012
14	Long-term leasing obligations	2 793	3 352
	Total	**2 793**	**3 352**
	The maturities of the non-current financial liabilities are as follows:		
	– 2 to 5 years	2 234	2 210
	– more than 5 years	559	1 142
	Total	**2 793**	**3 352**

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

31 December	**2013**	Actual interest rates	31 December	2012	Actual interest rates
CHF	2 793	2.76%	CHF	3 352	2.61%
Total	**2 793**			**3 352**	

16 Employee benefits

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

Defined contribution pension plans

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

For the 2013 financial year, the employer's contribution to defined contribution plans amounted to CHF 25 000 (previous year: CHF 1.0 million).

Defined benefit plans

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

Pension plans in Switzerland

The Group operates a staff pension plan in Switzerland. The assets of this plan are segregated into an autonomous foundation. The Board of Trustees is made up of equal numbers of employee and employer representatives. Under the law and the pension regulations, the Board of Trustees has a duty to act only in the interests of the foundation and the beneficiaries (active insured members and members receiving pensions). This means that the employer itself cannot determine the benefits or how they are financed. Instead, the decisions are taken jointly.

The Board of Trustees is responsible for defining the investment strategy, for making changes to the pension fund regulations and in particular also for defining the financing of the pension benefits.

Pension benefits are based on retirement savings. The annual retirement credits and interest will be credited to these retirement savings (there will be no possibility of negative interest). When insured members come to retire, they will be able to choose whether to take a pension for life, which will include a reversionary spouse's pension, or a lump sum. In addition to retirement benefits, the plan benefits will also include disability and partner pensions. These will be calculated as a percentage of the employee's annual pensionable salary. Insured members may also buy into the scheme to improve their pension provision up to the maximum amount permitted under the rules or may withdraw funds early for the purchase of a residential property for their own use. On leaving the company, the retirement savings will be transferred to the pension institution of the new employer or to a vested benefits institution. This type of benefit may result in pension payments varying considerably between individual years.

In defining the benefits, the minimum requirements of the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and its implementing provisions must be observed. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2013, the rate is 1.5%, the same rate as in 2012. For the year 2014, the Federal Council has decided an increase to 1.75%.

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

Europe

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

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

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

Americas

In the US, staff who leave the Group after the age of 62 and who meet the vesting criteria are entitled to health insurance benefits under the Group's pension plan. The plan reimburses a fixed age-dependent amount of the health insurance costs. This means that the plan is no longer subject to the risk of the future development of medical expenses. Thus, the main residual actuarial risk still lies in future changes in life expectancy. The plan has no assets segregated from the Group and the benefits are paid directly by the employer.

In addition, the Group provides some former employees and retirees in the US with pensions benefits through a multi-employer plan. Because of the structure of its benefits, this plan is a defined benefit plan. The benefits are dependent on the number of years of service and the insured salary. The employer's contributions to this plan are de-

Notes to the consolidated financial statements

termined on the basis of the negotiated collective labor agreement and the financial position of the plan. The main risks are interest risks, investment risks and the risk of an increase in life expectancy.

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

The most recent actuarial valuations of the present values of the defined benefit obligations as of 31 December 2013 and of service costs were conducted by independent actuaries in accordance with the projected unit credit method.

The fair value of the plan assets was determined as of 31 December 2013 on the basis of the information known at the time when the annual financial statements were prepared.

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

31 December				**2013**				2012
	Switzerland	EU	America	Weighted	Switzerland	EU	America	Weighted
Discount rate	2.45%	3.74%	3.65%	2.77%	2.00%	3.50%	3.27%	2.33%
Future increases in salaries	1.50%	2.66%	0.52%	1.45%	1.50%	2.67%	0.47%	1.43%
Future pension adjustments	0.10%	1.94%	0.44%	0.33%	0.10%	1.94%	0.43%	0.31%
(in years)								
Life expectancy at age 65								
Year of birth 1948								
– Men	21	18	19		21	18	19	
– Women	24	23	22		24	23	22	
Year of birth 1968								
– Men	23	22	21		23	22	21	
– Women	26	26	23		25	26	23	
Cost trends in the healthcare sector	–	–	–	–	–	–	–	–

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

Pension expense recognized in the income statement

31 December				2013				2012
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Service costs								
– Current service costs	3868	537	513	4918	4547	378	578	5503
– Past service costs	0	0	–1065	–1065	–11941	0	–4631	–16572
– Plan settlements	0	0	0	0	0	0	0	0
Net interest expense	598	618	590	1806	841	628	683	2152
Total pension expense for the period	**4466**	**1155**	**38**	**5659**	**–6553**	**1006**	**–3370**	**–8917**

Remeasurements recognized in other comprehensive income

31 December				2013				2012
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Actuarial (gains)/losses								
– Based on adjustment of demographic assumptions	0	0	0	0	0	0	0	0
– Based on adjustment of economic assumptions	–9215	–853	–880	–10948	9697	3984	2459	16140
Experience adjustments	–1997	–146	–319	–2462	1542	–155	–722	665
Return on pension assets (excluding amounts in net interest expenses)	–3021	–34	–1787	–4842	–359	0	–1194	–1553
Total expense recognized in the "statement of other comprehensive income"	**–14233**	**–1033**	**–2986**	**–18252**	**10880**	**3829**	**543**	**15252**
Total pension costs	**–9767**	**122**	**–2948**	**–12593**	**4327**	**4835**	**–2827**	**6335**

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

Changes in the present value of defined benefit obligations

31 December				2013				2012
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening present value of defined benefit obligations	150 683	17 894	34 875	203 452	177 797	12 830	38 197	228 824
Current service cost	3 868	537	513	4 918	4 547	378	578	5 503
Plan participants' contributions	2 753	22	0	2 775	3 548	30	0	3 578
Interest expenses on the present value of the obligations	2 935	633	1 127	4 695	4 296	641	1 337	6 274
Actuarial gains / losses	−11 212	−999	−1 199	−13 410	11 239	3 829	1 737	16 805
Past service costs	0	0	0	0	−11 941	0	−4 631	−16 572
Plan settlements	0	0	0	0	−962	0	0	−962
Plan curtailments	0	0	−1 065	−1 065	0	0	0	0
Business acquisitions	0	0	0	0	0	611	0	611
Sale of business	0	0	0	0	−25 955	0	0	−25 955
Benefits paid through plan assets	−7 841	0	−1 195	−9 036	−11 886	0	−1 210	−13 096
Benefits paid by employer	0	−279	−469	−748	0	−343	−521	−864
Exchange rate differences	0	296	−698	−402	0	−82	−612	−694
Closing present value of defined benefit obligations	**141 186**	**18 104**	**31 889**	**191 179**	**150 683**	**17 894**	**34 875**	**203 452**

Changes in the fair value of plan assets

31 December				2013				2012
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening fair value of plan assets	118 007	367	18 244	136 618	140 338	283	18 095	158 716
Plan participants' contributions	2 753	22	0	2 775	3 548	30	0	3 578
Employer's contribution	2 753	39	2	2 794	4 074	42	4	4 120
Interest income on assets	2 337	15	537	2 889	3 455	13	654	4 122
Return on plan assets (excl. amounts included in interest)	3 021	34	1 787	4 842	359	0	1 194	1 553
Assets distributed on settlements	0	0	0	0	−962	0	0	−962
Sale of business	0	0	0	0	−20 919	0	0	−20 919
Benefits paid through plan assets	−7 841	0	−1 195	−9 036	−11 886	0	−1 210	−13 096
Exchange rate differences	0	7	−450	−443	0	−1	−493	−494
Closing fair value of plan assets	**121 030**	**484**	**18 925**	**140 439**	**118 007**	**367**	**18 244**	**136 618**

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

Amount recognized in the balance sheet

31 December				**2013**				2012
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Present value of funded obligation	141 186	8 611	24 034	173 831	150 683	8 446	25 637	184 766
Fair value of plan assets	–121 030	–484	–18 925	–140 439	–118 007	–367	–18 244	–136 618
Under/(over) funding	**20 156**	**8 127**	**5 109**	**33 392**	**32 676**	**8 079**	**7 393**	**48 148**
Present value of unfunded obligations	0	9 493	7 855	17 348	0	9 448	9 238	18 686
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**20 156**	**17 620**	**12 964**	**50 740**	**32 676**	**17 527**	**16 631**	**66 834**

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

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

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

Notes to the consolidated financial statements

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

31 December				2013				2012
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Equities	30430	0	7874	38304	29103	0	10071	39174
Bonds	63625	0	6783	70408	63502	0	2116	65618
Alternative financial assets	0	0	0	0	0	0	0	0
Real estate	21070	0	0	21070	21710	0	0	21710
Qualified insurance paper	0	484	0	484	0	367	0	367
Cash and cash equivalents and Other investments	5905	0	4268	10173	3692	0	6057	9749
Total	**121030**	**484**	**18925**	**140439**	**118007**	**367**	**18244**	**136618**

In 2013, the assets generated a gain of CHF 7.7 million (previous year: CHF 5.7 million). In the upcoming year employer's contributions are expected to amount to CHF 2.8 million (previous year: CHF 2.8 million), while pension payments to former employees are expected to amount to CHF 0.7 million (previous year: CHF 0.7 million).

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

31 December				2013				2012
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Active insured members	103072	12933	3175	119180	111343	13147	15311	139801
Former members with vested benefits	0	1110	16511	17 621	0	962	5130	6 092
Members receiving pensions	38114	4061	12203	54378	39340	3785	14434	57559
Total	**141186**	**18104**	**31889**	**191179**	**150683**	**17894**	**34875**	**203452**
(in years)								
Term of obligations	18.0	19.0	12.9	17.3	18.9	19.9	13.9	18.2

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

Change in present value of a defined benefit obligation:

31 December (in CHF 1000s)		**2013**		2012	
		+ 0.25%	– 0.25%	+ 0.25%	– 0.25%
All countries	Discount rate	– 7 491	7 621	– 8 083	8 516
All countries	Development of wages and salaries	924	– 963	1 208	– 1 168
Switzerland	Interest on retirement assets	1 412	– 1 522	1 438	– 1 498
EU	Pension indexation	541	– 518	549	– 519

Other long-term benefits
The Group has programs for long-service awards and other payments dependent on length of service which are classified as other long-term payments due to employees. As at 31 December 2013 there exists a provision in the amount of CHF 1.0 million (previous year: CHF 1.0 million) for other long-term payments.

Termination benefits
In Germany, partial retirement agreements are in place, which are classified as payments after termination of employee relationships. As at 31 December 2013 provisions amounting to CHF 0.6 million (previous year: CHF 1.6 million) are in place for these benefits. Offsetting assets are deducted when the provisions is determined.

17 **Provisions** (in CHF 1000s)	Restructurings	Guarantees	Litigation	Environmental obligations	Other	Total **2013**	Total 2012
Balance as at 1 January	1 133	4 771	7 219	3 286	2 745	19 154	18 222
Change in the scope of consolidation	–	–	–	–	–	–	490
Foreign currency differences	17	15	– 52	9	20	9	– 181
Consumption with neutral impact on income	– 659	– 1 221	– 399	– 246	– 686	– 3 211	– 4 328
Unused amounts reversed and released to income	–	– 289	– 940	–	–	– 1 229	– 1 827
Additional provisions charged to income	–	1 530	310	7	1 164	3 011	6 778
Balance as at 31 December	**491**	**4 806**	**6 138**	**3 056**	**3 243**	**17 734**	**19 154**
of which: current provisions						1 897	3 056
non-current provisions						15 837	16 098
Expected use of provisions							
– within one year						1 897	3 056
– in 2 to 5 years						14 371	12 651
– more than 5 years						1 466	3 447

Notes to the consolidated financial statements

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

The provisions for restructuring still unused as at end-2013 relate to the 3A Composites Neuhausen and Shanghai sites.

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

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

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

Other provisions:
Other provisions cover mainly material risks arising from framework agreements and obligations arising from personnel-related payments such as partial retirement and long-service awards. Material risks are based on empirical data and on commitments to take delivery that are still outstanding as at 31 December 2013.

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

18 **Share capital**	**2013**	2012
Number of bearer shares issued with a par value of CHF 1	1 443 672	1 443 672
Share capital as at 31 December (in CHF)	1 443 672	1 443 672
Authorized capital (in CHF)	300 000	300 000
Conditional capital (in CHF)	132 600	132 600

Treasury shares	Number of bearer shares	Average price in CHF
As at 31 December 2012	5 634	
Purchases under the share buyback program	9 114	537.70
As at 31 December 2013	**14 748**	
of which shares used for the share-based remuneration scheme	2 085	

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

Authorized capital:

As of 31 December 2013 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on 9 May 2012 to issue a maximum of 300 000 bearer shares until 9 May 2014. The subscription right may be excluded for the purpose of taking over companies by share swaps, or for financing the acquisition of companies, parts of companies or participations or new investment projects of the company.

Conditional capital:

As of 31 December 2013, the company's share capital may be increased ex rights by up to 132 600 bearer shares, which must be fully paid-in;
a) up to a sum of CHF 32 600 through the exercise of employee option rights and
b) up to a sum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company. So far, no such bonds have been issued.

Repayment
from reserves from capital contributions:

At the General Meeting on 8 May 2013 the shareholders approved the conversion of reserves from capital contributions and the distribution of CHF 27.80 per bearer share. No repayment was made on treasury shares. The distribution amounts to a total of CHF 39.8 million.

Dividend:

At the General Meeting on 8 May 2013 the shareholders approved the distribution of a gross dividend of CHF 12.20 per bearer share. No repayment was made on treasury shares. The distribution amounts to a total of CHF 17.5 million.

For the 2013 financial year, the Board of Directors will propose to the Annual General Meeting of 7 May 2014 that a gross dividend of CHF 40.00 per bearer share shall be distributed.

Notes to the consolidated financial statements

19 Share-based payments

No employee shares were granted during the year under review. In financial year 2011, Schweiter Technologies AG granted selected employees free shares in Schweiter Technologies AG subject to a vesting period until 31 December 2014. 2085 shares were issued which, as of the cut-off date, are segregated from treasury holdings and held in a separate bank custody account. Since the issue was not tied to any further service conditions and the shares granted are fully entitled to dividend, the fair value of the equity instruments issued was estimated at the market price at the time of granting (CHF 487.75).

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

20 Transactions with related parties

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

21 Compensation for members of the Board of Directors and Management

Compensation for members of the Board of Directors in **2013** 1)

(in CHF 1000s)	Function	Fixed	Compensation for committee work 2)	Pension benefits 3)	Total
Beat Siegrist	Chairman	200	–	32	232
Dr. Lukas Braunschweiler	Member	75	10	6	91
Beat Frey	Member	75	–	3	78
Dr. Jacques Sanche	Member	75	10	6	91
Total compensation Board of Directors		**425**	**20**	**47**	**492**

1) For the period from 8 May 2013 until 7 May 2014 (dates of General Meeting)
2) Compensation for activities performed as a member of the Audit Committee
3) Employer's contribution to social insurance and pension fund

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

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

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

Compensation for members of the Management in **2013** (4 members)

(in CHF 1000s)	Function	Fixed	Variable [1)]	Share-based payments [2)]	Pension benefits [3)]	Total
Dr. Heinz O. Baumgartner [4)]	CEO Schweiter	800	200	305	138	1 443
Total compensation Management		**1 530**	**482**	**305**	**294**	**2 611**

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

Compensation for members of the Management in 2012 (6 members)

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

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

Notes to the consolidated financial statements

Share ownership

As of 31 December 2013, a total of 449324 shares were held by members of the Board of Directors or members of Management as a result of exercised options or private purchases (31 December 2012: 450168):

Surname	First name	Function	Number of shares 2013	Number of shares 2012
Siegrist	Beat	Chairman of the Board of Directors	83916	83916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Fischer [1)]	Heinrich	Member of the Board of Directors	N/A	844
Frey [2)]	Beat	Member of the Board of Directors	364973	364973
Baumgartner [3)]	Heinz O.	Group CEO	115	115

[1)] Heinrich Fischer was a member of the Board of Directors up until the Annual General Meeting of 8 May 2013
[2)] Beat Frey is a member of a shareholder group and holds his shares via KWE Beteiligungen AG / VBF Holding AG
[3)] In addition to the shareholdings listed, Dr. Heinz O. Baumgartner holds 2085 shares granted at the end of August 2011 with a vesting period until 31 December 2014 which are held in a separate bank custody account.

In addition to the shareholdings listed, Dr. Heinz O. Baumgartner, CEO of Schweiter Technologies, holds 2085 shares which are held in a separate bank custody account and are subject to a blocking period until 31 December 2014.

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

22 **Net revenues** (in CHF 1000s)	**2013**	2012
Net proceeds of deliveries of goods	681 299	667 813
Net proceeds of services	4 396	5 219
Rental income	487	491
Total	**686 182**	**673 523**

23 **Other operating expenses** (in CHF 1000s)	**2013**	2012
Direct sales and distribution costs	49 710	47 496
Purchasing and production overheads	40 007	35 454
Sales and distribution overheads	14 090	12 760
After sales overheads	1 601	2 257
Overheads relating to administration and capital taxes	16 842	17 539
Development overheads	3 401	3 422
Cost of premises	6 754	6 731
Loss on sale of tangible fixed assets	34	0
Decrease in market value of biological assets	0	781
Other operating expenses	109	229
Total	**132 548**	**126 669**

	24 **Income / expense from investment property – net** (in CHF 1000s)	**2013**	2012
	Income from investment property	2 833	1 650
	Expense for investment property	– 785	– 725
	Depreciation on investment property	– 1 029	– 480
	Gain on sale of investment property	4 711	–
	Total	**5 730**	**445**

	25 **Other operating income** (in CHF 1000s)	**2013**	2012
	Gain on sale of property, plant and equipment	3 173	1 773
	Increase in market value of biological assets	306	0
33	Negative goodwill (bargain purchase of Foamalite)	0	2 768
	Insurance reimbursement	3 795	0
	Other income	1 619	1 912
	Total	**8 893**	**6 453**

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

	26 **Depreciation and amortization** (in CHF 1000s)	**2013**	2012
5	Depreciation on property, plant and equipment	20 808	23 500
5	Impairment of property, plant and equipment	1 096	879
10	Amortization of intangible assets	1 380	2 499
	Total	**23 284**	**26 878**

	27 **Financial income** (in CHF 1000s)	**2013**	2012
	Interest income	944	1 463
	Other financial income	0	671
	Total	**944**	**2 134**

	28 **Financial expenses** (in CHF 1000s)	**2013**	2012
	Other financial expenses	429	0
	Interest expenses	2 398	2 690
	Exchange rate losses	1 098	868
	Total	**3 925**	**3 558**

Notes to the consolidated financial statements

29 **Income taxes** (in CHF 1000s)	**2013**	2012
Current taxes	11 210	8 353
Deferred taxes	– 494	2 321
Total	**10 716**	**10 674**

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

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

Reconciliation of income taxes (in CHF 1000s)	**2013**	2012
Income before taxes – continuing operations	40 923	50 822
Income tax rate at Head Office	19.7%	19.8%
Tax expense anticipated	8 062	10 063
Differences owing to differing local tax rates	2 204	3 212
Impact of other non-taxable income	– 1 091	– 2 516
Impact of non-tax-deductible expenditure	1 317	521
Non-capitalized losses on current results carried forward	973	517
Use of non-capitalized tax losses carried forward	– 1 423	– 315
Taxes from previous periods and other influencing factors	674	– 808
Effective tax expense	**10 716**	**10 674**
Effective tax rate	26.2%	21.0%

The Group operates in a range of countries with different tax laws and tax rates. Effective tax expenditure therefore depends on the country-specific origin of the income or losses in a given year. The 5.2% increase in the effective tax rate resulted from various compensating items including the profit mix from different countries with different tax rates, lower non-taxable income on the sale of land in Ecuador, changes in the assessment of deferred tax assets on tax loss carry-forwards as well as various other effects that were not individually significant.

30 Deferred tax assets (in CHF 1000s)	Trade receivables	Inventories/ work in progress	Pension obligations	Capitalized tax loss carry-forwards	Provisions	Other	Total **2013**	Total 2012
Balance as at 1 January	101	1924	11483	3689	3426	5387	26010	26612
32/33 Change in the scope of consolidation	–	–	–	–	–	–	–	–980
Foreign currency differences	–2	–21	70	–90	–78	–86	–207	–502
Recognized in other income	–	–	–4030	–	–	–	–4030	2699
Unused amounts reversed and released to income	–16	–420	–1731	–2495	–903	–1095	–6660	–11895
Additional provisions charged to income	5	147	223	1326	1134	1701	4536	10076
Balance as at 31 December gross	**88**	**1630**	**6015**	**2430**	**3579**	**5907**	**19649**	**26010**
Netting							–3728	–6664
Balance as at 31 December, net							**15921**	**19346**

As at 31 December 2013, the Group had non-capitalized tax loss carry-forwards of CHF 30.0 million (previous year: CHF 41.6 million), which can be offset against future earnings. These tax loss carry-forwards were not capitalized because of uncertainty over whether the future earnings will materialize. The tax loss carry-forwards for which no deferred tax assets were recognized will expire as follows:

(in CHF 1000s)	**2013**	2012
– one year	8 588	2 393
– 2 to 5 years	8 676	16 354
– in more than 5 years' time	3 394	13 139
– no expiration	9 321	9 732
Total	**29 979**	**41 618**
The tax loss carry-forwards expired without being used during the business year under review	2 332	0

31 Deferred tax liabilities (in CHF 1000s)	Trade receivables	Inventories/ work in progress	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2013**	Total 2012
Balance as at 1 January	506	1106	15968	9734	1303	619	29236	28647
32/33 Change in the scope of consolidation	–	–	–	–	–	–	–	985
Foreign currency differences	2	–4	–109	–66	–29	1	–205	–292
Recognized in other income	–	–	–	–	–	–	–	0
Unused amounts reversed and released to income	–298	–40	–2653	–710	–	–39	–3740	–2625
Additional provisions charged to income	287	0	120	547	65	103	1122	2521
Balance as at 31 December, gross	**497**	**1062**	**13326**	**9505**	**1339**	**684**	**26413**	**29236**
Netting							–3728	–6664
Balance as at 31 December net							**22685**	**22572**

As of 31 December 2013 the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 88.8 million (previous year: CHF 52.5 million). No deferred taxes were recorded for these taxable temporary differences.

Notes to the consolidated financial statements

32 Sale of businesses / discontinued operations

The acquisition of the 50% stake in the associated company Windkits LLC as at 1 July 2013 and the subsequent sale of the 100% interest in Windkits LLC as at 30 September 2013 resulted in a profit of CHF 0.7 million which is included in other operating income.

During the three month period 1 July 2013 to 30 September 2013 Windkits LLC generated net revenues of CHF 1.8 million and a net income of CHF 0.1 million. Based on materiality considerations, the Group refrained from detailed disclosure of sold assets.

In the previous year the 100% shareholding in Ismeca Semiconductor Holding AG was sold to the Cohu Group. The net assets of Ismeca Semiconductor as at 31 December 2012 were as follows:

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

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

(in CHF 1000s)	2012
Net revenues	77 729
Operating profit	**77 616**
Cost of materials	– 37 444
Personnel expenses	– 24 887
Other operating expenses	– 11 786
Other operating income	900
Depreciation and amortization	– 997
Financial income	200
Financial expenses	– 149
Income before taxes	**3 453**
Income taxes	– 405
Net income from operating activity	**3 048**
Income from the sale of discontinued operations	17 637
Income from discontinued operations	**20 685**

Notes to the consolidated financial statements

33 **Mergers**

2013

In the financial year 2013 there were no business combinations that were either individually material or that were material on an aggregated basis.

2012

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

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

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

Acquisition of Foamalite Ltd.
On 13 June 2012 3A Composites Holding AG acquired all the shares of Foamalite Ltd. in Loch Gowna, Ireland. The purchase price amounted to CHF 9.1 million. Foamalite Ltd. produces and distributes PVC foam sheets and PET plastic sheeting and serves the entire European market in both segments. As a result of this acquisition, 3A Composites is continuing to expand its leading market position in the foam sheets sector in Europe, while at the same time expanding its product range to include transparent plastic sheeting.

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

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

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

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

Overview of the assets and liabilities acquired in 2012 and recognized at the time of acquisition

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

Notes to the consolidated financial statements

34 **Earnings per share**		**2013**	2012
Net income from continuing operations	(in CHF 1000s)	30 207	40 148
Net income	(in CHF 1000s)	30 207	60 833
Average number of shares issued		1 443 672	1 443 672
less average number of treasury shares		– 14 748	– 31 842
Average number of shares outstanding		**1 428 924**	**1 411 830**
Dilution effect resulting from the average number of shares for share-based payments		2 085	2 085
Average number of shares outstanding after dilution effect		**1 431 009**	**1 413 915**
Earnings per share (in CHF)			
From continuing operations:			
– undiluted		21.14	28.44
– diluted		21.11	28.40
From continuing and discontinued operations:			
– undiluted		21.14	43.09
– diluted		21.11	43.02

35 Financial instruments measured at fair value

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

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

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

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

As in 2012, no cash flow hedges were used in 2013. As at 31 December 2012, fair value hedges were outstanding. The maturities of outstanding forward exchange transactions ranged from 1 to 2 weeks (previous year: from 4 to 6 months).

The change in the fair values for the forward exchange and swap transactions in 2013 resulted at year-end in an unrealized valuation loss of CHF 54 360.

Forward exchange and swap transactions (in CHF 1000s)	**2013**	2012
Total amount of outstanding forward exchange and swap transactions		
– Sale of US dollars for CHF, contract value	982	22 833
– Average exchange rates per USD	0.8880	0.9147
– Sale of euros for CHF, contract value	11 658	0
– Average exchange rate per euro	1.2220	–

36 **Contingent liabilities** (in CHF 1000s)

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

3A Composites (China) Ltd. has filed a lawsuit against the former distributor Sino Composites Co. Ltd. in respect to a breach of contract (failure to fulfill a purchase guarantee). In response, Sino Composites Co. Ltd. has filed a counterclaim against 3A Composites (China) Ltd. demanding the return of part of the material already delivered. Both law suits are still pending at this time. The outcome of this matter is open.

Contingent liabilities (in CHF 1000s)	**2013**	2012
Warranties and guarantees	3 198	7 096
Total	**3 198**	**7 096**

Commitments to take delivery:
Under purchase contracts for machine parts and raw materials, commitments to take delivery amounting to CHF 23.7 million (previous year: CHF 17.0 million) and with maximum maturities of 3 years have been entered into in the course of ordinary business activities. Outstanding commitments to take delivery of property, plant and equipment amounted to CHF 2.3 million (previous year: CHF 0.3 million).

Notes to the consolidated financial statements

37 Categories of financial instruments

Financial assets

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

(in CHF 1000s)	Cash	Fair value through profit and loss	Loans and receivables	Carrying amount	Fair value
31 December 2013					
Cash and cash equivalents	352 055			352 055	352 055
Trade receivables			77 684	77 684	77 684
Other receivables		54	17 437	17 491	17 491
Financial assets			3 567	3 567	3 567
Total	**352 055**	**54**	**98 688**	**450 797**	**450 797**
31 December 2012					
Cash and cash equivalents	382 604			382 604	382 604
Trade receivables			70 485	70 485	70 485
Other receivables		36	10 698	10 734	10 734
Financial assets			1 253	1 253	1 253
Total	**382 604**	**36**	**82 436**	**465 076**	**465 076**

Financial liabilities

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

(in CHF 1000s)	Fair value through profit and loss	Measured at amortized cost	Carrying amount	Fair value
31 December 2013				
Current financial liabilities		2 639	2 639	2 639
Trade payables		45 978	45 978	45 978
Other liabilities		3 393	3 393	3 393
Non-current financial liabilities		2 793	2 793	2 793
Total		**54 803**	**54 803**	**54 803**
31 December 2012				
Current financial liabilities		2 236	2 236	2 236
Trade payables		42 385	42 385	42 385
Other liabilities		4 707	4 707	4 707
Non-current financial liabilities		3 352	3 352	3 352
Total		**52 680**	**52 680**	**52 680**

38 **Rights of lien** (in CHF 1000s)	**2013**	2012
Assets encumbered by rights of lien	–	–

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

Commitments (in CHF 1000s)	**2013**	2012
– due in one year's time	6 058	6 058
– due in 2 to 5 years' time	12 224	11 572
– due in more than 5 years' time	1 955	8 042
Total	**20 237**	**25 672**

The commitments consist mainly of rental agreements for buildings used by the company itself. The average term of the agreements is 2.6 years (previous year: 3.2 years). Leasing obligations amounting to CHF 0.8 million are included (previous year: CHF 0.9 million).

Credit balances (in CHF 1000s)	**2013**	2012
– due in one year's time	1 394	3 271
– due in 2 to 5 years' time	4 949	8 683
– due in more than 5 years' time	240	5 479
Total	**6 583**	**17 433**

The credit balances consist of subleased premises.

40 Events occurring after the balance sheet date

No events occurred between the balance sheet date and the date of publication of this annual report which could have a significant impact on the consolidated financial statements 2013.

41 Approval of the annual financial statements

The Board of Directors approved the present consolidated annual financial statements at its meeting on 13 March 2014 and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 7 May 2014 approves the consolidated annual financial statements.

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

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Schweiter Technologies AG, which comprise the consolidated balance sheet as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes (pages 24 to 79) to the consolidated financial statements for the year then ended.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

Deloitte AG/SA

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

Zurich, 13 March 2014

Annual financial statements of Schweiter Technologies AG

Balance sheet as at 31 December 2013

	Assets (in CHF 1000s)	**2013**	2012
	Current assets		
	Cash and cash equivalents	256 289	290 589
	Securities (treasury shares)	7 400	2 500
	Other receivables due from third parties	51	158
	Other receivables due from Group companies	163	74
	Prepaid expenses and accruals	11	11
	Total current assets	**263 914**	**293 332**
	Non-current assets		
2	Investments	136 823	137 750
	Loans to Group companies	219 967	231 467
	Total non-current assets	**356 790**	**369 217**
	Total assets	**620 704**	**662 549**

	Liabilities (in CHF 1000s)		
	Current liabilities		
	Other payables towards third parties	255	1 522
	Accrued expenses and deferred income	1 102	1 353
	Total current liabilities	**1 357**	**2 875**
	Provisions	4 540	3 896
	Total non-current liabilities	**4 540**	**3 896**
	Total liabilities	**5 897**	**6 771**
	Shareholders' equity		
3	Share capital	1 444	1 444
	General statutory reserves	3 167	3 167
	Reserve for treasury shares	7 400	2 500
	Reserves from capital contributions	63	39 845
	Unappropriated reserves	1 071	1 071
	Retained earnings	601 662	607 751
	Total shareholders' equity	**614 807**	**655 778**
	Total liabilities and shareholders' equity	**620 704**	**662 549**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2013

	(in CHF 1000s)	**2013**	2012
	Investment income	13 000	57 000
4	Financial income	6 244	15 525
5	Rental income	1 037	1 039
	Management fee income	1 000	1 000
	Other income	2	3
	Total income	**21 283**	**74 567**
	Loss on sale of shareholding in Ismeca Semiconductor	–	– 34 263
6	Financial expenses	– 429	– 37
	Administrative expenses	– 1 046	– 1 318
	Personnel expenses	– 2 500	– 3 477
	Expenses on premises	– 682	– 682
	Other expenses	–	– 26
	Income before taxes	**16 626**	**34 764**
	Income taxes	– 356	228
	Net income	**16 270**	**34 992**

▲ For additional details see notes to the annual financial statements

Notes to the balance sheet and the income statement

1 Risk assessment

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

Risks borne by the company itself are strictly monitored. The most recent risk assessment by the Board of Directors was performed in October 2013. On the basis of this risk assessment, no further special provisions or value adjustments need to be reported in these annual financial statements.

2 Investments (in 1000s)

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

3 Share capital

	2013	2012
Number of bearer shares issued with a par value of CHF 1	1443672	1443672
Share capital as at 31 December (in CHF)	1443672	1443672
Authorized capital (in CHF)	300000	300000
Conditional capital (in CHF)	132600	132600

Treasury shares	Number of bearer shares	Average price in CHF
As at 31 December 2012	5 634	
Purchases under the share buyback program	9 114	537.70
As at 31 December 2013	**14 748**	
of which shares used for the share-based remuneration scheme	2 085	

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

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

Authorized capital:
As of 31 December 2013 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on 9 May 2012 to issue 300000 bearer shares until 9 May 2014. The subscription right may be excluded for the purpose of taking over companies by share swaps, or for financing the acquisition of companies, parts of companies or participations or new investment projects of the company.

Conditional capital:
As of 31 December 2013 the company's share capital may be increased ex rights by up to 132600 bearer shares, which must be fully paid-in;
a) up to a sum of CHF 32600 through the exercise of employee option rights and
b) up to a sum of CHF 100000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company. So far, no such bonds have been issued.

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

As at 31 December 2013, the following shareholders held more than 3% of voting rights (pursuant to Art. 663c of the Swiss Code of Obligations):

Percentage of shares held (according to most recent report)	**2013**	2012
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Wollerau [1]	25.3%	25.3%
Widmer shareholder group [2]	12.6%	12.6%
Beat Siegrist, Herrliberg	5.8%	5.8%
Goodmann & Company, Investment Counsel Ltd., Toronto, Canada	5.0%	5.0%
UBS Fund Management (Switzerland) AG, Basel	4.2%	–
Credit Suisse Asset Management Funds AG	3.2%	3.2%
Lombard Odier Asset Management (Switzerland) SA, Petit-Lancy	3.2%	–

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

Notes to the balance sheet and the income statement

4 **Financial income** (in CHF 1000s)	**2013**	2012
Interest income from Group companies	5 480	5 431
Interest paid by banks	142	282
Income from treasury shares	–	9 142
Exchange gains	622	–
Other operating income	–	670
Total	**6 244**	**15 525**

5 **Rental income** (in CHF 1000s)	**2013**	2012
Rental income from Group companies	600	600
Rental income from third parties	437	439
Total	**1 037**	**1 039**

6 **Financial expenses** (in CHF 1000s)	**2013**	2012
Interest expenses Group companies	–	4
Exchange losses	–	33
Other financial expenses	429	–
Total	**429**	**37**

7 Compensation for members of the Board of Directors and Management

Compensation for members of the Board of Directors in **2013** [1)]

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

[1)] For the period from 8 May 2013 until 7 May 2014 (dates of General Meeting)
[2)] Compensation for activities performed as a member of the Audit Committee
[3)] Employer's contribution to social insurance and pension fund

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

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

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

Compensation for members of the Management in **2013** (4 members)

(in CHF 1000s)	Function	Fixed	Variable [1)]	Share-based payments [2)]	Pension benefits [3)]	Total
Dr. Heinz O. Baumgartner [4)]	CEO Schweiter	800	200	305	138	1 443
Total compensation Management		**1 530**	**482**	**305**	**294**	**2 611**

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

Compensation for members of the Management in 2012 (6 members)

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

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

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

Share allocations
In the year under review, no shares were allocated to members of the Board of Directors, members of Management or selected employees. In the previous year, selected employees were allocated free shares in Schweiter Technologies AG subject to a vesting period until 31 December 2014 – 2085 shares were issued, which, as of the cut-off date, are segregated from the treasury holdings and held in a separate bank custody account.

Notes to the balance sheet and the income statement

Share ownership

As of 31 December 2013, a total of 449 324 shares were held by members of the Board of Directors or members of Management as a result of exercised options or private purchases (31 December 2012: 450 168):

Surname	First name	Function	Number of shares **2013**	Number of shares 2012
Siegrist	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Fischer [1]	Heinrich	Member of the Board of Directors	N/A	844
Frey [2]	Beat	Member of the Board of Directors	364 973	364 973
Baumgartner [3]	Heinz O.	Group CEO	115	115

[1] Heinrich Fischer was a member of the Board of Directors up until the Annual General Meeting of 8 May 2013
[2] Beat Frey is a member of a shareholder group and holds his shares via KWE Beteiligungen AG / VBF Holding AG
[3] In addition to the shareholdings listed, Dr. Heinz O. Baumgartner holds 2 085 shares granted at the end of August 2011 with a vesting period until 31 December 2014 which are held in a separate bank custody account.

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

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

Options

In financial years 2013 and 2012, no options were allocated to present or former members of governing and executive bodies (Board of Directors and Management) or other employees. As of 31 December 2013, no options were held by any member of a governing or executive body.

Loans to governing or executive bodies

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

8 Contingent liabilities

In connection with credit facilities extended to subsidiaries, the holding company has undertaken a guarantee in an amount up to a total of CHF 36.9 million (previous year: CHF 37.3 million). Of this amount, a total of CHF 5.3 million for credit, sureties and guarantees had been drawn on by subsidiaries as at 31 December 2013 (previous year: CHF 8.7 million).

9 Events occurring after the balance sheet date

No events occurred between the balance sheet date and the date of publication of this annual report which could have a significant impact on the financial statements 2013.

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

(in CHF 1000s)	2013
Earnings carried forward from previous year	590 292
Net income 2013	16 270
Allocation to reserve for treasury shares	– 4 900
Total earnings available to the General Meeting of Shareholders	**601 662**
The Board of Directors proposes to the General Meeting on 7 May 2014 the following appropriation of available earnings:	
Payment of a dividend of CHF 40.00 per bearer share	57 747 [1)]
Earnings carried forward	543 915
Total	**601 662**

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

If the General Meeting approves the proposals, the payout of a gross dividend of CHF 40.00 (CHF 26.00 after deduction of withholding tax) per bearer share will be made as of 14 May 2014.

The repayment and dividend payout may be redeemed free of charge in exchange for coupons no. 13 at any branch of CREDIT SUISSE.

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Schweiter Technologies AG, which comprise the balance sheet as at 31 December 2013 and the income statement and notes (pages 84 to 90) for the year then ended.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

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

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

We further confirm that the proposed appropriation of available earnings (page 91) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte AG/SA

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

Zurich, 13 March 2014

Compensation report

Compensation report

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

The present compensation report of Schweiter Technologies AG was prepared in compliance with the SIX Exchange Regulation Directive on Corporate Governance and the Swiss Code of Obligations (CO). Unless otherwise specified, the information is applicable as of the cut-off date of 31 December 2013.

Compensation for members of the Board of Directors

Principles

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

In addition to their annual compensation as members of the Board of Directors, the members of the Audit Committee receive a payment, likewise in cash, for their activity as committee members. This is to take account of the greater commitment such activities entail.

Apart from pension benefits (employer's contributions to social insurance and the pension fund), members of the Board of Directors receive neither variable compensation, nor any other remuneration.

The Board of Directors as a whole decides annually, according to its dutiful judgment, on the compensation paid to the members of the Board of Directors on the basis of the compensation paid at comparable Swiss listed companies (in terms of market capitalization, revenues, headcount).

Compensation for 2013 and 2012

The following tables show the compensation paid to members of the Board of Directors in 2013 and 2012. During the 2013 reporting year, the amount of compensation paid to the individual members of the Board of Directors was unchanged compared with the previous year (one member less).

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

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

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

Compensation for members of the Board of Directors in 2012 (GM date 9 May 2012 until GM date 8 May 2013)

(in CHF 1000s)	Function	Fee paid to BoD members	Compensation for committee work [1]	Pension benefits [2]	Total
Beat Siegrist	Chairman	200	–	25	225
Dr. Lukas Braunschweiler	Member	75	10	6	91
Heinrich Fischer	Member	75	–	5	80
Beat Frey	Member	75	–	3	78
Dr. Jacques Sanche	Member	75	10	5	90
Total compensation Board of Directors (5 members)		**500**	**20**	**44**	**564**

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

Compensation for members of Management

Principles

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

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

The compensation received by members of Management contains a fixed salary component (in cash) commensurate with the responsibility borne, a variable salary component (in cash), state social security contributions (AHV, ALV, IV, etc.) as well as pension fund contributions made by the company.

The fixed salary is reviewed annually and, where appropriate, adjusted for the following year. Moreover, in order to secure employee loyalty and in recognition of individual performances, the Board of Directors may allocate employee shares to members of Management and other senior executives and/or make a one-off incentive cash payment for extraordinary achievements.

A variable salary component (target bonus) is defined for each member of Management (with the exception of the CEO). The amount of the target bonus is primarily geared to the budgeted results of the Group (EBITDA, net income) and the individual divisions (EBITDA, net income of the individual divisions) and is dependent on the achievement of the Management member's personal targets. All performance assessment criteria are laid down at the beginning of each year. On the basis of the budget, the Board of Directors defines in particular the target achievement figures for the variable salary component. No bonus is normally paid for financial target achievements below 80%; the bonus is pro-rated on a linear basis if the target achievements are over 80%.

Personal performance targets consisting primarily of financial management and performance management target values also form an integral part of the variable salary component. The target values are determined both by the specific function of the management employee and by key targets for implementation of the overriding corporate strategy. The personal performance targets may account for 50% to 100% of the variable salary component, depending on the function and hierarchy. Compared against the fixed salary component, there is theoretically no ceiling on the variable salary component.

The Board of Directors has determined that the Group CEO will, in principle, only be paid a fixed salary in the financial years 2012 and 2013. The Board of Directors reserves the right to make an incentive payment to the Group CEO.

In order to retain the services of individual key employees over the long term, the Board of Directors can grant share-based remuneration on a scale which it deems appropriate. Such shares are locked in for a vesting period normally set at 3 to 5 years. The company does not engage the services of external advisors to support the structuring of compensation.

Long-term incentive plan

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

Benefits and contractual conditions on leaving the company

The employment contracts of members of Management and other key employees of the Group contain no agreements on severance payments. Moreover, no unusually long periods of notice have been agreed with members of Management or other key employees of the Group. Periods of notice are between 6 and 12 months. Shares locked in under the share-based remuneration scheme must, in principle, be returned if the employee gives notice to terminate the employment relationship before the expiration of the vesting period, but not if the employer gives notice to terminate the employment relationship before the expiration of the vesting period. In the event of a change of control, shares locked in until 31 December 2014 under the share-based remuneration scheme will be released.

Details of compensation in 2013

During the reporting year 2013, Management comprised four members (previous year: six members). In 2013, the Group CEO received an incentive payment in addition to his fixed salary. In 2013, the variable salary component thus corresponded to 25% of the fixed salary (2012: 37.5%). The year-on-year difference is attributable to the fact that the Group CEO received a lower incentive payment for the 2013 financial year.

In the 2013 financial year, the variable salary component for the other three members of Management corresponded to between 0% and 65% of their fixed salary (2012: between 0% and 50%). The year-on-year difference is attributable to the higher operating result in 2013.

Compensation for the 2013 and 2012 financial years

The following table shows the fixed and variable compensation and total compensation paid to members of Management in 2013 and 2012:

(in CHF 1000s)	**2013**		2012	
Management	4 members	[1] of which highest single compensation payment	6 members	[2] of which highest single compensation payment
Fixed salary in cash	1 530	800	1 930	210
Variable salary in cash	482	200	2 898	1 768
Share-based payments [3]	305	305	305	0
Pension benefits [4]	294	138	601	227
Total compensation Management	**2 611**	**1 443**	**5 734**	**2 205**

[1] CEO Schweiter Technologies Dr. Heinz O. Baumgartner
[2] Ismeca CEO Lorenzo Giarrè left Management after the sale of Ismeca as of 31 December 2012
[3] 2085 shares granted at the end of August 2011, with vesting period until 31 December 2014 (see note 19)
[4] Employer's contribution to social insurance and pension fund

Compensation report

Share allocations and share ownership

In the financial year 2013, no shares were allocated to members of the Board of Directors, members of Management, selected employees or former members of Management. In 2011, selected employees were allocated free shares in Schweiter Technologies AG subject to a vesting period until 31 December 2014. 2085 shares were issued which as of the cut-off date are segregated from the treasury holdings and held in a separate bank custody account.

As at 31 December 2013 a total of 449 324 shares were held by members of the Board of Directors or members of Management (31 December 2012: 450168 shares):

Surname	First name	Function	Number of shares **2013**	Number of shares 2012
Siegrist	Beat	Chairman of the Board of Directors	83916	83916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Fischer [1]	Heinrich	Member of the Board of Directors	N/A	844
Frey [2]	Beat	Member of the Board of Directors	364973	364973
Baumgartner [3]	Heinz O.	Group CEO	115	115

[1] Heinrich Fischer was a member of the Board of Directors up until the Annual General Meeting of 8 May 2013
[2] Beat Frey is a member of a shareholder group and holds his shares via KWE Beteiligungen AG / VBF Holding AG
[3] In addition to the shareholdings listed, Dr. Heinz O. Baumgartner holds 2085 shares granted at the end of August 2011 with a vesting period until 31 December 2014 which are held in a separate bank custody account

Remuneration of the Advisory Board

Schweiter Technologies AG has not formed an Advisory Board.

Compensation for former members of governing and executive bodies

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

Options

During the year under review and the previous year no options were issued to present or former members of governing and executive bodies (Board of Directors and Management) or other employees. As of 31 December 2013, no member of a governing or executive body holds company options.

Other compensation, loans and advances to members of governing and executive bodies or related parties

Schweiter Technologies AG is not aware of any shares or options held by parties related to members of the Board of Directors or Management.

The company did not grant any other compensation, loans or advances to members of the governing and executive bodies or parties related to them.

Corporate Governance
Schweiter Technologies

Group structure and breakdown of shareholders

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

Group structure

Schweiter Technologies specializes in the development, manufacturing and global distribution of sophisticated machinery and composite materials and is organized into two divisions (see also Segment reporting on page 44 of this annual report).

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

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

An overview of all Group companies can be found in the financial section on pages 32–34.

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

Based on its share price of CHF 677.00 at the end of 2013, the company's market capitalization stood at CHF 977.4 million as at 31 December 2013.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2013 and is presented on pages 32–34 of the notes to the consolidated annual financial statements. Schweiter Technologies does not have any shareholdings in listed companies.

Treasury shares

In December 2012, Schweiter Technologies AG launched a share buy-back program for the purpose of capital reduction which runs until 31 October 2014 at the latest. Overall, Schweiter held 14 748 treasury shares as of 31 December 2013, of which 2 085 shares are segregated for share-based compensation and 11 864 shares are related to the share buy-back program. The total shareholding amounts to 0.01% as of 31 December 2013.

Major shareholders

As at 31 December 2013, the following shareholders held more than 3% of voting rights (pursuant to Art. 663c of the Swiss Code of Obligations):

Percentage of shares held (according to most recent report)	**2013**	2012
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Wollerau [1)]	25.3%	25.3%
Widmer shareholder group [2)]	12.6%	12.6%
Beat Siegrist, Herrliberg	5.8%	5.8%
Goodmann & Company, Investment Counsel Ltd., Toronto, Canada	5.0%	5.0%
UBS Fund Management (Switzerland) AG, Basel	4.2%	–
Credit Suisse Asset Management Funds AG	3.2%	3.2%
Lombard Odier Asset Management (Switzerland) SA, Petit-Lancy	3.2%	–

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

Capital structure

Reporting by shareholders based on art. 20 SESTA during the financial year 2013:UBS Fund Management (Switzerland) AG, Basel, has exceeded the threshold of 3% on 3 January 2013 and disclosed a shareholding of 4.2%. Lombard Odier Asset Management (Switzerland) SA, Petit-Lancy (GE), has exceeded the threshold of 3% on 14 June 2013 and disclosed a shareholding of 3.22%. Details of the reports are available on the website of the SIX Swiss Exchange
http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html

As far as Schweiter Technologies AG is aware there are no shareholders' pooling contracts linking major shareholders.

Cross-shareholdings

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

Capital

As of 31 December 2013 the ordinary share capital amounted to CHF 1 443 672. As of 31 December 2013 authorized capital of CHF 300 000 and conditional capital of CHF 132 600 was in place.

Authorized and conditional capital in particular

Authorized capital

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

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

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

Conditional capital

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

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

Changes in capital

The amounts of the ordinary share capital, of the approved capital as well as of the conditional capital have not changed in the last three years. For changes in the consolidated shareholders' equity in financial years 2012 and 2011 reference is made to page 28 of the consolidated annual financial statements. The development of consolidated shareholders' equity in financial year 2011 is presented on page 27 of the 2012 consolidated financial statements
http://www.schweiter.ch/media/userfiles/anualreport2012_english.pdf.

Capital structure

Changes in the shareholders' equity of Schweiter Technologies AG during financial year 2011 through financial year 2013:

(in CHF 1000s)	Share capital	Reserves: Agio/Capital contributions	General reserves: Statutory reserves	General reserves: Treasury shares	Capital reserves	Free reserves	Retained earnings	Total equity
Balance as at 31 Dec. 2010	**1 444**	**78 691**	**3 000**	**0**	**28 690**	**1 071**	**554 389**	**667 285**
Reclassification of non-authorized capital contribution reserves		–167	167					0
Repayment from reserves from capital contributions		–13 659						–13 659
Net income 2011							20 870	20 870
Balance as at 31 Dec. 2011	**1 444**	**64 865**	**3 167**	**0**	**28 690**	**1 071**	**575 259**	**674 496**
Repayment from reserves from capital contributions		–25 020			–28 690			–53 710
Net income 2012							34 992	34 992
Reserve for treasury shares				2 500			–2 500	0
Balance as at 31 Dec. 2012	**1 444**	**39 845**	**3 167**	**2 500**	**0**	**1 071**	**607 751**	**655 778**
Repayment from reserves from capital contributions		–39 782						–39 782
Net income 2013							16 270	16 270
Reserve for treasury shares				4 900			–4 900	0
Dividend							–17 459	–17 459
Balance as at 31 Dec. 2013	**1 444**	**63**	**3 167**	**7 400**	**0**	**1 071**	**601 662**	**614 807**

Shares and participation certificates
As of 31 December 2013 the share capital consisted of 1 443 672 bearer shares with a par value of CHF 1 each, amounting to a total of CHF 1 443 672. All bearer shares have been fully paid in. Each share entitles the holder to one vote at the General Meeting. All bearer shares are entitled to dividends. Schweiter Technologies has no participation certificates or dividend rights certificates outstanding.

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

Convertible bonds and options
No convertible bonds were outstanding as of 31 December 2013. As set out in the section on authorized and conditional capital, by drawing on the conditional capital the company's share capital may increase by a maximum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company, or one of its subsidiaries.

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

Board of Directors (as at 31 December 2013)

Name	Function		Member since	Elected until GM
Beat Siegrist	Chairman	non-executive	2008	2014
Dr. Lukas Braunschweiler	Member	non-executive	2011	2014
Beat Frey	Member	non-executive	2009	2014
Dr. Jacques Sanche	Member	non-executive	2011	2014

At the Annual General Meeting on 8 May 2013, the members of the Board of Directors were re-elected in individual elections for a term of one year.

Members of the Board of Directors

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

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

Beat Siegrist
(born 1960, Swiss citizen)
Non-executive chairman of the Board of Directors since 2011.
Beat Siegrist has been a member of the Board of Directors of Phoenix Mecano AG since 2003 and a member of the Board of Directors of Inficon Holding AG since 2010. From 2008 to 2012, he was CEO of Satisloh and member of the Executive Committee of the French Group Essilor. Beat Siegrist worked in an executive function as CEO of Schweiter Technologies from 1996 until mid-2008. Prior to 1996 he worked as a consultant at McKinsey & Co., most recently as project manager. He holds a degree in engineering (dipl. Ing. ETH) and an MBA from INSEAD Fontainebleau.

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

Beat Frey
(born 1943, Swiss citizen)
Non-executive member of the Board of Directors since 2009.
Beat Frey holds a degree in business management from the University of Zurich. He was one of the company's first investors following the restructuring of Schweiter at the end of the 1980s; he served once before on the Board of Directors from 1996 to 2001. A successful, independent businessman, Beat Frey has a proven track record of financial expertise. Due to age reasons Beat Frey is not running for re-election at the Annual General Meeting 2014.

Dr. Jacques Sanche
(born 1965, Canadian and Swiss citizen)
Non-executive member of the Board of Directors since 2011.
Dr. Jacques Sanche has been CEO of the Belimo Group since August 2007. From 2004 to 2007, he was CEO of the WMH Tool Group, Chicago, USA, and a member of the management board of WMH Walter Meier Holding AG, Stäfa. Prior to this, between 1997 and 2004 he held various management positions within the WMH Walter Meier Group. From 1990 to 1997

Board of Directors

he was an advisor at IMG, St. Gallen and the Boston Consulting Group Inc., Munich. He holds a business management degree and a doctorate in economics from the University of St. Gallen.

Other activities and interests

Beat Siegrist is a member of the Board of Directors of Phoenix Mecano AG, Stein am Rhein, and Inficon Holding AG, Bad Ragaz. Jacques Sanche is a member of the Board of Directors of Diener AG, Embrach. The other members of the Board of Directors do not have any other management or permanent advisory functions or hold any directorships with major Swiss or foreign companies, nor do they hold any major political mandates.

Elections and terms of office

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

Internal organization

Division of tasks within the Board of Directors

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

Committees of the Board of Directors

An Audit Committee is in place. The Audit Committee is composed of two members of the Board of Directors (Lukas Braunschweiler (Chairman) and Jacques Sanche). The Board of Directors has satisfied itself that both Committee members have proven experience and skills in financial management to enable them to perform their tasks.

The Audit Committee's most important tasks are to discuss the outcome of the external audits, to verify the Group's presentation of financial statements and financial control mechanisms, to evaluate and select the external auditors and to verify the scope of the external audit. The Audit Committee holds decision-making powers in relation to all tasks, subject to approval by the Board of Directors as a whole. Audit Committee meetings are attended by the CEO and CFO.

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

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

How the Board of Directors operates

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

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

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

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

Assignment of authority and responsibilities

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

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

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

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

Information and monitoring instruments

The Board of Directors is responsible for overseeing the Group's internal control systems which monitor the risk of inadequate business performance, but cannot rule out such a risk. These systems provide appropriate, though not absolute, security against significant inaccuracies and material losses. Management is responsible for identifying and assessing risks that are of significance for the division in question (see also section entitled "Assignment of authority and responsibilities"). In addition to quantitative approaches and formal guidelines – which are only part of a comprehensive risk management approach – it is also considered important to maintain a corresponding risk management culture.

In addition to a continuous process of monitoring and assessment, the individual divisions also submit detailed monthly reports to the Board of Directors (MIS). These provide a detailed account of

Board of Directors

the volume and profitability trends of the individual divisions (orders received, order backlog, revenues, EBITDA, net income). Deviations from the budget or from the previous year are presented and commented in detail. Important balance sheet figures (cash and cash equivalents, net operating assets) and headcount data are prepared on a monthly basis with commentaries. Special attention is paid to overheads, the trend of current assets and personnel parameters. Over and above this information, which is prepared on a monthly basis, additional analysis of individual key figures are also provided such as price and margin trends and currency effects. Within the scope of the annual plan, a forecast is prepared at the middle of the year and in the fourth quarter. Management members responsible in the relevant divisions are consulted on individual topics.

The Audit Committee and Board of Directors identify additional topics which are taken up in the context of the internal controlling processes and subject to in-depth analysis and investigation. This is done either by means of internal audits in the relevant national subsidiaries or by consulting external specialists where necessary. However, there is no institutionalized internal audit process. The Audit Committee also sets the focus in the definition of the scope and content of the audit conducted by the external auditors. Each Board member is also sent the full minutes of all Audit Committee Meetings.

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

Risk management

As part of the risk assessment process, the likelihood of occurrence of risks and the potential damage are considered. Based on the outcome of the assessment of the likelihood of occurrence and the expected damage, a risk matrix is drawn up. Further information regarding risk management can be found in the notes to the financial statements on pages 40 to 42.

Internal control system (ICS)

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

In the course of interim and annual audits, the external auditors monitor the existence and the relevant documentation of an ICS and submit a report to the Audit Committee. The scope of the annual audit is discussed yearly with the Audit Committee.

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

Management

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

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

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

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

Other activities and interests

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

Management contracts

There are no management contracts.

Compensation, shareholdings and loans

Details on compensations, shareholdings and loans are set out in a separate compensation report on pages 96 to 99 of this annual report.

Shareholders' participation rights

Change of control and countermeasures

Restriction of voting rights and representation

There are no voting-right restrictions under the articles of incorporation. In accordance with Art. 689 para. 2 of the Swiss Code of Obligations, every shareholder can represent his shares at the General Meeting in person or have them represented by a third party of his choice. The articles of incorporation do not lay down any restrictions on the representation of voting rights. Shareholders' participation rights are governed by the company's articles of incorporation (http://www.schweiter.ch/media/userfiles/statutenmai2012.pdf).

Statutory quorum

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

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

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

The convening of a General Meeting may also be requested in writing by one or more shareholders representing at least ten percent of the share capital, specifying the agenda item and the proposals. In this case, the Board of Directors must convene the General Meeting within four weeks.

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

Registrations in the share register

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

Change of control and countermeasures

Obligation to submit a purchase offer

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

Clauses on changes of control

There are no clauses on changes of control in place for members of the Board of Directors or Management or in favor of other senior executives holding a key function within the Group. However, in the event of a change of control, shares locked in until 31 December 2014 under the share-based remuneration scheme will be released.

Statutory auditors

Duration of mandate and term of office of auditor in charge

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

Audit fee and additional fees (in CHF 1000s)	**2013**	2012
Auditing services [1]	534	748
Auditing-related services [2]	14	170
Tax advice and compliance services	351	426
Transaction advice incl. due diligence	333	71
Total	**1 232**	**1 415**

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

Supervisory and control instruments vis-à-vis the auditors

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

The Audit Committee, which met the auditors three times during the financial year 2013, is responsible for supervising and monitoring the audit and regularly reports back to the Board of Directors as a whole. The auditors periodically prepare a comprehensive report on the outcome of their auditing activities. The auditors' report is supported by an accompanying annual management letter and a comprehensive report to the Board of Directors.

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

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

Information policy

Schweiter Technologies maintains a regular and open dialog with all shareholders and the capital market.

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

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

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

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

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

The financial reports (annual reports, semi-annual reports) are available on the company's website. Print versions can be ordered free of charge or electronic versions can be downloaded from the following link:
http://www.schweiter.ch/media/userfiles/anualreport2013english.pdf

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

The company's articles of incorporation can be found at:
http://www.schweiter.ch/media/userfiles/statutenmai2012.pdf

The address for investor relations matters is:

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The next Annual General Meeting will be held on 7 May 2014 in Horgen. The Semi-Annual Report 2014 is scheduled for publication in August 2014.

Impact of the Ordinance against Excessive Compensation (OaEC)

The statements made in this corporate governance report and in the compensation report relate to the financial year 2013 and the situation as at 31 December 2013 and to the articles of incorporation of 9 May 2012.

Among other consequences, the Ordinance against Excessive Compensation issued by the Federal Council, in force since 1 January 2014, requires partial adjustments to the procedure for the election of the Chairman of the Board of Directors (direct vote by the Annual General Meeting) and various adjustments to the articles of incorporation. These changes will be implemented by Schweiter Technologies AG within the time limits set by the Ordinance.

Implementation of the Ordinance against Excessive Compensation (OaEC) by Schweiter Technologies AG

Provisions	Implementation as of
Preparation of a compensation report	Annual Report 2013
Ban on severance payments and advance compensation	implemented
Management to be transferred to natural persons only	implemented
Corporate and portfolio proxy voting abolished	1 January 2014
Members of the Board of Directors to be elected individually and for a one-year term of office	implemented
Chairman of the Board of Directors to be elected for one year by the Annual General Meeting	Annual General Meeting 2014
Members of the Compensation Committee to be elected individually for a one-year term of office	Annual General Meeting 2014
Board of Directors to appoint the independent proxy	for invitation to the Annual General Meeting 2014
Independent proxy to be elected for one year by the Annual General Meeting	Annual General Meeting 2014
Articles of incorporation to be compatible with the Ordinance against Excessive Compensation (OaEC)	Annual General Meeting 2014
Contracts of members of the governing and executive bodies to be compatible with the OaEC	by 31 Dec. 2014 at the latest
Internal regulations to be compatible with the OaEC	by 31 Dec. 2015 at the latest
Total compensation for the Board of Directors and Management to be approved by the Annual General Meeting	Annual General Meeting 2015
Ability to issue instructions to the independent proxy by electronic means	for Annual General Meeting 2015

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