Schweiter Technologies

2015

Annual Report 2015

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Board of Directors, Group Management, Auditors

Board of Directors

Term of office 6 May 2015 to 3 May 2016

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

Group Management

Dr. Heinz O. Baumgartner	Chief Executive Officer Group
Martin Klöti	Chief Financial Officer Group
Georg Reif	Chief Technology Officer 3A Composites
Ernesto Maurer	Chief Executive Officer SSM Textile Machinery (until 31 March 2016) Chairman SSM Textile Machinery (from 1 April 2016)

Auditors

Deloitte AG, Zurich

Report of the Board of Directors

Dear shareholders,

Schweiter Technologies is presenting a very gratifying set of results for 2015. In addition to modest organic growth, three acquisitions resulted in a 20% rise in revenues to CHF 915 million. Supported by solid demand in our most important markets USA, Germany and in the wind power sector in China, Schweiter Technologies generated a very pleasing EBITDA of CHF 92 million – up 13% on 2014, which was already a good year. Operating cash flow increased to CHF 66 million and liquid funds stood at CHF 170 million even after CHF 115 million had been channelled into acquisitions and a dividend payment totalling CHF 57 million. Thanks to rigorous cost management and a dedicated workforce, the company was largely able to offset the effects of the Swiss franc's appreciation at the beginning of the year.

On the one hand, Schweiter Technologies reviewed its structures and costs at operating level, making adjustments where necessary – particularly in Switzerland because of the drastic appreciation of the Swiss franc. Painful though these adjustments were, they were unavoidable if the Group was to maintain its competitiveness. On the other hand, the Group made acquisitions: the balsa wood plantations and finishing operations acquired in Papua New Guinea strengthen our wind power business. In Poland, we acquired a manufacturer of components for the rail industry. This acquisition is ideally suited to our mass transportation business and makes it easier to serve our international customers. The biggest acquisition was the takeover of Polycasa, Europe's largest independent manufacturer of transparent plastic sheeting. This makes 3AC the most important panel manufacturer in Europe. The integration process is already at an advanced stage and management teams and employees are already working together closely and successfully.

3A Composites reports gratifying successes. Core Materials increased its revenues by 17% on an organic basis and increased its result disproportionately. Strong global demand for wind turbines was a significant driver, as were various innovations (e.g. in the PET field) and competitive prices.

Architecture and Display Europe had another record year, with revenues and earnings up in local currency. A further development was the successful acquisition and integration of Polycasa. Revenues and earnings also improved in America, although the architecture business fell slightly short of expectations. While 2015 once again saw Architecture post solid results in Asia, the postponement of numerous projects in the Middle East led to slightly lower revenues and earnings. Thanks to the acquisition of a number of prestige projects for Alucobond, order books are comfortably full.

The mass transportation business area posted organic growth in excess of 28%. New orders and customers in the rail and bus segments confirm the wisdom of our strategy. The new site in Poland will provide strong support once the integration process has been completed.

With an EBITDA margin of more than 12% and lean structural costs, **SSM Textile Machinery** is a shining example for the rest of the Group. 2015 was a difficult year in terms of economic conditions. At last fall's ITMA, the world's most important textile machinery trade fair, SSM provided impressive confirmation of its leading position and innovative capacity.

The factors underpinning our business successes are our customers, our loyal and committed employees, and our implementing management teams. The Board of Directors therefore wishes to thank everyone for their dedication and the successes they have achieved.

Loyal to the principle that capital which is surplus to requirements should be returned to shareholders, the Board of Directors wishes to maintain an attractive dividend policy in the future.

Schweiter Technologies got off to a good start to the new year. The strategy adopted to date is the right one, and the organization is set to continue on its successful trajectory.

Yours sincerely,

Portfolio development

Revenues (EBIT) CHF m (%)	**786** (7%)	**673** (8%)	**686** (7%)	**766** (8%)	**915** (7%)

[1] sold as of 31 December 2012

Financial overview

	2015	2014
Income statement (in CHF m)		
Orders received:		
Group	955.2	800.0
3A Composites	885.5	710.7
SSM Textile Machinery	69.7	89.3
Net revenue:		
Group	915.4	765.6
3A Composites	840.8	677.2
SSM Textile Machinery	74.3	87.9
EBITDA	92.1	81.7
EBIT	65.9	57.5
Net income	50.1	45.5
Balance sheet (in CHF m)		
Total assets	925.3	889.7
Net operating assets [1]	464.3	369.3
Shareholders' equity	624.9	636.2
Net cash and cash equivalents	170.4	305.9
Statement of cash flow (in CHF m)		
Cash flow from operating activity	65.7	43.4
Cash flow from investment activity	– 134.6	– 34.3
Free cash flow	– 68.9	9.1
Key figures (in %)		
ROS (EBITDA/net revenue)	10.1	10.7
RONOA [2]	14.2	15.6
Equity ratio (shareholders' equity / total assets)	67.5	71.5
Employees as at 31 December (Number)		
Total employees	4 689	2 764
Ratios per share (in CHF)		
33 Earnings per bearer share	35.00	31.84
Equity	436	441
Payout [3]	40.0	40.0
Stock market capitalization as at 31 December (in CHF m)		
Stock market capitalization	1 213.5	1 126.1

[1] Trade receivables, inventories and property, plant and equipment minus trade payables and payments on account received from customers
[2] EBIT as % of the average net operating assets (return on net operating assets)
[3] 2015 – dividend proposal of the Board of Directors

▲ For additional details, see the Notes to the consolidated financial statements

Key figures

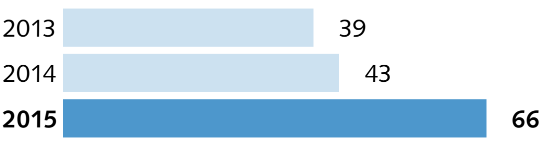
Orders received (in CHF m)

Net revenues (in CHF m)

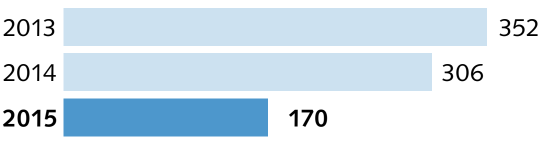
EBITDA (in CHF m)

Net income (in CHF m)

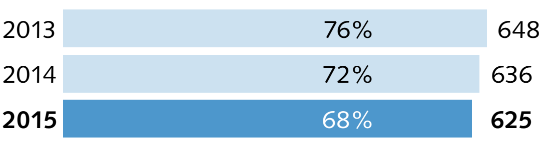
Cash flow from operating activity (in CHF m)



Cash and cash equivalents (in CHF m)

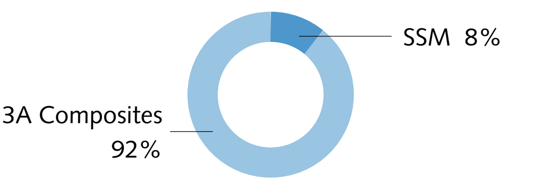


Equity (in CHF m) **/ Equity ratio**

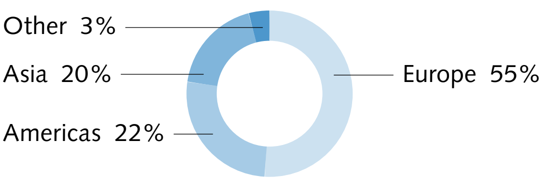


Dividend payout in % of equity

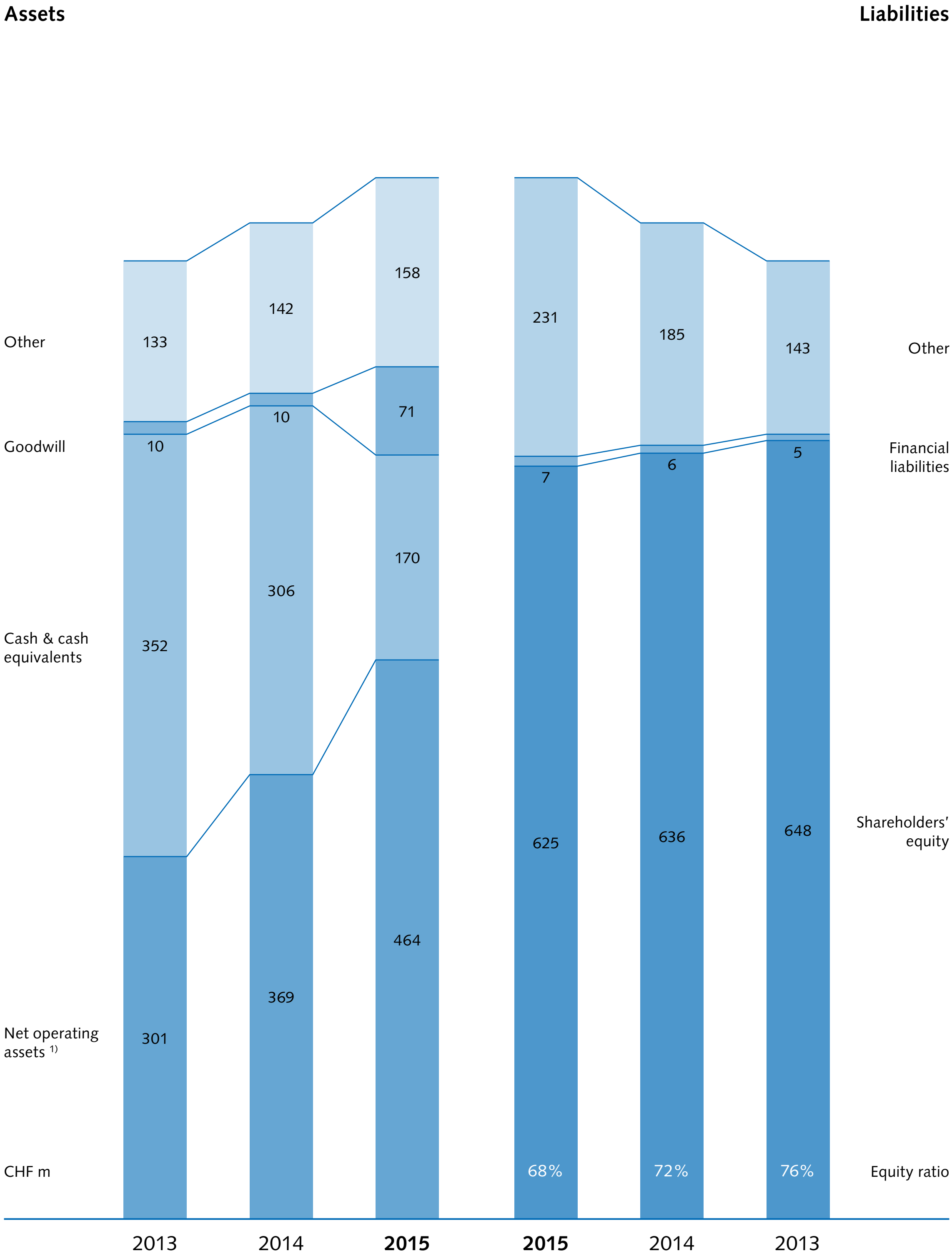
Net revenues 2015 by divisions (in %)



Net revenues 2015 by regions (in %)

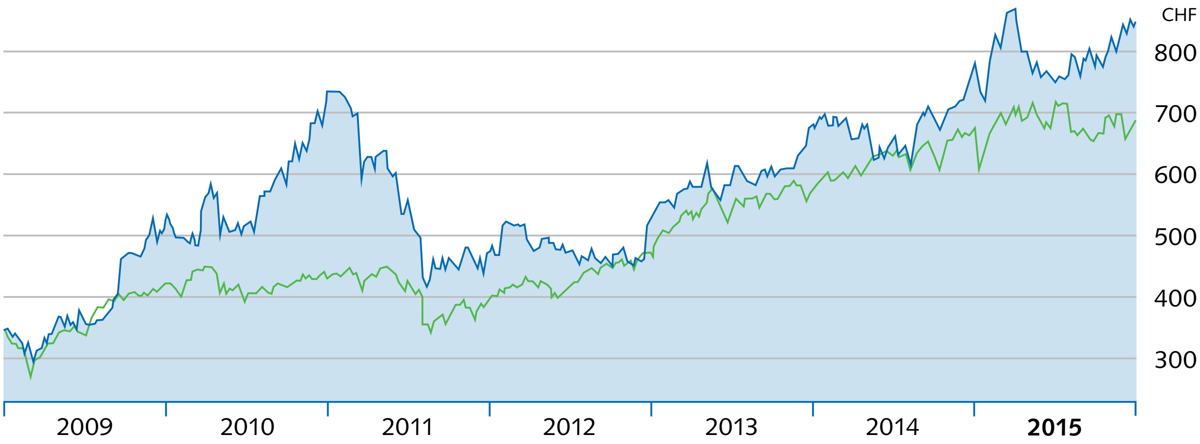


Essentials of the consolidated balance sheet



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

Share price and stock information



Schweiter Technologies AG
Swiss Performance Index (SPI)

Key figures for 5 years	2015	2014	2013	2012	2011
Share capital as at 31 December					
Bearer shares with a par value of CHF 1	1 431 808	1 443 672	1 443 672	1 443 672	1 443 672
Treasury shares	799	14 748	14 748	5 634	77 809
Share price					
Share price as at 31 December (in CHF)	848	780	677	525	504
Stock market capitalization					
as at 31 December (in CHF m)	1 213	1 126	977	758	728
Net income / loss					
per bearer share (in CHF)	35	32	21	42 [1]	33
Cash flow from operating activity					
per bearer share (in CHF)	46	30	27	55 [1]	37
Equity					
per bearer share (in CHF)	436	441	449	462	441
Distribution [2] [3]					
Total amount (in CHF m)	57.3	57.2	57.2	57.5	55.6
per bearer share (in CHF)	40.0	40.0	40.0	40.0	38.5
Dividend payout					
in % of equity	9.2	9.1	8.9	8.6	8.7

[1] Including net income / cash flow from discontinued operations (Ismeca Semiconductor)
[2] 2015 proposal of the Board of Directors
[3] Dividends and repayment of reserves from capital contributions (cash and distribution in form of treasury shares)

Group management report

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.

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 of the portfolio strategy

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 substantial cash holding is to be used for future-proof acquisitions in existing and/or new areas of business

Business performance

In 2015, Schweiter Technologies posted double-digit sales and earnings growth. Group orders received totaled CHF 955.2 million (2014: CHF 800.0 million), representing an increase of 19%. Net revenues climbed to CHF 915.4 million (2014: CHF 765.6 million), representing an increase of 20% (+23% in local currencies), of which 2% was organic.

The acquisitions made during the financial year made a key contribution to revenue growth and achieved pleasing progress. 3A Composites achieved a high growth rate of 28% in local currencies (4% organic growth). In a difficult market environment, SSM Textile Machinery recorded a 13% decline in revenues in local currencies compared to the previous year's high figure.

EBITDA increased by 13% (+16% in local currencies) to CHF 92.1 million (2014: CHF 81.7 million) – despite the challenges resulting from the sharp appreciation of the Swiss franc and the one-time costs incurred during the financial year for the takeover and integration of the acquired companies. Despite the previous year's currency gains, net income increased by 10% to CHF 50.1 million (2014: CHF 45.5 million).

Cash flow from operating activities amounted to around CHF 66 million and cash and cash equivalents came to more than CHF 170 million after spending CHF 115 million on acquisitions and a dividend distribution of approximately CHF 57 million.

Group management report

The increase in the headcount to 4689 (2014: 2764) was mainly due to the acquisitions. This figure includes 1977 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea.

Schweiter Technologies continuously invests in research and development with the aim of developing new markets through innovations, expanding its existing product portfolio and laying the foundations for further profitable growth.

Risk assessment

Schweiter Technologies has an implemented risk management system. On the basis of a periodic systematic risk identification process, the key risks to which the company is exposed are assessed in terms of their likelihood and impact. Appropriate measures, decided by the Board of Directors, are taken to avoid, diminish or shift these risks. Risks borne by the company itself are strictly monitored. The most recent risk assessment by the Board of Directors was performed in December 2015. Individual risks are dealt with in depth regularly.

Division 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.

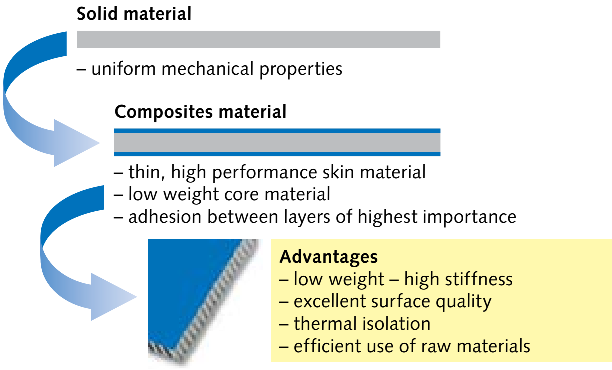
Vision and strategy

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.

Division 3A Composites



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.

Sunshine Radiotherapy Service Building, St. Albans, Australia – ALUCOBOND® plus spectra various colors – STH architecture, Melbourne, Australia

Group management report

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

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

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

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

Market for composite panels and refined semi-finished products

Display

Revenues in Europe increased by 4% in local currency, showing significantly stronger growth than the economy. The trend was particularly encouraging in France, Italy and Spain. This increase in market share was made possible by the strong dealer network, consumer-focused sales operations and a product range carefully tailored to meet segment-specific needs.

Thanks to the successful completion of the Polycasa acquisition, the display business in Europe was able to expand considerably with the addition of an attractive range of transparent display panels. Existing sales channels and distribution partners of 3A Composites provide an excellent basis for future growth.

DIBOND® pop up retail shopping bags, London, GB, design and production ICON – a leader in creating and delivering brand and live experiences around the world, www.icon-world.com

Division 3A Composites

Ski tunnel in the Kopaonik ski area in Serbia,
solid clear polycarbonate sheets, Polycasa® PC

Growth in the US market was more leisurely, with overall volume falling short of expectations. However, profitability increased significantly compared to the previous year thanks to higher prices, lower material costs and improved productivity.

Architecture

Revenues in the European façades market rose by 3% in local currency as a result of innovative coatings. This growth was boosted by continuing robust construction activity in many European regions, in particular the UK, Poland and Turkey. Financing problems, however, led to a sharp slowdown in construction activity in Italy, Russia and South-Eastern Europe. The approach of offering intensive consultancy services for developers and architects in the area of surface design for buildings was further expanded and strengthened, especially in the field of building geometry.

A lack of major projects in South America and delays in projects in North America led to slower growth in these markets.

In Asia, it proved impossible to match the previous years' revenues as the region's general challenges were compounded by increased problems and delays in the financing of projects, as well as political uncertainties.

The Middle East was very badly hit by the low oil price and military conflicts, and business here thus suffered the greatest setbacks. Sharp declines in the income of oil-rich countries have led to a very large number of construction projects being called into question, postponed, or even suspended indefinitely. This is particularly evident in Saudi Arabia, one of the region's main growth drivers. At the same time, the positive outcome of the negotiations with Iran in 2015 has not yet had any impact.

The trend was fairly flat in India, where the new government – now in its second year in office – has yet to create fresh impetus. A number of important projects are still only at the draft stage. In 2015, 3AC was nevertheless able to significantly increase its sales of the fire-retardant ALUCOBOND® Plus after making the relevant investments in 2014. The improved operating configuration also provided a good basis for the export business, which likewise expanded strongly in 2015.

Asia-Pacific is at the same level as in 2014, but with a much better mix. Negative currency effects of 15–35% in Malaysia, Indonesia and Thailand made imported, high-quality products more expensive and tended to benefit local suppliers, even where they did not initially qualify for projects.

China fell short of 2014 figures, but remained at a gratifying level, mainly thanks to large projects. 3A Composites has a strong market position in the Chinese architecture market and laid the foundations for even better penetration in the west and northwest of the country.

Group management report

Interior fittings for
recreational vehicles and yacht building

Thanks to their low weight, ease of processing and high dimensional stability, the unique lightweight panels made of bonded balsa veneers launched by 3A Composites under the brand name BANOVA® are meeting with growing market interest. They scored their first successes in the area of interior fittings for recreational vehicles and yachts.

Towards the end of 2015, a number of leading wood panel dealers in Germany, the most important European market, started to stock BANOVA®. Launching new products for new segments and customers takes considerable time, but awareness of the products has been greatly increased and rapid availability through our new partners leads us to expect a significant increase in sales.

Market for
core materials for sandwich applications

Overall, business performance improved substantially compared to the previous year, particularly through strong growth in China. Despite low market growth in Northern Europe and stagnant markets in southern Europe, 3A Composites was able to increase its market share in both of these regions. The decisive factors included the sustained focus on continuous product innovation and the systematic expansion of the product range to include system solutions.

With the takeover of PNG Balsa Ltd, completed at the end of June 2015, 3A Composites further strengthened its position as the world's leading manufacturer of balsa and balsa-based products and now has production sites in Ecuador and Papua New Guinea.

Division 3A Composites

Wind power

2105 saw an increase in global demand among wind energy customers, though with large regional disparities. Market growth was strongest in China, where nearly half of all wind turbines are manufactured. Despite an anticipated slowdown in China in 2016, the market is expected to continue growing overall in the next few years, given the ongoing trend towards larger turbines.

3A Composites was able to further increase its market share and profitability in China. Thanks to its broad product range, the Hybrid Core Concept® and the strong brands AIREX® and BALTEK®, 3A Composites remains the preferred supplier for leading wind turbine manufacturers. In 2015, it succeeded in concluding long-term framework agreements worth USD 200 million.

Non-wind – marine,
transportation and construction industry

In the fragmented marine market, 3A Composites improved its market position worldwide and posted further strong growth – particularly in the USA thanks to cooperation with leading local distributors.

Cooperation with OEMs in the car, bus and truck sectors in their efforts to identify and realize weight savings is still a high priority and has led to the conclusion of initial preliminary contracts for series production commencing in 2017. The trend towards using PET foam as the material of choice in the automotive sector is opening up good opportunities for 3A Composites.

Glen Innes Music and Arts Centre for Youth, Auckland, New Zealand
ALUCOBOND® design Afro Mahagoni

**Market for
structural components / system components**

After 2014, the volume of business in the area of lightweight components for buses increased twofold for the second time. This trend was driven mainly by the British market, where the postponed introduction of the EURO 6 emissions standard led to an investment backlog which was cleared this year. Orders were secured from customers in the UK, the Netherlands and Sweden, and initial concept studies were conducted with a Franco-Italian company. In addition to roof and floor systems, new applications were developed which will contribute to further growth.

In the rail vehicles sector, business in the area of sandwich components for roof and floor systems fell short of expectations. This was mainly due to projects for rail customers being either postponed or canceled. However, the positive trend of new orders suggests that this segment should recover.

By contrast, train front-end business increased significantly. Thanks to the takeover of Plastwag S.A. in Poland, 3A Composites now has on the one hand a low-cost production site and, on the other, better access to customers in the EU.

Revenues and income

Thanks to organic growth and the acquisitions made in the 2015 financial year, revenues increased by 24% year-on-year to CHF 840.8 million (2014: CHF 677.2 million). EBITDA rose to CHF 85.5 million (2014: CHF 70.1 million).

Product range / capacity

Production facilities at all European Display locations were upgraded or expanded. This made it possible to launch better and more environmentally friendly products while at the same time increasing production capacity. Examples particularly worth mentioning include a novel aluminum sandwich panel, a panel made of compostable plastic and a display panel based entirely on paper.

Group management report

The introduction of the Polycasa products in 3A Composites' sales channels enhances the appeal of its product range and will have a positive impact on revenue development in subsequent years.

In the Architecture segment, market potential in Europe was developed at the expense of indirect competition via coating innovations.

In the Automotive sector, a third highly efficient technology for strengthening car roofs was patented and successfully brought to market.

The construction of a new PET foam production facility in the USA is progressing according to plan and will commence operations in Q2 2016. The development of a new generation of PET foams has been very largely completed. Initial contracts were concluded with wind customers for 2016.

In the area of flexible foams for gymnastics and the fitness markets, new colors were introduced and an online shop was launched in Germany.

Organization

Maintaining a decentralized, lean organization with low overheads is a high priority. The focus of resource allocation remains on the areas of marketing and sales. At the same time, great importance is attached to completing the integration of the three acquisitions, Polycasa, Plastwag and PNG Balsa. The closure of a site in India and an ongoing consolidation project in China will complete the restructuring process in Asia. This will provide a good basis for further development of the business.

Bus Enviro E400 MMC of
Alexander Dennis Ltd. (ADL), UK
XBODY® – roofs and floors
in sandwich technology

Division 3A Composites

Outlook

In the display sector, growth is expected to continue in all geographical markets – in America based on expected GDP growth and in Europe driven by the new products and the Polycasa acquisition.

The Group is aiming for positive progress in the architecture market in Europe and Asia, with new colors and coatings for cladding panels, the trend toward fire-certified products and investments in cost-cutting measures, and new products.

In the Middle East, business will be dampened by the military conflicts there, as well as by the decline in the incomes of key countries as a result of the low oil price. In these markets, a positive trend is manifesting itself in the form of an increasing focus on quality and the introduction and stricter implementation of standards and building regulations, as well as the introduction of building codes for fire certification in the UAE and Kuwait. The market could be boosted by stimulus from Iran.

Given the contracts already renegotiated with strategic customers and the higher prices agreed for those contracts, we take a positive view of business trends in the core materials business – particularly in relation to margins.

Continuing strong growth is expected in the market for structural components for buses and rail vehicles.

Management

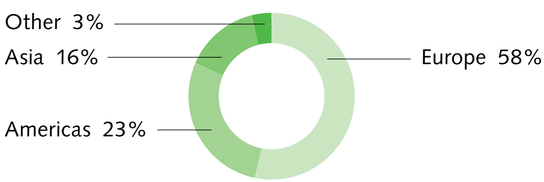
Dr. Heinz O. Baumgartner	Chief Executive Officer 3A Composites
Brendan Cooper	Chief Executive Officer Display & Architecture Americas
Dr. Tarek Haddad	Chief Executive Officer Display & Architecture Asia / Pacific
Dr. Armin Raiber	Chief Executive Officer Mass Transportation
Georg Reif	Chief Technology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

Employees (at year-end)

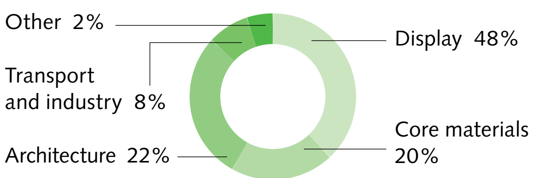
2015	2014	2013	2012
4 432	2 514	2 081	2 151
[1] 1 977	[1] 797	[1] 609	[1] 696

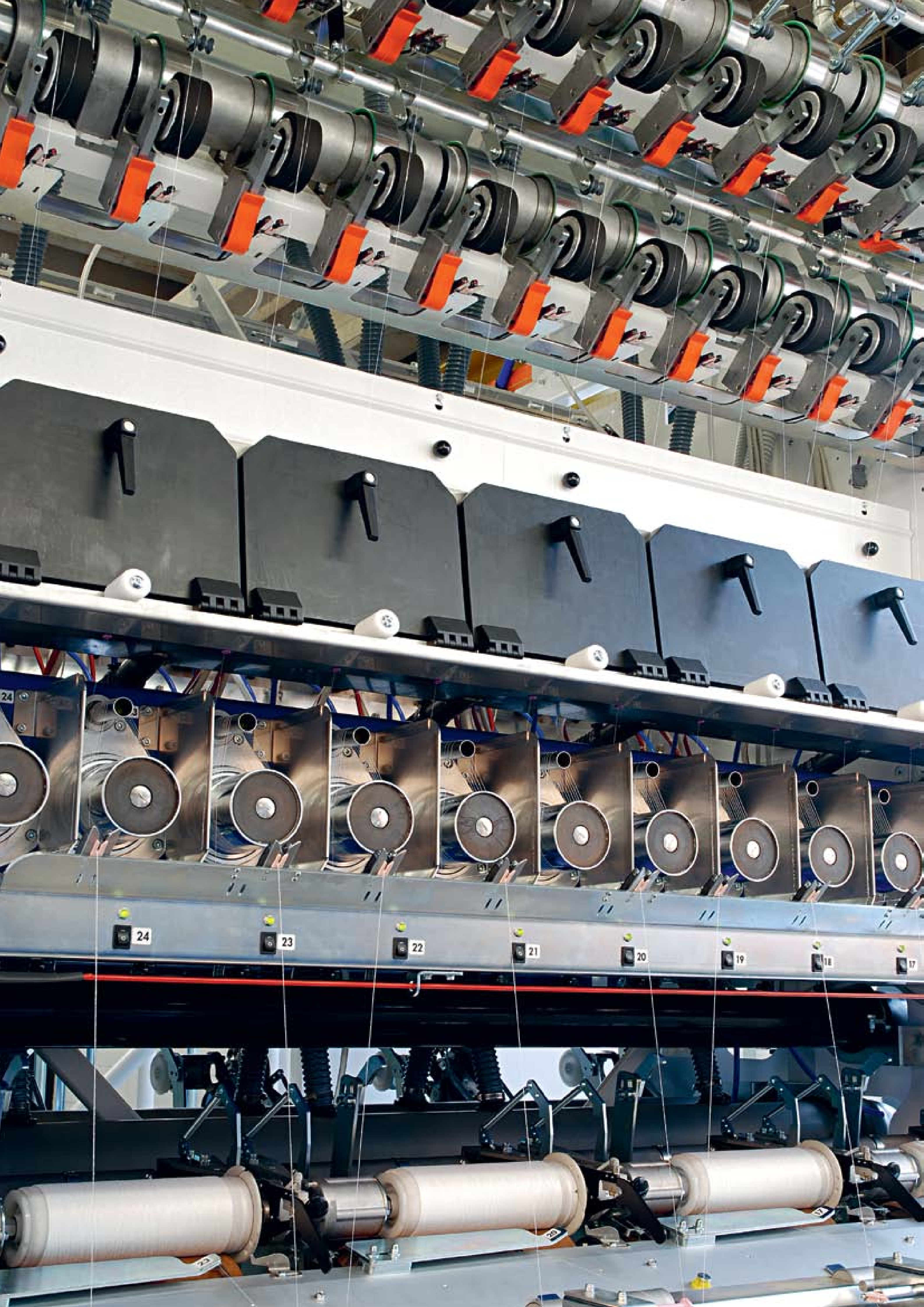
[1] of which in balsa wood plantations and sawmills in Ecuador and Papua New Guinea

Sales markets 2015 (in %)



Net revenues 2015 by operations (in %)

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Group management report

Division SSM Textile Machinery

Market

As expected, with new orders amounting to CHF 69.7 million (previous year: CHF 89.3 million), SSM was not able to match the previous year's exceptionally high figure. Various external factors contributed to this. These included on the one hand developments which were already emerging in late 2014 and, on the other hand, the Swiss National Bank's mid-January decision to abandon the euro exchange rate floor. This decision added to the pressure on prices, primarily via competition from European companies.

In China, the cotton/staple fiber sector continued to trend at a low level, while the man-made fibers sector, which enjoyed a boom the previous year, consolidated slightly. However, the next growth phase is already within sight. After India, the second main market in Asia, shook off its stagnation in 2015, the initial impact of pent-up demand made itself felt. This year once again saw Taiwan play an extremely important part, with a gratifying correlation between demand for high-quality man-made fibers in high value-added niches and the process machinery from our plants in Switzerland and Italy. A number of pleasing successes in Central Asia confirm that in this part of Asia, too, patience and perseverance pay off.

New orders in Turkey were down significantly on the previous year, although the market improved again towards the end of the year.

In North America, while there were still only tentative signs of the much touted renaissance of the textile industry, 2015 nevertheless saw a significant increase in sales in the USA. In South America, Brazilian imports of high-quality textile machinery almost came to a standstill owing to the difficult economic situation.

While the market for man-made fiber yarns continued to make positive progress, the dyeing spools segment came under heavy pressure in 2015. SSM's solid performance under these unfavorable conditions was mainly thanks to the man-made fibers business.

The high external value of the Swiss franc is a major challenge. However, SSM's performance proves that it is still possible even against a background of unfavorable exchange rates to engage in successful and profitable international business. The expansion of the globalized sourcing network will continue to be a key focal point for the coming years.

Revenues and income

The removal of the euro exchange rate floor in mid-January handed our competitors in the EU countries a roughly 15% price advantage over SSM. Thanks to systematic cost management and flexible structures, SSM's results were roughly on a par with 2012 and 2013, with revenues of CHF 74.3 million (previous year: CHF 87.9 million). It can be regarded as a success that, despite an unfavorable currency and economic environment as well as substantial research and development spending, SSM still succeeded in generating EBIT of CHF 8.0 million (previous year: CHF 13.4 million). The order backlog has declined slightly, but should increase over the coming months thanks to a very successful presence at the ITMA trade fair in Milan at the end of 2015.

Product range

The International Textile Machinery trade fair (ITMA), which is held at four-yearly intervals, shows the way forward in our industry. Every major textile machinery company presents its new products there. SSM exhibited eight new products never previously shown in public, attracting considerable interest from customers and technical specialists. With the help of this publicity, the aim in 2016 will be to secure

SSM GIUDICI TG 1 AT – air texturing

Division SSM Textile Machinery

orders for the machinery in question. Around half of the innovations exhibited are targeted at the precision spools segment of the yarn dyeing sector, while the other half is intended to once again strengthen the area of man-made fibers.

International organization

All three SSM production locations – Horgen (Switzerland), Zhongshan (China) and Galbiate (Italy) – reported good capacity utilization. While our Swiss operations were able to mitigate the impact of the strong Swiss franc through tight cost management, the two sites in China and Italy benefited from increased competitiveness. Overall, 2015 saw SSM succeed in further reducing its dependence on the Swiss franc, with the positive impact on profitability mentioned above. In the coming years too, SSM's production strategy will continue to be based on a strong international network in which Italy will play an increasingly important part.

Outlook

At CHF 13.1 million (previous year: CHF 18.5 million), the order backlog is in line with the average of recent years. The markets of Turkey, Southeast Asia and India are showing positive signs of recovery. The textile industry is not expected to witness substantial growth or a marked downturn in 2016. Any growth could be expected to emerge in the second half of the year.

SSM has maintained, and in some areas even improved, its competitive structure. We can therefore look forward to another gratifying result in 2016.

Machine program

Machines for the following applications/segments in the textile sector:

- Rewinding and dyeing – Doubling – Sewing threads
- Air texturing – Air covering
- False twist texturing – Singeing
- Yarn preparation – Elastane preparation

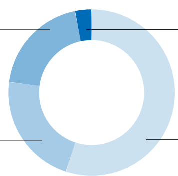
Management

Ernesto Maurer	Chief Executive Officer Head of Marketing & Sales (until 31 March 2016) Chairman of the Board of Directors SSM (from 1 April 2016)
Davide Maccabruni	Chief Executive Officer (from 1 April 2016)
Marco Sarain	Chief Financial Officer
Davide Maccabruni	Chief Technology Officer
Claudia Wagner	Head of Operations
Christian Widmer	Head of Aftersale Services

Employees (at year-end)

2015	2014	2013	2012	2011
251	244	242	256	233

Sales markets 2015 (in %)



Consolidated financial statements of Schweiter Technologies AG

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Consolidated balance sheet as at 31 December 2015

	Assets (in CHF 1000s)	2015	%	2014	%
	Current assets				
1	Cash and cash equivalents	170 445		305 912	
2	Trade receivables	136 342		109 864	
	Current income tax receivables	5 374		6 487	
	Advances to suppliers	7 555		5 788	
3	Other receivables	21 742		16 782	
	Prepaid expenses and accrued income	863		1 082	
4	Inventories	144 349		130 345	
	Total current assets	**486 670**	52.6	**576 260**	64.8
	Non-current assets				
5	Property, plant and equipment	245 606		191 671	
6	Investment property	20 333		20 792	
7	Biological assets	26 870		18 199	
8	Investment in associated companies	966		1 107	
9	Financial assets	1 677		4 781	
30	Deferred tax assets	24 351		22 666	
10	Intangible assets (incl. goodwill)	118 863		54 189	
	Total non-current assets	**438 666**	47.4	**313 405**	35.2
	Total assets	**925 336**		**889 665**	

	Liabilities and shareholders' equity (in CHF 1000s)	2015	%	2014	%
	Current liabilities				
11	Current financial liabilities	2 378		2 926	
	Trade payables	54 909		53 778	
	Prepayments received from customers	7 066		8 758	
12	Other payables	10 075		4 785	
13	Accrued expenses and deferred income	51 366		43 466	
17	Current provisions	1 580		2 679	
	Current income tax payables	28 122		19 050	
	Total current liabilities	**155 496**	16.8	**135 442**	15.2
15	Non-current financial liabilities	5 004		3 551	
31	Deferred tax liabilities	26 812		24 949	
17	Non-current provisions	19 506		12 043	
16	Pension obligations	93 632		77 469	
	Total non-current liabilities	**144 954**	15.7	**118 012**	13.3
	Total liabilities	**300 450**	32.5	**253 454**	28.5
	Shareholders' equity				
18	Share capital	1 432		1 444	
18	Treasury shares	– 295		– 7 400	
	Reserves from capital contributions	63		63	
	Retained earnings	650 498		654 471	
	Currency translation adjustments	– 26 812		– 12 367	
	Total shareholders' equity	**624 886**	67.5	**636 211**	71.5
	Total liabilities and shareholders' equity	**925 336**		**889 665**	

▲ For additional details, see the Notes to the consolidated financial statements

Consolidated income statement for the financial year 2015

	(in CHF 1000s)	2015	%	2014	%
22	**Net revenues**	**915 398**	99.6	**765 590**	99.0
	Change in inventories of semi-finished and finished goods	3 611	0.4	7 487	1.0
	Total operating income	**919 009**	100.0	**773 077**	100.0
	Material expenses	– 496 093	– 54.0	– 408 923	– 52.9
	Personnel expenses	– 176 440	– 19.2	– 150 162	– 19.4
23	Other operating expenses	– 159 801	– 17.4	– 141 333	– 18.3
24	Income/expenses from investment property – net	– 99		– 142	
25	Other operating income	5 503	0.6	9 201	1.2
26	Depreciation and amortization	– 26 178	– 2.8	– 24 250	– 3.2
	Operating result	**65 901**	7.2	**57 468**	7.4
27	Financial income	2 190	0.2	6 763	0.9
28	Financial expenses	– 2 872	– 0.3	– 2 407	– 0.3
8	Share of result of associated companies	– 86		– 169	
	Income before taxes	**65 133**	7.1	**61 655**	8.0
29	Income taxes	– 15 053	– 1.6	– 16 164	– 2.1
	Net income	**50 080**	5.5	**45 491**	5.9
33	**Earnings per share** (in CHF)				
	– undiluted	35.00		31.84	
	– diluted	34.98		31.79	

▲ For additional details, see the Notes to the consolidated financial statements

Consolidated statement of comprehensive income for the financial year 2015

(in CHF 1000s)	**2015**	2014
Net income	**50 080**	**45 491**
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	– 14 445	18 340
– Tax effect	0	0
Total	– 14 445	18 340
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial (losses) / gains on defined benefit plans	12 266	– 23 969
– Tax effect	– 2 087	4 878
Total	10 179	– 19 091
Total other comprehensive income	**– 4 266**	**– 751**
Comprehensive income	**45 814**	**44 740**

Consolidated statement of cash flows for the financial year 2015

	(in CHF 1000s)	2015	2014
	Net income	**50 080**	**45 491**
	Non-cash items:		
26	Depreciation and amortization	26 178	24 250
	Depreciation on investment properties	459	459
	Change in provisions and pension obligations	2 195	– 1 075
	Other positions not impacting cash	– 3 654	– 3 786
27	Financial income	– 2 190	– 6 763
28	Financial expenses	2 872	2 407
29	Income taxes	15 053	16 164
	Change in working capital:		
	Change in trade receivables	6 908	– 27 570
	Change in other receivables and accruals	– 1 247	8 267
	Change in inventories and work in progress	4 002	– 14 063
	Change in trade payables	– 13 552	6 507
	Change in other liabilities	– 7 682	4 255
	Interest paid	– 336	– 327
	Income taxes paid	– 13 430	– 10 778
	Cash flow from operating activity	**65 656**	**43 438**
32	Purchase of subsidiaries, net of cash	– 115 183	– 781
	Purchase of intangible assets	– 511	– 185
	Purchase of property, plant and equipment	– 24 072	– 36 167
	Sale of property, plant and equipment	1 887	3 240
	Repayment of financial assets	3 451	300
	Increase in financial assets	0	– 1 283
	Interest received	251	527
	Loss from derivative instruments	– 437	0
	Cash flow from investment activity	**– 134 614**	**– 34 349**
	Repayment leasing liabilities	– 555	– 558
	Increase in current bank loans	0	124
	Repayment of current financial liabilities	– 718	0
	Repayment of non-current financial liabilities	– 237	0
18	Dividend paid	– 57 256	– 57 240
	Cash flow from financing activity	**– 58 766**	**– 57 674**
	Currency exchange differences on cash and cash equivalents	– 7 743	2 442
	Change in cash and cash equivalents	**– 135 467**	**– 46 143**
	Cash and cash equivalents as at 1 January	305 912	352 055
	Cash and cash equivalents as at 31 December	**170 445**	**305 912**

▲ For additional details, see the 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 2014	**1 444**	**– 7 400**	**63**	**685 006**	**– 30 707**	**648 406**
	Net income				45 491		45 491
	Other comprehensive income	*0*	*0*	*0*	*– 19 091*	*18 340*	*– 751*
	Comprehensive income	*0*	*0*	*0*	*26 400*	*18 340*	*44 740*
19	Share-based remuneration				305		305
	Dividend				– 57 240		– 57 240
	Balance as at 31 December 2014	**1 444**	**– 7 400**	**63**	**654 471**	**– 12 367**	**636 211**
	Net income				50 080		50 080
	Other comprehensive income	*0*	*0*	*0*	*10 179*	*– 14 445*	*– 4 266*
	Comprehensive income	*0*	*0*	*0*	*60 259*	*– 14 445*	*45 814*
	Cancellation of treasury shares	– 12	6 337		– 6 325		0
19	Share-based remuneration		768		– 643		125
	Dividend				– 57 264		– 57 264
	Balance as at 31 December 2015	**1 432**	**– 295**	**63**	**650 498**	**– 26 812**	**624 886**

▲ For additional details, see the Notes to the consolidated financial statements

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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 2015:

Amendments to standards

IAS 19	Defined Benefit Plans: Employee Contributions
Miscellaneous	Amendments resulting from the Annual Improvement Projects

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

Issued standards not yet adopted

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

New standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IFRS 14	Regulatory Deferral Accounts	1 January 2016	Financial year 2016	2)
IFRS 15	Revenues from Contracts with Customers	1 January 2018	Financial year 2018	1)
IFRS 9	Financial Instruments	1 January 2018	Financial year 2018	1)
Amendments to standards				
IFRS 10 and 12	Changes to investment entities	1 January 2016	Financial year 2016	2)
IAS 27	Equity methode in separate financial statements	1 January 2016	Financial year 2016	2)
IAS 1	Disclosure initiative	1 January 2016	Financial year 2016	1)

Amendments to standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IFRS 16	Leases	1 January 2019	Financial year 2019	3)
IAS 16 und IAS 38	Property, Plant and Equipment and Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	Financial year 2016	2)
IAS 16 und IAS 41	Agriculture: Bearer Plants	1 January 2016	Financial year 2016	2)
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	Financial year 2016	2)
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1 January 2016	Financial year 2016	2)

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

Basis of consolidation

The consolidated financial statements, comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, as well as the consolidated statement of cash flows and the consolidated statement of changes in equity, are based on the audited annual statements of the companies included as at 31 December 2015 and 31 December 2014. The statements of the individual companies, which follow local requirements and customary practices, have been adapted to IFRS on the basis of standard Group-wide accounting and valuation principles and have been combined into the consolidated financial statements.

Principles of consolidation

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

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

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

Accounting policies

Operating segments

In line with the management structure and the procedures for reporting to Management and the Board of Directors, the operating segments comprise the two operationally active divisions SSM Textile Machinery and 3A Composites and the segment "Other/Eliminations", which contains the central management and financial functions of Schweiter Technologies AG (Holding) and eliminations from consolidation. The 3A Composites division is managed as an operating segment – decisions on the allocation of resources and monitoring of the performance of top-level management in connection with the various product groups are conducted centrally on a global basis. The Group's chief operating decision maker is the Board of Directors of Schweiter Technologies AG. There are no differences between the accounting and valuation principles applied to segment reporting and those applied to the consolidated financial statements. Geographic information is broken down into the regions Europe, Americas, Asia and the rest of the world.

The products and services, the nature of the production processes as well as the methods to distribute the products and to provide the services share the same characteristics within the two operating segments that are disclosed by the Schweiter Group. Different geographic markets as well as different applications of the products were therefore aggregated in the operating segments of 3A Composites as well as SSM Textile Machinery. In addition to the aforementioned characteristics the following economic indicators are assessed to determine that the operating segments share similar economic characteristics: product and service innovation, industry risk profile, market growth rate and market share.

Changes in the scope of consolidation

The Polycasa Group and Plastwag S.A. were acquired on 31 March 2015 and the balsa operations of PNG Balsa Ltd. on 30 June 2015; all three were integrated into the 3A Composites division.

Scope of consolidation

The following companies were fully consolidated as at 31 December:

				Investments	
Company	Purpose	Share capital in 1000s		**2015**	2014
Schweiter Technologies AG Horgen, Switzerland	Holding company	CHF	1 432	–	–
SSM Schärer Schweiter Mettler AG Horgen, Switzerland	Development, production and distribution	CHF	6 000	100%	100%
SSM Vertriebs AG Steinhausen, Switzerland	Distribution	CHF	100	100%	100%
SSM (Zhongshan) Ltd. Zhongshan, China	Production and distribution	USD	500	100%	100%
SSM Giudici S.r.l. Galbiate, Italy	Production and distribution	EUR	100	100%	100%
3A Composites Holding AG Steinhausen, Switzerland	Holding company	CHF	10 000	100%	100%

Company	Purpose	Share capital in 1000s		Investments 2015	Investments 2014
3A Composites International AG Steinhausen, Switzerland	Distribution and management	CHF	100	100%	100%
3A Technology & Management AG Neuhausen, Switzerland	Development and property management	CHF	600	100%	100%
Airex AG Sins, Switzerland	Production and distribution	CHF	5 000	100%	100%
3A Composites Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
3A Composites Holding Germany GmbH Singen, Germany	Holding company	EUR	25	100%	100%
Foamalite Ltd. Loch Gowna, Ireland	Production and distribution	EUR	1 905	100%	100%
3A Composites GmbH Osnabrück, Germany	Production and distribution	EUR	2 556	100%	100%
Polycasa GmbH Mainz, Germany	Production and distribution	EUR	26	100%	0%
Quinn Property Management GmbH Mainz, Germany	Property management	EUR	26	100%	0%
Polycasa Nischwitz GmbH Nischwitz, Germany	Production and distribution	EUR	562	100%	0%
Polycasa Holdings GmbH Mainz, Germany	Holding company	EUR	25	100%	0%
Polycasa N.V. Geel, Belgium	Distribution	EUR	91 709	100%	0%
Polycasa Spain S.A.U Montcada i Reixac, Spain	Production and distribution	EUR	12 188	100%	0%
Polycasa Slovakia sro Žilina, Slovakia	Production and distribution	EUR	4 485	100%	0%
Polycasa Ltd. Leeds, UK	Distribution	GBP	7 000	100%	0%
Polycasa sro Pribram, Czech Republic	Production and distribution	CZK	100	100%	0%
Polycasa SARL Paris, France	Holding company	EUR	8	100%	0%

Accounting policies

Company	Purpose	Share capital in 1000s		Investments 2015	Investments 2014
Polycasa France S.A. Paris, France	Distribution	EUR	457	100%	0%
Plastwag S.A. Mielec, Poland	Production and distribution	PLN	4124	100%	0%
3A Composites Holding Inc. Wilmington, DE, USA	Holding company	USD	0.1	100%	100%
Baltek Inc. Wilmington, DE, USA	Production and distribution	USD	0.05	100%	100%
3A Composites USA Inc. St. Louis, MI, USA	Production and distribution	USD	1	100%	100%
Alucobond (Far East) Pte. Ltd. Singapore	Distribution	USD	58314	100%	100%
Alucobond Asia Pacific Management (Shanghai) Ltd., China	Holding company	USD	2500	100%	100%
3A Composites (China) Ltd. Shanghai, China	Production and distribution	USD	20000	100%	100%
Alucobond Composites (Jiangsu) Ltd. Changzhou, China	Production and distribution	USD	10000	100%	100%
3A Composites India Pte. Ltd. Mumbai, India	Production and distribution	INR	65693	100%	100%
3A Composites PNG Ltd. Port Moresby, Papua New Guinea	Production and distribution	PGK	14000	100%	100%
Plantaciones de Balsa Plantabal S.A. Guayaquil, Ecuador	Production	USD	42.4	100%	100%
Balmanta S.A. Guayaquil, Ecuador	Production	USD	3018	100%	100%
Banova Innovaciones en Balsa S.A. Quevedo, Ecuador	Production and distribution	USD	1000	100%	100%
Reforestaciones e Industrias Reforei S.A. Santo Domingo, Ecuador	Production and distribution	USD	50	100%	100%
3A Composites do Brasil Ltda. Cuiabá, MG, Brazil	Production	BRL	340	0%	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	
				2015	2014	**2015**	2014
USA	Dollar	USD	1	0.991	0.989	0.962	0.915
EU	Euro	EUR	1	1.083	1.203	1.068	1.214
GB	Pfund	GBP	1	1.469	1.537	1.470	1.506
China	Yuan	CNY	1	0.153	0.161	0.154	0.149
Indien	Rupie	INR	100	1.493	1.550	1.500	1.500

Accounting policies

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.

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.

Cash and cash equivalents

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

Trade receivables

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

Inventories

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

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

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

Property, plant and equipment

Land is measured at acquisition cost. Impairments are recognized for any decrease in value which has occurred. Buildings, machinery, vehicles and operating equipment are measured at acquisition costs less accumulated depreciation. Depreciation is calculated using the straight-line method over the following estimated useful life:

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

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

Investment property

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

Biological assets

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

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

Tree plantings older than two years are stated at market value (level 2 valuation), 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.

Accounting policies

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

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

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

Employee benefits

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

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

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

Service costs include current service costs, past service costs and gains and losses on non-routine settlements. Gains and losses on plan curtailments are treated the same way as past service costs. Employee contributions reduce service costs and are deducted from them if they are a result of the pension regulations or a constructive obligation.

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

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

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

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

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

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

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

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

Share-based payments

Employee services received in exchange for share-based payments settled in equity instruments are recognized under personnel expenses. The expenses to be recognized are measured as the fair value of the equity instruments at the time they are granted multiplied by the best possible estimate of the num-

Accounting policies

ber 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.

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 2015 with all other variables unchanged, after conversion of the financial assets and liabilities into Swiss francs the pre-tax result of the Schweiter Technologies Group would have been lower by CHF 5.5 million [CHF 1.6 million] (previous year: CHF 1.0 million [CHF 3.2 million]) and shareholders' equity would have been lower by CHF 1.7 million [CHF 6.4 million] (previous year: CHF 1.9 million [CHF 5.4 million]).

Conversely, if the Swiss franc had been 5% weaker against the euro [US dollar] on 31 December 2015 with all other variables unchanged, after conversion of the financial assets and liabilities into Swiss francs the pre-tax result of the Schweiter Technologies Group would have been higher by CHF 5.5 million [CHF 1.6 million] (previous year: CHF 1.0 million [CHF 3.2 million]) and shareholders' equity would have been higher by CHF 1.7 million [CHF 6.4 million] (previous year: CHF 1.9 million [CHF 5.4 million]).

Interest rate risks

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

A 1% point rise in interest rates would push up the interest result by around CHF 1.7 million (previous year: CHF 3.0 million). By the same token, a 1% point fall in interest rates would reduce the interest result by CHF 0.3 million (previous year: CHF 0.5 million).

Credit risks

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

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

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

Liquidity risk

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

As of 31 December 2015 and 31 December 2014, 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 2015: carrying amount and cash outflows

(in CHF 1000s)	Carrying amount **31.12.2015**	Total	Cash outflows Up to 1 year	1 to 5 years	More than 5 years
Current financial liabilities	2 378	2 611	2 611		
Trade payables	54 909	54 909	54 909		
Other liabilities	5 382	5 382	5 382		
Non-current financial liabilities	5 004	5 316	0	5 316	0
Total	**67 673**	**68 218**	**62 902**	**5 316**	**0**

Financial liabilities 2014: carrying amount and cash outflows

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

Accounting policies

Capital management

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

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

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

Assumptions and use of estimates

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

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

Revenue recognition

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

Property, plant and equipment, goodwill and intangible fixed assets

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

Income taxes

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

Receivables and inventories

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

Pension plans

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

Provisions for litigation

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

Operating segments 2015

	(in CHF millions) **Operations**	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
	Net revenues [1]	840.8	74.3	0.3	915.4
	Operating income	844.6	74.1	0.3	919.0
26	Depreciation and amortization	25.0	1.2	0.0	26.2
26	Impairment	0.0	0.0	0.0	0.0
	Operating result	**60.5**	**8.0**	**– 2.6**	**65.9**
	Financial income				2.2
	Financial expenses				– 2.9
	Share of result of associated companies	– 0.1	0.0	0.0	– 0.1
	Income before taxes				**65.1**
	Income taxes				– 15.0
	Net income	**40.5**	**6.5**	**3.1**	**50.1**
	Capital expenditure in property, plant and equipment	29.1	0.8	0.0	29.9
	Capital expenditure in intangible assets	0.0	0.1	0.0	0.1
	Total capital expenditure	**29.1**	**0.9**	**0.0**	**30.0**
	Assets	700.2	51.5	173.6	925.3
	Liabilities	609.0	35.4	– 343.9	300.5
	Employees at year-end	4 432	251	6	4 689

[1] There are no revenues between the divisions. The product groups correspond to the operating segments

Geographical information 2015 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [2]	508.1	204.9	179.9	22.5	**915.4**
Assets	627.5	203.8	82.1	11.9	**925.3**

[2] The revenues in Switzerland are insignificant.

Information on major customers 2015

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

Operating segments 2014

(in CHF millions)

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

[1] There are no revenues between the divisions. The product groups correspond to the operating segments

Geographical information 2014 (in CHF millions)

Regions	Europe	Americas	Asia	Other	Group
Net revenues [2]	387.6	203.1	149.2	25.7	**765.6**
Assets	543.5	224.9	121.3	0.0	**889.7**

[2] The revenues in Switzerland are insignificant.

Information on major customers 2014

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

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2015**	2014
CHF	43 386	209 476
EUR	44 728	37 679
USD	41 518	41 573
CNY	30 256	11 686
Other	10 557	5 498
Total	**170 445**	**305 912**

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

2 **Trade receivables** (in CHF 1000s)	**2015**	2014
Total trade receivables	141 441	112 129
– less allowance for doubtful accounts receivable	– 5 099	– 2 265
Total trade receivables – net	**136 342**	**109 864**

Age analysis of trade receivables **2015:** (in CHF 1000s)	Gross **31.12.2015**	Bad debt allowance **31.12.2015**	Net **31.12.2015**
Not due	121 990	– 108	121 882
Overdue up to one month	11 420	– 267	11 153
Overdue between 1 and 2 months	1 444	– 172	1 272
Overdue between 2 and 3 months	1 327	– 60	1 267
more than 3 months overdue	5 260	– 4 492	768
Total overdue	*19 451*	*– 4 991*	*14 460*
Total	**141 441**	**– 5 099**	**136 342**

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

Changes in the value adjustment for doubtful accounts receivable:	2015	2014
Balance as at 1 January	2 265	2 931
Changes in the scope of consolidation	3 832	0
Exchange rate differences	9	– 5
Bad debt allowance used	– 1 552	– 67
Bad debt allowance released	– 468	– 594
Bad debt allowance increased	1 013	0
Balance as at 31 December	**5 099**	**2 265**

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

3 **Other receivables** (in CHF 1000s)	**2015**	2014
Financial assets:		
– Other receivables	8 627	7 032
Non-financial assets:		
– Receivables from indirect taxes	12 579	9 189
– Accounts receivable from social insurance schemes	536	561
Total	**21 742**	**16 782**

4 **Inventories** (in CHF 1000s)	**2015**	2014
Raw materials and production parts	58 852	62 862
Semi-finished goods and work in progress	20 833	20 152
Finished goods and trading goods	64 664	47 331
Total	**144 349**	**130 345**

The net value of the inventories is after value adjustments of CHF 14.7 million (previous year: CHF 12.9 million). As in the prior year, all finished goods are stated in the balance sheet at manufacturing cost. The value adjustment was determined on the basis of the salability and range of the inventories. As in the prior year, no reinstatements were recorded as income. No inventories are encumbered by rights of lien.

Notes to the consolidated financial statements

5 Property, plant and equipment 2015

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery & tools	Computer equipment	Furnishings Vehicles	Assets under construction	**Total**
Cost							
Balance as at 1 January 2015	132 763	12 580	257 363	12 879	6 645	21 819	444 049
Change in the scope of consolidation	36 701	419	15 467	118	762	188	53 655
Additions	1 100	685	5 521	680	945	20 958	29 889
Disposals	–123	–214	–6 164	–412	–378	0	–7 291
New classifications	3 273	5 414	10 498	3 704	1 464	–15 095	9 258
Exchange rate differences	–2 738	–828	–10 458	–652	–333	–476	–15 485
Balance as at 31 Dec. 2015	**170 976**	**18 056**	**272 227**	**16 317**	**9 105**	**27 394**	**514 075**
Accumulated depreciation							
Balance as at 1 January 2015	–43 676	–6 942	–186 345	–10 359	–4 778	–278	–252 378
Change in the scope of consolidation	0	0	0	0	0	0	0
Depreciation for the year	–5 108	–1 203	–15 809	–1 344	–720	0	–24 184
Impairment	0	0	0	0	0	0	0
Disposals	49	155	4 581	347	173	0	5 305
New classifications	–243	–4 797	788	–3 721	–1 285	0	–9 258
Exchange rate differences	1 856	714	8 608	596	262	10	12 046
Balance as at 31 Dec. 2015	**–47 122**	**–12 073**	**–188 177**	**–14 481**	**–6 348**	**–268**	**–268 469**
Net book value 31 Dec. 2015	**123 854**	**5 983**	**84 050**	**1 836**	**2 757**	**27 126**	**245 606**
Net book value of pledged property, plant and equipment							3 223
Net book value of leased property, plant and equipment							7 593
14 Leasing obligations for property, plant and equipment reported on balance sheet							2 306

5 Property, plant and equipment 2014

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery & tools	Computer equipment	Furnishings Vehicles	Assets under construction	**Total**
Cost							
Balance as at 1 January 2014	121 072	11 556	230 006	12 461	5 985	14 550	395 630
Additions	4 081	509	7 413	626	585	26 399	39 613
Disposals	−390	−119	−4 713	−382	−283	0	−5 887
New classifications	3 398	401	16 473	196	62	−20 530	0
Exchange rate differences	4 602	233	8 184	−22	296	1 400	14 693
Balance as at 31 Dec. 2014	**132 763**	**12 580**	**257 363**	**12 879**	**6 645**	**21 819**	**444 049**
Accumulated depreciation							
Balance as at 1 January 2014	−38 765	−5 902	−169 505	−9 287	−4 308	−258	−228 025
Depreciation for the year	−3 966	−1 127	−15 634	−1 498	−529	0	−22 754
Impairment	0	0	0	0	0	0	0
Disposals	0	103	4 072	376	258	0	4 809
New classifications	0	0	0	0	0	0	0
Exchange rate differences	−945	−16	−5 278	50	−199	−20	−6 408
Balance as at 31 Dec. 2014	**−43 676**	**−6 942**	**−186 345**	**−10 359**	**−4 778**	**−278**	**−252 378**
Net book value 31 Dec. 2014	**89 087**	**5 638**	**71 018**	**2 520**	**1 867**	**21 541**	**191 671**

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

Notes to the consolidated financial statements

6 Investment property

Rhytech site Neuhausen

The property in Neuhausen (RhyTech site) will continue to be carried at book value. The completion of the building permit process is expected in 2017. Construction of the new building complexes on the RhyTech site will start soon after completion of the building permit process. The conclusion of the building permit process and the further development of the property will have a positive impact on the fair value of the 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 property was reassessed by an independent expert at the end of 2013. As premises had deliberately been left vacant, fair value was assessed on the basis of intrinsic value rather than using the DCF method. Due to the fact that the parameters have not changed since the last valuation and the building permit process is not yet completed, it was decided not to update the valuation report at the end of 2015.

The current market value of the buildings was estimated at CHF 14.5 million (previous year: 14.5 million). Together with the land value of CHF 7.3 million (previous year: 7.3 million), the fair value of the property as a whole is assessed at CHF 21.8 million (previous year: 21.8 million). The market value as of the end of 2015 is higher than the book value of the 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 property and no key contractual obligations in terms of purchase, manufacture, development or maintenance.

(in CHF 1000s)	**2015**	2014
Cost		
Balance as at 1 January	23 124	23 124
Additions	0	0
Disposals	0	0
Exchange rate differences	0	0
Balance as at 31 December	**23 124**	**23 124**
Accumulated depreciation		
Balance as at 1 January	– 2 332	– 1 873
Disposals	0	0
Depreciation for the year	– 459	– 459
Exchange rate differences	0	0
Balance as at 31 December	**– 2 791**	**– 2 332**
Net book value 31 December	**20 333**	**20 792**

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 in Ecuador and Papua New Guinea.

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 2015, 3A Composites had 137 plantations with a surface area of 13 729 hectares, 7 635 hectares of which are currently planted with balsa trees. This makes 3A Composites the largest plantation owner and balsa wood producer. In 2015, a total of 25 145 911 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 59 338 cubic meters.

At the end of 2015, the value of the biological assets amounted to CHF 26.9 million (previous year: CHF 18.2 million), of which CHF 6.8 million (previous year: CHF 5.3 million) are accounted for by young plantations less than two years old, and CHF 20.1 million (previous year: CHF 12.9 million) by plantations more than two years old.

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.

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 3A Composites and other buyers. When calculating the market price of standing trees, the necessary forestry and transport costs are also deducted.

(in CHF 1000s)	**2015**	2014
Book value as at 1 January	**18 199**	**13 564**
32 Change in the scope of consolidation	5 855	0
Gain or loss as a result of change in market value less selling costs	1 449	1 723
Increase as a result of growth and maintenance measures	3 169	2 915
Decrease as a result of harvest	– 1 802	– 1 707
Exchange rate differences	0	1 704
Book value as at 31 December	**26 870**	**18 199**

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, 3A Composites has not taken out any specific insurance policies, but assumes these risks itself.

Notes to the consolidated financial statements

8 Investment in associated companies

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

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

(in CHF 1000s)	**2015**	2014
Loss	– 86	– 169
Other comprehensive income	– 55	108
Total comprehensive income	– 141	– 61
Aggregated carrying amount of the Group's interest	966	1 107

9 **Financial assets** (in CHF 1000s)	**2015**	2014
Non-current receivables	698	2 534
Other financial assets	979	2 247
Total	**1 677**	**4 781**

10 **Intangible assets 2015 (**incl. goodwill) (in CHF 1000s)	Goodwill	Patents & brands	Other	Total
Cost				
Balance as at 1 January 2015	10 213	48 318	21 751	80 282
Change in the scope of consolidation	59 129	4 789	2 067	65 985
Additions	0	43	18	61
Disposals	0	0	– 464	– 464
Exchange rate difference	1 595	– 822	– 122	651
Balance as at 31 December 2015	**70 937**	**52 328**	**23 250**	**146 515**
Accumulated amortization				
Balance as at 1 January 2015	0	– 11 539	– 14 554	– 26 093
Change in the scope of consolidation	0	0	0	0
Amortization for the year	0	– 218	– 1 776	– 1 994
Disposals	0	0	464	464
Exchange rate difference	0	20	– 49	– 29
Balance as at 31 December 2015	**0**	**– 11 737**	**– 15 915**	**– 27 652**
Net book value as at 31 December 2015	**70 937**	**40 591**	**7 335**	**118 863**

Since no end to the useful life of the capitalized brand names AIREX®, ALUCOBOND®, BALTEK®, DIBOND®, GATOR®, AKRYLON 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 38.1 million as of the end of December 2015 will therefore not be amortized on a planned basis, but are subjected to an annual impairment test or whenever there is an indication of impairment.

The recoverable amount of the brands was calculated on the basis of fair value less cost to sell. This involved applying the relief-from-royalty method, whereby the commercial advantage of the brand owner is determined on the basis of the discounted royalty savings. During the budgeted period of five years, the cash flow forecasts are based on the expected royalty savings of between 0.4% and 3.0%. The constant annual growth rate after the fifth forecasting year is between 2% and 3%. The cash flows calculated in this way are discounted at various rates for each brand name ranging from 10.1% to 12.3% p.a. (previous year: 10.4% to 12.5% 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 11.5 million (previous year: CHF 12.3 million).

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

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Goodwill 2015

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	1 833	DCF	Value-in-use	11.6%	5 years	1%
32 3A Composites Division	69 104	DCF	Value-in-use	10.3%	5 years	1%
Total	**70 937**					

In 2015 as well as in 2014, no impairment charges had to be recognized. A 1% point increase in the discounting rates would not result in any impairment.

Goodwill 2014

Cash generating unit	Book value in CHF 1000s	Method	Basis for determining recoverable amount	Discount rate before taxes	Projection period	Long-term growth rate
SSM Giudici	2 036	DCF	Value-in-use	12.1%	5 years	1%
3A Composites Division	8 177	DCF	Value-in-use	10.4%	5 years	1%
Total	**10 213**					

11 **Current financial liabilities** (in CHF 1000s)	**2015**	2014
Loans falling due within one year	1 752	2 367
14 Short-term leasing liabilities	626	559
Total	**2 378**	**2 926**

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

31 December	**2015**	Actual interest rates	31 December	2014	Actual interest rates
INR	1 507	2.87%	INR	2 367	2.74%
CHF	559	2.00%	CHF	559	2.40%
Other	312	4.15%			
Total	**2 378**			**2 926**	

12 **Other payables** (in CHF 1000s)	**2015**	2014
Financial liabilities:		
– Other liabilities	5 382	2 030
Non-financial liabilities:		
– Obligations towards social insurance schemes	2 288	1 635
– Obligations resulting from sales taxes	2 405	1 120
Total	**10 075**	**4 785**

13 **Accrued expenses and deferred income** (in CHF 1000s)	**2015**	2014
Outstanding volume discounts and customer credits	11 053	8 720
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	20 904	20 092
Cost of materials / overheads	6 143	5 046
Other accrued expenses and deferred income	13 266	9 608
Total	**51 366**	**43 466**

	14 **Obligations arising from finance leasing** (in CHF 1000s)	**2015**	2014
	Obligations arising from finance leasing (nominal), due in:		
	– one year	641	628
	– 2 to 5 years	1 781	2 358
	– more than 5 years	0	0
	Total nominal value	**2 422**	**2 986**
	less future financial expense	– 116	– 193
	Total present value of minimum leasing obligations	**2 306**	**2 793**
	Reporting on balance sheet by due date		
11	– in one year (in current financial liabilities)	626	559
15	– in more than one year (in non-current financial liabilities)	1 680	2 234
	Total present value of minimum leasing obligations	**2 306**	**2 793**

	15 **Non-current financial liabilities** (in CHF 1000s)	**2015**	2014
14	Long-term leasing obligations	1 680	2 234
	Other long-term financial obligations	3 324	1 317
	Total	**5 004**	**3 551**
	The maturities of the non-current financial liabilities are as follows:		
	– 2 to 5 years	5 004	3 551
	– more than 5 years	0	0
	Total	**5 004**	**3 551**

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

31 December	**2015**	Actual interest rates	31 December	2014	Actual interest rates
CHF	1 676	2.00%	CHF	2 234	2.40%
EUR	865	7.93% [1)]	EUR	1 317	7.93% [1)]
PLN	676	3.57%			
PGK	1 787	0.00%			
Total	**5 004**			**3 551**	

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

Notes to the consolidated financial statements

16 Employee benefits

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

Defined contribution pension plans
The Group offers defined contribution plans for staff who meet the relevant admission criteria. The assets of these plans are spun off into legal units which are independent of the company and are not accessible to the employer. The company is obliged to transfer a predefined percentage of employees' annual salaries to the pension plans. In the case of some of these plans, the employee also pays contributions. These contributions are typically deducted from salaries by the employer and are also transferred to the pension plan. Apart from the contribution payments and the transfers of employee contributions, there are currently no other obligations on the part of the employer.
For the 2015 financial year, the employer's contribution to defined contribution plans amounted to CHF 146 000 (previous year: CHF 184 000).

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

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

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

In defining the benefits, the minimum requirements of the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and its implementing provisions must be observed. The BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council at least once every two years. In 2015, the rate is 1.75% (previous year: 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. As a result of the takeover of Polycasa, another plan was added during the financial year under review.

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.

Plans based on local legal requirements are in place in Belgium, Italy and Slovakia.

Americas

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

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

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

The most recent actuarial valuations of the present values of the defined benefit obligations as of 31 December 2015 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 2015 on the basis of the information known at the time when the annual financial statements were prepared.

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

31 December				**2015**				2014
	Switzerland	EU	America	Weighted	Switzerland	EU	America	Weighted
Discount rate	1.00%	2.29%	3.52%	1.60%	1.15%	2.08%	3.47%	1.60%
Future increases in salaries	1.25%	2.46%	0.53%	1.37%	1.50%	2.68%	0.52%	1.48%
Future pension adjustments	0.10%	1.68%	0.26%	0.42%	0.10%	1.95%	0.44%	0.35%
(in years)								
Life expectancy at age 65								
Year of birth **1949** / 1948								
– Men	22	19	21		21	19	22	
– Women	24	23	23		24	23	24	
Year of birth **1969** / 1968								
– Men	23	22	23		23	22	23	
– Women	26	26	25		26	26	24	

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				**2015**				2014
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Service costs								
– Current service costs	4823	1131	402	6356	3418	494	271	4183
– Past service costs	0	0	0	0	0	0	0	0
– Plan settlements	0	0	0	0	0	0	0	0
Net interest expense	401	733	529	1663	428	645	544	1617
Total pension expense for the period	**5224**	**1864**	**931**	**8019**	**3846**	**1139**	**815**	**5800**

Remeasurements recognized in other comprehensive income

31 December				2015				2014
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Actuarial (gains) / losses								
– Based on adjustment of demographic assumptions	–1 941	0	–35	–1 976	–922	0	125	–797
– Based on adjustment of financial assumptions	–5 540	–6 472	–364	–12 376	33 461	7 119	409	40 989
Experience adjustments	–2 549	207	–48	–2 390	–4 401	205	143	–4 053
Return on pension assets (excluding amounts in net interest expenses)	5 338	–70	419	5 687	–11 918	–96	–328	–12 342
Exchange rate differences	0	–1 213	2	–1 211	0	–65	237	172
Total expense recognized in the "statement of other comprehensive income"	**–4 692**	**–7 548**	**–26**	**–12 266**	**16 220**	**7 163**	**586**	**23 969**
Total pension costs	**532**	**–5 684**	**905**	**–4 247**	**20 066**	**8 302**	**1 401**	**29 769**

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

Changes in the present value of defined benefit obligations

31 December				2015				2014
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening present value of defined benefit obligations	173 585	25 865	35 701	235 151	141 186	18 104	31 889	191 179
Current service cost	4 823	1 131	402	6 356	3 418	494	271	4 183
Plan participants' contributions	2 650	56	0	2 706	2 671	29	0	2 700
Interest expenses on the present value of the obligations	1 958	757	1 180	3 895	3 395	664	1 158	5 217
Actuarial gains / losses	–10 030	–6 265	–447	–16 742	28 138	7 324	677	36 139
Past service costs	0	0	0	0	0	0	0	0
Plan settlements	0	0	0	0	0	0	0	0
Plan curtailments	0	0	0	0	0	0	0	0
Business acquisitions	0	27 226	0	27 226	0	0	0	0
Sale of business	0	0	0	0	0	0	0	0
Benefits paid through plan assets	–7 631	0	–1 124	–8 755	–5 223	0	–1 069	–6 292
Benefits paid by employer	0	–972	–813	–1 785	0	–308	–698	–1 006
Exchange rate differences	0	–2 272	25	–2 247	0	–442	3 473	3 031
Closing present value of defined benefit obligations	**165 355**	**45 526**	**34 924**	**245 805**	**173 585**	**25 865**	**35 701**	**235 151**

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Changes in the fair value of plan assets

31 December				2015				2014
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Opening fair value of plan assets	136 032	646	21 004	157 682	121 030	484	18 925	140 439
Plan participants' contributions	2 650	56	0	2 706	2 671	29	0	2 700
Employer's contribution	2 736	90	331	3 157	2 669	29	157	2 855
Interest income on assets	1 557	24	651	2 232	2 967	19	614	3 600
Return on plan assets (excl. amounts included in interest)	−5 338	70	−419	−5 687	11 918	96	328	12 342
Assets distributed on settlements	0	0	0	0	0	0	0	0
Sale of business	0	874	0	874	0	0	0	0
Benefits paid through plan assets	−7 631	0	−1 124	−8 755	−5 223	0	−1 069	−6 292
Exchange rate differences	0	−50	13	−37	0	−11	2 049	2 038
Closing fair value of plan assets	**130 006**	**1 710**	**20 456**	**152 172**	**136 032**	**646**	**21 004**	**157 682**

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

Amount recognized in the balance sheet

31 December				2015				2014
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Present value of funded obligation	165 355	12 055	26 041	203 451	173 585	12 868	26 323	212 776
Fair value of plan assets	−130 006	−1 710	−20 456	−152 172	−136 032	−646	−21 004	−157 682
Under / (over) funding	**35 349**	**10 345**	**5 585**	**51 279**	**37 553**	**12 222**	**5 319**	**55 094**
Present value of unfunded obligations	0	33 470	8 883	42 353	0	12 997	9 378	22 375
Assets not available to company	0	0	0	0	0	0	0	0
Recognized pension liabilities	**35 349**	**43 815**	**14 468**	**93 632**	**37 553**	**25 219**	**14 697**	**77 469**

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

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

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

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

31 December				**2015**				2014
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Equities	30370	0	7393	37763	32525	0	9078	41603
Bonds	70316	0	6563	76879	69473	0	6663	76136
Alternative financial assets	0	0	0	0	0	0	0	0
Real estate								
– Indirect investments	0	0	0	0	0	0	0	0
– Direct investments	26191	0	0	26191	27586	0	0	27586
Qualified insurance paper	0	1710	0	1710	0	646	0	646
Cash and cash equivalents and Other investments	3129	0	6500	9629	6448	0	5263	11711
Total	**130006**	**1710**	**20456**	**152172**	**136032**	**646**	**21004**	**157682**

In 2015, the assets generated a loss of CHF 3.5 million (previous year: gain of CHF 15.9 million). In the upcoming year employer's contributions are expected to amount to CHF 3.3 million (previous year: CHF 3.1 million), while pension payments to former employees are expected to amount to CHF 1.8 million (previous year: CHF 1.0 million).

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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				2015				2014
(in CHF 1000s)	Switzerland	EU	America	Total	Switzerland	EU	America	Total
Active insured members	115 258	25 256	3 830	144 344	125 320	17 696	4 253	147 269
Former members with vested benefits	0	4 278	0	4 278	0	1 625	14 508	16 133
Members receiving pensions	50 097	15 992	31 094	97 183	48 265	6 544	16 940	71 749
Total	**165 355**	**45 526**	**34 924**	**245 805**	**173 585**	**25 865**	**35 701**	**235 151**
(in years)								
Term of obligations	17.9	18.8	11.9	17.2	20.1	20.3	13.4	19.1

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)			2015		2014
		+ 0.25%	– 0.25%	+ 0.25%	– 0.25%
All countries	Discount rate	– 9 044	9 645	– 9 435	10 167
All countries	Development of wages and salaries	1 339	– 1 291	1 169	– 1 117
Switzerland	Interest on retirement assets	1 181	– 1 198	1 405	– 1 363
EU	Pension indexation	1 394	– 1 330	778	– 744

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 2015 there exists a provision in the amount of CHF 1.4 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 2015 provisions amounting to CHF 0.9 million (previous year: CHF 1.0 million) are in place for these benefits. Offsetting assets are deducted when the provisions is determined.

17 **Provisions** (in CHF 1000s)	Guarantees	Litigation	Environmental obligations	Other	Total **2015**	Total 2014
Balance as at 1 January	4 677	4 288	3 058	2 699	14 722	17 734
Change in the scope of consolidation	522	90	1 391	2 918	4 921	0
Exchange rate differences	– 156	– 13	47	– 48	– 170	351
Consumption with neutral impact on income	– 1 138	– 269	0	– 911	– 2 318	– 5 503
Unused amounts reversed and released to income	– 719	– 544	– 117	– 121	– 1 501	– 1 192
Additional provisions charged to income	1 418	0	59	3 955	5 432	3 332
Balance as at 31 December	**4 604**	**3 552**	**4 438**	**8 492**	**21 086**	**14 722**
of which: current provisions	1 040	299	0	241	1 580	2 679
non-current provisions	3 564	3 253	4 438	8 251	19 506	12 043
Expected use of provisions						
– within one year	1 040	299	0	241	1 580	2 679
– in 2 to 5 years	3 564	3 253	2 485	7895	17 197	10 629
– more than 5 years	0	0	1 953	356	2 309	1 414

Guarantees:

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

Litigation:

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

Environmental obligations:

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

Other provisions:

Other provisions cover mainly material risks arising from framework agreements and obligations arising from personnel-related payments such as partial retirement and long-service awards. Material risks are based on empirical data and on commitments to take delivery that are still outstanding as at 31 December 2015.

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

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18 **Share capital**	**2015**	2014
Number of bearer shares issued with a par value of CHF 1	1 431 808	1 443 672
Share capital as at 31 December (in CHF)	1 431 808	1 443 672
Conditional capital (in CHF)	132 600	132 600

Treasury shares	Number of bearer shares
As at 31 December 2014	14 748
Shares released from the share-based remuneration scheme	– 2 085
Cancellation of treasury shares	– 11 864
As at 31 December 2015	**799**
of which shares used for the share-based remuneration scheme	600

The Annual General Meeting on 6 May 2015 resolved to cancel the 11 864 shares repurchased under the 2012 – 2014 share buyback program and reduce the share capital by CHF 11 864, from CHF 1 443 672 to CHF 1 431 808. The capital reduction was entered on 15 July 2015.

Authorized capital:
As of 31 December 2015, there is no authorized capital.

Conditional capital:
As of 31 December 2015, the company's share capital may be increased ex rights by up to 132 600 bearer shares, which must be fully paid-in;
a) up to a sum of CHF 32 600 through the exercise of employee option rights and
b) up to a sum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company. So far, no such bonds have been issued.

Dividend:

At the General Meeting on 6 May 2015 the shareholders approved the distribution of a dividend of CHF 40.00 per bearer share for the 2014 financial year. No payment was made on treasury shares. The distribution amounted to a total of CHF 57. 3 million.

For the 2015 financial year, the Board of Directors will propose to the Annual General Meeting of 3 May 2016 that a gross dividend of CHF 40.00 per bearer share shall be distributed.

19 Share-based payments

During the year under review, as part of the long-term incentive plan 2015–17 (LTI), shares in Schweiter Technologies AG were issued at the beginning of the plan term. The shares are subject to a blocking period until 31 December 2017 and their value (at the time of allocation) counts toward the LTI participation. 600 shares were issued, which, as of the cut-off date, are segregated from the treasury holdings and held in a separate bank custody account. The shares are entitled to dividends. At the time of allocation, the fair value of the shares issued was CHF 833 per share.

The expenses recognized in the financial year under review from share-based payments settled in equity instruments amounted to CHF 125 000 (previous year: CHF 305 000).

20 Transactions with related parties

Related parties (individuals and companies) include members of Group Management and the Board of Directors, significant shareholders and companies under their control. In principle, transactions with related parties are conducted at market terms.

Apart from the compensation and pension benefits referred to below and the balances and transactions with associated companies referred to in notes 8, no significant transactions were conducted with related parties.

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

(in CHF 1000s)	**2015**	2014
Total compensation Board of Directors	608	608
Total compensation Management	3 288	3 813
Total compensation Board of Directors and Management	**3 896**	**4 421**

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

Notes to the consolidated financial statements

21 Share ownership by the Board of Directors and Management

As of 31 December 2015, a total of 449967 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 2014: 449324):

Surname	First name	Function	Number of shares 2015	Number of shares 2014
Siegrist [1)]	Beat	Chairman of the Board of Directors	83916	83916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [2)]	Vanessa	Member of the Board of Directors	364973	364973
Baumgartner [3)]	Heinz O.	Group CEO	758	115

1) Beat Siegrist is a member of a shareholder group and hold shares via Beat Siegrist Beteiligungen AG
2) Vanessa Frey is a member of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG
3) In addition to the shareholdings listed, Dr. Heinz O. Baumgartner holds 600 shares granted in April 2015 with a vesting period until 31 December 2017 which are held in a separate bank custody account

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

22 **Net revenues** (in CHF 1000s)	**2015**	2014
Net proceeds of deliveries of goods	909 936	760 435
Net proceeds of services	5 132	4 722
Rental income	330	433
Total	**915 398**	**765 590**

23 **Other operating expenses** (in CHF 1000s)	**2015**	2014
Direct sales and distribution costs	55 405	54 183
Purchasing and production overheads	49 922	42 010
Sales and marketing overheads	16 845	14 808
After sales overheads	2 109	2 153
Overheads relating to administration and capital taxes	24 277	17 215
Development overheads	2 710	3 413
Cost of premises	7 866	7 266
Other operating expenses	667	285
Total	**159 801**	**141 333**

24 **Income / expense from investment property – net** (in CHF 1000s)	**2015**	2014
Income from investment property	1 001	990
Expense for investment property	– 641	– 673
Depreciation on investment property	– 459	– 459
Gain on sale of investment property	0	0
Total	**– 99**	**– 142**

25 **Other operating income** (in CHF 1000s)	**2015**	2014
Gain on sale of property, plant and equipment	0	2 538
Increase in market value of biological assets	1 449	1 723
Insurance reimbursement	0	2 038
32 Bargain Purchase (PNG Balsa)	2 354	0
Other income	1 700	2 902
Total	**5 503**	**9 201**

26 **Depreciation and amortization** (in CHF 1000s)	**2015**	2014
5 Depreciation on property, plant and equipment	24 184	22 754
10 Amortization of intangible assets	1 994	1 496
Total	**26 178**	**24 250**

27 **Financial income** (in CHF 1000s)	**2015**	2014
Interest income	686	1 142
Foreign exchange gains (net)	1 504	5 621
Total	**2 190**	**6 763**

28 **Financial expenses** (in CHF 1000s)	**2015**	2014
Other financial expenses	437	0
Interest expenses	2 435	2 407
Total	**2 872**	**2 407**

Notes to the consolidated financial statements

29 **Income taxes** (in CHF 1000s)	**2015**	2014
Current taxes	14 908	15 913
Deferred taxes	145	251
Total	**15 053**	**16 164**

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

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

Reconciliation of income taxes (in CHF 1000s)	**2015**	2014
Income before taxes	65 133	61 655
Income tax rate at Head Office	19.7%	19.7%
Tax expense anticipated	12 831	12 146
Differences owing to differing local tax rates	2 130	247
Impact of other non-taxable income	– 1 928	– 182
Impact of non-tax-deductible expenditure	1 340	831
Non-capitalized losses on current results carried forward	1 901	277
Use of non-capitalized tax losses carried forward	– 626	– 595
Taxes from previous periods and other influencing factors	– 595	3 440
Effective tax expense	**15 053**	**16 164**
Effective tax rate	23.1%	26.2%

30 Deferred tax assets (in CHF 1000s)	Inventories/ work in progress	Pension obligations	Capitalized tax loss carry-forwards	Provisions	Other	Total **2015**	Total 2014
Balance as at 1 January	1979	12693	2195	3404	6535	26806	19649
32 Change in the scope of consolidation	180	3774	5	1555	1533	7047	0
Exchange rate differences	–44	–130	–1	–39	–62	–276	1349
Recognized in other income	0	–2087	0	0	0	–2087	4878
Unused amounts reversed and released to income	–510	–889	–1699	–1263	–1646	–6007	–4112
Additional provisions charged to income	71	146	3187	1223	900	5527	5042
Balance as at 31 December gross	**1676**	**13507**	**3687**	**4880**	**7260**	**31010**	**26806**
Netting						– 6659	–4140
Balance as at 31 December, net						**24351**	**22666**

As at 31 December 2015, the Group had non-capitalized tax loss carry-forwards of CHF 126.8 million (previous year: CHF 27.1 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)	**2015**	2014 [1)]
– one year	0	0
– 2 to 5 years	13 893	10 649
– in more than 5 years' time	6 668	4 355
– no expiration	106 225	12 048
Total	**126 786**	**27 052**

[1)] Adjustment owing to tax audits

31 Deferred tax liabilities (in CHF 1000s)	Inventories/ work in progress	Property, plant & equipment	Intangible assets	Biological assets	Other	Total **2015**	Total 2014
Balance as at 1 January	–1623	–13521	–10447	–1797	–1701	–29089	26413
32 Change in the scope of consolidation	0	–4441	–170	0	–560	–5171	0
Exchange rate differences	0	185	253	–16	32	454	1 493
Recognized in other income	0	0	0	0	0	0	0
Unused amounts reversed and released to income	98	1286	29	0	741	2154	–2321
Additional provisions charged to income	–58	–75	–526	–452	–708	–1819	3504
Balance as at 31 December, gross	**–1583**	**–16566**	**–10861**	**–2265**	**–2196**	**–33471**	**29089**
Netting						6659	–4140
Balance as at 31 December net						**–26812**	**24949**

As of 31 December 2015 the Group had temporary differences on unremitted earnings of Group companies in the amount of CHF 59.9 million (previous year: CHF 65.7 million). No deferred taxes were recorded for these taxable temporary differences.

Notes to the consolidated financial statements

32 Business combinations

Acquisition of the Polycasa Group
On 31 March 2015, Schweiter Technologies acquired 100% of the shares in the Polycasa Group, one of Europe's leading manufacturers of transparent plastic sheeting. This acquisition by the Group strengthens the display activities of the 3A Composites division.

The provisional purchase price is CHF 96.4 million. The final purchase price will be determined on the basis of the net assets accepted by the contracting parties. There are no variable purchase price components over and above this. The provisional goodwill arising on the acquisition amounts to CHF 51.8 million and essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible.

Since the acquisition date, the Polycasa Group had generated revenues of CHF 151.0 million and net income of CHF 3.6 million.

Acquisition of Plastwag S.A.
Also on 31 March 2015, 100% of the shares were acquired in Plastwag S.A. in Poland. Plastwag manufactures high-quality fibre-reinforced and thermoformed plastic components. The Group's acquisition of Plastwag strengthens the transportation business of the 3A Composites division.

The provisional purchase price is CHF 15.6 million. The final purchase price will be determined on the basis of the net assets accepted by the contracting parties and the operating results for financial years 2015 and 2016. The remaining purchase price obligation amounts to a maximum of CHF 4.0 million, half of which is payable in 2016 and half in 2017. The provisional goodwill arising on the acquisition amounts to CHF 7.3 million and essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible.

Since the acquisition date, Plastwag S.A. had generated revenues of CHF 6.2 million and net income of CHF 0.2 million.

Acquisition of PNG Balsa Ltd.
Effective 30 June 2015, Schweiter Technologies acquired the balsa operations of PNG Balsa Ltd. in Papua New Guinea by way of an asset deal. PNG Balsa specializes in the planting, harvesting and processing of balsa wood. This acquisition extends 3A Composites' leading market position in core materials.

The provisional purchase price for the company is CHF 9.7 million. The final purchase price will be determined on the basis of the net assets accepted by the contracting parties. There are no variable purchase price components over and above this.

The provisionally remeasured net assets acquired exceed the provisional purchase price, resulting in negative goodwill (bargain purchase). Following the first-time calculation of this excess, the measurement of all assets acquired and liabilities and contingent liabilities assumed were therefore reassessed. The CHF 2.4 million excess resulting from the bargain purchase was recognized in profit or loss within other operating income.

The transaction costs of CHF 2.1 million related to the acquisitions are included in other operating expenses.

Had the business combinations already taken place on 1 January 2015, management estimates that the Group's revenues would have reached CHF 975.8 million and net income CHF 51.7 million in the year under review.

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

(in CHF 1000s)	Polycasa [1]	Plastwag [1]	PNG Balsa [1]	Total
Cash and cash equivalents	4 938	553	0	5 491
Trade receivables	34 819	2 177	0	36 996
Current income tax receivables	584	0	0	584
Advances to suppliers	1 727	0	241	1 968
Other receivables	4 083	9	0	4 092
Prepaid expenses and accrued income	13	11	0	24
Inventories	21 393	416	2 047	23 856
Total current assets	**67 557**	**3 166**	**2 288**	**73 011**
Property, plant and equipment	38 825	7 590	7 240	53 655
Biological assets	0	0	5 855	5 855
Financial assets	227	0	0	227
Deferred tax assets	4 913	337	0	5 250
Intangible assets	5 958	898	0	6 856
Total non-current assets	**49 923**	**8 825**	**13 095**	**71 843**
Current financial liabilities	– 3 231	– 252	0	– 3 483
Trade payables	– 16 044	– 585	0	– 16 629
Prepayments received from customers	– 6	0	0	– 6
Other payables	– 3 692	– 220	0	– 3 912
Accrued expenses and deferred income	– 7 930	– 173	– 246	– 8 349
Current provisions	– 107	– 226	0	– 333
Current income tax payables	– 10 382	0	0	– 10 382
Total current liabilities	**– 41 392**	**– 1 456**	**– 246**	**– 43 094**
Non-current financial liabilities	0	– 844	– 2 094	– 2 938
Deferred tax liabilities	– 2 393	0	– 981	– 3 374
Non-current provisions	– 3 219	– 1 369	0	– 4 588
Pension obligations	– 25 867	0	0	– 25 867
Total non-current liabilities	**– 31 479**	**– 2 213**	**– 3 075**	**– 36 767**
Total fair value of net assets acquired	**44 609**	**8 322**	**12 062**	**64 993**
Goodwill	51 817	7 312	0	59 129
Bargain purchase	0	0	– 2 354	– 2 354
Total consideration paid	**96 426**	**15 634**	**9 708**	**121 768**
Cash and cash equivalents acquired	– 4 938	– 553	0	– 5 491
Consideration payables	0	– 4 000 [2]	– 325	– 4 325
Repayment of pre-existing loans	3 231	0	0	3 231
Cash out flow from purchase of subsidiaries	**94 719**	**11 081**	**9 383**	**115 183**

[1] The acquisitions were only reported provisionally on the balance sheet at the end of the period under review. When the annual report was being prepared, the final purchase prices had not yet been determined and the necessary market valuations had not yet been completed. They were therefore determined on the basis of management's best estimates of the likely values.
[2] The deferred purchase price is in the range of CHF 0.0 to 4.0 million

Notes to the consolidated financial statements

33 **Earnings per share**		**2015**	2014
Net income	(in CHF 1000s)	50 080	45 491
Average number of shares issued		1 437 740	1 443 672
less average number of treasury shares		– 6 731	– 14 748
Average number of shares outstanding		**1 431 009**	**1 428 924**
Dilution effect resulting from the average number of shares for share-based payments		600	2 085
Average number of shares outstanding after dilution effect		**1 431 609**	**1 431 009**
Earnings per share (in CHF)			
– undiluted		35.00	31.84
– diluted		34.98	31.79

34 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 2015					
Cash and cash equivalents	170 445			170 445	170 445
Trade receivables			136 342	136 342	136 342
Other receivables		0	8 627	8 627	8 627
Financial assets			1 677	1 677	1 677
Total	**170 445**	0	**146 646**	**317 091**	**317 091**
31 December 2014					
Cash and cash equivalents	305 912			305 912	305 912
Trade receivables			109 864	109 864	109 864
Other receivables		0	7 032	7 032	7 032
Financial assets			4 781	4 781	4 781
Total	**305 912**	**0**	**121 677**	**427 589**	**427 589**

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 2015				
Current financial liabilities		2 378	2 378	2 378
Trade payables		54 909	54 909	54 909
Other liabilities	0	5 382	5 382	5 382
Non-current financial liabilities		5 004	5 004	5 004
Total	**0**	**67 673**	**67 673**	**67 673**
31 December 2014				
Current financial liabilities		2 926	2 926	2 926
Trade payables		53 778	53 778	53 778
Other liabilities	0	2 030	2 030	2 030
Non-current financial liabilities		3 551	3 551	3 551
Total	**0**	**62 285**	**62 285**	**62 285**

35 **Contingent liabilities**

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

Contingent liabilities (in CHF 1000s)	**2015**	2014
Warranties and guarantees	1 715	1 061
Total	**1 715**	**1 061**

Commitments to take delivery:

Under purchase contracts for machine parts and raw materials, commitments to take delivery amounting to CHF 88.8 million (previous year: CHF 25.1 million) and with maximum maturities of 2 years have been entered into in the course of ordinary business activities. Outstanding commitments to take delivery of property, plant and equipment amounted to CHF 12.0 million (previous year: CHF 9.0 million).

Notes to the consolidated financial statements

36 Lease commitments

Future minimum lease payments under non-cancellable operating leases (in CHF 1000s)	**2015**	2014
– due in one year's time	5 614	4 890
– due in 2 to 5 years' time	8 970	6 253
– due in more than 5 years' time	1 502	959
Total	**16 086**	**12 102**

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: 1.9 years). Leasing obligations amounting to CHF 2.3 million are included (previous year: CHF 0.6 million).

Future minimum sublease payments expected to be received under non-cancellable operating leases (in CHF 1000s)	**2015**	2014
– due in one year's time	1 204	1 393
– due in 2 to 5 years' time	2 107	4 591
– due in more than 5 years' time	0	0
Total	**3 311**	**5 984**

37 **Rights of lien** (in CHF 1000s)	**2015**	2014
Assets encumbered by rights of lien	898	0

38 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 2015.

39 Approval of the annual financial statements

The Board of Directors approved the present consolidated annual financial statements at its meeting on 14 March 2016 and released the Annual Report for publication.

The Board of Directors will propose that the Annual Shareholders' Meeting on 3 May 2016 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 2015, 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 22 to 72) 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 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

Deloitte AG/SA

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

Zurich, 14 March 2016

Annual financial statements of Schweiter Technologies AG

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Balance sheet as at 31 December 2015

	Assets (in CHF 1000s)	**2015**	2014
	Cash and cash equivalents	34 414	207 164
	Other current receivables	1 743	189
	Prepaid expenses and accruals	13	11
	Current assets	**36 170**	**207 364**
1	Investments	136 823	136 823
	Financial assets (loans to Group companies)	347 510	214 468
	Non-current assets	**484 333**	**351 291**
	Total assets	**520 503**	**558 655**

	Liabilities (in CHF 1000s)		
	Trade payables	111	282
	Other current payables	134	206
	Accrued expenses and deferred income	1 761	1 373
	Current liabilities	**2 006**	**1 861**
2	Provisions	4 963	2 988
	Non-current liabilities	**4 963**	**2 988**
3	Share capital	1 432	1 444
	Statutory reserves:		
	– Reserves from capital contributions	63	63
	– Other capital reserves	3 167	3 167
	Free retained earnings/profit	509 167	556 532
4	Own capital shares	– 295	– 7 400
	Shareholders' equity	**513 534**	**553 806**
	Total liabilities and shareholders' equity	**520 503**	**558 655**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2015

	(in CHF 1000s)	2015	2014
	Investment income	16 000	2 000
5	Other financial income	4 070	5 164
	Rental income	929	1 033
	Management fee income	1 250	1 050
	Other income	1	1
	Total operating income	**22 250**	**9 248**
6	Financial expenses	– 1 328	– 8
	Administrative expenses	– 1 127	– 1 676
	Personnel expenses	– 2 831	– 2 678
	Expenses on premises	– 682	– 682
	Total operating expenses	**– 5 968**	**– 5 044**
	Income before taxes	**16 282**	**4 204**
	Income taxes	– 58	– 565
	Net income	**16 224**	**3 639**

▲ For additional details see notes to the annual financial statements

Notes to the balance sheet and the income statement

General information

Schweiter Technologies AG is a joint-stock company under Swiss law and is domiciled in Horgen.

On an annual average, Schweiter Technologies AG had less than 10 full-time-equivalent employees in both the 2015 financial year and the previous year.

The present financial statements have for the first time been prepared in accordance with the new Swiss accounting legislation, the application of which has been mandatory since 1 January 2015. To ensure comparability, the prior-year figures have been adjusted to the requirements of the new format. Treasury shares are now stated as a negative item in equity. The reserve for treasury shares has been dissolved accordingly.

Schweiter Technologies AG prepares consolidated financial statements in accordance with IFRS. These financial statements and their notes therefore do not contain either additional information or cash flow statements or an MD&A.

Accounting and valuation principles

The present annual financial statements of Schweiter Technologies AG have been prepared in accordance with Swiss accounting legislation. The key accounting and valuation principles not required by Swiss accounting legislation are described below.

Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions in question. Gains and losses resulting from the settlement of such transactions are recognized in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Realized gains and losses on foreign currency translation and unrealized losses on foreign currency translation are recognized in the income statement. Unrealized gains on foreign currency translation in connection with long-term monetary assets and liabilities are deferred in the balance sheet (imparity principle).

Cash and cash equivalents

Cash and cash equivalents include postal and bank account balances. These are stated at their nominal value.

Investments

Investments are initially recorded at cost at the time of acquisition. Investments in Group companies are reviewed annually and adjusted to the recoverable amount.

Financial assets

Financial assets include long-term loans to Group companies.

Provisions

Provisions are recognized when the company 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.

Own shares

Own shares are recognized at acquisition cost at the time of purchase as a negative position in equity. On subsequent resale, the gain or loss is recognized as financial income or financial expense.

Share-based remuneration

Where treasury shares are used for share-based remuneration, the difference between the acquisition value and any possible payment in connection with the share allocation represents personnel expenses.

1 **Investments** (in 1000s)		Share capital	Shareholding		Voting shares	
Company	Domicile	(in 1000)	**2015**	2014	**2015**	2014
SSM Schärer Schweiter Mettler AG	Horgen, CH	CHF 6000	100%	100%	100%	100%
SSM Vertriebs AG	Steinhausen, CH	CHF 100	100%	100%	100%	100%
3A Composites Holding AG	Steinhausen, CH	CHF 10000	100%	100%	100%	100%
3A Composites Holding Germany GmbH	Singen, D	EUR 25	10%	10%	10%	10%

2 **Provisions** (in 1000s)	**2015**	2014
Provisions for unrealized foreign currency gains	3 473	0
Other provisions	1 490	2 988
Total	**4 963**	**2 988**

3 **Share capital**	**2015**	2014
Number of bearer shares issued with a par value of CHF 1	1 431 808	1 443 672
Share capital as at 31 December (in CHF)	1 431 808	1 443 672
Cancellation of treasury shares by 16 July 2015	– 11 864	0

The General Meeting resolved to cancel the 11 864 shares repurchased under the 2012 – 14 share buyback program and reduce the share capital by CHF 11 864, from CHF 1 443 672 to CHF 1 431 808. The capital reduction was entered on 15 July 2015.

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 2015, 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)	**2015**	2014
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Zug [1)]	25.5%	25.3%
Beat Siegrist Beteiligungen AG, Zug	5.9%	5.8%
1832 Asset Management L.P. (formerly Goodmann & Company, Investment Counsel Ltd.), Toronto, Canada	5.2%	5.2%
UBS Fund Management (Switzerland) AG, Basel	4.2%	4.2%
Credit Suisse Funds AG, Zurich	5.4%	4.9%
Lombard Odier Asset Management (Switzerland) SA, Petit-Lancy	<3.0%	3.2%

[1)] The KWE shareholdings and VBF Holding are held through a group of shareholders consisting of Beat Frey, Brigitte Frey, Vanessa Frey and Alexandra Frey

Notes to the balance sheet and the income statement

4 Own capital shares	Number of treasury shares 2015	Number of treasury shares 2014	Amount (in CHF 1000s) 2015	Amount (in CHF 1000s) 2014
As at am 1 January	14 748	14 748	7 400	7 400
Cancellation of treasury shares	– 11 864	0	– 6 337	0
Shares released from the share-based remuneration scheme	– 2 085	0	– 768	0
As at 31 December	**799**	**14 748**	**295**	**7 400**
of which shares used for the share-based remuneration scheme	600	2 085		

Neither in 2015 nor in the previous year bearer shares were bought or sold.

5 **Other financial income** (in CHF 1000s)	**2015**	2014
Interest income from Group companies	3 807	4 748
Interest paid by banks	15	111
Exchange gains	0	304
Other financial income	248	1
Total	**4 070**	**5 164**

6 **Financial expenses** (in CHF 1000s)	**2015**	2014
Exchange losses	891	0
Other financial expenses	437	8
Total	**1 328**	**8**

7 Share ownership by the Board of Directors and Management

As of 31 December 2015, a total of 449 967 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 2014: 449 324):

Surname	First name	Function	Number of shares **2015**	Number of shares 2014
Siegrist [1]	Beat	Chairman of the Board of Directors	83 916	83 916
Braunschweiler	Lukas	Member of the Board of Directors	320	320
Frey [2]	Vanessa	Member of the Board of Directors	364 973	364 973
Baumgartner [3]	Heinz O.	Group CEO	758	115

[1] Beat Siegrist is a member of a shareholder group and hold shares via Beat Siegrist Beteiligungen AG
[2] Vanessa Frey is a member of a shareholder group and hold shares via KWE Beteiligungen AG / VBF Holding AG
[3] In addition to the shareholdings listed, Dr. Heinz O. Baumgartner holds 600 shares granted in April 2015 with a vesting period until 31 December 2017 which are held in a separate bank custody account

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

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 36.8 million (previous year: CHF 36.2 million). Of this amount, a total of CHF 2.5 million for credit, sureties and guarantees had been drawn on by subsidiaries as at 31 December 2015 (previous year: CHF 2.9 million).

9 **Events occurring after the balance sheet date**

No events occurred between the balance sheet date and the approval of these annual financial statements by the Board of Directors on 14 March 2016 which could have a material impact on the 2015 financial statements.

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

(in CHF 1000s)	2015	2014
Unappropriated retained earnings (balance sheet profit) at the beginning of the financial year	**556 532**	**610 133**
Net income 2015	16 224	3 639
Dividend paid	– 57 264	– 57 240
Reduction due to cancellation of treasury shares	– 6 325	
Available unappropriated retained earnings (balance sheet profit)	**509 167**	**556 532**
The Board of Directors proposes to the General Meeting on 3 May 2016 the following appropriation of available earnings:		
Payment of a dividend of CHF 40.00 per bearer share	57 272 [1)]	
Earnings carried forward	451 895	
Total	**509 167**	

[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 10 May 2016.

The dividend payout may be redeemed free of charge in exchange for coupons no. 15 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 2015 and the income statement and notes (pages 76 to 81) 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 2015 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 82) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte AG/SA

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

Zurich, 14 March 2016

Compensation Report 2015

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Compensation Report 2015

The Compensation Report describes the compensation policy, the compensation programs and the procedure for determining the compensation for the Board of Directors and Management of Schweiter Technologies AG. It also provides information on the compensation awarded for financial year 2015.

The Compensation Report was prepared in compliance with SIX Exchange Regulation's Directive Corporate Governance, the Swiss Code of Obligations (CO) and the provisions of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). The principles of compensation of Schweiter Technologies AG are laid down in the company's articles of incorporation. Unless otherwise specified, the information is applicable as at the cut-off date of 31 December 2015.

Compensation policy and principles

The Group's compensation policy's objective is to attract, motivate and develop qualified executives with the necessary expertise and experience, through progressive and forward-looking compensation programs. The compensation policy is aligned to our business strategy of profitable growth and promotes and supports the company's values. The compensation policy encompasses the following principles:

- Compensation is aligned with business strategy
- Compensation is performance-based and executives share in the company's success
- Compensation is in line with market practice and is reasonable

Governance parameters

General Meeting and provisions of the articles of incorporation

The ERCO Ordinance led to changes in the corporate governance practices of listed companies; these include, in particular, a stronger role for shareholders regarding compensation matters. The requirements of the ERCO Ordinance have been implemented. In particular, the articles of incorporation have been amended and contain the following provisions on compensation (www.schweiter.ch/s1a127/corporate-governance/statuten.html, available in German only):

- **Principles governing compensation for members of the Board of Directors:** The members of the Board of Directors receive fixed compensation in cash for their services on the Board of Directors and its committees.

- **Principles governing compensation for members of Management:** Compensation for the members of Management consists of a fixed and a performance-based component, which may amount to a maximum of 200% of the fixed component. The performance objectives to be achieved for the performance-based compensation component are set by the Board of Directors, acting on the proposal of the Compensation Committee, for each member of Management, due consideration being given to Group-wide and individual criteria. In order to encourage individual key employees to remain with the Group over the long term, the Board of Directors may decide that the fixed and/or performance-based compensation component can be fully or partly paid out in shares of the company. The Board of Directors determines what proportion is to be paid in shares as well as the value of the shares at the time of allocation. The shares are restricted for a period of at least one year and no more than five years.

- **Loans, advances and pension benefits:** No loans, advances or pension benefits other than from occupational pension plans are granted to members of the Board of Directors or Management.

- **Vote on the maximum total compensation amounts for the Board of Directors and Management:** Effective 2015, the Board of Directors will submit to the General Meeting for approval a proposal regarding the maximum total compensation amount for the Board of Directors that may be paid for the period until the subsequent Ordinary General Meeting. The Board of Directors will also submit to the General Meeting for approval a separate proposal regarding the maximum total compensation amount for Management that may be paid for the subsequent financial year.

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

Compensation Committee

The General Meeting elects at least three members of the Board of Directors to serve on the Compensation Committee. The term of office of the members of the Compensation Committee is one year ending at the end of the subsequent Ordinary General Meeting. Re-election is possible.

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

- putting forward proposals to the Board of Directors concerning the definition of the principles of compensation applicable to Management, including the proportion to be paid in shares and the valuation of these shares;

- putting forward proposals to the Board of Directors, for submission to the General Meeting, concerning the total compensation amounts for the Board of Directors and Management;

- putting forward proposals to the Board of Directors concerning the individual levels of compensation for the members of the Board of Directors and Management within the respective total compensation amounts approved by the General Meeting;

- putting forward proposals to the Board of Directors, for submission to the General Meeting, concerning amendments to the articles of incorporation with regard to the compensation system applicable to the Board of Directors and Management.

Level of responsibility	Recommendation	Review	Approval
Compensation policy and plans	Compensation Committee		Board of Directors
Total compensation amount for Board of Directors and Management	Compensation Committee	Board of Directors	General Meeting
Individual directors' compensation	Compensation Committee		Board of Directors [1)]
Individual CEO compensation	Compensation Committee		Board of Directors
Individual Management members' compensation	CEO	Compensation Committee	Board of Directors

[1)] In the event of a conflict of interests, the member concerned abstains from voting.

Compensation Report 2015

At the Annual General Meeting of 6 May 2015, Jacques Sanche, Vanessa Frey and Jan Jenisch were re-elected members of the Compensation Committee, each for a one-year term of office. Jacques Sanche assumed the office of Chair of the Compensation Committee for the period until the subsequent Ordinary General Meeting.

In the year under review, the Compensation Committee held two meetings. In addition to the regular annual activities to determine compensation for the members of the Board of Directors and Management, the Compensation Committee also focused on designing a new long-term incentive plan for the period 2015–2017.

After every meeting, the Chair of the Compensation Committee reports on the committee's activities to the Board of Directors. The committee meeting minutes are made available to the members of the Board of Directors. As a rule, the CEO and the CFO participate in the meetings in an advisory capacity. However, they do not attend the meetings or part of meetings when their own compensation is being discussed and determined. Likewise, other members of Management that are invited to the meetings are not present during the meetings, or part of thereof, when their own compensation is being discussed.

The Compensation Committee is free to call upon external consultants to address specific compensation matters. No external consultants were called upon in 2015.

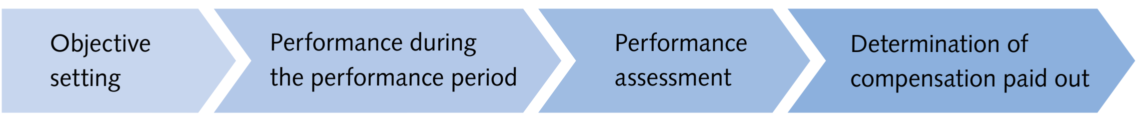
Process for determining the compensation for the Board of Directors and Management

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

The actual compensation paid to the individual members of Management in a given financial year is based on the company's results and on personal performance. Individual performance is assessed as part of the annual management by objectives (MbO) process.

The objectives for the CEO and the members of Management are proposed by the Compensation Committee at the beginning of the financial year and submitted to the Board of Directors for approval. Performance against these objectives is assessed at the end of the year. In discussing performance, the committee deliberates on the achievement of the individual objectives and also considers other factors such as the extent to which the executives have carried out their duties in line with the company's values and the expected leadership behaviors. The individual performance assessments and the company's results form the basis for determining the compensation effectively paid out.

MbO process and determination of compensation:



Compensation for the members of the Board of Directors

Compensation structure

The members of the Board of Directors receive an annual fixed compensation for their activities. It is paid in cash and is not linked to any performance objectives. The annual compensation period is the period from one Ordinary General Meeting to the next. In addition to their annual fixed compensation as members of the Board of Directors, the members of the Audit Committee and the Compensation Committee receive additional cash compensation for their activities as committee members, in order to take into account the additional time requirement and responsibilities.

(in CHF)	Annual fee	Compensation for committee work
Chairman of the Board of Directors	200 000	–
Board members	75 000	10 000

The members of the Board of Directors may be remunerated separately at market conditions for additional consultancy services provided to the company or other Group companies, subject to approval of the Board of Directors. Such compensation must be included in the total compensation amount for Board of Directors approved by the General Meeting. With the exception of pension benefits (employer's contributions to social insurance and the pension fund), members of the Board of Directors receive no further compensation, in particular no variable compensation (bonus).

Compensation for 2015 and 2014

The following tables show the compensation paid to members of the Board of Directors for 2015 and 2014. In the 2015 reporting year, the Board of Directors comprised five members (unchanged compared with 2014). The amount of compensation paid to the individual members of the Board of Directors for 2015 was the same as for 2014. In the year under review (and in the previous year), none of the members of the Board of Directors received compensation for additional consultancy services.

Compensation paid to the Board of Directors for **2015** (audited by the statutory auditors)

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

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Employer's contribution to social insurance and pension fund

If they so require, members of the Board of Directors may be insured within the company's pension fund and may participate in the company's retirement plans. One member of the Board of Directors exercised this option in the 2015 reporting year.

Compensation Report 2015

The reported compensation of the Board of Directors for the 2015 financial year is distributed over two respective terms of office as follows:

(in CHF 1000s)

BoD compensation	1.1.2015 – 6.5.2015	213
BoD compensation	7.5.2015 – 31.12.2015	395

The total maximum compensation amount of CHF 630 000 as approved by the General Meeting, and which may be paid to the Board of Directors for the term of office from the 2015 General Meeting to the 2016 General Meeting was therefore not exceeded during the portion of said term of office up to the cut-off date of the present Annual Report (7.5.2015–31.12.2015). A conclusive assessment for the entire term of office will be included in the 2016 Compensation Report.

Compensation paid to the Board of Directors for 2014 (audited by the statutory auditors)

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

[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Employer's contribution to social insurance and pension fund

Compensation for members of Management

Compensation structure

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

Payment of the performance-based compensation depends on the performance achieved and may amount to a maximum of 200% of the fixed component.

	Purpose	Instrument	Performance criterion	Performance period	Misc.
Fixed compensation	Attract, retain, motivate	Cash payments	–	–	Position, market practice, skill set of the person (at the BoD's own discretion)
Performance-based compensation	Pay for performance	Short-term bonus in cash	EBIT / EBIT margin Net profit Individual objectives	1 year (2015)	Financial and individual performance
Long-term incentive plan	Reward for sustainable value creation	Long-term bonus in cash and shares	EBIT (3A Composites) EBITDA margin (3A Composites)	3 years (2015–2017)	Success of the company or its division
Pension benefits	Protection against risk	Retirement plans, insurances	–	–	Market practice and legal provisions

Fixed compensation

The fixed basic compensation component is based on the function, responsibilities and scope of the role and experience and skills required to perform in the position. It is paid out in cash, typically monthly.

Performance-based compensation

The performance-based compensation component rewards for both the financial results of the company and the individual contributions in a given financial year. The performance-based compensation component is paid out in cash at the beginning of the following financial year.

The performance objectives to be achieved to earn the performance-based compensation are set at the beginning of the year by the Board of Directors, acting on the proposal of the Compensation Committee, for the CEO and for each member of Management, due consideration being given to Group-wide and individual criteria.

The Group's financial result is measured primarily against the figures budgeted for the Group (EBIT, EBIT margin) or the individual divisions (net income). These performance indicators were chosen because they reflect the Group's business strategy of profitable growth. A target corresponding to the expected level of performance is defined for each of these indicators. A threshold (as a rule, 80% of the target) below which no variable compensation is paid out and a ceiling, above which the variable compensation is capped, are defined as well. The amount to be paid out between threshold, target and ceiling is calculated by linear interpolation.

Individual performance objectives are set yearly as part of the annual MbO (management by objectives) process. They consist primarily of financial and strategic objectives based on the manager's specific function and on the company's strategy. There is no overachievement for the individual objectives. Individual performance objectives may make up between 15% and 25% of the maximum performance-based compensation component.

	CEO / CFO	**Division head**
Financial performance	Group EBIT Group EBIT margin	Net profit of division
MbO	Individual objectives	Individual objectives

The internal financial and individual objectives serving as a basis for variable compensation are treated confidentially. The disclosure of such objectives would provide insights into the forward-looking strategy of Schweiter Technologies and may create a competitive disadvantage for the company.

Long-term incentive plan

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

In the 2015 reporting year, the Board of Directors decided to implement a long-term incentive plan for members of Management and key employees within the Group. The LTI covers a three-year performance period from 2015 to 2017. The three-year performance conditions for members of Management are cumulative EBIT and EBIT margin level (each weighted 50%) of the 3A Composites division. Performance targets may not be adjusted during the term of the plan. The objective achievement will be measured at the end of the plan term. No payment will be made for attainment levels below a predefined threshold; payments for target attainment above a predefined ceiling will be capped at 150%. The amount to be paid out between threshold, target and ceiling is calculated by linear interpoliation. For a target attainment level of 100%, the bonus payment may correspond to between 180% and a maximum of 188% of the respective executive's fixed salary.

Compensation Report 2015

	Target	Entry threshold	Ceiling
Cumulative EBIT	Amount in CHF	75% of target	125% of target
EBIT margin	% of sales	Target minus 1% point	Target plus 1% point

Payment under the long-term incentive plan will be made in cash in March 2018. A special arrangement has been agreed for the CEO:

- Part of the LTI payment is delivered in the form of restricted shares, which were allocated to the CEO at the beginning of the plan term and are restricted until 31 December 2017. The value of these shares (at the time of allocation) is credited to the CEO under his participation in the LTI plan. Accordingly, the final LTI amount earned by the CEO at the end of the plan term will be reduced by the value of the shares (at allocation), and the residual amount will be paid out in cash after the expiry of the plan term.

- If the final LTI amount earned by the CEO after the expiry of the plan term is lower than the value of the restricted shares (at allocation), the difference will be offset against future incentive payments.

- In the event that the employment relationship is terminated for reasons attributable to the CEO, the CEO will be obligated to reimburse the value of the shares at allocation (claw back).

The decision to deliver part of the long-term incentive plan in form of restricted shares to the CEO was made in order to link his compensation even more closely to the sustainable success of the company, since the value of the shares allocated fluctuates with the share price movements during the three-year performance period.

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

Pension benefits

The purpose of pension benefits is to safeguard employees and their families against the financial consequences of retirement, illness, occupational disability and death. Members of Management are insured with the company's pension fund and participate in the company's pension plans as per market practice. For the period between early retirement and the statutory pensionable age, members of Management may receive a bridging pension up to a maximum amount corresponding to their annual fixed compensation. Such bridging pension is payable in the last year prior to early retirement.

Special agreements

As at the end of 2015, an agreement with one member of Management is in place which limits his compensation to the fixed compensation component and does not include any performance-based compensation component or participation in the long-term incentive plan.

Compensation for 2015 and 2014

In the 2015 reporting year, Management comprised four members, unchanged from the previous year. The fixed compensation of members of Management remained unchanged from previous year.

The variable component (performance-based compensation) for the members of Management corresponded to between 0% and 122% of their fixed salary (previous year: between 0% and 187%). The year-on-year change in the absolute amount of the performance-based compensation is due in particular to the fact that, under a special agreement, the Group CEO was solely paid a fixed salary for the 2014 financial year, whereas, with effect from the 2015 financial year, he is also entitled to a variable performance-based compensation component. Otherwise, the target attainment level achievement was different in 2015 compared to 2014.

Under a special agreement with the CEO defining the terms of his participation in the 2015–17 long-term incentive plan (see above for details), the CEO was allocated 600 restricted shares in 2015. The value of these shares must be offset or repaid in the event that performance targets are not – or only partially – achieved, or in the event of departure from the company. Payment of the cash component for the CEO and the entire LTI in cash for the other members of Management is performance-based and is expected to be made in March 2018.

In the 2015 reporting year, no bridging pension was paid out to members of Management.

The following table shows the audited fixed and variable compensation and total compensation paid to members of Management for the years 2015 and 2014.

(in CHF 1000s)	**2015**		2014	
Management	4 members	[1] of which highest single compensation payment	4 members	[1] of which highest single compensation payment
Fixed basic compensation in cash	1 550	800	1 550	800
Performance-based compensation in cash	782	443	686	0
Share-based payments [2]	0	0	305	305
Long-term incentive plan (2012–2014) [3]	0	0	895	848
Long-term incentive plan (2015–2017), cash component [4]	105	0	0	0
Long-term incentive plan (2015–2017), restricted shares [5]	500	500	0	0
Pension benefits [6]	351	180	377	183
Total compensation Management	**3 288**	**1 923**	**3 813**	**2 136**

1) CEO Schweiter Technologies: Dr. Heinz O. Baumgartner

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

3) The long-term incentive plan 2012–2014 was set up in 2012. No payments were made during the term of the plan. Target attainment is measured against pre-defined three-year targets after expiry of the plan. Payments were made in March 2015 in cash and were disclosed for the 2014 financial year (last year of the three-year performance period).

4) 2015–17 long-term incentive plan: See page 93 for details. Unlike disclosure of the earlier 2012–14 LTI, the modalities for disclosure of the new 2015–17 LTI were adapted in line with commonly accepted disclosure practice in this area: Disclosure is made on the basis of the amounts accrued (and updated) over the three-year plan term. The amounts disclosed above for the cash component of the 2015–17 LTI contain the first third of the cash payments expected after expiry of the three-year plan term based on a current assessment of performance. The other two thirds for the years 2016 and 2017 will be disclosed for the respective years on the basis of the most current assessment of performance and the expected payout amount.
According to the special arrangement, the share-based component of the LTI is disclosed for the CEO in the first year (2015) (see comments below and separate line item in the table) and the cash components in the two subsequent years. For this reason, the full share-based component but no cash component is recorded in the column showing the highest single compensation payment.

5) In accordance with the special arrangement for the CEO (see page 93 for details). The allocated restricted shares credited to the CEO under the 2015–17 LTI were disclosed at their full market value (closing price per share on the date of allocation) for the year 2015. Any remaining cash payment accrued for the CEO from the 2015–17 LTI will be disclosed as a cash component, as is the case for the other plan participants (see separate table row and above comment 4).

6) Employer's contribution to social insurance and pension fund, incl. estimated contributions paid on the disclosed cash components accrued for the 2015–17 LTI as well as the actual contributions paid on the restricted shares (see comments 4 and 5).

Compensation Report 2015

Compensation totalling CHF 3 288 000 was paid to Management for the 2015 financial year.

Total compensation for Management is subject to the approval of the General Meeting with effect from the 2016 financial year (the relevant vote was taken at the 2015 General Meeting). Accordingly, total compensation for the 2015 financial year was not subject to the approval of the General Meeting.

Compensation for former members of governing and executive bodies or parties related to them

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

Provisions in mandate agreements and employment agreements

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

Employment agreements with the members of Management are, in principle, agreed for an unlimited term. The notice period may not exceed 12 months. Where, by way of exception, employment agreements have a fixed term, this may not exceed one year. Employment agreements do not contain clauses on change of control or non-competition clauses.

Loans and advances

The company will not grant loans, advances or pension benefits other than from occupational pension plans to members of the Board of Directors or Management or parties related to them. Advance payments of lawyer's fees, court fees and similar costs up to a maximum of CHF 1 million in connection with mounting a defense against corporate liability claims are not subject to this provision. No such claims were asserted in the 2015 reporting year.

Information on the shares held by members of the Board of Directors and Management can be found on page 80 of the notes to the 2015 annual financial statements.

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

We have audited the accompanying remuneration report dated 14 March 2016 of Schweiter Technologies AG for the financial year ended 31 December 2015. However, the audit is limited to the information as per Art. 14–16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) (tables on pages 89 and 93) and to the information regarding compensation for former members of governing and executive bodies or parties related to them and regarding loans and advances (page 94).

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

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

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

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2015 of Schweiter Technologies AG complies with Swiss law and articles 14–16 of the Ordinance.

Deloitte AG/SA

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

Zurich, 14 March 2016

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Group structure and breakdown of shareholders

Schweiter Technologies AG 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. Moreover, Schweiter Technologies AG adheres to the standards of the Directive on Information relating to Corporate Governance published by SIX Swiss Exchange

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 Operating segments on page 42 of this annual report).

3A Composites is the global market leader in core materials for sandwich constructions and is also a leading player in two further segments: composite panels for high-quality facades and display applications.

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

The companies of the Schweiter Technologies Group are legally under the umbrella of the holding company Schweiter Technologies AG. The latter's direct wholly owned subsidiaries are 3A Composites Holding AG (holding company of the 3A Composites division), and the companies of the SSM Textile Machinery division SSM Schärer Schweiter Mettler AG and SSM Vertriebs AG. An overview of all Group companies can be found in the financial section on page 79.

The bearer shares of Schweiter Technologies AG, Horgen are listed on SIX Swiss Exchange AG, Zurich, in the International Reporting Standard segment. Swiss securities no.: 1075492; ISIN: CH00 10754924; Telekurs: SWTQ; Reuters: SWTZ.

Based on its share price of CHF 847.50 at the end of 2015, the company's market capitalization stood at CHF 1213.5 million as of 31 December 2015.

The scope of consolidation consists of the unlisted companies which were fully consolidated as of 31 December 2015 and is presented on pages 30 to 32 of the notes to the consolidated annual financial statements.

Treasury shares

Schweiter Technologies AG held 799 treasury shares as of 31 December 2015, 600 of which have been segregated for share-based compensation. This corresponds to a shareholding of 0.06% as of 31 December 2015.

Major shareholders

As at 31 December 2015, 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)	**2015**	2014
KWE Beteiligungen AG, Wollerau / VBF Holding AG, Zug [1]	25.5%	25.3%
Beat Siegrist Beteiligungen AG, Zug	5.9%	5.8%
1832 Asset Management L.P. (formerly Goodmann & Company, Investment Counsel Ltd.), Toronto, Canada	5.2%	5.2%
UBS Fund Management (Switzerland) AG, Basel	4.2%	4.2%
Credit Suisse Funds AG, Zurich	5.4%	4.9%
Lombard Odier Asset Management (Switzerland) SA, Petit-Lancy	<3.0%	3.2%

[1] The KWE shareholdings and VBF Holding are held through a group of shareholders consisting of Beat Frey, Brigitte Frey, Vanessa Frey and Alexandra Frey

Reports from shareholders under Art. 20 SESTA during the 2015 financial year:

Lombard Odier Asset Management (Switzerland) SA, Petit-Lancy, Switzerland, disclosed that the 3% threshold had been undershot as of 30 November 2015 owing to the sale of shares.

Credit Suisse Funds AG, Zurich, Switzerland, disclosed that the 5% threshold had been exceeded as of 2 November 2015 owing to the acquisition of shares (disclosed shareholding of 5.41%). Previous reports in 2015: 5% threshold undershot as of 6 October 2015 owing to the sale of shares (disclosed shareholding of 4.99%). 5% threshold exceeded as of 10 July 2015 owing to the acquisition of shares (disclosed shareholding of 5.04%).

Beat Siegrist Beteiligungen AG, Zug, Switzerland, reported a change in the holding structure as of 27 April 2015 (transfer of shares to Beat Siegrist Beteiligungen AG). Beat Siegrist and Irina Siegrist, Herrliberg, Switzerland, hold the shares indirectly. An unchanged shareholding of 5.81% was disclosed in the report. Previous reports in 2015: Creation of a shareholder group as of 30 March 2015 consisting of Beat Siegrist and Irina Siegrist, both residing in Herrliberg, Switzerland (disclosed shareholding of 5.81%). At the same time, Beat Siegrist reported separately that the percentage of voting rights held by Beat Siegrist alone had undershot the 3% threshold as of 30 March 2015.

BlackRock, Inc., New York, USA, disclosed the acquisition of a 2.98% holding and the sale of a 0.06% holding as of 9 April 2015. Previous report in 2015: 3% threshold exceeded as of 07 January 2015 owing to the acquisition of shares (disclosed shareholding of 3.08%).

Report details are available on the SIX Swiss Exchange website:
https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.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 structure

Capital
As of 31 December 2015 the ordinary share capital amounted to CHF 1 431 808. As of 31 December 2015 there is no authorized capital. Conditional capital amounted to a total of CHF 132 600.

Authorized and conditional capital in particular

Authorized capital
As of 31 December 2015 there is no authorized capital.

Conditional capital
Conditional capital amounted to a total of CHF 132 600.

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

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

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

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

Changes in capital
The ordinary share capital of Schweiter Technologies AG remained unchanged at CHF 1 443 672 as of end-2013 and end-2014. The General Meeting on 6 May 2015 resolved to cancel the 11 864 shares repurchased under the 2012–14 share buyback program and reduce the share capital by CHF 11 864 to CHF 1 431 808. This capital reduction was entered in the share register on 15 July 2015. The amount of the conditional capital has not changed in the last three years. The authorized capital amounted to CHF 300 000 as of end-2013 and zero as of 31 December 2014 (authorized capital lapsed as of 9 May 2014). More details can be found on page 99 of the 2014 annual report in the comments in the section headed "Authorized capital" in the corporate governance report. As of 31 December 2015 the authorized capital likewise amounted to zero.

For details of changes in the consolidated shareholders' equity in financial years 2015 and 2014 reference is made to page 26 of the consolidated financial statements. The development of consolidated shareholders' equity in financial year 2013 is presented on page 28 of the 2014 consolidated financial statements
(www.schweiter.ch/s1a200/investors/financial-reports-presentations.html).

The equity of Schweiter Technologies AG was classified in accordance with the new Swiss accounting legislation, the application of which has been mandatory since 1 January 2015. To ensure comparability, the prior-year figures have been adjusted to the requirements of the new format. Treasury shares are now stated as a negative item in equity. The reserve for treasury shares has been dissolved accordingly.

Changes in the shareholders' equity of Schweiter Technologies AG in financial years 2013 through 2015:

(in CHF 1000s)	Share capital	Agio / Capital contributions	Statutory capital reserves: Other capital reserves	Free retained earnings/profit	Own capital shares	Total equity
Balance as at 31 Dec. 2012	**1 444**	**39 845**	**3 167**	**611 322**	**–2 500**	**653 278**
Repayment from reserves from capital contributions		–39 782				–39 782
Net income 2013				16 270		16 270
Addition treasury shares					–4 900	–4 900
Dividend				–17 459		–17 459
Balance as at 31 Dec. 2013	**1 444**	**63**	**3 167**	**610 133**	**–7 400**	**607 407**
Net income 2014				3 639		3 639
Dividend				–57 240		–57 240
Balance as at 31 Dec. 2014	**1 444**	**63**	**3 167**	**556 532**	**–7 400**	**553 806**
Reduction of treasury shares	–12			–6 325	6 337	0
Net income 2015				16 224		16 224
Share-based payments					768	768
Dividend				–57 264		–57 264
Balance as at 31 Dec. 2015	**1 432**	**63**	**3 167**	**509 167**	**–295**	**513 534**

Shares, participation certificates and dividend rights certificates

As of 31 December 2015 the share capital consisted of 1 431 808 bearer shares with a par value of CHF 1 each, amounting to a total of CHF 1 431 808. All bearer shares are fully paid-up. Each share entitles the holder to one vote at the General Meeting. All bearer shares are entitled to dividends. Schweiter Technologies AG 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, long-term incentive plan and options

No convertible bonds were outstanding as of 31 December 2015. As set out in the section on conditional capital, drawing on the conditional capital may increase the company's share capital 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.

In the 2015 reporting year, the Board of Directors agreed a long-term incentive plan (LTI) over three years (2015–17) with members of Management and key employees within the Group. In the reporting year, in connection with the LTI, shares in Schweiter Technologies AG subject to a blocking period until 31.12.2017 were granted at the beginning of the plan term and their value (at the time of allocation) was credited to LTI participants. 600 dividend-bearing shares were issued which, as of the cut-off date, are segregated from treasury holdings and held in a separate bank custody account. The present value of the issued shares at the time of allocation was CHF 833 per share. See pages 91 to 93 of the Compensation Report for details of the long-term incentive plan.
There are no option plans in place.

Board of Directors (as at 31 December 2015)

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

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

At the Annual General Meeting on 6 May 2015, members of the Board of Directors Beat Siegrist, Lukas Braunschweiler, Vanessa Frey, Jan Jenisch and Jacques Sanche were re-elected in individual elections for a one-year term of office. In addition, Beat Siegrist was re-elected as Chairman of the Board of Directors for a one-year term of office.

At the Annual General Meeting of 6 May 2015, Jacques Sanche, Vanessa Frey and Jan Jenisch were re-elected members of the Compensation Committee, each for a one-year term of office. For the 2015 financial year, Jacques Sanche re-assumed office as Chair of the Compensation Committee.

Members of the Board

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 (member of the Board of Directors since 2008).
Beat Siegrist has been a member of the Board of Directors of Phoenix Mecano AG, Stein am Rhein, since 2003, a member of the Board of Directors of Inficon Holding AG, Bad Ragaz, since 2010 and Chairman of the Board of Directors of Garaventa Accessibility AG, Arth, since 2013. From 2008 to 2012, he was CEO of Satisloh and a 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. 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 from 2009 to 2011. 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 USA. He studied at the Federal Institute of Technology (ETH) in Zurich, where he earned an MSc in analytical chemistry (1982) and a PhD in physical chemistry (1985).

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

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

Dr. Jacques Sanche
(born 1965, Canadian and Swiss citizen)
Non-executive member of the Board of Directors since 2011.
Dr. Jacques Sanche has been acting CEO of Bucher Industries AG since 1 September 2015 and will be appointed as the company's new CEO as of the ordinary General Meeting in April 2016. He was CEO of Belimo Group from 2007 to 2015. 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. Between 1997 and 2004 he occupied various executive management posts within the WMH Walter Meier Group. From 1990 to 1997 he was an advisor at IMG, St. Gallen and the Boston Consulting Group, Munich. He holds a business management degree and a doctorate in economics from the University of St. Gallen.

Other activities and interests
During the year under review, the members of the Board of Directors did not have any other management or permanent advisory functions or any mandates from major Swiss or foreign companies other than those mentioned in their CVs, nor did they exercise any important official duties or political mandates.

Board of Directors

Stipulations in the articles of incorporation on the number of permissible additional activities and interests

Members of the Board of Directors are permitted to exercise a maximum of 25 additional mandates, including up to five mandates in listed companies.

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

Election and term of office

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

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

Internal organization

Division of tasks within the Board of Directors

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

The Board of Directors constitutes itself, subject to the proviso that its Chairman shall have been elected by the General Meeting. Beat Siegrist has been Chairman of the Board of Directors since 2011. The Board of Directors elects a Secretary who need be neither a Board member nor a shareholder. Both the Board of Directors and its committees (Audit Committee and Compensation Committee) meet as often as the company's business requires.

All key decisions are taken by the Board of Directors as a whole (in particular appointments). The main criteria when selecting candidates for nomination for election to the Board of Directors are professional experience and the relevant expertise.

In addition to their regular Board duties, all members of the Board of Directors also attend three to five meetings per year concerned with specific issues relating to the individual divisions (see also section entitled "How the Board of Directors operates").

Committees of the Board of Directors

In the 2015 reporting year, the Board of Directors had two standing committees: the Audit Committee and the Compensation Committee. The duration of committee meetings is determined by the business in hand.

Audit Committee

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

The Audit Committee's most important tasks are to discuss the outcome of the external audits, to verify the Group's presentation of 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 audit-specific tasks, subject to approval by the Board of Directors as a whole. All other key decisions are taken by the Board of Directors as a whole (in particular appointments). Audit Committee meetings are attended by the CEO and CFO.

As a rule, the Audit Committee meets three to five times per year (at least once every four months). During the year under review, the Audit Committee held four meetings, three of which were attended by representatives of the statutory auditors. All meetings were attended by the CEO and the CFO. The meetings lasted one to three hours. Immediately after meetings, the Audit Committee briefs the Board of Directors on the outcome.

Compensation Committee

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

In accordance with the articles of incorporation and the organizational regulations, the Compensation Committee (Jacques Sanche [Chair], Vanessa Frey, Jan Jenisch) has, in particular, the following duties and responsibilities in respect of compensation matters concerning the Board of Directors and Management:

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

As a rule, the Compensation Committee meets two to four times per year (semi-annually to quarterly). In the year under review, the Compensation Committee held two meetings. The meetings lasted up to half a day. After every meeting, the Chair of the Compensation Committee reports on the committee's activities to the Board of Directors. The committee meeting minutes are made available to the members of the Board of Directors. Decision-making powers in relation to compensation are vested in the Board of Directors and in the General Meeting as far as total compensation amounts are concerned. As a rule, the CEO and the CFO participate in the meetings in an advisory capacity. However, they recuse themselves when their own compensation is being discussed and determined. Other invited members of Management are likewise not present during the part of the meeting where their own compensation is being decided. Both meetings held in the 2015 reporting year were attended by the CEO and the CFO.

The Compensation Committee is free to call upon external consultants to address specific compensation matters. No external consultants were called upon in 2015.

How the Board of Directors operates

The Board of Directors is responsible for the strategic management of the Group and for the supervision of those entrusted with management. To this end, the Board of Directors holds meetings at least four times per year (i.e. once a quarter). One meeting lasts an average of one day. In the year under review, the Board of Directors held five meetings. In addition to the Board of Directors, these meetings are always attended by the Group CEO and CFO, and by the divisional 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

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, various Board members attend division meetings, which last on average half a day. In the year under review, four division meetings were held; all meetings were attended by Board members.

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:

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

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

At the Board meetings and the regular division meetings, Management reports to the Board on the following matters in particular:

- Progress of business and financial situation
- Outlook and measures to be taken in the near future
- Development projects and status
- Major investments and divestments
- Extraordinary events with a substantial bearing on business
- Personnel policy and planning, information on important personnel decisions.

Information and monitoring instruments

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

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

The Audit Committee and Board of Directors identify additional topics which are taken up in the context of the internal controlling processes and 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 auditing process. The Audit Committee also sets points of focus in the context of the definition of the scope and content of the audit conducted by the external auditors. Each Board member is also sent the full minutes of all Audit Committee Meetings.

The CEO and the CFO take part 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 MD&A and on pages 38 to 40 of the notes to the financial statements.

Internal control system (ICS)

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

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

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

Management

Ernesto Maurer Martin Klöti Dr. Heinz O. Baumgartner Georg Reif

Dr. Heinz O. Baumgartner
(born 1963, Swiss citizen)
CEO Schweiter Technologies
Dr. 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. Prior to that, he was responsible for Schweiter Management Services and CFO of SSM Textile Machinery from 2011 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 1 January 2012. From the end of 2009 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 Compos-

ites Division and was a member of the Alcan Engineered Products Division Management. Georg Reif is a member of the Board of Directors of the SGV Group, Shiptec AG and ETH Zurich inspire AG.

Ernesto Maurer
(born 1955, Swiss citizen)
CEO SSM Textile Machinery
Ernesto Maurer has been CEO of SSM Textile Machinery since April 2010. He was CEO of Gebrüder Loepfe AG and Itema Switzerland (formerly Sultex) from 2005 until early 2010. From 1990 to 2005 he sat on various management boards, including at Sulzer. He holds an engineering degree from the Swiss Federal Institute of Technology (ETH) in Zurich and an MBA from the University of Lausanne. Ernesto Maurer is chairman of the textile machinery specialist group at Swissmem and a member of the board of the European Committee of Textile Manufacturers CEMATEX.

Other activities and interests
During the year under review, the members of Management did not have any other management or permanent advisory functions or any mandates from major Swiss or foreign companies other than those mentioned in their CVs, nor did they exercise any important official duties or political mandates.

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

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

Management contracts
There are no management contracts.

Compensation, shareholdings and loans
Details on compensation, shareholdings and loans are set out in the separate Compensation Report on pages 86 to 94 of this annual report.

Shareholders' participation rights

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

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

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

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

The General Meeting of 6 May 2015 elected Dr. iur. Markus Waldis of Isler & Waldis attorneys at law, Zurich, to serve as the independent proxy for a one-year term of office.

From the time of publication of the invitation in the Swiss Official Gazette of Commerce until approximately seven days before the General Meeting, shareholders wishing to attend or have themselves represented at the General Meeting will be able

Shareholders' participation rights

to obtain their admission ticket with voting documents directly from the company's registered office against deposition of their share certificates, or on presentation of a certificate of deposit, which they can request from their bank. The deposited shares will remain blocked until after the end of the General Meeting.

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

For the forthcoming Ordinary General Meeting on 3 May 2016, the company will again make it possible for shareholders to submit their voting instructions to the independent proxy in electronic form via the shApp platform (www.shapp.ch). The relevant registration and voting procedure using this platform will be explained in the invitation to the General Meeting.

Statutory quorum

Under Art. 703 of the Swiss Code of Obligations, resolutions of the General Meeting must, in principle, be passed by an absolute majority of the voting rights represented. Exceptions to this rule are the eight resolutions listed in Art. 704 of the Swiss Code of Obligations, which require a minimum of two thirds of the votes represented and an absolute majority of the nominal values of the shares represented (any amendment of the company's objects; the introduction of shares with preferential voting rights; any restriction on the transferability of registered shares; an authorized or conditional capital increase; a capital increase funded by equity capital, against contributions in kind or to fund acquisitions in kind and the granting of special privileges; any restriction or cancellation of the subscription right; a relocation of the domicile of the company; the dissolution of the company). 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 convened by the Board of Directors, or if necessary by the statutory auditors. The General Meeting must be convened by publication of a notice in the Swiss Official Gazette of Commerce at least 20 days before the date on which the meeting is due to be held. 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 Swiss company law.

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

Registrations in the share register

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

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

No clauses on changes of control are 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.

Statutory auditors

Duration of mandate and term of office of auditor in charge

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

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

Deloitte AG, Zurich, has been statutory and Group auditor since 1994. The auditors were re-elected by the General Meeting for a one-year term of office. The Deloitte AG auditor in charge, Roland Müller, took office in 2014. In accordance with Art. 730a of the Swiss Code of Obligations, the auditor in charge rotates every seven years.

Audit fee and additional fees (in CHF 1000s)	**2015**	2014
Auditing services [1]	718	541
Auditing-related services [2]	19	2
Tax advice and compliance services	336	311
Transaction advice incl. due diligence	158	828
Total	**1 231**	**1 682**

[1] Auditing the consolidated financial statements, the holding company statements and the financial statements of the individual Group companies, of which CHF 31 000 was accounted for by third-party auditors
[2] Services related to the acquisitions conducted

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 2015 financial year, is responsible for supervising and monitoring the audit and regularly reports back to the Board of Directors as a whole. The auditors periodically prepare a comprehensive report on the outcome of their auditing activities. The auditors' report is supported by an accompanying annual management letter and a comprehensive report to the Board of Directors.

The auditors may not be members of the Board of Directors or company employees, nor may they carry out any other work for the company which would be incompatible with the audit assignment. They must be independent of the Board of Directors and of any shareholder holding more than five percent of voting rights. The auditors must adhere to the guidelines on independence promulgated by their profession.

The Audit Committee verifies the auditors' qualifications on an annual basis as part of its supervisory and monitoring functions. Particular emphasis is placed on the following criteria: independence of the auditors and an understanding of the Group's business activities and the specific business risks it faces.

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

Information policy

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

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

The company's official publication is the Swiss Official Gazette of Commerce (SOGC). Information on disclosure notices from major shareholders can be found at:
https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Information on transactions effected by members of the Board of Directors or Management is available at:
https://www.six-exchange-regulation.com/en/home/publications/management-transactions.html

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

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

The regular presentation of company facts and figures is an inherent part of Schweiter's communication culture. Media and analyst conferences for investors, analysts and journalists are held to present specific company events and publish annual and/or semi-annual results.

At the General Meeting, the Board of Directors and Management provide information on the annual financial statements and the company's business performance, and answer shareholders' questions.

The financial reports (annual reports, semi-annual reports) are available on the company's website. Print versions can be ordered free of charge or electronic versions can be downloaded from the following link:
www.schweiter.ch/s1a200/investors/financial-reports-presentations.html

Media releases are available at the following link:
http://www.schweiter.ch/s1f3/media-releases/

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

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The next Annual General Meeting will be held on 3 May 2016 in Horgen.
The 2016 semi-annual report is scheduled for publication in August 2016.

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