HALF-YEAR FINANCIAL REPORT AS AT 30/06/2019

KEY FIGURES OF THE SCHWEIZER GROUP (IFRS)

Mio. Euro	1st HY 2019	1st HY 2018	Veränderung / Change	EUR millions
Auftragseingang	30.3	76.7	-60%	Order entry
Umsatz	60.2	63.9	-5.7%	Revenues
Book-to-Bill Ratio	0.5	1.2		Book-to-bill ratio
EBITDA	1.0	6.6	-85%	EBITDA
EBITDA Marge (%)	1.7	10.3		EBITDA margin (%)
EBIT	-2.3	2.8		EBIT
EBIT Marge (%)	-3.8	4.3		EBIT margin (%)
Periodenüberschuss	-1.5	1.9		Net profit
Investitionen	22.9	2.0	1,045%	Investment
Cashflow aus der betrieblichen Tätigkeit	3.9	0.1	3,800%	Cash flow from operating activities
Ergebnis je Aktie (Euro)	-0.39	0.51		Earnings per share (EUR)
Auftragsbestand [1]	143.0	185.1	-23%	Open orders

Mio. Euro	30/06/2019	31/12/2018	Veränderung / Change	EUR millions
Bilanzsumme	161.3	135.3	19%	Total assets
Eigenkapital	59.0	63.0	-6%	Equity
Eigenkapitalquote (%)	36.6	46.6		Equity ratio (%)
Nettoverschuldungsgrad (%)	12.8	-7.2		Net gearing ratio (%)
Working Capital	21.1	25.4	-17%	Working capital
Beschäftigte [2]	774	814	-5%	Employees

[1] As at 30/06/2019
[2] including temporary staff

Information on the applied accounting and valuation principles can be found in point 2 of the notes to the consolidated interim financial statements.

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

CONTENTS

SHARES

SHARES

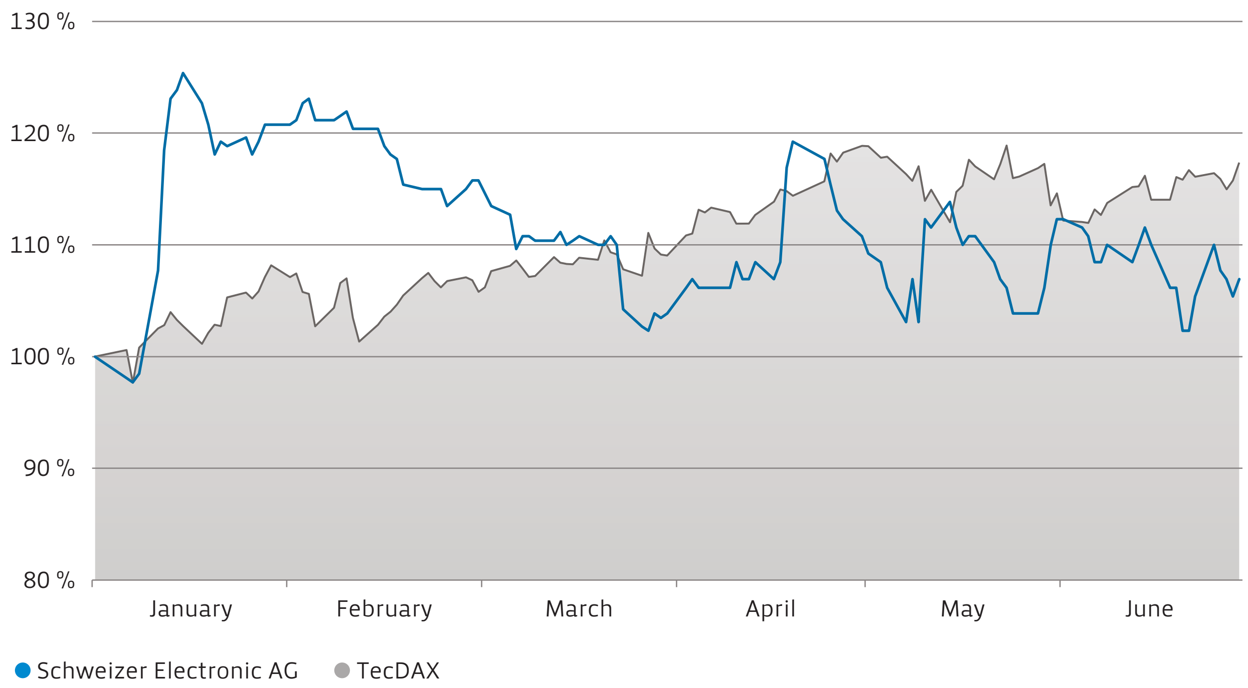
Despite the weaker economic outlook, ongoing political risks, the unresolved trade conflict between the USA and China and an increasingly likely no-deal Brexit, the German leading index – the DAX – performed positively in the first half of the year with a gain of around 17 percent. This is attributed primarily to the promise by central banks to support the markets.

Our benchmark index – the TecDAX – performed in virtual lockstep with the DAX. One reason for this is very likely the inclusion of four DAX heavyweights in the TecDAX. Likewise with a positive development of plus 17 percent and a level of 2,876 points at the end of the first half of the year, the technology index is not far away from the all-time high it achieved in the summer of 2018 (3,039 points).

SCHWEIZER SHARE

The performance of the Schweizer Electronic share only showed limited similarities with the TecDAX in the first six months of the year. Rather, the price moved in close correlation with the DAX automotive sector index. News and developments from the automotive sector, our largest customer group, also affected the price of the Schweizer Electronic share. After the share began 2019 at a price of EUR 13.00, it already reached its six-month high at EUR 16.30 or plus 25 percent on 11 January 2019. However, the share lost this gain by the end of April. This can be seen in the temporal context of the announcement that no dividend would be paid out, as well as the general news situation in the automotive sector (decline of car sales, tariff disputes and the WLTP). Following a volatile period in the months of May and June, the share ended the first half of 2019 at a price of EUR 13.90, corresponding to a gain of 7 percent.

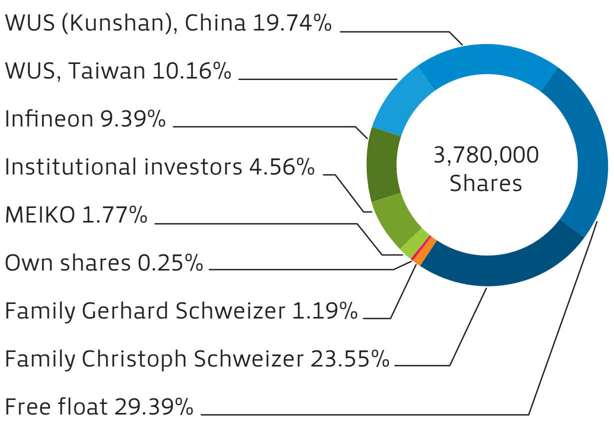
Share price 1 January 2019 – 30 June 2019



SHAREHOLDER STRUCTURE

The shareholder structure of Schweizer Electronic AG was as follows at 30 June 2019:

Shareholder structure as at 30/06/2019



ANNUAL GENERAL MEETING 2019

The shareholders approved the resolutions proposed by the Executive Board and Supervisory Board with a large majority at the 30th Annual General Meeting of Schweizer Electronic AG held on 28 June 2019. The discharging of the members of the Executive Board and Supervisory Board, the profit appropriation proposal that provides for a suspension of dividend payments, as well as the election of the candidates nominated by the administration for the Supervisory Board met with the broad approval of the shareholders present.

SHARE DATA

	30/06/2019	30/06/2018
Share price (daily closing price)[1]	EUR 13.90	EUR 18.60
Period high	EUR 16.30	EUR 21.70
Period low	EUR 12.70	EUR 18.50
No. of shares at 30/6	3,780,000	3,780,000
Market capitalisation at 30/6	EUR 52.5 million	EUR 70.3 million

[1] Xetra trade

BASIC SHARE DATA

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

GROUP INTERIM STATUS REPORT

ECONOMIC REPORT

Economic developments in the first six months of 2019

Following an increase in the economic output of Germany in the first quarter by 0.4 percent, growth momentum reduced in the second quarter of the year. The first quarter was to a large extent influenced by the catch-up effects after the sales difficulties of the automotive industry in connection with the new testing procedure WLTP in the autumn of 2018 as well as fiscal measures. The underlying economic trend, as seen in the declining sentiment indicators and incoming orders, was already downward in the first quarter. This was partly due not least to the high level of economic and political uncertainty worldwide. The German economy is therefore in a downturn. However, this will not be severe as capacity utilisation is slowly returning as a result of the still-positive order books as well as the fact that the investment activity of private households has not yet collapsed. Nonetheless, the risk that the German economy may slip into a recession is quite high. An increase in global economic and political turbulence as well as a further escalation of the trade war between the USA and China or the as yet unresolved Brexit process would put a strain on the German economy and accelerate the downturn.

The development in the international automotive market was characterised overall by significant declines in sales. In the important automotive markets of China, the USA and Europe, as well as Russia and India, fewer vehicles were sold than in the first six months of 2018. In China, the USA and Europe, 26.8 million vehicles were sold. This represents an overall decline of -7 percent compared to the same period in 2018 in these regions. Sales decreased by -3.1 percent in Europe, followed by -1.9 percent in the USA. In Japan, sales remained at around the same level as the previous year.

This declining trend could also be seen in the BRIC countries, with the exception of the Brazilian automotive market. China recorded the strongest decline in the market for new cars, at -14 percent. In the other BRIC countries, India and Russia showed declines in sales of -10.3 percent and -2.4 percent respectively. By contrast, in Brazil sales grew by +10.9 percent.

Despite the weakening of automotive growth generally, the dynamic demand for electric cars and plug-in hybrids continues to increase. According to a study by PwC Autofacts®, new approvals for battery-powered electric vehicles rose by 68 percent globally in the first half of 2019. In this connection, 694 thousand units of purely electric-powered vehicles were sold worldwide in the first six months. The most important European markets – Germany, France, the United Kingdom, Italy and Spain – recorded continued growth of 34 percent, with 411 thousand electric and hybrid vehicles sold in 2019. China continues to be the world's leading market for electric cars and light commercial vehicles; in the first six months of 2019, it recorded a growth rate of 46 percent with 653 thousand electric and hybrid vehicles sold.

In the wake of the weaker economic outlook overall, the market situation is likely to remain difficult in the automotive sector in the second half of this year – also according to the information of the German Association of the Automotive Industry (VDA) regarding manufactured vehicles in 2019.

In general, a significant slowdown in global economic growth is expected. Compared to 2018, growth in global production will decrease by 0.5 percentage points, with GDP growth at 3.2 percent at the end of 2019.

The industry will also be impacted in Germany by uncertainties regarding a potential further escalation of the trade war between the USA and China, possible punitive US tariffs on automotive imports and the likelihood of a no-deal Brexit in October of this year. Based on Ifo export expectations, no increase in exports is anticipated for the coming two quarters.

For China, we expect a further slowdown in the growth of industrial production, especially if no trade agreement is reached with the USA in the coming months. The growth in emerging countries is strongly dependent on the economies of industrial countries, since monetary and fiscal incentives only have a limited effect in these countries. In particular, trade policy tensions may endanger existing global supply chains. We also expect a slowdown in growth momentum in these markets by the end of 2019.

(Source: Ifo Institute for Economic Research, Deutsche Bundesbank, German Association of the Automotive Industry, IfW Kiel, Deutsche Bank AG Research, PwC Autofacts® analysis)

BUSINESS DEVELOPMENT

Incoming orders fall by 60 percent

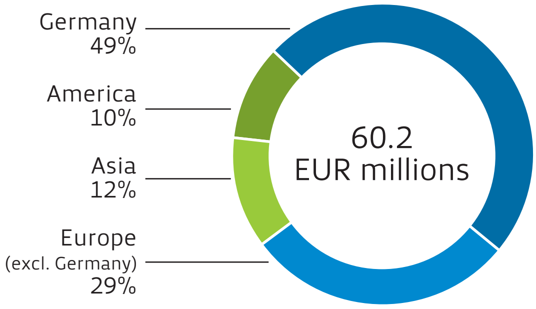
Schweizer has established itself as an indispensable specialist in power electronics and sensor technology. This makes us an important partner for our customers in the automotive sector for the reliable and cost-optimised implementation of solutions in the areas of e-mobility and carbon efficiency as well as autonomous driving. Especially for customers in industrial electronics, our automation and sensor technologies are playing an increasingly important role in the context of industry 4.0. In the first half of 2019, the company was strongly affected by the weakening of demand in the automotive and industrial sector which already began in the fourth quarter of 2018. Over the first six months of the year, there was an increasing number of cancellations and postponements of orders on the part of our customers in the automotive sector. This is reflected in incoming orders, which at EUR 30.3 million is 60.6 percent lower than the previous year's level. As a result, this also led to a reduction in the order book, which amounted to EUR 143.0 million at the end of June (2018: EUR 185.1 million). Of this order book, around EUR 52.0 million will be delivered in the second half of 2019. The order book for 2020 is still above EUR 90 million. It is almost impossible to predict how demand in the automotive industry will develop in the short term.

Revenues fall by 5.7 percent in the first six months

Revenues amounted to EUR 60.2 million in the first half of the year (2018: EUR 63.9 million). This corresponds to a decline of 5.7 percent. In the second quarter, the decline compared to the previous year's quarter continued with a significantly lower arrears ratio of 2.9 percent, while a change of -8.5 percent was still recorded in the first quarter of 2019 compared to the first quarter of 2018. The plant in Schramberg generated revenues of EUR 41.4 million, a decline of 24 percent compared to the same period last year. The drop is predominantly attributable to the strong decline in orders from our automotive and industrial customers in

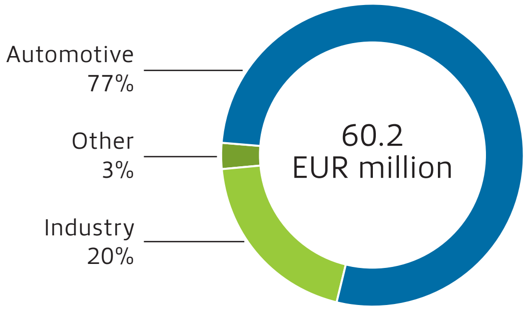
Sales by region

EUR millions	2019	2018
Germany	29.5	36.0
Europe (excl. Germany)	17.2	17.8
Asia	7.2	4.4
America	6.1	5.5
Other countries	0.2	0.2
	60.2	**63.9**



Sales by customer group

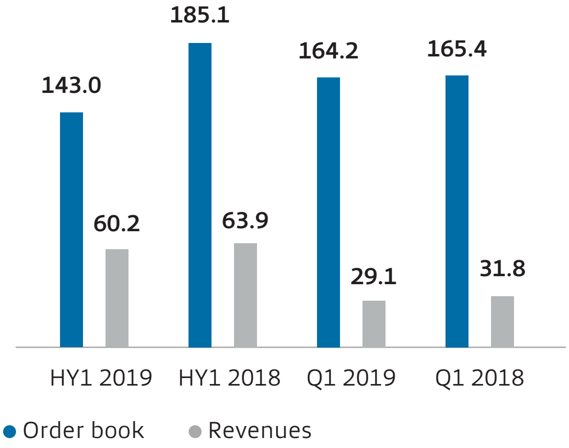
EUR millions	2019	2018
Automotive	46.8	44.1
Industry	11.8	15.3
Other	1.6	4.5
	60.2	**63.9**



Germany. It was possible to partially compensate for this decline by almost doubling our revenues for products via our Asian partner network. A total of EUR 18.8 million was generated with products manufactured by WUS Kunshan and Meiko Electronics China and Vietnam. Their share of revenues thus rose from 15 percent to 31 percent. We see further growth potential here in the future.

Despite the limited quantity of orders from our automotive customers, revenues in this area increased by EUR 2.7 million to EUR 46.8 million, in particular due to a substantial expansion of the business activities of two key account customers. We generated revenues of EUR 13.4 million in the first half of the year with our industrial customers and other sectors. This corresponds to a decline of EUR 6.4 million or 32 percent compared to the same period in the previous year. Our focus continues to be on the automotive and industrial electronics segments and the further development of the civil aerospace target group. In terms of sales regions, there were slight changes in business activitiy in favour of the Asian markets. While 78 percent of the revenues were realised in Europe, 12 percent were generated in Asia and 10 percent in America/rest of the world.

Order book and sales in EUR million



Decrease in profitability

Gross profit amounted to EUR +6.5 million in the first half of the year (2018: EUR +10.6 million), equating to a gross margin of 10.8 percent (2018: 16.6 percent). Compared to the previous year, gross profit has reduced by around 39 percent. The lower margin ratio is influenced by a selective pricing policy to stimulate sales as well as an unfavourable mix in the product portfolio. In order to counteract the declining business volume and falling earnings, numerous saving measures have been initiated and implemented in the production area. This programme includes the short-time work introduced in March, significant price reductions on the part of our suppliers as well as measures taken to improve productivity. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 1.0 million (2018: EUR 6.6 million) and the EBITDA ratio fell to 1.7 percent (2018: 10.3 percent). An extensive cost reduction programme was also implemented in the sales, development and administration areas with respect to personnel costs and other fixed costs. In addition to a more restrictive hiring policy, short-time work, defined material cost savings as well as selective investments supported earnings significantly in the first half of 2019. The first six months include a positive netted currency result in the amount of EUR 253 thousand from the valuation of foreign currency liquidity in China. Costs in connection with the construction of the new production plant in China amounted to EUR 1.7 million in the first half of 2019.

Earnings before interest and taxes (EBIT) amounted to EUR -2.3 million (2018: EUR +2.8 million), thereby representing a decline of EUR 5.1 million compared to the previous year. Amortisations fell from EUR 3.8 million in the previous year to EUR 3.3 million in 2019.

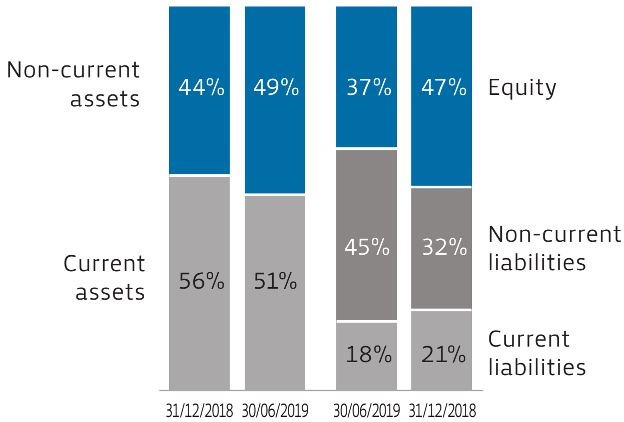
Consolidated net income declined by EUR 3.4 million to EUR -1.5 million compared to the same period in 2018.

Stable asset and financial situation as a result of a reduction in working capital and solid financing

Working capital, which in this case does not contain any asset or liability items from financing transactions, amounted to EUR 21.1 million at the end of the first six months (31 December 2018: EUR 25.4 million). The significant reduction of EUR 4.4 million is mainly due to the decrease in loans and advances to customers of EUR 1.9 million and an increase in trade payables of EUR 3.0 million. By contrast, contract assets according to IFRS 15 increased moderately by EUR 0.8 million. Compared to 31 December 2018, cash increased by EUR 6.3 million to EUR 36.3 million. The disproportionate reduction in working capital in relation to revenue development had a positive effect on cash flow from operating activities. The increase in cash flow compared to the same period in the previous year amounted to EUR +3.8 million. The cash flow from financing activities increased significantly as a result of utilising the credit line in the amount of EUR 24.2 million for the long-term financing of our direct investment in the production site in China. In order to finance the construction project, two banking syndicates were formed in Germany and China to provide a total credit line of USD 115 million. The net gearing ratio amounts to 13 percent, i.e. interest-bearing liabilities are higher than cash as planned. The majority of the liquidity is reserved for financing the construction phases in China due in the second half of the year and the investment in the local technical infrastructure. In the first six months of 2019, EUR 22.9 million was almost exclusively invested in tangible and intangible assets in the Group (2018: EUR 2.0 million).

The increase in non-current financial liabilities of EUR 20.7 million contributed significantly to the rise in total assets to EUR 161.3 million (31 December 2018: EUR 135.3 million). Total non-current and current liabilities amounted to EUR 102.3 million (31 December 2018: EUR 72.3 million). On the assets side, this was primarily reflected in the increase in cash, whereas the reduction in capital commitment in current assets was divergent. The equity ratio amounted to 36.6 percent (31 December 2018: 46.6 percent). Equity reduced by EUR 4.0 million to EUR 59.0 million due to the loss situation and largely as a result of the equity-reducing effects in the valuation of defined benefit pension plans. Financial liabilities were reduced by means of regular repayments of bank loans in the amount of EUR 5.8 million. Due to the higher share of sales from products produced by our partners in Asia, the purchasing volume increased. This increased vendor liabilities by EUR 3.0 million to EUR 12.8 million.

Balance sheet structure

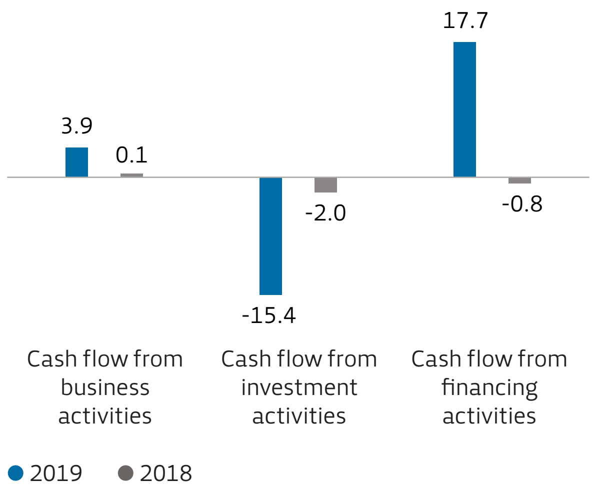


Improved cash flow as a result of reduced capital commitment and the borrowing of long-term loans

In the first six months of 2019, cash and cash equivalents increased by EUR 6.3 million to EUR 36.3 million. The reduction of working capital and use of long-term loans played a key part in this positive development. The total capital-releasing changes in trade receivables, inventories and vendor liabilities amounted to EUR 4.0 million. This had a positive impact on the cash flow from operating activities, which amounted to EUR +3.9 million in the reporting period (2018: EUR +0.1 million).

In order to calculate the cash flow from investment activities in the amount of EUR -15.4 million, advance payments for investments in China were netted against the contractually agreed and paid incentive of Chinese administrators in the amount of EUR 6.6 million. The cash flow from financing activities amounted to EUR +17.7 million. This mainly concerned the use of credit lines for the long-term financing of our commitment in China in the amount of EUR 24.2 million, regular repayments of bank loans and financial leasing as well as paid interest in the amount of EUR 6.5 million in total.

Cash flow in EUR million



FORECAST REPORT

The outlook for the overall economy appears to be very subdued for the next quarters. For the entire year of 2019, growth of just 0.3 percent is expected in Germany – our most important sales market. A change in the trend could occur in the second half of 2020, allowing a growth forecast of 1.3 percent again (Handelsblatt Research Institute, June 2019). Compared to the forecasts at the beginning of this year, there are expectations of a more prolonged phase of stagnation or even a greater risk of Germany slipping into a recession.

Likewise, 2019 is turning out to be a very challenging year for the automotive sector. SCHWEIZER generates 77 percent of its revenues from customers in this sector. Global sales figures for cars up to six tonnes are likely to fall again this year. A decline in automotive production of 2 to 3 percent, to between 92 and 93 million units, is anticipated. The decline is affecting all markets worldwide, but especially China with -5 percent to 26.3 million vehicles (2018: 27.7 million). Low growth in car sales is expected once again in 2020. However, the level of 2018 and 2017 will still be out of reach (LMC Q2/2019, July 2019).

Besides the existing and as yet unresolved disruptive factors such as the trade dispute between the USA and China, the impending escalation of the tariff war between the USA and the European Union and the increasing danger of a no-deal Brexit, there is also a risk of war in the Persian Gulf, which could impact oil supply and the oil price.

The overall economic development in Germany and the continued weakness in the global automotive sales figures will also have a direct negative effect on the business of SCHWEIZER in the second half of the year. We therefore no longer anticipate a recovery in the business situation in the second half of 2019. However, we also no longer see any further weakening of the situation.

Revenue forecast in specific figures

On this basis, we now expect revenues between EUR 120 million and EUR 125 million, which would correspond to growth of between -4 and 0 percent (previously: -5 and +5 percent). These forecasted revenue figures are based on a conservative assumption of the production volume at the Schramberg plant, although the revenues realised via our Asian partners WUS and Meiko will continue to remain stable. The revenue structure will therefore continue to shift in favour of trading goods.

China project

The construction of a high-technology plant in China is fully on track. The building has been constructed and the interior work is in full swing. The delivery and installation of the machines will begin in August, with nothing in the way of production starting at the beginning of 2020 according to our current perspective. At the end of June, 56 members of staff were employed in China. In line with our plan, we will more than double this number of employees in the second half of the year to prepare for the start of production.

The parent company, Schweizer Electronic AG, has fully paid in the required equity of around EUR 36 million for the initial phases. In order to purchase the machines and equipment, local project financing will also be used as planned. In 2019, no significant revenue contributions will yet be attributable to this Chinese plant. We expect a negative contribution to EBITDA from our Chinese project in the amount of EUR 3.0 million.

Earnings forecast revised downwards

Schweizer is investing heavily worldwide in the promising future topics of chip embedding and the construction of the technology plant in China. Despite the current economic weakness, we are continuing to press ahead with these strategically important topics.

Furthermore, the Executive Board already started an extensive programme to reduce material, equipment and personnel costs in the first half of the year. Good success has been achieved here, although some of the positive effects will only be reflected in the earnings situation in the second half of the year. We will therefore be able to partly compensate for the increasing negative earnings contribution from the project in China in the second half of the year by increasing earnings from the core business.

The earnings situation of the Group will continue to be under strain as a result of the lack of business recovery in the second half of the year, the ongoing weakness in demand for printed circuit boards made in Schramberg as well as the planned increase in expenses in China due to the upcoming start of production. Based on current information, we expect an EBITDA ratio of between 0 and 4 percent for the Group (previous forecast: between 4 and 6 percent), which corresponds to an absolute EBITDA of EUR 0 to 4 million.

OPPORTUNITIES AND RISKS REPORT

With regard to opportunities and risks, please refer to our comments in the 2018 Annual Report from page 52 onwards.

In terms of global politics, there is a new risk of a military confrontation in the Persian Gulf, which could have a negative impact on oil supply and therefore indirectly affect growth in the automotive sector. Moreover, the election of Boris Johnson as British prime minister increases the likelihood of a no-deal Brexit. A no-deal Brexit could put pressure on economic growth in Germany as well as the European Union.

Forecasting institutions also currently expect a prolonged period of stagnation. This relates to both the economy as a whole as well as the automotive sector.

Both issues could have negative consequences for business development in 2020. The planned start-up at the production site in China is not expected to be impaired at present.

Schramberg, 6 August 2019

Schweizer Electronic AG

The Executive Board

(Dr R. Merte) (N. F. Schweizer) (M. Bunz)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

	No. in the notes	01/01 – 30/06/2019	01/01 – 30/06/2018
		EUR thousands	EUR thousands
Sales revenue	3.1	60,221	63,852
Cost of sales | Cost of goods and services provided to generate sales		-53,702	-53,260
Gross profit		**6,519**	**10,592**
Other operating income	3.2	2,515	2,410
Distribution costs		-2,835	-2,433
Administration expenses		-7,508	-7,124
Other operating expenses	3.3	-992	-687
Operting result		**-2,301**	**2,758**
Financial income	3.4	44	23
Financial expenses	3.5	-534	-356
Earings from participating interests accounted for using the equity method		0	5
Earings before taxes on income and revenue		**-2,791**	**2,430**
Taxes on income and revenue	3.6	1,296	-505
Consolidated result		**-1,495**	**1,925**
Of which attributable to:			
Shareholders of the parent company		-1,487	1,927
Non-controlling interests		-8	-2
Earnings per share			
Basic (=diluted) shareholding (units)	3.7	3,769,277	3,765,654
Basic, based on the profit attributable to holders of ordinary shares of the parent company (EUR)		-0.39	0.51

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

	No. in the notes	01/01 – 30/06/2019	01/01 – 30/06/2018
		EUR thousands	EUR thousands
Consolidated result		**-1,495**	**1,925**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (after taxes):		**-656**	**-225**
Currency translation of foreign operations	4.3	-656	-225
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (after taxes):		**-1,802**	**96**
Gains/(losses) on the revaluation of defined benefit pension plans	4.5	-2,536	51
Tax of profits	3.6	710	-14
Gains/(losses) on assets meansured at fair value recognised directly in equity	4.1	24	59
Other earnings after tax		**-2,458**	**-129**
Overall result after taxes		**-3,953**	**1,796**
Of which attributable to:			
Shareholders of the parent company		-3,944	1,797
Non-controlling interests		-9	-1

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2019

	No. in the notes	30/06/2019	31/12/2019
		EUR thousands	EUR thousands
Assets			
Non-current assets		**79,164**	**59,073**
Tangible assets		73,484	56,556
Intangible assets		1,010	1,793
Other participating interests	4.1	468	444
Other financial assets		28	5
Deferred tax assets		1,261	275
Right of use pursuant to IFRS 16		2,913	0
Short-term assets		**82,118**	**76,196**
Inventories		9,940	10,106
Trade receivables		20,335	22,270
Contract assets		9,676	8,734
Tax receivables		2,209	2,044
Other financial assets		453	822
Other assets	4.2	2,628	1,719
Cash and cash equivalents		36,296	29,990
Non-current assets held for sale		0	511
Right of use pursuant to IFRS 16		581	0
Total assets		**161,282**	**135,269**
Liabilites			
Equity	**4.3**	**59,006**	**62,978**
Subscribed capital		9,664	9,664
Own shares		-25	-29
Capital reserves		21,798	21,837
Profit reserves/balance-sheet profit		27,500	31,444
Equity attributable to shareholders of the parent company		58,937	62,916
Non-controlling interests		69	62
Non-current liabilities		**72,461**	**43,679**
Financial liablilities	4.4	39,000	18,281
Other financial liabilities		2,067	2,222
Provision for defined benefit pension plans	4.5	22,851	20,149
Trade payables		9	3
Liabilities from government grants	4.8	6,551	0
Other provisions	4.6	652	843
Deferred tax liabilities		1,331	2,181
Current liabilities		**29,815**	**28,612**
Financial liabilities	4.4	4,831	7,147
Other financial liabilities		724	167
Provisions for defined benefit pension plans	4.5	608	925
Trade payables		12,761	9,786
Other liabilities	4.7	3,987	3,574
Liabilites from government grants	4.8	192	0
Other provisions	4.6	6,712	7,013
Total liabilities		102,276	72,291
Total assets		**161,282**	**135,269**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

	No. in the notes	01/01 – 30/06/2019	01/01 – 30/06/2018
		EUR thousands	EUR thousands
Operating activities			
Earnings before tax		**-2,791**	**2,430**
Adjustment to reconcile earnings before taxes to net cash flows:			
Amortisation and impairment of tangible and intangible assets and right-of-use		3,324	3,841
Expenses for share-based remuneration		6	142
Exchange differences, net		-761	266
Losses from the sale of tangible assets		20	7
Gains of disposal of tangible assets		-450	0
Financial income	3.4	-44	-23
Financial expenses	3.5	534	356
Other participation income:		0	-5
Changes in the provision for defined benefit pension plans (without changes recognised directly in equity)	4.5	-152	-155
Changes in other provisions	4.6	-491	1,148
Receipt from government grants	4.8	192	0
Change in tax receivables	3.6	-102	-53
Change in net current assets:			
Change in trade and other receivables and advance payments		1,308	-6,858
Change in inventoris		-822	-169
Change in trade and other payables		3,412	530
Interest received		12	5
Dividends received	3.4	5	2
Interest paid		-37	-97
Tax on profits paid		732	-1,241
Cash flow from operating activities		**3,895**	**126**
Investment activities			
Payments to acquire tangible assets and intangible assets		-22,920	-2,017
Receipt from government grants	4.8	6,551	0
Proceeds from sale of tangible assets		961	0
Cash flow from investing activities		**-15,408**	**-2,017**
Financing activities			
Incoming payments from the take-up of loans	4.4	24,226	0
Payments for the repayment of loans	4.4	-5,824	-673
Payments from finance leases		-328	-134
Interest paid		-376	0
Cash flow from financing activities		**17,699**	**-807**
Net change in cash and cash equivalents		6,186	-2,698
Changes in cash and cash equivalents owing to exchange rates		120	-206
Cash and cash equivalents as at 1 January		**29,990**	**11,293**
Cash and cash equivalents as at 30 June		**36,296**	**8,389**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousands	**No. in the notes 4.3**	Subscribed capital	Own shares	Capital reserve	Profit reserves / balance sheet profit
As of 1 January 2018 - as reported -		**9,664**	**-40**	**21,904**	**30,678**
Effect of adoption of IFRS 15					1,359
As of 1 January 2018 - restated -		**9,664**	**-40**	**21,904**	**32,037**
Consolidated result					1,927
Other comprehensive income					-130
Overall result		**0**	**0**	**0**	**1,797**
Change in minority interests					
Change in own shares			9		66
Long-Term Incentives for Executive Board members				-70	
Dividend payout					
Allocation to reserves					
Other changes					
As of 30 June 2018		**9,664**	**-31**	**21,834**	**33,901**
As of 1 January 2019 - as reported -		**9,664**	**-29**	**21,837**	**31,444**
Effect of adoption of IFRS 16					-9
As of 1 January 2019 - restated -		**9,664**	**-29**	**21,837**	**31,435**
Consolidated result					-1,487
Other comprehensive income					-2,457
Overall result		**0**	**0**	**0**	**-3,944**
Change in minority interests					
Change in own shares			4		9
Long-Term Incentives for Executive Board members				-39	
Dividend payout					
Allocation to reserves					
Other changes					
As of 30 June 2019		**9,664**	**-25**	**21,798**	**27,500**

included in profit reserves / balance-sheet profit:						
Actuarial losses, pension commitment	Change in value of assets meansured at fair value recognised directly in equity	Currency translation difference	Consolidated result (attributable to shareholders of SEAG)	Equity attributable to shareholders of the parent company	Minority interests	Equity
-3,670	**425**	**1,518**	**-12,040**	**62,206**	**136**	**62,342**
				1,359		1,359
-3,670	**425**	**1,518**	**-12,040**	**63,565**	**136**	**63,701**
			1,927	1,927	-2	1,925
37	59	-226		-130	1	-129
37	**59**	**-226**	**1,927**	**1,797**	**-1**	**1,796**
				75		75
				-70		-70
-3,633	**484**	**1,292**	**-10,113**	**65,369**	**135**	**65,504**
-3,683	**362**	**1,536**	**-14,159**	**62,916**	**62**	**62,978**
				-9		-9
-3,683	**362**	**1,536**	**-14,159**	**62,907**	**62**	**62,969**
			-1,487	-1,487	-8	-1,495
-1,826	24	-656		-2,457	-1	-2,458
-1,826	**24**	**-656**	**-1,487**	**-3,944**	**-9**	**-3,953**
					17	17
				13		13
				-39		-39
-5,509	**386**	**880**	**-15,646**	**58,937**	**69**	**59,006**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. PRINCIPLES UNDERLYING THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INFORMATION ON THE COMPANY

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

The condensed consolidated interim financial statements of the SCHWEIZER Group for the first six months of 2019 were prepared and approved for publication by the Executive Board on 6 August 2019.

BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed interim consolidated financial statements were prepared in accordance with the regulations of the International Financial Reporting Standards (IFRS), including the interpretations of the IFRS Interpretations Committee (IFRIC), which were adopted into European law by the EU Commission and are applicable as of the balance sheet date.

In accordance with IAS 34 "Interim financial reporting", the condensed consolidated interim financial statements do not contain all the information and disclosures required for consolidated financial statements at the end of the financial year and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2018.

Our business activities are subject to the influence of seasonal fluctuations. The results of the interim reporting periods can therefore only be used as an indicator for the results of the entire financial year to a limited extent.

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions. These have an impact on the disclosure of assets and liabilities, the disclosures on contingent assets and liabilities as of the balance sheet date and the disclosure of income and expenses for the reporting period. Actual amounts may differ materially from management's estimates. Changes in assumptions and estimates may have a material impact on the condensed consolidated interim financial statements.

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

These interim consolidated financial statements have been reviewed by an auditor within the meaning of Section 115 (5) WpHG [German Securities Trading Act].

2. SUMMARY OF MATERIAL ACCOUNTING PRINCIPLES

SCOPE OF CONSOLIDATION

In addition to Schweizer Electronic AG as the parent company, the consolidated Group is comprised as follows:

	31 December 2018	Included for the first time in financial year 2019	Reclassification to IFRS 5 in the financial year 2019	Eliminated in financial year 2019	30 June 2019
Number of fully consolidated companies					
National	1	0	0	0	1
International	5	0	0	0	5
Total	6	0	0	0	6
Number of companies accounted for using the equity method					
International	0	0	0	0	0

As at the end of the first half year of 2019, there were no changes to the consolidated companies of the Schweizer Group.

CURRENCY TRANSLATION

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

Exchange rates	Year-end rate		Average rate	
EUR	30 June 2019	31 December 2018	1st HY 2019	1st HY 2018
USD USA	1.1380	1.1450	1.1678	1.2108
CNY China	7.8185	7.8751	7.5512	7.7100
SGD Singa-pore	1.5395	1.5591	1.5737	1.6058

ACCOUNTING AND VALUATION PRINCIPLES

With the exception of the accounting standards to be applied for the first time as of 1 January 2019, the accounting and valuation principles applied in the condensed interim financial statements correspond to the accounting standards applied in the consolidated financial statements for financial year 2018, which were described in detail from page 94 of the 2018 Annual Report.

With the exception of IFRS 16, the first-time application of these accounting regulations has no material impact on the net assets, financial position and results of operations of the Schweizer Group. The effects of new accounting standards adopted by the EU but not yet applied are explained in more detail under "Accounting standards published but not yet applied" from page 94 of the 2018 Annual Report.

IFRS 16 – LEASES

IFRS 16 was published in January 2016 and replaces IAS 17 "Leases" and all interpretations relating to lease accounting. IFRS 16 is effective for financial years beginning on or after 1 January 2019. Early adoption is permitted. The Group will apply IFRS 16 for the first time in financial year 2019.

IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases. In future, lessees in operating lease agreements will capitalise the right to use the leased asset and show the obligation to pay the lease as a liability. For lessors, the provisions of IAS 17 were generally adopted and the distinction between operating leases and finance leases is maintained.

SCHWEIZER has chosen the modified retrospective approach and recognised the cumulative changeover effects in retained earnings. The prior-year period has not been restated to reflect the chosen changeover method. In the transition, the practical workaround was utilised and contracts that were not classified as leases in accordance with IAS 17 "Leases" in conjunction with IFRIC 4 “Determining Whether an Arrangement Contains a Lease” were not reviewed again according to the definition of a lease pursuant to IFRS 16. In the transition, the SCHWEIZER Group also dispensed with an impairment test according to IAS 36 and instead arranged an assessment directly prior to the first-time application regarding whether its leases concern onerous contracts according to IAS 37 and may justify the value of the usage right for the previously balanced provision for the onerous lease.

The Group analysed the effects of the changed accounting regulations in the 2018 financial year as part of an implementation project. The significant conversion effects are the result of the recognition of leases of motor vehicles and rental space previously classified as operating leases. SCHWEIZER has recognised the usage right as equal to the leasing liability, and reduced it by the amount of the settled or deferred leasing payments as applicable. The leasing liability was recognised at the present value of the remaining leasing payments, discounted by the incremental borrowing rate which was determined at the balance sheet date of the first-time application on 1 January 2019. This interest rate is duration-dependent, whereby the weighted average incremental borrowing rate of SCHWEIZER amounted to 1.78 percent as at 1 January 2019. The SCHWEIZER Group makes use of the relief provisions for low-valued leased assets.

As a result of the application of the new standard, the balance sheet total as at 30 June 2019 is increased by EUR 542 thousand due to the recognition of the usage rights, the leasing liabilities for operating leases as well as by EUR 5 thousand due to deferred tax assets. Furthermore, the reclassification of existing financing and leasing arrangements from intangible assets and tangible assets results in the usage rights in the amount of EUR 2,952 thousand and a recognition of EUR 3,494 thousand in total for current and non-current assets. The leasing liabilities are contained in the balance sheet item "Other financial liabilities" in the amount of EUR 2,758 thousand, of which EUR 2,068 thousand are non-current and EUR 690 thousand are current. In addition, the application of the new standard also has an impact on the income statement, as operating leasing expenses – with the exception of low-valued leased assets – are no longer recognised; instead, interest expenses are now recognised for the leasing liability as well as depreciations on the rights of use. Under the assumption that leases expire and new contracts are concluded on a rolling basis, depreciations of the rights of use amount to EUR 345 thousand and interest expenses to EUR 28 thousand in the first half of the year. Compared to the previous lease accounting in accordance with IAS 17, the EBITDA increased by EUR 41 thousand in the first half of 2019. In the cash flow statement, the payments for the repayment portion of the leasing liabilities of EUR 328 thousand were assigned to the cash flow from financing activities, while the interest portion as well as the payments for leases for low-valued leased assets are contained in the cash flow from operating activities. This results in an improvement to the cash flow from operating activities in the amount of EUR 156 thousand.

The effects on the balance sheet in the first half of 2019 are shown in the following table.

In EUR thousands	30 June 2019	IFRS 16 influence	30 June 2019 excl. IFRS 16
Assets	**161,282**	**547**	**160,735**
Non-current assets	**79,164**	**-34**	**79,198**
Tangible assets	73,484	-1,914	75,398
Intangible assets	1,010	-722	1,732
Right of use pursuant to IFRS 16	2,913	2,597	316
Deferred tax assets	5	5	0
Current assets	**82,118**	**581**	**81,537**
Right of use pursuant to IFRS 16	581	581	0
Liabilities	**161,282**	**547**	**160,735**
Equity	**59,006**	**-9**	**59,015**
Profit reserves pursuant to IFRS 16	-9	-9	0
Non-current liabilities	**72,461**	**366**	**72,095**
Other financial liabilities	2,068	366	1,702
Current liabilities	**29,815**	**190**	**29,625**
Other financial liabilities	690	190	500

RECONCILIATION OF LEASING LIABILITY PURSUANT TO IFRS 16.C12(B)

In EUR thousands	
Minimum lease payment from operating leases as at 31 December 2018	**693**
Application relief provisions	
of which for leases based on an asset of low value	-51
Effect from discounting with the incremental borrowing rate as at 1 January 2019	-55
Additional recognised liabilities based on the first-time application of IFRS 16 as at 1 January 2019	**587**
Liabilities from financing leases as at 31 December 2018	2,374
Liabilities from leases as at 1 January 2019	**2,961**

DISCLOSURES PURSUANT TO IFRS 16.55

Leasing in the income statement	**Cost of sales**	**Distribution costs**	**Admi nistration expenses**	**Other operating expenses**	**Total**	**Financial result**
1 January to 30 June 2019	**In EUR thousands**	**In EUR thousands**	**In EUR thousands**	**In EUR thousands**	**In EUR thousands**	**In EUR thousands**
Expenses from operating leases	**0**	**69**	**82**	**38**	**189**	**22**
Depreciation on rights of use	0	69	82	38	189	-
Interest expenses from leasing liabilities	-	-	-	-	-	22
Expenses from finance leases	**130**	**0**	**21**	**5**	**156**	**6**
Depreciation on rights of use	130	0	21	5	156	-
Interest expenses from leasing liabilities	-	-	-	-	-	6
Leases based on an asset of low value	**0**	**1**	**49**	**0**	**50**	**0**
Expenses from leases on low-valued assets	0	1	49	0	50	-
Expenses from current leases	**0**	**0**	**0**	**0**	**0**	**0**
Total	**130**	**70**	**152**	**43**	**395**	**28**

3. NOTES TO THE CONSOLIDATED INTERIM INCOME STATEMENT

3.1 SALES REVENUE

Sales revenue is divided as follows:

	1 January to 30 June 2019	1 January to 30 June 2018
	EUR million	**EUR million**
By field of activity		
Metallised circuits	7.9	10.1
Non-metallised circuits	2.5	3.9
Multilayer/HDI	49.4	48.8
Other	0.4	1.1
	60.2	**63.9**
By region		
National	29.5	36.0
EU countries	17.2	17.8
America	6.1	5.5
Asia	7.2	4.4
Other countries	0.2	0.2
	60.2	**63.9**

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

3.2 OTHER OPERATING INCOME

Other operating income mainly consists of income from waste recycling (EUR 420 thousand; previous year: EUR 790 thousand), income from the derecognition of liabilities (EUR 0 thousand; previous year: EUR 652 thousand) whose legal grounds have lapsed, as well as currency gains (EUR 1,428 thousand; previous year: EUR 554 thousand). Moreover, the increase in other operating income is attributable to higher other income in the amount of EUR 471 thousand (previous year: EUR 251 thousand).

3.3 OTHER OPERATING EXPENSES

Other operating expenses mainly include currency losses in the amount of EUR 967 thousand (previous year: EUR 625 thousand).

3.4 FINANCIAL INCOME

The change in financial income is mainly due to interest income in the amount of EUR 12 thousand (previous year: EUR 5 thousand), other income in connection with hedging the commodity price risk in the amount of EUR 27 thousand (previous year: EUR 28 thousand), as well as dividend income from the holding in Meiko Electronics Co. Ltd., Ayase/Japan, in the amount of EUR 5 thousand (previous year: EUR 2 thousand).

3.5 FINANCIAL EXPENSES

Financial expenses mainly include interest expenses in the amount of EUR 532 thousand (previous year: EUR 335 thousand).

3.6 TAXES ON INCOME AND REVENUE

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

	1 January to 30 June 2019	1 January to 30 June 2018
	In EUR thousands	**In EUR thousands**
Current taxes related to the reporting period	15	937
Taxes on income from other periods	-158	0
Deferred tax income	-1,153	-432
Total taxes on income and revenue	**-1,296**	**505**

Income from deferred taxes mainly result from the consideration of deferred tax claims in the amount of EUR 1,196 thousand on cumulative losses, as well as from the reversal of deferred tax assets on cumulative losses in the amount of EUR 274 thousand. The remaining difference is the result of temporary differences between amounts recorded in the tax balance sheets and the IFRS consolidated balance sheet.

3.7 EARNINGS PER SHARE

	1 January to 30 June 2019	1 January to 30 June 2018
Earnings attributable to holders of ordinary shares of the parent company in EUR thousand	-1,487	1,927
Weighted average number of ordinary shares*	3,769,277	3,765,654
Earnings per share in EUR	-0.39	0.51

*The weighted average number of shares includes the weighted average effect of changes in treasury shares during the year.

There were no dilutive effects in the first half of 2019 or in the corresponding period of the previous year, so that basic earnings per share corresponded to diluted earnings per share.

4. NOTES TO THE CONSOLIDATED INTERIM BALANCE SHEET

4.1 PARTICIPATING INTERESTS

The interest in Meiko Electronics Co. Ltd., Ayase, Japan, which is carried at the market value of the JPY-denominated shares, increased in the first half of 2019 by EUR 24 thousand to EUR 456 thousand (book value as of 31 December 2018: EUR 432 thousand). The shares are assigned to the valuation category "Assets measured at fair value directly in other comprehensive income". The increase in value of EUR 24 thousand was recognised directly in other comprehensive income.

4.2 OTHER ASSETS

Other assets are comprised as follows:

	30 June 2019	31 December 2018
	In EUR thousands	In EUR thousands
Accruals	707	186
Miscellaneous other receivables	1,921	1,533
Total other assets	**2,628**	**1,719**
Non-current	0	0
Current	2,628	1,719

Miscellaneous other receivables mainly include receivables from employees in the amount of EUR 147 thousand (31 December 2018: EUR 803 thousand) and receivables from energy tax relief of EUR 225 thousand (31 December 2018: EUR 722 thousand).

4.3 EQUITY

Schweizer Electronic AG

As at 30 June 2019, the share capital amounted to EUR 9,664,054 (31 December 2018: EUR 9,664,054) and is divided into 3,780,000 (31 December 2018: 3,780,000) registered shares (no-par-value shares).

In the first half of 2019, 1,666 shares (previous year: 3,701 shares) were transferred to the active members of the Executive Board under the Long Term Incentive Programme (LTIP). This corresponds to EUR 4 thousand of the share capital. The transfer price of EUR 24 thousand was measured on the basis of the stock market price. The development of own shares is as follows:

Own shares	Number	In EUR thousands
As of 1 January 2019	11,284	29
Issue 24 April 2019	1,666	-4
As of 30 June 2019	9,618	25

4.4 FINANCIAL LIABILITIES

Financial liabilities as of 30 June 2019 exclusively include bank loans in the amount of EUR 43,831 thousand (31 December 2018: EUR 25,428 thousand). With the exception of a loan with a par value of EUR 3,000 thousand (carrying amount: EUR 3,000 thousand; 31 December 2018: EUR 3,000 thousand), there are securities in the form of mortgage securities in the amount of EUR 21,804 thousand (31 December 2018: EUR 21,804 thousand) and a chattel mortgage of machines in the amount of EUR 968 thousand (31 December 2018: EUR 968 thousand).

The change in financial liabilities as at 31 December 2018 in the amount of EUR 18,402 thousand results from additional loans in connection with the advancing project to construct the new plant in China.

In this connection, CNY 40,863 thousand (EUR 5,226 thousand) were utilised by the subsidiary company for the first time from the syndicated loan agreement concluded on 12 December 2018 with Industrial and Commercial Bank of China Ltd., Jiangsu, China, for the total of CNY 520,000 thousand (EUR 66,509 thousand). A third-party guarantee as well as a local mortgage contract exist for this loan. Furthermore, a chattel mortgage for machines is agreed in the loan agreement. The loan can be obtained in various currencies. The term amounts to eight years, whereby the first two years are repayment-free; variable interest applies.

4.5 PROVISION FOR DEFINED BENEFIT PENSION PLANS

The effects from the change in actuarial losses due to the change in the market interest rate to 1.03 percent as of 30 June 2019 (31 December 2018: 1.82 percent) were estimated on the basis of a simulation. This resulted in an increase of the provision for defined benefit pension plans in the amount of EUR 2,536 thousand (previous year: decline of EUR 51 thousand), which was recognised in other comprehensive income.

4.6 OTHER PROVISIONS

	30 June 2019	**31 December 2018**
	In EUR thousands	**In EUR thousands**
Obligations vis-à-vis employees	2,803	2,940
Guarantees	277	277
Additional provisions	4,284	4,639
Total other provisions	**7,364**	**7,856**
Non-current	652	843
Current	6,712	7,013

The obligations vis-à-vis employees mainly contain the holiday entitlements of employees in the amount of EUR 1,060 thousand (31 December 2018: EUR 537 thousand), as well as provisions for liabilities from an operating agreement for semi-retirement provisions, which amounted to EUR 1,214 thousand on the balance sheet date (31 December 2018: EUR 1,283 thousand). The remaining provisions mainly contain costs for outstanding invoices in the amount of EUR 91 thousand (31 December 2018: EUR 161 thousand), costs related to the upcoming annual report in the amount of EUR 222 thousand (31 December 2018: EUR 240 thousand) as well as costs for legal proceedings in the amount of EUR 2,500 thousand (31 December 2018: EUR 2,500 thousand).

4.7 OTHER LIABILITIES

	30 June 2019	31 December 2018
	In EUR thousands	In EUR thousands
Liabilities from salary and wage accounting	2,380	1,790
Liabilities from other taxes	1,249	1,499
Liabilities within the context of social security	27	10
Miscellaneous other liabilities	331	275
Total other liabilities	**3,987**	**3,574**
Non-current	0	0
Current	3,987	3,574

The increase in payroll liabilities is mainly (EUR 590 thousand) due to the annual special payment made in June, which had not yet been paid as of 30 June.

4.8 LIABILITIES FROM GOVERNMENT GRANTS

In the first half of the year, Schweizer Electronic (Jiangsu) Co., Ltd., Changzhou/China, made advance payments in the amount of CNY 51.2 million (EUR 6,551 thousand) for buildings, which simultaneously received a grant in the same amount from the Administration Committee of Jincheng Science and Technology Industrial Park, Jintan/China, in accordance with the investment agreement dated 11 November 2017. The grant is recognised in the liabilities from government grants. For the repayment, it was agreed that tax payments in the years 2022 to 2026 will be credited as repayment of the incentives. Incentives not yet repaid at the end of 2026 are non-refundable and would be recognised in the income statement.

Furthermore, the Administration Committee of Jincheng Science and Technology Industrial Park, Jintan/China paid a grant of CNY 1,500 thousand (EUR 192 thousand) in accordance with the investment agreement dated 11 November 2017 for the purpose that these funds are passed on to employees for purchasing property in Jintan District or as rental subsidies. This incentive (individual subsidy) will be granted over six years up to a total amount of CNY 9,000 thousand subject to proof. It is recognised in the liabilities from government grants.

For machines to be purchased, a subsidy of 20 percent of the respective purchase price was agreed, which does not include any repayment obligation. No subsidies in this connection have yet been provided.

4.9 ADDITIONAL INFORMATION CONCERNING FINANCIAL INSTRUMENTS

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

		30 June 2019	
In EUR thousands	**Measurement category according to IFRS 9**	**Carrying amounts**	**Fair value**
Assets			
Participating interests	Fair value OCI	468	468
Trade receivables	Amortised cost	20,335	20,335
Other financial assets			
Derivative financial assets (no hedge relationship)	Fair value to P & L	22	22
Other non-derivative financial assets	Amortised cost	459	459
Cash and cash equivalents	Amortised cost	36,296	36,296
Liabilities			
Financial liabilities	Amortised cost	43,831	43,831
Trade payables	Amortised cost	12,769	12,769
Other financial liabilities			
Derivatives with negative market value	Fair value to P & L	0	0
Leasing liabilities	Non IFRS 7	2,758	2,758
Other non-derivative financial liabilities	Amortised cost	33	33

The carrying amounts of the financial instruments, aggregated according to the measurement categories of IFRS 9, are as follows:

Aggregated presentation by measurement category

Category	**30 June 2019**
	In EUR thousands
Financial assets measured at amortised cost Amortised cost	57,090
Financial assets measured at fair value through profit or loss	22
Financial assets (equity instruments) measured at fair value through other comprehensive income	468
Financial liabilities measured at amortised cost Amortised cost	56,633
Financial liabilities measured at fair value through profit or loss	0

In EUR thousands	Measurement category according to IFRS 9	31 December 2018 Carrying amounts	Fair value
Assets			
Participating interests	Fair value OCI	444	444
Trade receivables	Amortised cost	22,270	22,270
Other financial assets			
Derivative financial assets (no hedge relationship)	Fair value to P & L	28	28
Other non-derivative financial assets	Amortised cost	799	799
Cash and cash equivalents	Amortised cost	29,990	29,990
Liabilities			
Financial liabilities	Amortised cost	25,428	25,428
Trade payables	Amortised cost	9,789	9,789
Other financial liabilities			
Derivatives with negative market value	Fair value to P & L	5	5
Leasing liabilities	Non IFRS 7	2,374	2,374
Other non-derivative financial liabilities	Amortised cost	10	10

The carrying amounts of the financial instruments, aggregated according to the measurement categories of IFRS 9, are as follows:

Aggregated presentation by measurement category:

Category	31 December 2018
	In EUR thousands
Financial assets measured at amortised cost	53,059
Financial assets measured at fair value through profit or loss	28
Financial assets (equity instruments) measured at fair value through other comprehensive income	444
Financial liabilities measured at amortised cost	35,227
Financial liabilities measured at fair value through profit or loss	5

Information on measuring the fair value

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

	30 June 2019			31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative financial instruments with positive market value		22			28	
Other participating interests	456			432		
Assets	**456**	**22**		**432**	**28**	
Derivative financial instruments with negative market value		0			5	
Liabilities		**0**			**5**	

As at 30 June 2019, the derivative financial instruments comprised raw material hedges. The raw material hedges involve commodity derivatives (gold swaps), whereby a fixed price is paid for gold and the bank pays variable amounts. Measurement of the derivatives was based on Level 2 input factors using values from active markets for identical assets.

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

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

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

The liabilities from finance leases result from lease contracts concluded in business year 2017, 2018 and 2019. Due to insignificant deviations from the market and costing interest rate, it is assumed that the carrying amounts correspond to the fair value.

There were no reclassifications between the levels of the measurement hierarchy in the first six months of the financial year.

Net losses and gains from financial instruments by measurement category in accordance with IFRS 9 as of the balance sheet date 30 June 2019

					30 June 2019
In EUR thousands	**Fair value**	**Value adjustment**	**From interest**	**From dividends**	**Net result**
Financial assets measured at amortised cost	0	-13	12	0	-1
Financial assets measured at fair value through profit or loss	22	0	0	0	22
Financial assets (equity instruments) measured at fair value through other comprehensive income	24	0	0	5	29
Financial liabilities measured at amortised cost	0	0	-532	0	-532
Financial liabilities measured at fair value through profit or loss	0	0	0	0	0
Total	**46**	**-13**	**-520**	**5**	**-482**

The net interest expense of EUR 520 thousand includes interest income of EUR 12 thousand and interest expense of EUR 532 thousand.

Net losses and gains on financial instruments by measurement category in accordance with IFRS 9 for financial year 2018

					2018
In EUR thousands	**Fair value**	**Value adjustment**	**From interest**	**From dividends**	**Net result**
Financial assets measured at amortised cost	0	-16	24	0	8
Financial assets measured at fair value through profit or loss	-11	0	0	0	-11
Financial assets (equity instruments) measured at fair value through other comprehensive income	-66	0	0	6	-60
Financial liabilities measured at amortised cost	0	0	-698	0	-698
Financial liabilities measured at fair value through profit or loss	-5	0	0	0	-5
Total	**-82**	**-16**	**-674**	**6**	**-766**

The net interest expense of EUR 674 thousand includes interest income of EUR 24 thousand and interest expense of EUR 698 thousand.

4.10 CONTINGENT LIABILITIES AND LEGAL DISPUTES

The contingent liabilities and legal disputes of the SCHWEIZER Group have not changed compared to the consolidated financial statements for 2018, with the following exception.

In connection with the financing of the new production unit Schweizer Electronic (Jiangsu) Co., Ltd., Changzhou, China, Schweizer Electronic AG already provided an undertaking in 2018 to the banking syndicate of the Industrial and Commercial Bank of China in the form of a letter of comfort to actively take measures to raise funds for the maintenance of normal debt servicing and operating financial requirements in the event of standstills in loan repayments or other liquidity bottlenecks at Schweizer Electronic (Jiangsu) Co., Ltd. The letter of comfort takes effect upon fulfilment of the requirements of the loan agreement between the subsidiary company and the Chinese banking syndicate in the first half of 2019.

The lawsuit of Darcet Pte., Ltd., Singapore, against Schweizer Energy Production Singapore Pte., Ltd. was negotiated in court in Singapore during the first half of 2019 and quashed in full on 21 May 2019. On 12 June 2019, Darcet Pte., Ltd. appealed against this decision. A decision is anticipated within six months. Based on the assessment of the Executive Board, no additional risk provision has been formed.

With regard to the letter of comfort to a supplier of Schweizer Electronic Singapore Pte. Ltd. for financial year 2015, liabilities in the amount of EUR 37 thousand (31 December 2018: EUR 155 thousand) existed as of 30 June 2019.

4.11 INFORMATION ABOUT RELATIONSHIPS WITH RELATED PARTIES

With the exception of the transactions described below, there were no significant business transactions with related parties in the reporting period.

The expenses for share-based payments under the Long Term Incentive Programme (LTIP) amounted to EUR 6 thousand (previous year: EUR 142 thousand).

A member of the Supervisory Board manages WUS Printed Circuit Kunshan Co., Ltd., from which goods amounting to EUR 6,058 thousand (previous year: EUR 1,718 thousand) and services in the amount of EUR 97 thousand (previous year: EUR 0 thousand) were purchased in the reporting period. As of 30 June 2019, there were liabilities of EUR 5,032 thousand (previous year: EUR 762 thousand).

5. EVENTS AFTER THE REPORTING PERIOD

The Annual General Meeting of 28 June 2019 resolved not to pay out a dividend (previous year: EUR 0.30 per dividend-bearing share) for the financial year 2018.
There were no other significant reportable events after the balance sheet date.

Schramberg, 6 August 2019

Schweizer Electronic AG

The Executive Board

(Dr. R. Merte) (N. F. Schweizer) (M. Bunz)

AUDITORS' REVIEW CERTIFICATE

To SCHWEIZER ELECTRONIC AG

We have reviewed the condensed consolidated financial statements – comprising the condensed income statement, the condensed statement of comprehensive income, the condensed balance sheet, the condensed cash flow statement, the condensed statement of changes in equity and the notes – and the Group interim management report of SCHWEIZER ELECTRONIC AG, Schramberg, for the period from 1 January to 30 June 2019, which form part of the half-year financial report in accordance with Section 115 WpHG. The preparation of the condensed consolidated financial statements in accordance with IFRS for interim reporting as applicable in the EU and the Group interim management report in accordance with the regulations applicable to group interim management reports in accordance with the regulations of the WpHG is the responsibility of the company's legal representatives. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the Group interim management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the Group interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can assert through critical evaluation, with reasonable assurance, that the condensed interim consolidated financial statements have been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the Group interim management report has been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to group interim management reports. A review is limited primarily to enquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the Group interim management report has not been prepared, in material respects, in accordance with the provisions of the WpHG applicable to group interim management reports.

Villingen-Schwenningen, 7 August 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft [Audit firm]

Dr. Wetzel	Pfeifer
Auditor	Auditor

DECLARATION BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly reporting, the consolidated interim annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group interim management report includes a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

Schramberg, 6 August 2019
The Executive Board

Dr Rolf Merte N. F. Schweizer M. Bunz

INFORMATION

FINANCIAL CALENDAR

Date	Publication/event
09/08/2019	Half-yearly financial report as at 30/06/2019
07/11/2019	Report for 3rd quarter 2019
26/06/2020	Annual General Meeting

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

LEGAL NOTICE

Schweizer Electronic AG
Einsteinstrasse 10
78713 Schramberg
Germany
Tel.: +49 7422 512-0
Fax: +49 7422 512-397
www.schweizer.ag

In this report, Schweizer Electronic AG is also referred to as SCHWEIZER.
All figures are rounded, which can lead to minor deviations when these are added up.
For reasons of simplicity and brevity, the gender-neutral form is used throughout this document for the inclusion of both female and male designations.

Picture credits
Photographs @ Nicolas Knebel – perceptum.de
Printed circuit board with ENEPAG surface: Continental AG (title)

SAFE HARBOUR STATEMENT

This communication contains forward-looking statements and information; that is, statements about events in the future, not the past. These forward-looking statements can be identified by formulations such as "expect", "wish to", "anticipate", "propose", "plan", "believe", "seek to", "estimate", "become" or similar terms. While such forward-looking statements represent our current expectations and particular assumptions, they are subject to various risks and uncertainties. A number of factors, many of which are outside the control of SCHWEIZER, have an impact on SCHWEIZER's business activities, strategy and results. These factors could cause the actual results and performance of the SCHWEIZER Group to differ materially from the information on results and performance made explicit or implied in these forward-looking statements. On our part, these uncertainties arise in particular due to the following factors: Changes to the overall economic and business position (including margin developments in the major divisions), challenges posed by the integration of important acquisitions and the implementation of joint ventures and other major portfolio measures, changes to exchange and interest rates, the introduction of competing products or technologies by other companies, failure to find acceptance of new products and services among SCHWEIZER's target client groups, changes to the business strategy and various other factors. Should one or more of these risks or uncertainties be realised or should it become apparent that the underlying assumptions were incorrect, this could cause the actual results to differ materially both in a positive and negative sense from the results referred to in forward-looking statements such as expected, anticipated, proposed, planned, projected or estimated. SCHWEIZER is under no obligation and does not intend to revise or correct these forward-looking statements in light of developments which differ from those anticipated.

Schweizer Electronic AG
Einsteinstraße 10
78713 Schramberg
Postfach 561
78707 Schramberg
Germany