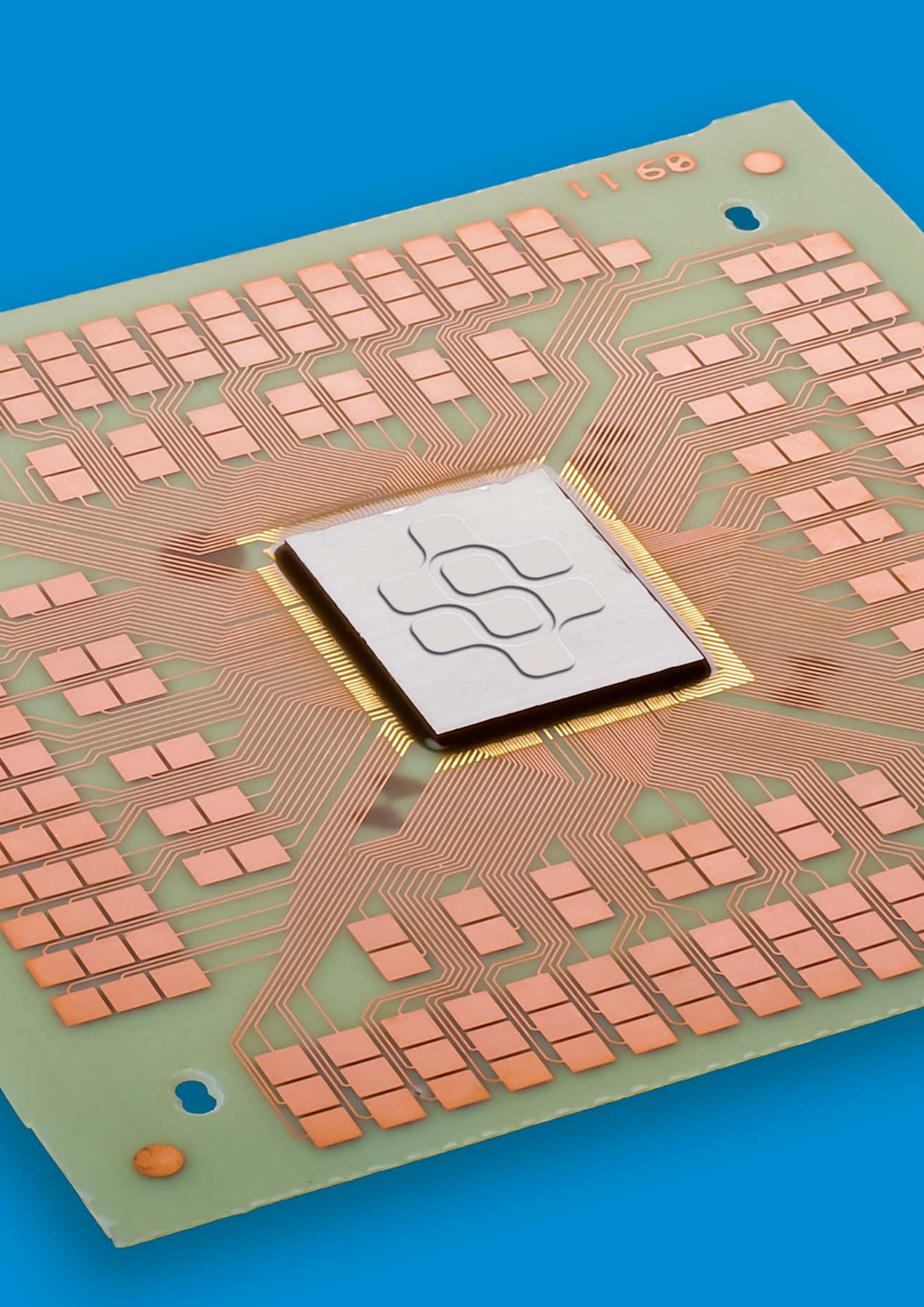
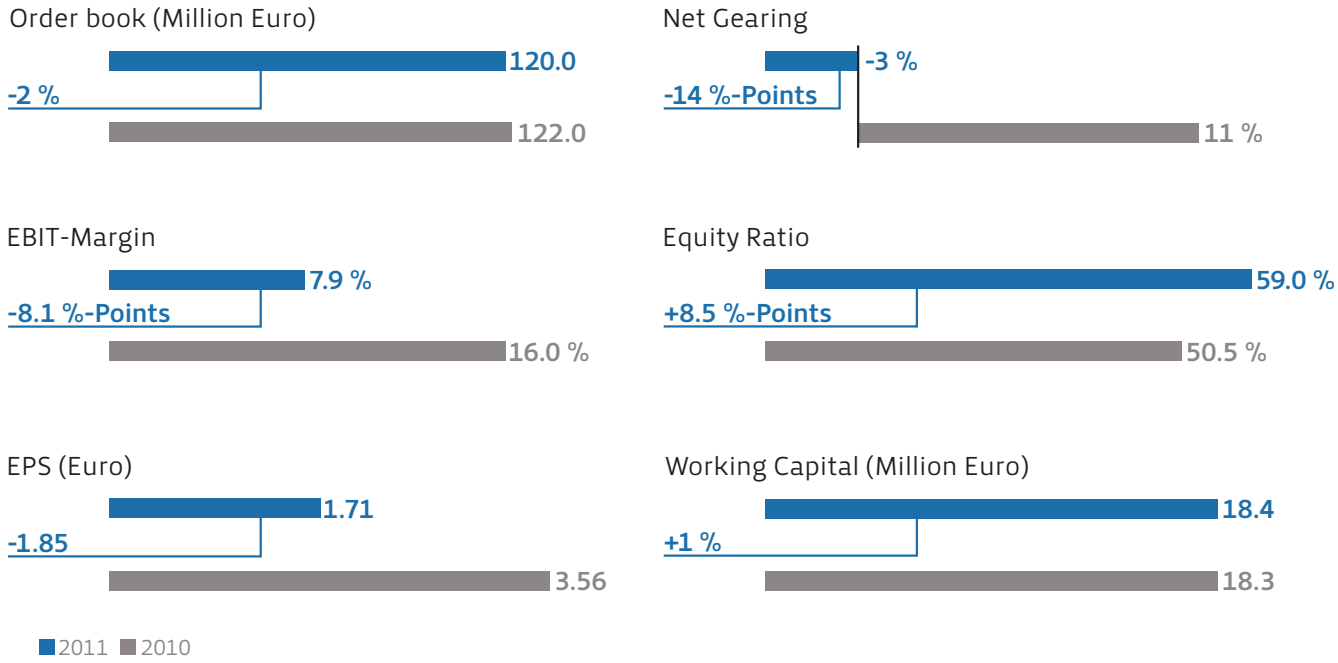
SCHWEIZER
ELECTRONIC

Annual Report

2011



Key Figures



€ million	2011	2010	2009	2008
Revenues	105.4	105.4	65.8	81.8
EBITDA	13.2	22.4	2.2	6.4
EBIT	8.3	16.9	-3.4	-0.3
Annual result	6.5	13.4	-4.5	-7.3
Earnings per share (€)	1.71	3.56	-1.24	-2.04
Dividend (€)	0.47*	0.42	-	-
Book-to-bill ratio	1.0	1.6	1.3	1.0
Total assets	71.2	73.2	50.8	60.7
Investments	4.7	7.0	0.7	1.6
Equity capital	42.0	37.0	15.7	20.1
Operating cash flow(1)	11.2	12.3	-3.9	3.5
Employees	670	738	660	747

(1) DRS 2

* Proposal to annual general meeting on 06/07/2012

Highlights 2011

0.47

€ dividend per share

+3

% net assets
Cash on hand exceeds debt

59

% equity ratio

29

% of sales volume with innovations

Company Focus in 2011 Business Year

Strategy and Innovation

In the business year 2011, particular importance was attributed to the topics of strategy and innovation. The main focuses of the company thus included the implementation of innovative solutions in the Electronic division and the exploitation of opportunities for new business segments.

Realistic Planning and successful Implementation

In the past year, company planning and activities focused on six main areas.

- By introducing the lean concept, SCHWEIZER successfully reduced cycle times in production while minimising stock levels and increasing delivery accuracy.
- With regard to high-volume production, cooperation with the business partner MEIKO was further strengthened.
- In the areas of personnel policy and communication, a fundamental basis was created to support and guide the future orientation of the company.
- The refinancing of maturing loans was completed without problem. At the same time, the company also managed to build up reserves. In addition, shareholders and employees were able to participate in the excellent result.
- Innovations are of decisive importance to the company's core business. SCHWEIZER's technological leadership is underlined by numerous innovative solutions in the Electronic division.
- The addition of complementary business segments to existing divisions is an important part of the company strategy. With the creation of the new SCHWEIZER Energy division, the company has taken another great step in its ongoing expansion efforts.

The company employed a number of measures to tackle the various challenges faced in 2011. By working with customers, partners and employees, SCHWEIZER achieved positive results in all key areas of the past business year and successfully reached all its goals.

Megatrends Electromobility and renewable Energy

Since SCHWEIZER recognised these trends at an early stage, its Electronic, Systems and Energy divisions are in an excellent position to tackle these megatrends and assume a position of technological leadership in the relevant application areas.

With its development, production and sale of PCBs, the company has laid the foundation for the continued expansion of its existing business model. Based on experiences gained in the Electronic division and its expertise in the areas of R&D, processes and production, SCHWEIZER is well equipped to master the challenges in the fields of electromobility and renewable energies.

For instance, the forward integration of PCBs – e.g. through the embedding of components in the PCB itself – enables the optimisation of control systems in electric motors. Such procedures are just one of the focal points of the Systems division.

With its production and process expertise and an established network of experienced partners in the fields of equipment and market access, the Energy division is focused on the production of photovoltaic cells and modules as well as downstream sales and distribution.

Mission and Vision

The company has defined its future wishes and long-term objectives in its corporate vision. The mission describes the means by which these goals will be achieved. Thanks to the measures implemented in 2011 and activities planned for 2012, SCHWEIZER is well on the way to establishing its long-term sustainable success.

Financial Calendar

Date	Publication/Event
25 April 2012	Annual Financial Report 2011
2 May 2012	Interim Report for 1st Quarter 2012
2 May 2012	Analyst Conference
6 July 2012	Annual General Meeting
24 August 2012	Half-yearly financial Report as per 30/06/2012
9 November 2012	Interim Report for 3rd Quarter 2012
28 June 2013	Annual General Meeting 2013

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

Contents

Imprint

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In this report, Schweizer Electronic AG is simply referred to as SCHWEIZER.
Meiko Electronics Co., Ltd. is referred to as MEIKO.
Contag GmbH is referred to as CONTAG.
To aid readability, the male form is used throughout this document. However, the female form is also always implied.

The attached document is only a translation of the German annual report and done solely for convenience. Only the German language version of the annual report is binding.

Picture credits
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Diversity – Competence – Commitment: SCHWEIZER Employees

Overview of Schweizer

The Company

SCHWEIZER is a “best-in-class” technology company and the third-largest PCB manufacturer in Europe. Together with its partner MEIKO, the company is among the top 15 in the world in its sector and holds position 3 in the automotive industry. The company is renowned across the globe as one of the most important and reliable businesses in its industry. SCHWEIZER employs around 700 staff in Germany and, including the employees of its partners CONTAG and MEIKO, the Group has a total workforce of approximately 15,000. The company, which is based in Schramberg in the Black Forest, was founded in 1849 and went public in 1989. The company’s business year runs from 1 January to 31 December.

Strategic Alignment and Diversification

The company strategy is focused on the Asian growth region as a complement to its European business. SCHWEIZER also intends to increase its involvement in the fields of renewable energy and electromobility and has adapted its portfolio accordingly.

The implementation of this strategy is based on the company’s structuring into four divisions. Out of the two existing divisions the Electronic division is going to be expanded. The Systems and Energy divisions are to be newly created and their structure will contribute to the complementary expansion of the existing business segments. The creation of these new divisions represents a first step in the tactical implementation of SCHWEIZER’s diversification strategy.

Divisions and corresponding Business Units

SCHWEIZER ELECTRONIC

Business Unit
- **PCB**

SCHWEIZER ENERGY

Business Units
- **Energy Production**
- **System Integration**

SCHWEIZER SYSTEMS

SCHWEIZER TRACING

The Divisions as the Basis for securing Company Success

Electronic Division

The Electronic division continues to focus on the development, production and sale of high-quality PCBs. Its commanding position as a leading manufacturer for the European automotive industry, the global solar sector and the industrial field offers the ideal foundation for stability and future growth.

In this business segment, SCHWEIZER possesses recognised core competencies and has gradually established an excellent customer base. As a result, the Electronic division has become synonymous with the SCHWEIZER brand. For 162 years, customers have been benefiting from the company's quality, reliability and advisory skills.

In Schramberg, the company has created a technology site in which a high level of development expertise goes hand in hand with rapid and flexible production. While the R&D department forms the basis for the company's innovations, the size and capacity of the production facilities enable rapid and flexible processing of small to medium output volumes, which constitutes the best possible utilisation of this location's capacities. SCHWEIZER is able to put innovations into series production at a very swift rate, and has thus established itself as a first-choice supplier for a multitude of customers.

SCHWEIZER entered into a partnership with MEIKO in order to support the entire product life cycle and to be able to offer solutions to customers requiring high delivery volumes. With MEIKO, SCHWEIZER has joined forces with a competent, owner-operated and listed company, which not only assumes responsibility for the manufacture of high-volume PCB orders, but also has technology plants in Japan covering a range of key innovations.

Value Chain

The company's core business is the production of PCBs, manufactured according to customer specifications and requirements. SCHWEIZER supports the entire product life cycle, from the prototype stage to mass production. The provision of a comprehensive product range is essential to the company's strengthening of its market position. For this reason, the company's portfolio extends beyond the mere manufacture of products to include services that provide customers with extensive support and advice. Through early involvement in the planning and layout process of its customers, SCHWEIZER is able to provide optimum development support with the aim of addressing challenges and thus delivering solutions that effectively reduce the system costs of the customer application.

Global Market

The PCB market:

- Achieved global sales of approx. USD 56 billion in 2011, of which 72 % were in Asia, 17.3 % in Japan, 6.9 % in America and 4.3 % in Europe
- Grew by 5.6 % between 2010 and 2011
- Expects average annual growth of 5 % and should thus reach approx. USD 72 billion in 2015
- Remains fragmented despite multiple waves of consolidation. The 15 largest companies have a 38 % share of the global market
- Is dominated by the "three big Cs" (computing, communication and consumer) in terms of the sales markets
- Primarily serves the industrial (incl. solar) and automotive sectors in Europe

(Source: Prismark Q3/2011)

Competition

The situation faced by PCB manufacturers is one of a highly fragmented landscape. There are currently some 2600 manufacturers operating across the globe, of which approximately 260 are based in Europe. The world's 15 largest manufacturers achieve sales of USD 21.2 million and have a global market share of 38 %. The largest manufacturer occupies a 4.3 % share of the global market. In 2006, SCHWEIZER was only the eighth-largest PCB manufacturer in Europe. However, the company has been at position 3 since 2010 and among the top 15 in the world with its partner MEIKO.

Since the mid-1990s, the PCB market has been undergoing a process of consolidation, particularly in Germany and the USA. We expect this trend to continue. Times such as these favour well positioned companies like SCHWEIZER.

SCHWEIZER was quick to recognise the gradual relocation of mass PCB production to the Asian region and took advantage of this development by forming a partnership with MEIKO in 2009; this joint venture was then further strengthened by the cross shareholding introduced in 2010. Having greatly increased its capacity in China in recent years, MEIKO further expanded its Vietnamese business in 2011 and continues to invest in new technologies in both Germany and Japan.

In the case of globally positioned customers, the company's competitors are globally positioned PCB manufacturers, who – like SCHWEIZER – support the entire product life cycle. With customers that primarily operate at national or European level, SCHWEIZER's competition consists of small to medium local PCB companies.

Positioning

SCHWEIZER has its headquarters in Germany (Schramberg/Black Forest), while its partner MEIKO has four sites in Japan (Kanagawa, Fukushima, Miyagi (currently closed), Yamagata), two in China (Guangzhou, Wuhan) and one in Vietnam (Hanoi). The other partner, CONTAG, has a single site in Germany (Berlin). Each of these locations constitutes a specialised plant.

The technology plants in Germany focus on innovation and production (SCHWEIZER) as well as the manufacture of prototypes and samples (CONTAG). All MEIKO sites in Asia serve as production plants, with mass production primarily conducted in Japan (Yamagata, Fukushima), Vietnam (Hanoi) and China (Wuhan, Guangzhou). The Kanagawa plant is mainly used for the manufacture of prototypes and technology, while the Hanoi plant also specialises in PCB population.

The main technology drivers are the R&D division in Schramberg and that of MEIKO in Japan.

Unique Selling Points

Innovative Products and Solutions

The classic PCB is gradually transforming from a mere system platform to a system solution. In terms of their current-carrying capacity, heat dissipation and costs, PCBs are already able to replace a range of carrier materials such as ceramics and lead frame.

SCHWEIZER also offers integration (embedding) of active and passive components for its PCBs. This aids miniaturisation and improves both electrical and thermal properties. SCHWEIZER is addressing these trends by focusing on three main areas of innovation: power electronics, embedding and system cost reduction.

The PCB:

- Is the central component of any electronic device, just as the bloodstream is to the human body
- Is used to link active, passive and electromechanical components as well as connectors
- Is available in a variety of formats, depending on technological requirements: single-sided, double-sided, multilayer, HDI (High Density Interconnect – multilayer with very fine structures)
- Offers a range of technological possibilities, which can be combined with one another in a modular manner
- Has undergone significant technological development in recent years (more layers, finer structures, thinner, embedding in components) due to ever increasing requirements (higher currents, greater heat dissipation, flexibility of form factor, replacement of ceramics/lead frame)

Power Electronics

As a result of legal provisions and the constant emergence of new performance characteristics, the electrification of vehicles is progressing at an unstoppable pace. Hybrid and electric vehicles are becoming ever more popular, while the number of inverters for renewable energy systems is also increasing significantly. These are just some of the many fields of application experiencing a massive rise in the current to be switched or heat to be dissipated. With its extensive range, SCHWEIZER offers the ideal solution for every high-current application.

In the coming years, power electronics solutions will play a decisive role in the successful mastering of the challenges faced in the fields of electromobility and energy production/distribution. No other PCB manufacturer can match the comprehensive solution spectrum offered by SCHWEIZER. The automotive sector is already benefitting from SCHWEIZER PCBs that can carry currents up to 1200 A. Numerous solutions are available, ranging from optimum heat dissipation and passive cooling to systems with active cooling.

SCHWEIZER currently estimates the market for power electronics PCB solutions at USD 2.9 billion, which exceeds the value of the entire European production market for PCBs (USD 2.4 billion). PCBs offer a more cost-effective alternative to the lead frames and ceramics currently used in a whole host of solutions. In 2011, the market for ceramic solutions alone was valued at approx. USD 5.4 billion.

Embedding

The current trend is for smaller devices with ever increasing functionality. With this in mind, SCHWEIZER has developed a range of innovative product solutions in the form of i^2 Board®, p^2 Pack® and μ^2 Pack®. The necessary integration of components will result in the alteration of the classic business model. SCHWEIZER is tackling this challenge with its newly formed Systems division.

Realisation of cost-saving Potential

SCHWEIZER has developed a number of intelligent solutions that help to reduce system costs while raising the cost-effectiveness and efficiency of the overall system. Just one example is the FR4 Flex Board, which allows the creation of three-dimensional PCBs through depth milling of the flexible area. The PCB can be adapted to difficult installation conditions, while costs for connectors and cables can also be minimised. Other examples of system cost reduction are Copper Via Filling, which reduces the size of the PCB, and the Combi Board, which effectively minimises the number of layers.

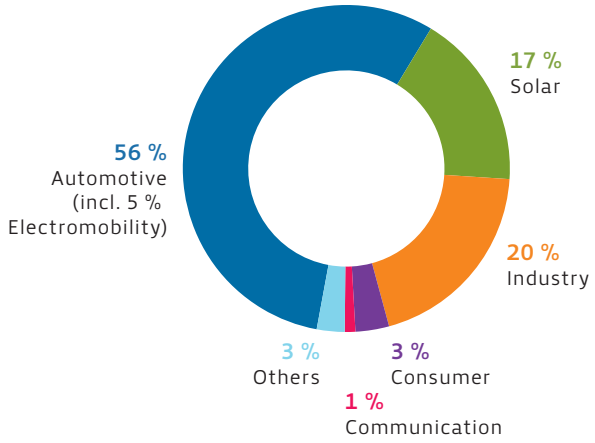
SCHWEIZER also has the right base material and necessary experience to offer the best possible solution for high-frequency applications.

Market Segments

SCHWEIZER is in an excellent position in the automotive sector and, together with its partner MEIKO, is ranked number three in the world in this industry.

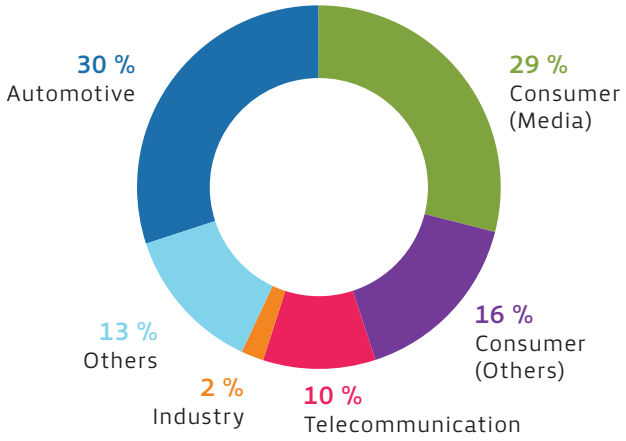
A total of just 17 PCB manufacturers cover around 75 % of automotive requirements in a market that it characterised by extreme pricing pressure and highest demands for quality and reliability. Global customers appreciate SCHWEIZER's coverage of the entire product life cycle and its ability to supply delivery volumes of any magnitude. Local customers appreciate the supplier proximity as well as the company's flexibility and reliability.

SCHWEIZER



Distribution of sales 2011

MEIKO



Distribution of sales 2011

SCHWEIZER Electronic serves three main market segments: automotive, solar and industry.

- The automotive segment accounts for the greatest share with 56 %. SCHWEIZER serves five of the ten largest automotive suppliers and thus occupies a commanding position in this market segment. The company already generates 5 % of sales in the fields of electromobility and hybrid drives.
- The solar electronics segment accounts for 17 % of total sales
- With over 125 European customers, the industry segment provides 20 % of the company's turnover, compared with 18 % in the previous year.

Technology

SCHWEIZER is a technological leader, a fact that can mainly be attributed to the company's significant expertise in the fields of R&D and process development, its close cooperation with customers, partners, suppliers, institutes and research centres, as well as its comprehensive network experience.

Business Characteristics

Due to its close connection to the semiconductor industry, the PCB market is a cyclical growth business. To be able to operate in such a volatile market, flexible cost structures are an essential requirement. In this fixed-cost-intensive business, low capacity utilisation immediately results in significant margin pressure.

In the automotive market segment, excellent volume-based growth rates can be expected due to the increasing amount of electronics used in passenger cars as well as the newly emerging markets in the electromobility sector.

The solar segment is subject to extreme seasonal variation, generally characterised by low sales volumes at the beginning and end of the year and high capacity utilisation during the summer. The high dependency on grants and subsidies can result in one-off effects, such as a market boom preceding an impending cut in funding. In Germany in particular, planned cuts to solar subsidies have recently resulted in great uncertainty. Demand on the local market has already fallen significantly since large systems (> 10 MW) are no longer to be subsidised in Germany. At this moment in time, it is difficult to predict the future development of demand since Germany and other European markets are facing great changes.

Applications and Segments

SCHWEIZER PCBs are used in applications that:

- Help to reduce fuel consumption and CO_2 emissions
- Increase comfort and accelerate your journey from A to B
- Raise the safety, efficiency and performance of systems

Sportsmen and PCBs

In many media we are promoting the categories of our innovative products and solutions by showing a mountain biker, a swimmer and a runner. Did you ever happen to ask yourself what sportsmen actually have to do with PCBs?

Well, in sports it is all about movement, game, competition and physical activities of human beings. Terms such as challenge, committment and dynamics come to our mind. And here we have come full circle with PCBs.
Our daily challenge is to flexibly react to the requirements of a dynamic market which demands a big portion of sportive effort. Just like records in sports can be broken by a competitor already tomorrow, today's innovations can be outdated tomorrow. And just like sportsmen can thereby be driven to peak performance again and again, we are continuously highly motivated to drive forward the expansion of our modular kit for innovations and solutions.

The Mountain Biker and Power Electronics

This sportsman deals with extremes: endurance, speed and performance on a continuously high level are demanded from him. Only with a lot of power in his lungs and in his legs he will enjoy reaching the summit. Transfered to our category Power Electronics this means products and solutions in this field are subject to increasing requirements. In many applications more and more currents need to be switched respectively more heat needs to be dissipated.

The Swimmer and Embedding

A successful swimmer lies in the water in an optimal way and glides harmoniously through this element. Similarly, embedded components need to lie in a PCB in an optimal way. This way, best performance can be realised in combination with high quality and utmost reliability.

The Runner and System Cost Reduction

Running is regarded as the most efficient form of sport and has the big advantage that it can be done nearly everywhere at any time with little preparation. We are pursuing a similar approach with our category System Cost Reduction. Our aspiration is to understand complete solutions and systems and to contribute to rendering a complete system efficient and affordable, supported by a PCB.

The Black Forest, SCHWEIZER and a sportive Team

You see: we take it the sportive way. By the way, our headquarters is based in the Black Forest, the biggest coherent Central German Uplands, in the southwest of Baden-Württemberg. With its woods, broad expanses, altitudes and beautiful landscapes this region offer ideal training conditions for the above mentioned forms of sport.

This does not only render the Black Forest into a perfect recreation area for tourists but also offers a wonderful homeland for families and sporty people of all ages.

Many of our employees share this enthusiasm for sport. Last year was our first time to organise a company triathlon and the preparation for the second triathlon are in full swing. This project is supported by members of the Triathlon Club Schramberg, which we are promoting i the context of a sponsoring agreement.

Systems Division

The creation of the Systems division is the logical consequence of increasing customer demand, experience, expertise and SCHWEIZER's new solutions based on embedding technologies (integration of active and passive components in the PCB).

Such solutions are in ever increasing demand in the mobile communications industry and in the automotive sector in particular, e.g. for applications in the field of electromobility. The same applies to high-current applications, for which growing demand exists in the target market of industry. Target applications primarily include converters and inverters as well as control systems for electric motors. The semiconductor industry is also profiting from the technological innovations of the PCB sector, particularly for their housing solutions.

Value Chain

In the Systems division, SCHWEIZER is addressing the challenges posed by the embedding business model. The prevailing business model, whereby customers purchase the required PCBs and components separately, will be altered by the embedding approach. The current sequential approach will develop into a triangular relationship between providers of PCBs and semiconductors / passive elements for the components to be integrated and the customers themselves. This requires in-depth management with regard to the procurement of services and products, quality standards and transitions, delivery forms and formats for this new model. To enable early implementation of this new approach and complete its range of products and services, SCHWEIZER is working closely with industry partners and technical institutes to ensure that Schweizer Systems can offer customers PCBs and much more besides.

Global Market

It is difficult to quantify the exact size of the current market for embedding solutions. One thing that is clear, however, is that such solutions will be indispensable for future mobile, automotive and industrial applications. SCHWEIZER estimates that the current state of embedding technology is comparable to that of HDI solutions (High Density Interconnect PCBs) approx. ten years ago. Back then, HDI was the answer to the continuing demands of miniaturisation. This segment is now valued at around USD 7.5 billion and accounts for approx. 13 % of the total market. The market for semiconductor housings, based on PCB substrates, is currently valued at around USD 8.5 billion, which represents a share of 15 %.
The potential size of the embedding solutions market greatly depends on the implementation of appropriate business models. In this regard, SCHWEIZER is well positioned with its Systems approach.

Competition

While most competitors concentrate solely on the direct contacting of components, SCHWEIZER has devised a modular solution both for motherboard and module embedding. The different embedding approaches allow the company to offer optimised solutions to suit all customer requirements – ranging from multi-pin logic components with tiniest contact pads to power electronics semiconductors that can carry several 100 A.

Embedding Systems:

- Represent an innovation in the PCB field, since components were previously only applied to the board surface
- Offer improved functionality when active (semiconductors) and passive (e.g. resistors) components are integrated in the PCB

Positioning

With its extensive solution portfolio and high level of production expertise, SCHWEIZER is in an excellent position to further increase added value and thus continue to improve the performance of systems. Thanks to the company's system solutions, customers benefit from tailored form factors, improved electrical and thermal performance, the possibility of active IP protection and increased reliability. And all this goes hand in hand with continued efforts to reduce system costs.

Market Segments

PCB systems are primarily aimed at the automotive and industry segments, but also the mobile communication and consumer sectors. The applications of such systems are extremely diverse. Applications benefitting from the embedding procedure can be found, for example, in the fields of control electronics (electronic control units/ECU), motor drives, DC/DC and AC/DC converters, consumer and mobile applications as well as semiconductor housings.

Unique Selling Points and Technology

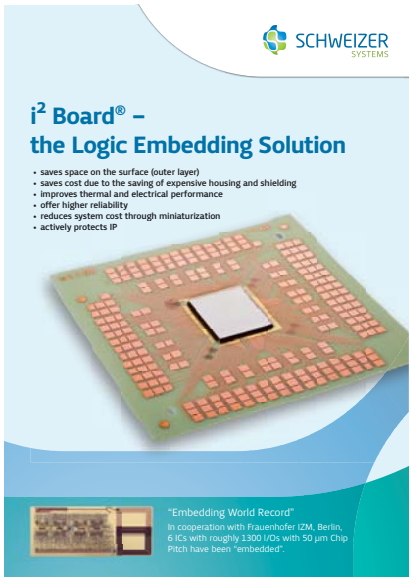
Every application has different requirements. SCHWEIZER addresses the needs and wishes of its customers with products and solutions from its innovative modular system.

i² Board (integrated interposer board)
This board is ideal for embedding logic semiconductors with horizontal current flow. This "motherboard embedding approach" with indirect pad contacting is suitable, for example, for CMOS and BCDMOS semiconductor technologies and dissipation losses up to approx. 10 W. Additional passive components can also be added.

p² Pack (power PCB pack)
This solution represents the ideal means of integrating power semiconductors with vertical current flow (e.g. for DMOS / MOSFET and IGBT semiconductor technologies) in a PCB and offers a range of thermal and electric performance benefits.

µ² Pack (µ thin, µ pitch board)
The µ² Pack with direct pad contacting is the perfect solution for minimal pitch spacing and thinnest modules as well as multi-chip semiconductor housings.

With the above solutions, SCHWEIZER is able to offer the right system for all customer requirements.



Energy Division

SCHWEIZER has been gathering extensive experience in the field of PCBs for over 50 years. Particularly in the last decade, the company has produced PCBs for inverters used in the renewable energy sector. Thanks to the Pentex-Schweizer joint venture, the company has also had an excellent Asian network since the early 1980s. The processes used in the manufacture of photovoltaic cells are very similar to those employed in PCB production. All these factors enable SCHWEIZER to produce more than just PCBs.

Following the formation of the Energy division in the spring of 2011, SCHWEIZER initiated its Asian production of high-efficiency photovoltaic modules in November 2011 and will also creat its own sales channels for solar farms in China.

Value Chain

SCHWEIZER's Energy division combines two of the company's main activities in the field of photovoltaics. The business module ranges from the production of cells and modules to the creation of sales channels for solar farms in China.

Global Market

In 2010, the market volume in the photovoltaics sector amounted to 16.4 GWp, and approx. 13.1 GWp in Europe. Average annual growth of 14.1 % is expected until 2015. Europe is likely to retain the largest installed capacity of around 15 GWp, but will have the lowest growth rate of all regions at just 2.7 %. Strong growth in America and Asia will result in a more balanced market, with Asia, America and Europe holding shares of 25.9 %, 23.6 % and 46.9 % respectively.

The highest level of competition and greatest excess capacities exist in the field of standard polysilicon modules. With regard to the different photovoltaic technologies, monocrystalline high-efficiency solar cells are expected to experience the highest growth (56.1 %) in the coming years (from 1,064 MWp in 2010 to 9,859 MWp in 2015). Based on current prognoses, the future capacity for monocrystalline high-efficiency solar cells will not be able to satisfy market demand.
(Source: EUPD Oliver Wyman Analysis)

With its counter-cyclical investment, SCHWEIZER intends to participate in the expected positive development of the photovoltaics market, firm in the belief that now is precisely the right time to enter the solar business. With its planned production line, the company will be well positioned to respond directly to future demands for high-efficiency cells.

Competition

The market for monocrystalline high-efficiency modules is dominated by two companies, one Japanese and one American. German and Chinese companies play a relatively minor role in this market segment. More businesses are expected to enter this sector to improve their competitive position and exploit new opportunities for growth. SCHWEIZER will be the first company in China to focus solely on this market segment.

Energy

- The right product: high-efficiency cells and modules
- The right location: expected growth in Asia and excellent conditions in China
- The right technology: use of next production technology generation and strategic partnership with Schmid Group combined with excellent price/performance ratio
- The right partner: technology partner Schmid Group and local Asian network

Positioning

Similarly to its positioning in the Electronic division, SCHWEIZER's efforts in the Energy sector will also concentrate on the production of cutting edge technology. Companies will have to display high levels of innovation to enjoy future success in a dynamic market such as that of photovoltaics.

The manufacture of cells and modules in China will also be dictated by the demand for highly efficient products and maximum quality levels, with optimum cost/price ratios being another important factor characterising the photovoltaics sector.

Unique Selling Points

As well as establishing its photovoltaics production, SCHWEIZER is also creating its own sales channels in Asia. In addition to the planned manufacture of photovoltaics products, SCHWEIZER Energy will assume the role of system integrator and provide advice, planning services and installation monitoring for solar farms; this division will also deliver customer support in the form of maintenance and operation services.

Shortly after entering the solar business, SCHWEIZER Energy concluded two letters of intent with the joint venture company Sino Singapore for the planning of solar farms in two of China's most important eco-cities (Guangzhou Knowledge City and Nanjing Eco High-Tech Island). The joint venture is the result of an agreement between China and Singapore to collaborate on the construction of resource-friendly, environmentally and socially sustainable cities in China. This means that SCHWEIZER already has some established sales channels, through which it could effectively market the modules produced in the planned Nantong plant.

Market Segments

The target market of SCHWEIZER Energy is the Asia-Pacific region and China in particular. The company plans to distribute cells and modules via international sales channels, but also on the local market. The Asian market for renewable energies is developing at a rapid rate and thus offers excellent opportunities for market entry and growth. Moreover, thanks to its former business dealings as part of the Pentex-Schweizer joint venture, SCHWEIZER is still extremely well connected in this region and a recognised technology leader.

Technology

The photovoltaics market is experiencing increasing demand for high-efficiency modules. In this particular product segment, demand is expected to outstrip production capacity as of 2013. Not least due to their excellent price/performance ratio, the high-efficiency modules to be produced by SCHWEIZER will facilitate the rapid establishment of grid parity and thus enable the generation of competitive electricity. Another important factor is that the rising prices of power gained from conventional fossil energy sources are likely to continue in future.

The Schmid production equipment utilise by far the most successful selective emitter technology, of which 6 gigawatts (GW) have been sold and, for the most part, are already in production operation. In addition, the planned new production site in Nantong will see the first use of the revolutionary contact-free "HiMet" metallization technol-

ogy with laser transfer and nanoparticle inkjet printing. This represents an ideal basis for this production site becoming a milestone for the next generation of cell and module production.

SCHWEIZER plans to equip its manufacturing plant in Nantong/China with up to four production lines for the manufacture of high-efficiency photovoltaic cells and modules based on monocrystalline silicon – each with a capacity of 100 MW.

Business Characteristics

The photovoltaics industry is facing great challenges: Optimum process technology and high production yield are essential requirements. In the face of permanent pressure to reduce costs in cell production, the use of state-of-the-art, innovative technologies of the next system generation for photovoltaics production is an essential means of increasing efficiency while achieving the necessary long-term cost savings.

Tracing Division

The products of the Tracing division are primarily used in the pharmaceutical industry (monitoring of pharmaceuticals) and in medicine (sensor technology for blood and plasma). SCHWEIZER started in the tracing sector with its first series product, SEAGsens, and its partnership with Siemens. With this step towards diversification, the company has successfully underlined its competence as a system provider.

The Tracing division represents a partnership between SCHWEIZER and Siemens. While SCHWEIZER provides the hardware components for tracing medical and pharmaceutical products, Siemens is responsible for the necessary readers, infrastructure and software integration. This is a classic solutions business with correspondingly long lead times. Due to, and in spite of, the blue-chip customers in the pharmaceutical industry, sales performance is well below expectations. Necessary measures have been taken and further development potential is currently being discussed with Siemens.

Letter from the Management Board

Dear Shareholders, Employees, Business Partners and Friends of our Company,

Despite frequently challenging market conditions, SCHWEIZER can look back on 2011 as the second best business year in the company's history. Our wide customer base and flexible positioning have enabled us to react decisively to market shifts in the solar sector.

Declining sales in the photovoltaics industry were balanced out by our success in other segments, particularly the strong growth in the automotive sector. At EUR 105.4 million, annual sales remained stable year-on-year. In terms of earnings, the operating result of EUR 8.3 million (EBIT) could not quite match the record result of the previous year, but still remains at a high level. This can be mainly attributed to lower production capacity utilization in the solar electronics segment and greatly increased costs, of materials in particular. Unlike in the previous year, special one-off effects also had a negative impact on results.

In the past business year, we were again able to enhance the financial strength of our company. As at the 2011 reporting date, net indebtedness was below zero. Our liquidity thus exceeds our interest-bearing liabilities. This balance sheet strength also allowed as to refinance our current loans at favourable conditions, thus forming a solid basis for future investments.

Following the heights reached in 2010, the SCHWEIZER share experienced a significant drop in 2011, presumably in the wake of the solar stocks. This is all the more reason for us to let our shareholders share in the success of SCHWEIZER in the form of an attractive dividend payout. At the annual general meeting, we will be recommending a dividend of EUR 0.47, representing a 12 % increase over the previous year.

We will also be involving our employees in the company's success in order to express our gratitude for their extraordinary dedication and commitment. Each employee will receive an average of EUR 770.

In our long-standing business with PCBs, our continued investments into research and development allowed us to establish our company as a premium supplier of state-of-the-art PCBs. In its industry, SCHWEIZER Electronic is recognised as a leading expert in the management of high temperatures and currents on PCBs. In addition to our technological development, the main focus is on product and customer-based diversification.

Sales to the solar sector, primarily of inverters, fell well short of our expectations for the past business year. Triggered by technological advancement, fierce international competition and – at least temporary – overcapacities, the consolidation of this industry progressed at a much faster rate than originally anticipated. The success of Chinese manufacturers and a number of insolvencies of important producers are other contributing factors.

Despite these problems, which we expect to continue through the current business year, we remain convinced of the long-term opportunities offered by the solar energy market. As a result of price drops, the field of photovoltaics is rapidly approaching grid parity and is thus becoming increasingly attractive to markets without solar subsidies but with high energy requirements and an abundance of sunlight. In the meantime, however, we continue to face a very difficult market and are thus budgeting very conservatively in this area.

As a supplier to the automotive industry, we greatly benefitted from the sales growth in this sector in 2011. The ongoing trend towards ever more electronic components in vehicles – not only in the premium segment – makes us very optimistic for this business segment for the current year and beyond.

Shorter innovation cycles, lower lead times for incoming orders and a highly unpredictable economy require us to be more flexible than ever before. I am therefore delighted that we can continue to count on our dedicated workforce in Schramberg and our other sites. As part of our personnel development, we are dedicated to offering our employees highest levels of support and are keen to recognise their extraordinary commitment in the form of our profit-sharing programme.

Thanks to our involvement in such diverse and independent industrial sectors, we can effectively manage the varying

cycles of individual segments and thus stabilise our overall business. Not only does this give thus a high degree of flexibility in the face of fluctuating demand, but our economic success also allows us to pursue our long-term and, in some respects, anti-cyclical strategy.

We continue to develop SCHWEIZER both in existing and new business segments. In the Systems division, we can rely on our extensive patent portfolio and in-house production expertise in order to offer new complete solutions for the control systems of combustion engines, control electronics for electric motors, voltage converters (AC / DC, DC / DC) and semiconductor housings – to name just a few examples. The growing demand for these systems can be attributed to their increased use in the automotive sector, but also in industrial applications.

Last November, we announced an important step for our company in the creation of its Energy division. In this context, we are utilising our product and market knowledge in the solar sector to start production of monocrystalline high-efficiency solar cells and modules in the Chinese city of Nantong. Our technology partner, the Schmid Group, is a global market leader in the creation of turnkey photovoltaics production lines with whom SCHWEIZER has enjoyed many years of successful cooperation. With this anti-cyclical investment – particularly from a European perspective – we hope to maximise our future profit from the growth of the Asian photovoltaics market by producing and marketing state-of-the-art modules in a highly efficient manner. Our capacity expansion is based directly on current demand, thus allowing us to grow in line with the markets.

All the above measures will form a solid foundation for the ongoing, dynamic development of SCHWEIZER.

We thank you for accompanying us on this journey and your continued trust in our company.

Best regards,

Dr. Marc Schweizer
Chairman of the Management Board

Report from the Supervisory Board

Based on the value creation and innovation strategy successfully implemented in recent years, as well as the continuation of necessary restructuring measures, expectations and forecasts were all but achieved during the first nine months of the 2011 business year. A weaker fourth quarter saw sales revenue remain at the previous year's level.

Incoming orders, sales and EBIT still reached satisfactory levels, as verified by the detailed reports of the Management Board.

The equity ratio experienced a further rise to 59 % from 51 % in the previous year. At year-end, the company's own funds exceeded its short and long-term credit liabilities.

All in all, Schweizer Electronic AG can look back on 2011 as another successful year in its company history.

The Supervisory Board extends its gratitude to all employees, whose commitment and dedication made an essential contribution to the company's success. We also extend our special thanks to the Management Board and company executives, whose actions and well-considered, effective strategies have kept SCHWEIZER on its successful path.

In carrying out their duties to monitor and advise the Management Board, the committees were supplied with all necessary information, both verbally and in writing, and in a comprehensive and timely manner. Decisions requiring the approval of the Supervisory Board were presented in good time and the relevant judgements made as necessary. Company management supplied the Supervisory Board with comprehensive written reports, analyses and income statements on a monthly basis. A significant number of individual meetings took place between the chairman, his deputy, the finance committee and the Management Board members. These concerned informational and work matters, with particular emphasis placed upon regular, comprehensive risk analyses and their relevance to the company. As one of its main duties of 2011, the Supervisory Board supported company management in a critical and advisory capacity with the creation of the new divisions without neglecting the core business of PCBs.

The duties stipulated in the Corporate Sector Supervision and Transparency Act, the German Corporate Governance Code, the Investor Protection Improvement Act and the Accounting Law Modernisation Act were observed by the Supervisory Board and exercised as necessary. The relevant effects were discussed and implemented in a number of meetings. The efficiency of these meetings was analysed and documented. The four Supervisory Board and three finance committee meetings, some of which lasted several days, were attended by all relevant members.

The finance committee also conducted multiple meetings with the Management Board, which focused on the current situation and future strategies to develop the company and expand its business activities.

As decided in the 2011 annual general meeting, the Supervisory Board commissioned Ernst & Young AG in Stuttgart with the audit of the company's accounts, financial statement and management report. An unqualified audit opinion was issued on 22 February 2012.

The Supervisory Board meeting of 13 April 2012 was attended by representatives of the audit firm, who supplied the board with their written report and provided exhaustive answers to all questions.

The Supervisory Board raised no objections and approved the audit results. The agenda for the annual general meeting was also arranged and approved.

The financial statement of 13 April 2012 is thereby adopted in accordance with Section 172 of the German Stock Corporation Act.

Schramberg, 13 April 2012
The Supervisory Board

Christoph Schweizer
Chairman

Board Members

Nicolas Schweizer, CHRO Dr. Marc Schweizer, CEO Marc Bunz, CFO Bernd Schweizer, COO

Management Board Members

Dr. Marc Schweizer
Chairman

Dunningen
Appointed until: 31/07/2015

Marc Bunz
Chief Financial Officer

Bösingen
Appointed until: 31/03/2018

Bernd Schweizer
Chief Operating Officer

Schramberg
Appointed until: 31/03/2018

Nicolas-Fabian Schweizer
Chief Human Resources Officer

Schramberg
Appointed since: 01/04/2011
Appointed until: 31/03/2016

Supervisory Board Members

Christoph Schweizer
Chairman
Schramberg
Appointed until: Annual general meeting 2012

Michael Kowalski
Deputy Chairman
Managing Director of Essmann GmbH,
Bad Salzuflen
Appointed until: Annual general meeting 2014

Martin Fischer
Chairman of the Management Board of
Sparkasse Jena-Saale-Holzland, Jena
Appointed until: Annual general meeting 2014

Kristina Schweizer
Content Manager, Wolters Kluwer
Deutschland GmbH, Munich
Appointed until: Annual general meeting 2014

Siegbert Maier*
Member of the Works Council, Schweizer Electronic AG,
Schramberg
Appointed until: Annual general meeting 2014

Markus Kretschmann*
Mechatronics Engineer, technical services department,
Schweizer Electronic AG, Schramberg
Appointed until: Annual general meeting 2014

* *Employees' representative*

Shares

Stock Markets

2011 was another rollercoaster year for the stock markets. The upward trend at the start of year, during which the DAX reached a three-year high of 7,442 points in February, ceased abruptly as a result of the escalating political unrest in North Africa, which brought about a significant rise in oil prices, as well as the disturbing events in Fukushima. Yet, buoyed by the positive economic development in Asia and US business figures, the DAX reached its annual high of 7,600 points in May. Worries about the financial situation of some European countries, and Greece in particular, soon resurfaced and, in combination with Standard & Poor's downgrading of the US credit rating at the beginning of August, sent the stock markets into a downward spiral. Fuelled by the disappointing European economic performance and fears of a recession in the USA, the DAX reached its year low of 4,966 points on 12 September. The promise of support from the International Monetary Fund (IMF) in overcoming the European sovereign debt crisis brought hope of a sustainable solution, causing the DAX to rise back above 6,000 points during the first half of October.

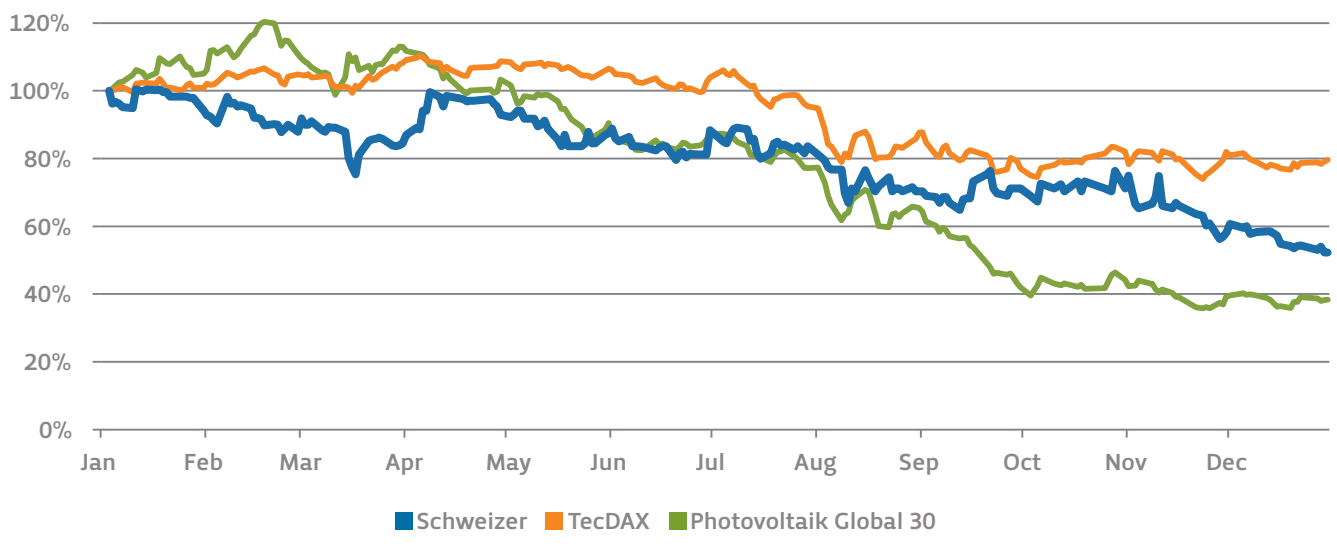
The markets were thus largely dictated by concerns about the credit ratings of some European states, along with the ever-present prospect of a prompt solution to the debt crisis and concerted actions on the part of the central banks. The DAX finished another turbulent year at 5,898 points, representing an annual loss of 15 %. Even the smaller indexes suffered losses. While the MDAX, TecDAX and SDAX dropped by around 12 %, 19 % and 15 % respectively, the Entry Standard Index posted an annual loss of no less than 34 %.

Share Price Development

The shares of Schweizer Electronic AG were unable to escape the general feeling of uncertainty on the stock markets. Up to the start of November, the SCHWEIZER share price followed a very similar course to the TecDAX technology index. However, the company shares suffered a loss of around 30 % over the last two months. The performance comparison between the SCHWEIZER shares and the Photovoltaik Global 30 Price Index suggest that the SCHWEIZER capital market is positioned between the photovoltaics segment and the industry and automotive sector. Due to the fall in prices for cells and modules – mainly attributable to fierce global competition, overcapacities and technological advancement – the solar industry is currently undergoing a period of consolidation and restructuring.
As a leading manufacturer of PCBs for the solar energy sector and future supplier of solar modules with its Energy division, SCHWEIZER shares were disproportionately affected by the developments in the solar market. Although Schweizer Electronic AG achieved approximately three quarters of its earnings in the automotive and industry segments, the positive development of these sectors only had a limited effect on the company's share performance.

Dividend Payout

Based on the shareholder value concept agreed in 2010, SCHWEIZER intends to maintain its shareholder-friendly dividend policy, whereby stockholders are to be included in the positive company development in a continuous and appropriate manner. The Management and Supervisory Boards have therefore decided to propose a dividend payout for the



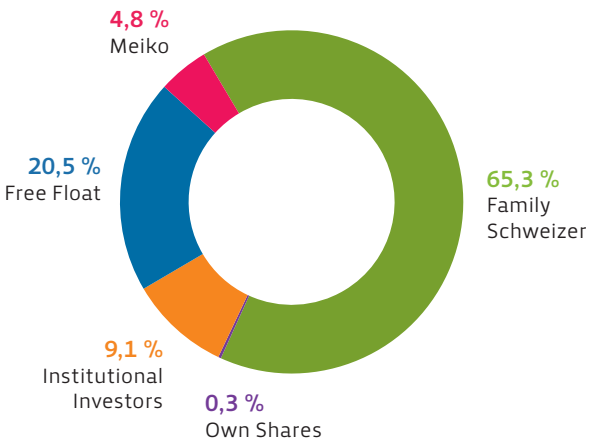
2011 business year of EUR 0.47 per share at the annual general meeting. This represents an increase of almost 12 % on the previous year's payout and equates to a dividend yield of 3.8 % based on the year-end closing price.

Investor Relations

Over the course of the business year, the Management Board of Schweizer Electronic AG has consistently demonstrated its desire to make the company's business model and diversification strategy more tangible and understandable to capital market participants by providing comprehensive and transparent explanations. In addition to its extensive financial reporting, the management team attended numerous capital market conferences and investor meetings and arranged a number of investor roadshows. The strengthening and development of trusting, long-term relationships with all stakeholders is further underlined by the publications on SCHWEIZER's investor relations website, which more than meet the company's statutory obligations.

Shareholder Structure

The shareholder structure barely changed during the business year 2011. The stake held by the Schweizer families increased slightly from 65.1 % to 65.3 %. At year-end, the cooperation partner MEIKO owned 4.76 % of shares in Schweizer Electronic AG. A further 9.1 % are held by institutional investors. The Management Board regards the continuity of the shareholder structure as a clear sign of support from investors for the corporate strategy.



Share Key Figures

Year-end closing price	€12.50
Highest price	€24.00
Lowest price	€12.50
No. of shares at end of business year	3,780,000
Market capitalisation at end of business year	€47.3 million

Basic Share Data

ISIN	DE0005156236
German Securities Code (WKN)	515623
Symbol	SCE
Listed in	Xetra, Frankfurt, Stuttgart, Düsseldorf, Berlin
Stock market segment	Regulated market

Vision & Mission

A Value Proposition you can measure us by

Our value proposition defines the framework for our strategy and our actions.
Its purpose is to paint a picture of who we are and arouse interest in our company. It also aims to convey the values and guiding themes which make up the pillars of our success.

Vision

We are a global “best-in-class” technology company.
Our products preserve resources for the future of our children.

We are a leading manufacturer of premium PCBs and a recognised manufacturer of energy-efficient and environmentally-friendly products and services.

Mission

It is our mission to contribute to the success of our customers - and in doing so achieve success ourselves!
Our customers’ goals, their trust and the pleasure we derive from continually expanding the limits of what is possible, are the drivers of our success.

In order to achieve this, we apply our wealth of experience, state-of-the-art technology, production methods and processes, as well as our expert knowledge of our target markets.
We focus on attractive and promising business opportunities. Trading as a family-run business with a long tradition, we are geared towards sustainable, long-term success. Our employees are at the heart of this success.

The values we stand for and which determine everything we do are:
Quality, speed, creativity, openness.
These build the foundation connecting our past, present and future.

Quality

We commit ourselves to a continuous improvement of our performance and we contribute to protecting the environment.. Furthermore, we consider the compliance to applicable law and regulations an indispensable basis for our actions. We stand for highest quality and care in all areas.

Customer Focus given highest Priority

SCHWEIZER's mission is to ensure the success of its customers – and thus also that of the company. This is why customer focus is given highest priority at SCHWEIZER, and not just in the sales & marketing area. Throughout the entire internal value chain, from order receipt to goods dispatch, it is the goal of every single employee to deliver goods and services of the highest quality in the shortest possible time.

Contact between customers and suppliers normally occurs on the customer side in the case of purchasing, and on the supplier side in the case of sales. To break away from this established pattern and grant its customers extensive insight into the various specialist areas, SCHWEIZER invited its customers to the Schramberg headquarters and to the Rottweil Power Plant on 28 and 29 June 2011. On this first customer day in SCHWEIZER's 162-year history, the company presented its extensive product range and key innovations in the fields of power electronics, embedding and system cost reduction.

Around 70 customers from Germany, Austria and Switzerland were welcomed with a diverse and varied programme, during which they could find out about current trends and developments in the automotive, solar and industry sectors. The first day was also attended by representatives from SCHWEIZER's business partners MEIKO and CONTAG, who introduced the guests to their respective companies and services.

The second day started with a plant tour, after which the customers were given the opportunity to conduct in-depth exchanges and discussions of developments and applications in numerous workshops.

The grand finale of the event was an eMobility race in which the customers were able to put their driving skills to the test in Segways and e-carts. The latter had been equipped with electric motors by the company's trainees as part of a project. The motors are manufactured by a SCHWEIZER customer, which uses the company's PCBs in these drives.

The first customer day was a great success and will now take place every two years. Feedback from customers was extremely positive and further underlined the excellent position held by SCHWEIZER with its innovative products and solutions.

Technical lectures at the Rottweil Power Plant

Customers, partners and experts on the first evening of the customer day

Customers enjoyed their drive in the environmentally friendly e-carts

A successful Network: Technology – Production – Sales

Electronic Division

Schweizer Electronic AG, Schramberg/Germany
Company headquarters/technology centre
Production site
Capacity: 475,000 sqm/year
700 employees

German Sales Offices
Bavaria North, Bavaria South, North Rhine-Westphalia

European Sales Offices
Paris/France, Piacenza/Italy

US Sales Offices
San Jose/California

Schweizer Asia Ltd., Hong Kong
MEIKO cooperation management

Rapid Prototypes:

Contag GmbH, Berlin/Germany
Company headquarters
Production site
Capacity: approx. 8,000 orders/year
85 employees

Reliable Mass Production:

Meiko Electronics Co., Ltd., Ayase/Japan
Company headquarters near Tokyo/Japan
Production sites in Japan, China and Vietnam
Approx. 8 million sqm/year (2011)
Approx. 14,000 employees

Energy Division

Schweizer Energy Pte. Ltd., Singapore

Schweizer Pte. Ltd., Singapore

Schweizer Energy Production Pte. Ltd., Singapore

Schweizer Energy System Integration Pte. Ltd., Singapore


Contag
Schweizer Electronic
Sales Office
Sales Office
Meiko Electronics
Meiko Electronics
Schweizer Asia
Schweizer Energy

Innovations enable Growth, Progress and environmental Protection

SCHWEIZER sets trends in the world of PCB technology and is familiar with many current developments, both on the customer and the supplier side. Requirements are increasing, yet innovation cycles are becoming ever shorter. In the face of fierce competition, new products must be brought to market faster then ever before. With its highly capable R&D team, SCHWEIZER is well equipped to tackle these challenges. As well as relying on its own in-house expertise, the company also benefits from knowledge and development partnerships with customers, institutes and universities, all of which make an important contribution to the creation and development of sophisticated solutions.

The example of power electronics effectively illustrates the extensive and diverse range of requirements of a PCB.

Power Electronics and Embedding: Cooperation with ETH Zurich

In the autumn of 2011, SCHWEIZER began its cooperation with the ETH Zurich (Swiss Federal Institute of Technology Zurich), one of the world's leading universities of science and technology, in the fields of embedding and power electronics.

Work is focussed on the development of extremely flat power electronic converters for applications in the areas of photovoltaics, automotive technology, smart surfaces, flat screens and lighting technology. This involves the creation of new circuitry designs, the modelling, simulation and multi-criteria optimisation of systems, the integration of active and passive components in PCBs as well as the production and metrological analysis of corresponding prototypes.

In the first step, the partners are creating ultra-flat magnetic components for transformers with nanocrystalline magnetic cores and a thickness of just 1 mm. The aim is to prove that these components can be as, if not more, effective than conventional power supplies, despite their minimal size. Another objective of the cooperation is to transfer solutions for the embedding of power semiconductors into concrete applications.

The collaborative research will facilitate the implementation of power supply concepts for a host of future power electronics applications, which will revolutionise this technological field. This in turn will greatly contribute to the highly efficient operation of electric systems and use of renewable energy sources at minimal cost.

The partnership with ETH Zurich will further enhance SCHWEIZER's ability to implement highly effective solutions in the field of power electronics in combination with embedding technologies. It will also allow the company to increase the pace of its innovation process, which will be of great significance to the automotive, industry and solar target markets. Ultimately, the collaboration with the renowned ETH University will be of great benefit to SCHWEIZER's customers.

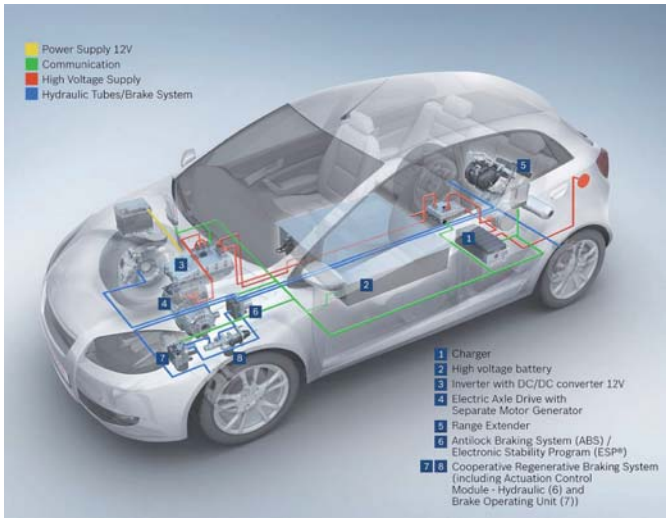
Power Electronics and high Temperatures: BMBF supports HELP

August saw the launch of the project: HELP – Reliable and cost-effective high-temperature electronics for electromobility using PCBs based on high-temperature resin systems. The project is being coordinated by SCHWEIZER and involves a number of companies from fields such as HT resin systems, PCB laminates/compounds, PCB processing, electronic assemblies and components as well as electric vehicle systems. The project, which is being funded by the Federal Ministry of Education and Research (BMBF), is due to run for three years.

GEFÖRDERT VOM

Bundesministerium für Bildung und Forschung

The electric vehicles of the future require high-temperature resistant electronics that are both reliable and affordable. In addition to the battery and the electric motor, the power electronics components – such as the drive inverter, battery charger and electric pumps (e.g. for cooling circuits) – represent the most important parts of electric vehicles.



Vehicles are becoming ever more reliant on electronics
Source: Bosch

Unlike with information electronics, the power electronics in electric vehicles produce high currents with significant losses, which in turn lead to high heat loads at specific points. As a result, the power electronics used in electric vehicles cannot currently be implemented on the basis of conventional PCBs made from cost-effective thermoset plastics. Instead, special PCB materials are required, such as ceramics.

The aim of the project is to investigate reliable and cost-effective electronics for the electromobility sector. High-temperature resistant plastic PCBs and compounds are being developed on the basis of new resin systems. The whole electronic system for the drive inverter – i.e. the power, drive and control electronics – will be based entirely on these HT PCBs and thus enable new electric and electronic architectures.

Power Electronics and high Currents: HI-LEVEL Research for Electromobility

GEFÖRDERT VOM
Bundesministerium für Bildung und Forschung

The greatest challenge facing the automotive industry today is how best to ensure environmentally friendly, individual mobility in the long term. In terms of the desired use of renewable energy sources and elimination of local emissions, all eyes are currently on the electromobility sector. For the automotive industry, it is essential that Germany's leadership in the field of automotive engineering can continue in an "electromobile future". The Federal Government has therefore set an initial target of having one million electric vehicles on Germany's roads by 2020. The German automotive industry is to be become a leading light in the electromobility sector.

However, a number of technological hurdles still have to be overcome before electric vehicles can be deemed ready for the market. As part of the research programme "Key Technologies for Electric Mobility (STROM)", the BMBF is therefore funding the project "High-current PCBs as an integration platform for power electronics in electric vehicles (HI-LEVEL)", which was launched in September 2011 and is due to run until August 2014. The project participants include Schweizer Electronic AG as well as Conti Temic, AMIC, TU Berlin, RWTH Aachen, Daimler and Infineon.

The control electronics for the electric motor are the most important element of any electric drive. They are responsible for a whole range of tasks, such as controlling the vehicle acceleration or braking. The sensor-based monitoring of the system is also managed by the control electronics module. Conventional control electronics therefore consist of the necessary electronic components, which are mounted on a PCB.

The automotive industry in particular places extremely high demands on the quality of electronic assemblies, since the conditions in the engine compartment are very challenging: The powerful vibrations, humidity and significant temperature fluctuations have such a great impact on the electronic components that they can separate from the PCB. Installation space is also very limited, which makes

robust assembly using conventional technologies difficult, if not impossible. It is therefore necessary to research alternatives to today's methods, which can ensure a long service life for the control electronics while maintaining minimal weight and space requirements – and this is the objective of the HI-LEVEL research project. The initiative is based on the concept of integrating the electronic components in the PCB rather than mounting them on the surface. This will result in significant space and weight savings. Using special procedures, highly secure connections can be established between the electric contacts in such systems. This area has been a subject of research for small electrical power levels for some time now, but it is an entirely new concept in terms of the comparatively high requirement of an electric drive. The technological developments planned in the HI-LEVEL project are to enable high levels of reliability, environmental friendliness and efficiency for the future products of the research partners.

The participants are therefore expecting significant cost savings over current power electronics, while the reliability of electric vehicles is also to be increased. Cooling requirements are to be reduced and the drive inverters decreased in both size and weight, thus resulting in an increased range of future e-vehicles.

High-temperature electronics are also becoming increasingly important to other technologies of the future, for example, in the aerospace industry, for new energy-saving lighting systems, e.g. using LEDs, and for the harvesting of renewable energy sources such as wind and solar power. The new HT PCBs are thus suitable for many other future applications.

Innovations in Practice: Karlsruhe Institute of Technology (KIT)

The ultimate aim of any R&D efforts is the application of new technology in day-to-day practice. An excellent, if not entirely commonplace, example of this is the collaboration between SCHWEIZER and the Formula Student Team KA-RaceIng e.V. of the Karlsruhe Institute of Technology (KIT). This team has enjoyed many years of success in the international Formula Student competition and is currently ranked eighth in the world. The team's greatest success so far was the first place finish of its electrically powered vehicle at the Formula Electric & Hybrid Italy.

To maintain these successes, the KA-RaceIng Team seeks technical support from industry partners such as SCHWEIZER. As part of the collaborative work, the company develops foldable circuit boards (flexible PCBs) for the wireless wheel telemetry of the electric race cars. Installation space is minimal and multiple boards are required for the complex circuitry. The use of SCHWEIZER technology negates the need for plug-in connections between the circuit boards while optimising the attachment of cable connectors. Both partners are also working on many more innovative PCB solutions.

Wireless wheel telemetry in minimal space: all thanks to SCHWEIZER PCBs.
(KIT12e, a Formula Student vehicle)

Production and Processes improve Quality and Speed

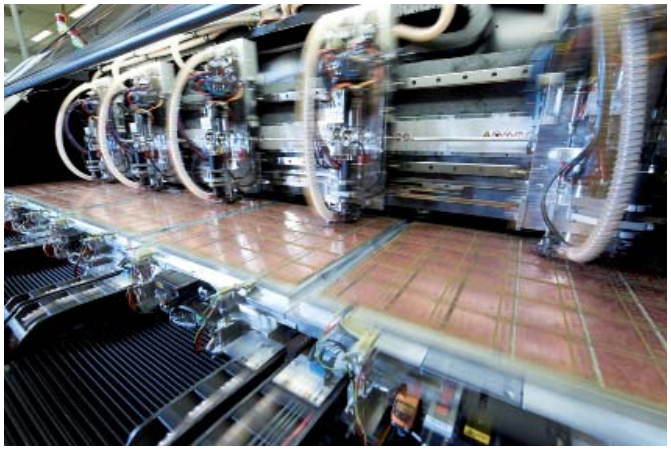
Operational excellence is a fundamental aspect of all the company's operations and activities. The desire to master challenges and solve problems results in a process of continuous improvement with lasting effects, whereby the focus is always on customer orientation, employee development and the optimisation of activities in the context of business processes.

In the production facilities of the Schramberg site, qualified staff are responsible for the monitoring and observance of transparent production processes. SCHWEIZER products are created in a production environment comprising machines and systems representing the latest state of the art. All these factors are prerequisites for the manufacture of products of the highest quality and precision.

Sophisticated Production Facilities support new Technologies

The Schramberg site is at the heart of SCHWEIZER's PCB manufacture. Between 2010 and 2011 alone, the company invested some EUR 10 million into its production efforts. In 2011, these funds were primarily used for the expansion of systems that raise the efficiency of production processes and support the introduction of new technologies.

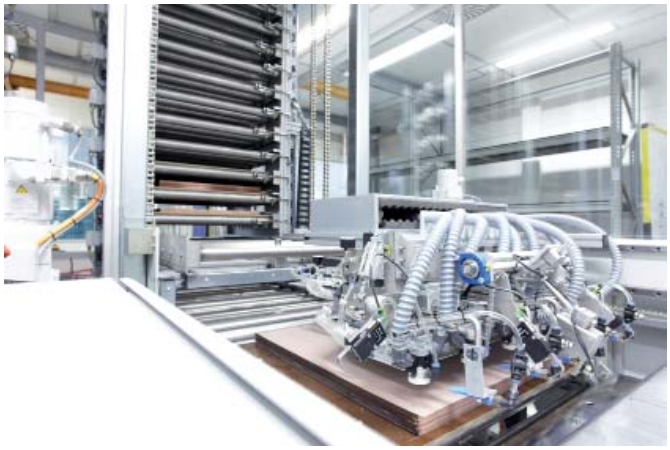
In recent years, SCHWEIZER has continuously advanced its development of innovations in the fields of power electronics, embedding and system cost reduction. The company is therefore in an excellent position to serve the current and future demands of its customer for high-quality, sophisticated PCBs.



Cutting and depth milling

Nickel-palladium-gold line

Solder mask spray system

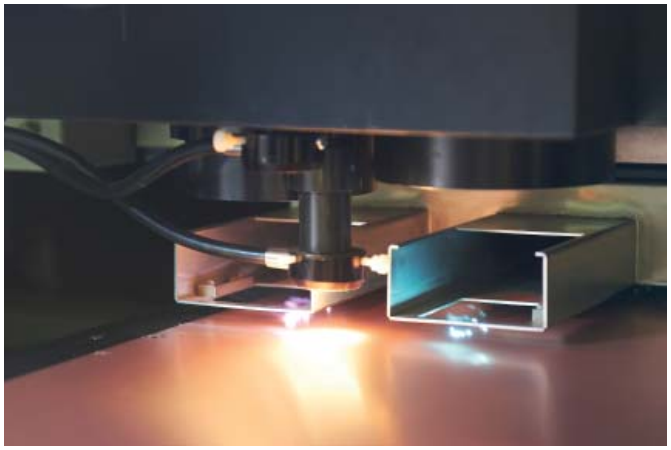


Mass-lam press centre

As well as procuring nickel-gold and nickel-palladium-gold lines to be used for innovative surface coating, SCHWEIZER has also extended its capacities for cutting and depth milling. In the summer of 2011, an interposer pick-and-place system was installed as a means of fully automating the embedding production process. Furthermore, a new HDI laser was put into operation and a new mass-lam press centre completed at the end of 2011.

These investments are essential to ensuring the company's continued role as a leading producer of innovative technologies. Last but not least, this financial backing of the Schramberg site helps to secure and create workplaces in the region. In the last two years alone, the company created around 70 new jobs in Germany.

Interposer pick-and-place system



HDI laser

Continuous Optimisation of Production Sequences and Processes

The focus in production is on product quality and costs. As a result, great importance is attributed to quality as well as the stability of processes. To meet the rising demands of customers, the company is continuously devising ways to improve its sequences and processes.

In this context, SCHWEIZER launched the "LEAN production" concept in Schramberg at the end of 2010. The main objective of the project was to reduce production stocks and order lead times, while ensuring a high level of delivery accuracy combined with increased production flexibility. One year later, the success of this initiative is clear to see, with waste effectively identified and eliminated.

Customers benefit from enhanced Flexibility and increased Speed

Today's customers attach considerable importance to the delivery capability and reliability of suppliers. In addition, speed offers an important competitive advantage to both the supplier and the customer. To be able to provide its customers with a high degree of flexibility, SCHWEIZER launched its Fast Path Lane for urgent orders in 2010, thus ensuring fastest possible processing of sample and rush orders. Over the course of the 2011 business year, many customers used this opportunity to receive their goods faster than ever before. The concept has thus proven a great success and the Fast Path Lane remains part of the portfolio.

Employees as the Basis for the Company's Success

SCHWEIZER's activities as a listed company and family business with a long-standing tradition are geared towards long-term, sustainable success. The company believes that the creativity and contribution of every individual are essential to its success. That is why SCHWEIZER requires the best possible employees.

The Newcomers: Training at SCHWEIZER

SCHWEIZER considers employee training an important and sustainable investment in talented people, and thus also in the company's future. It is therefore a matter of course that the trainees are taken on upon completion of their training. SCHWEIZER's training programme is geared towards young people with a passion for technology and skilled craftsmanship, but also those who are more interested in the commercial side of the business. Training positions are offered both in the industrial and commercial area, while dual study programmes are also available.

In any given year, 25 to 30 young people are being trained at the company. As well as covering the prescribed course content, SCHWEIZER also offers a wide range of additional training courses and workshops. Annually recurring content includes special events, educational trips, health training and parties, which promote team spirit and make the training a more enjoyable experience.

Information about SCHWEIZER training is available to youths and young adults year-round, and particularly through a number of specific events. For example, company trainees and instructors attend careers information days at schools, the job information fair JAMS (job and more Schramberg), starter (training fair in Rottweil) and the "Training Day" at the company headquarters, where they provide information and advice to interested parties.

The trainees will usually spend the year working intensively on a joint project, which in 2011 was all about electromobility. Fur the customer day held in June of last year, the trainees converted conventional go-carts into e-carts. Getting the vehicles race-ready under great time pressure and using the latest technologies proved to be a particularly challenging task. After all, replacing petrol engines with electric drives is no mean feat. Extensive adjustments were required to the gearbox control, torque curves and speed regulation. The conversion also necessitated modifications to the vehicle infrastructure, specifically the electronic control system, battery management and accelerator sensor. Thanks to their extraordinary commitment, technical competence and great skill, the trainees succeeded in providing the guests at the customer day with an unforgettable, environmentally friendly driving experience.

The trainees present their completed e-cart

The Professionals: Skilled Personnel and Managers

SCHWEIZER employees are well trained and have extensive experience and in-depth knowledge of their relevant fields of expertise. In their specialist areas and departments, they encounter a whole range of challenges, which they are able to tackle independently and within the specified scope of action. The company's 700-strong workforce is diverse, competent and dedicated to customer focus.

Outstanding individual performances and excellent teamwork greatly contributed to the company's success in 2010. In 2011, this commitment and dedication was rewarded in the form of a profit-sharing scheme for employees. In addition, a summer party was also held at the Rottweil Power Plant in June, at which employees enjoyed an evening of music, dance and culinary delights.

Employees enjoyed an evening of music and rhythm at the summer party

The seasoned Experts: 77 long-standing Employees honoured

Today's working environment is dynamic and ever-changing, as a result of which long-standing service is no longer a matter of course. SCHWEIZER is thus all the more proud of the large number of employees who have remained faithful to the company for decades. Following the successes of 2010, the company was able to rekindle the tradition of honouring these dedicated individuals. In 2011, after a three-year break, the Management Board of Schweizer Electronic AG once again invited long-standing employees to an anniversary celebration. During the evening's festivities, no less than 77 staff members were honoured for completing their 25th or 40th year at the company between 2009 and 2011. In his address, Dr. Marc Schweizer, Chairman of the Management Board of Schweizer Electronic AG, stressed that the employees form the backbone of the company and that long-term success is only possible with a motivated workforce. He thanked the guests of honour for their loyalty and tireless commitment. The fact that so many staff spend their entire professional life with Schweizer is a great indication of the high level of employee satisfaction within the company.

The Alumni: Loyalty in Retirement

Some 50 former SCHWEIZER employees are still active in retirement and have regular contact both with one another and with the company. For a long time now, a small group of SCHWEIZER retirees has been planning and organising a diverse programme for former employees. Six annual excursions and sightseeing trips in the Schramberg area, adapted to the physical and geographical mobility of the participants, offer a welcome change and excellent opportunity to catch up. SCHWEIZER provides financial and communication support for these activities.

The Staff of the Future: SCHWEIZER as the next Employer

Innovation and internationality, quality and creativity, competence and collegiality – there are many factors speaking for SCHWEIZER as an employer. New employees will soon discover that the company offers far more than just PCBs. One if its main attributes is openness, particularly for different professional and cultural backgrounds. New staff will meet qualified, motivated, creative and dedicated colleagues, who will do their utmost to help them settle into their new environment. As well as a friendly and welcoming working atmosphere, SCHWEIZER also offers a generous remuneration package.

All in all, it is safe to say that SCHWEIZER is a more attractive employer than ever before. This is highlighted not just by the investments in the Schramberg site and resulting job security, but also by the creation of new workplaces – around 70 in the last 2 years alone. Last but not least, the company's increasing internationalisation represents a very reliable basis, both within the Black Forest and beyond.

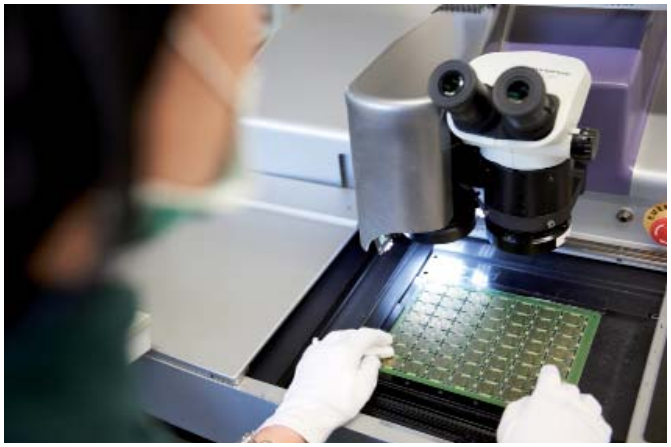
Corporate Social Responsibility

As a family business with a long-standing tradition, Schweizer Electronic AG takes its corporate social responsibility very seriously and has made its contribution to sustainability a fundamental part of the company's mission statement. The company's responsible corporate actions encompass everything from actual business activities and ecologically relevant aspects to the relationship with employees and exchange with relevant target or interest groups. Measures to ensure sustainability can be found in all areas of the company.

Integrated Management System

All managers are responsible for the successful implementation of the corporate goals. These goals cover a wide range of topics reflecting the needs of the various interest groups that are important to the company.

In addition to a highly developed quality management system, SCHWEIZER has also established a special system for innovations. Company management is directly involved in this "Stage Gate Process", which aims to secure the economic sustainability of innovative products and solutions. The dynamics required for the industrial and solar sectors are thus combined with the sustainable safeguarding measures for the automotive industry.
As well as addressing the sustainability of its products, SCHWEIZER's entrepreneurial activities are also concerned with the preservation and growth of the company. In this regard, great importance is attached to risk containment, financial well-being and sustainable business operations.



PCBs are subjected to stringent final checks

Training and Education for Employees

Employees form the basis for the company's success. SCHWEIZER values its employees and their satisfaction and therefore strives to provide high job security and an attractive working environment. In the human resources area, the focus is very much on forward-looking planning and the creation of prospects for the company's employees.

A range of trainee positions are offered to young people, who are accompanied through the process by experienced instructors. Virtually all trainees pass their final exams with good results. Not only does SCHWEIZER offer young talent excellent training, thus creating a solid basis for their professional future, but the company also provides a secure workplace since all trainees are hired upon completion of their course.

Skilled workers and managers are supported with individual and collective training measures as a means of enhancing their technical, methodical and social competence, thus allowing them to fulfil their roles of knowledge carriers and innovators.

Health and Safety

The health and safety of employees and security of their working environment is a key concern of the company. This not only includes meeting statutory requirements, but also more extensive preventative measures. An extremely positive result of these activities is that the number of reportable accidents in the workplace is very low, whereby the rate of 20 per 1000 employees is actually lower than the previous year's figure.

The workforce in Schramberg have regular access to a company doctor, while trained paramedics and first-aiders are also on site along with the necessary equipment, including defibrillators.

As another important preventative measure, regular inspections of all areas of the company are carried out in conjunction with the company doctor, a member of the works council, the company's health and safety specialist as well as a

safety officer. In addition, potential risks and hazards are checked systematically and necessary corrective measures identified and implemented. Further improvements, specifically with regard to cleanliness and order in the workplace, were achieved with the introduction of the “5-S” measures as part of the lean management concept, which also represents a further means of accident prevention.

The number and volumes of chemicals used at the company are relatively high, which makes accurate assessment of the risks posed by each substance all the more important. Before its first use, each chemical is therefore subjected to a thorough examination.

Comprehensive tests are performed in the chemical laboratory

Environmental Protection

Environmental policy is an important part of the SCHWEIZER company philosophy. SCHWEIZER has long attributed great importance to the subject of environmental protection and takes a number of precautions in this regard.

The consistent separation and targeted treatment of wastewater flows in production greatly minimises the need for chemicals. The wastewater purification is primarily performed using acids and alkalis, negating the need for the additional procurement of metal-containing solutions to support the precipitation process. As in previous years, the limit value for copper in the wastewater effluent was undercut by an average of two thirds in 2011.

Environmental protection through targeted wastewater treatment

Other positive factors are the low water consumption and wastewater production of SCHWEIZER’s PCB manufacture, despite the rising complexity of PCB construction and ever-increasing quality requirements. In recent years, water requirements have remained relatively constant, with consumption of just 230 l/m^2 of fresh water proving significantly better than many other PCB manufacturers.

Thanks to its consistent waste separation efforts, Schweizer Electronic AG can boast a very high waste recycling rate. This high-quality waste accounts for almost 90 % of the total refuse produced by the company. Less than 0.5 % of waste is non-recyclable and requires disposal.

All exhaust air – be it dust-laden, solvent-contaminated or polluted with vapours from the electroplating facilities or tanks – is cleaned by means of suitable systems. In some cases, the procedures employed are so effective that certain emissions can be exempted from official testing.

Business Development

Fluctuating Order Activity

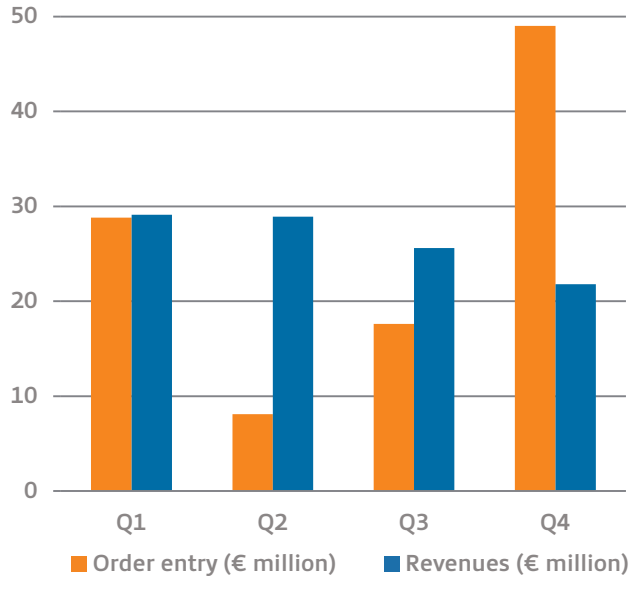
In the reporting year, uncertainty about the impact of the euro debt crisis was reflected in wildly fluctuating order activity on the part of customers. While incoming orders in the first quarter of 2001 still amounted to EUR 28.8 million, this figure dropped to just EUR 8.1 million in the second quarter. The restraint prevalent between April and August was tangible in all customer segments. With warehouses well stocked and the future somewhat uncertain, the solar electronics segment proved to be particularly cautious.
A significant turnaround then began in September. Automotive customers in particular demonstrated a high degree of optimism and placed large orders with SCHWEIZER. As a result, incoming orders in the fourth quarter totalled EUR 49 million – almost double the amount for quarters two and three combined. In total, incoming orders for the year amounted to EUR 103.6 million.

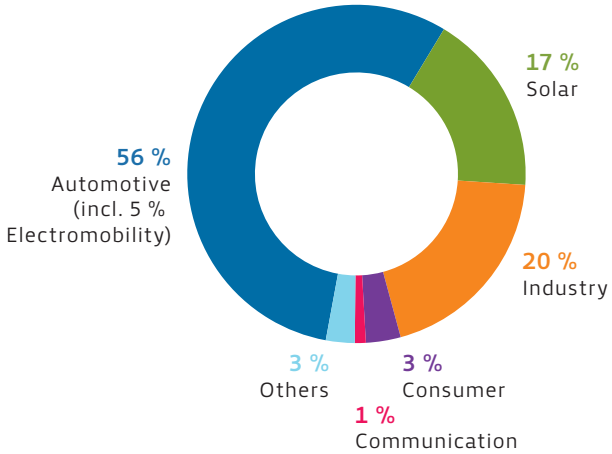
Record Sales in first six Months

At EUR 105.4 million, sales in 2011 were the same as for the previous year. In the first half of 2011, SCHWEIZER achieved record sales of EUR 58 million, 52 % of which were earned with PCBs for the automotive industry, 22 % in the field of solar electronics and 18 % with applications for industrial electronics. The picture changed somewhat during the second half of the year. Between July and December, reluctance on the part of customers to place new orders had a major impact on SCHWEIZER's sales. This resulted in a sales figure of EUR 47.4 million for the last six months of 2011. With a sales volume of EUR 21.8 million, the fourth quarter proved to be the weakest of the year. In the second half of 2011, the share in sales of the automotive electronics sector rose to 60 %. At the same time, the solar electronics share fell to 11 %.

Orders on Hand stable Year-on-Year

Thanks to the resurgence of incoming orders, the company's orders on hand at year-end amounted to EUR 120 million, thus remaining relatively unchanged from the previous year (EUR 122 million). This represents an excellent foundation for another successful year in 2012. More than 80 % of these orders were placed by automotive customers. In the other customer segments, a greater sense of uncertainty for 2012 has resulted in lower capacity reserves and more short-term planning.

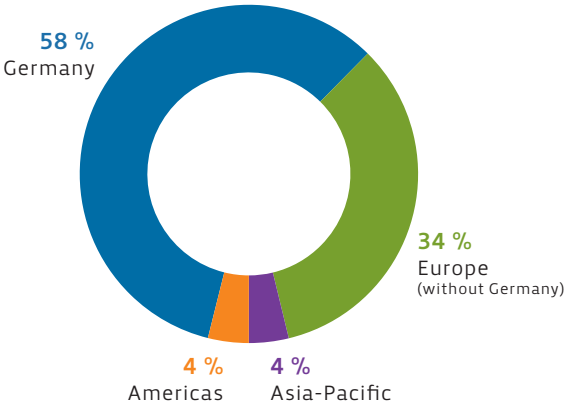




Sales per customer segment

More Technology and increased Internationalisation

SCHWEIZER is focussed on providing its customers with sophisticated solutions as a means of addressing current challenges in the fields of electromobility and miniaturisation in particular. These solutions are grouped under the headings of power electronics, embedding and system cost reduction. In 2011, products from this innovative technology spectrum accounted for 29 % of SCHWEIZER's sales volume. This represents a significant increase from the previous year's figure of 23 %.
In addition to this higher technology share, 2011 was also marked by an increased proportion of international sales. While 69 % of sales in 2010 were made in Germany, this proportion fell to 58 % in 2012. This shift in sales can be largely attributed to the Eastern European market, with Hungary and Romania already responsible for 20 % of all SCHWEIZER sales. This highlights the fact that customers from the automotive sector are increasingly turning to these locations. In total, Europe (excl. Germany) accounted for 34 % of company sales.



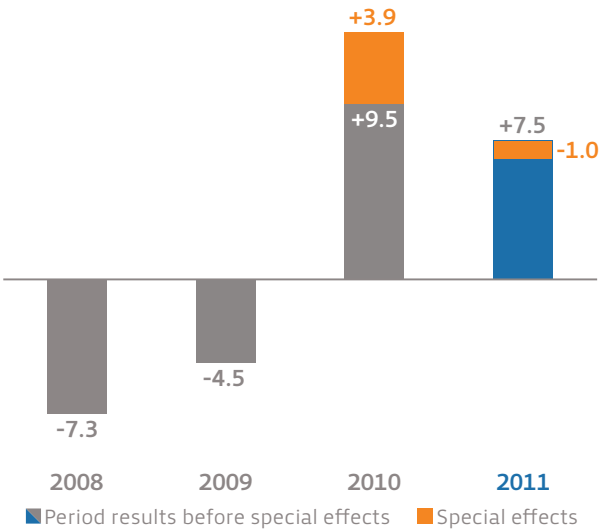
Sales by region

€ million	2011	Special effects	2011 before special effects	% of sales	2010	Special effects	2010 before special effects	% of sales
Sales revenue	105.4		105.4		105.4		105.4	
Change in stock	-2.0		-2.0		3.0		3.0	
Other internally produced and capitalised assets	0.1		0.1		0.2		0.2	
Other operating income	3.8		3.8		7.6	5.4	2.2	
Material costs	-47.9		-47.9		-48.6		-48.6	
Gross profit	**59.4**	**0.0**	**59.4**	**56.4 %**	**67.6**	**5.4**	**62.2**	**59.0 %**
Personnel costs	-34.1		-34.1		-31.5	-0.5	-31.0	
Other operating expenses	-12.0		-12.0		-13.8		-13.8	
EBITDA	**13.2**	**0.0**	**13.2**	**12.6 %**	**22.4**	**4.9**	**17.4**	**16.5 %**
Depreciation	-5.0	-1.0	-4.0		-5.4	-1.0	-4.4	
EBIT	**8.3**	**-1.0**	**9.3**	**8.8 %**	**16.9**	**3.9**	**13.0**	**12.3 %**
Financial result	-1.0		-1.0		-1.4		-1.4	
Extraordinary result	0.0		0.0		-0.9		-0.9	
Taxes	-0.8		-0.8		-1.2		-1.2	
Annual net profit	**6.5**	**-1.0**	**7.5**	**7.1 %**	**13.4**	**3.9**	**9.5**	**9.0 %**
Earnings per share	1.71		1.91		3.56		2.53	

Reduced Earnings

In the 2011 business year, the company's earnings before interest and taxes (EBIT) and before special effects amounted to EUR 9.3 million (previous year: EUR 13 million). This represents an EBIT margin of 8.8 % (previous year: 12.3 %). During the first half of the year, SCHWEIZER still achieved an EBIT margin of 9.8 %, with an EBIT of EUR 5.7 million. The second half of 2011 was marked by clear decline in sales momentum. When sales slumped to EUR 21.8 million during the fourth quarter, the resulting under-utilisation of the plant led to insignificant results contributions. Consequently, the EBIT for the second half of the year dropped to EUR 3.6 million, with an EBIT margin of 7.6 %.
The rise in the cost of input factors also resulted in very different figures to the record numbers of 2010. Unlike in the previous year, increasingly fierce competition in the conventional PCB market made it impossible to pass price increases on to customers. Furthermore, long-term price fixing agreements with automotive customers prevented any short-term response to cost changes.

Period results



Divisions

In November, SCHWEIZER announced that it would be investing in the production of photovoltaic cells and modules in China. The company also intends to contribute to the planning of solar farms in the APAC (Asia-Pacific) region. The activities form part of the Energy division, which was created in the previous business year. The focus was on the completion of market and feasibility studies by company employees and external institutes. In total, around EUR 0.4 million were invested in these activities in the reporting year.

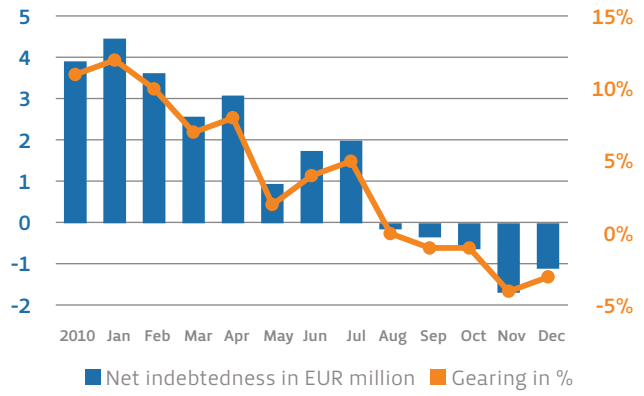
The Systems division was still part of the Electronic division and is expected to make significant contributions to the company results as of 2014/2015.

The Electronic division comprises the company's entire PCB business. To aid transparency, SCHWEIZER has split this division into two segments: Schramberg, which includes the company's PCB production under the banner of "Made in Schramberg", and high-volume partners, which primarily constitutes the PCB business of the cooperation partner MEIKO. In 2011, the Electronic division accounted for the entire group sales of EUR 105.4 million (previous year: EUR 105.4 million). The EBIT before special effects amounted to EUR 9.7 million (previous year: EUR 13.0 million), which represents an EBIT margin of 9.2 % (previous year: 12.3 %).

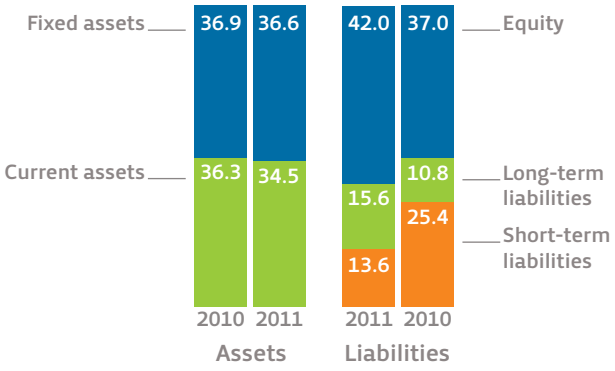
Further Improvements in Balance Sheet Structures

Net Assets and high Equity Ratio

Since the mid-2009 crisis, SCHWEIZER has rapidly made significant improvements to its balance sheet structures. At the end of 2011, the company's equity capital amounted to EUR 42 million (previous year: EUR 37 million). The equity ratio increased to 59.0 % (previous year: 50.5 %), having been just 25.1 % in the middle of 2009.
Thanks to the continuing profit situation, net debt was completely eliminated over the course of the reporting year. At the end of the year, SCHWEIZER's interest-bearing liabilities were EUR 1.1 million less than its liquid funds.



Gearing incl. net indebtedness



Balance sheet structure in EUR millions

Refinancing successfully completed

From a financing perspective, the past year was marked by the successful refinancing of loans to the value of EUR 9 million, which matured at the end of December. In doing so, the company ensured that it maintained sufficient liquidity reserves while reducing interest expenses and optimising its balance structures.
The refinancing was completed strictly in line with SCHWEIZER's finance strategy. The main pillars of this strategy are financial security against fluctuations in the economy, safeguarding the autonomy of the company as well as active support for company growth. These aims are directly linked to the strategic financial objectives:

- Healthy capital structure, measured on the basis of the equity ratio of at least 35-40 %, and the net gearing, which is to be less than 90 %
- Achievement and retention of investment grade rating
- Accumulation of sufficient reserves

%	2011	2010	Target
Equity ratio	59.0	50.5	35 - 40
Net gearing	-3	11	90

The results include EUR 5.6 million of new loans while EUR 3.4 million was paid out of the operating cash flow for the reporting year. The long-term fixed interest rate for the borrowings is 3.16 % p.a., while the refinanced loans were subject to a rate of 5.57 % p.a.

At the end of 2011, SCHWEIZER had access to unused credit lines and callable loans totalling EUR 13.7 million, which were not used.

	2011	2010	2009
Cash and equivalents	-10,152,616	-10,798,034	-861,918
Liquidity	**-10,152,616**	**-10,798,034**	**-861,918**
Liabilities to shareholders	600,000	600,000	600,000
Liabilities to credit institutions	6,173,462	11,718,370	15,967,317
Liabilities to pension fund (Unterstützungskasse Christoph Schweizer e.V.)	2,304,356	2,395,290	2,128,568
Interest bearing liabilities	**9,077,819**	**14,713,660**	**18,695,885**
Net indebtedness	**-1,074,798**	**3,915,626**	**17,833,967**

Status Report

Contents

Business Activities

SCHWEIZER ELECTRONIC AG is a “best-in-class” technology company and one of Europe’s leading PCB manufacturers. In conjunction with its partners Contag and Meiko Electronics, the company forms a group that is among the largest in its sector. Within this collective, Contag is focussed on the rapid production of samples and prototypes. Meiko Electronics is responsible for mass production at low-cost locations in China and Vietnam and also has technology plants in Japan.

SCHWEIZER is a specialist for complex and technologically sophisticated PCBs. The company markets itself as a premium supplier of high-quality PCBs and innovative solutions. It attaches a great deal of importance to its role as a competent and reliable development partner to its customers. SCHWEIZER’s work addresses three technological areas as a means of providing forward-looking solutions to the current and future requirements of its customers: Power Electronics, Embedding and System Cost Reduction. The company has already developed sophisticated solutions in all three areas and is constantly working on promising new systems. The customer segments automotive, solar electronic and industry represent the focus of SCHWEIZER’s business activities.

To complements its core business, the company has also established two additional divisions. The Systems division focuses on the pioneering optimisation of control electronics, achieved through the intelligent integration of electronic components in PCBs. In the Energy division, SCHWEIZER will be investing in the production of photovoltaic cells and modules, as well as in the planning of solar farms. This key aspect of the company’s diversification strategy was announced in November 2011. The additional divisions did not contribute to the operating results in the reporting year.

SCHWEIZER ELECTRONIC AG has been listed on the stock exchange since 5 July 1989. The shares (WKN 515623) are listed in Frankfurt am Main and Stuttgart. The company holds stakes in Meiko Electronics Co., Ltd., Ayase, Japan, Schweizer Asia Ltd., Hong Kong and SCHWEIZER Energy Pte. Ltd., Singapore. As per 31 December 2011, the stake in Meiko Electronics was 1.62 %, while for Schweizer Asia Ltd., Hong Kong and SCHWEIZER Energy Ptd. Ltd., Singapore, SCHWEIZER ELECTRONIC AG holds 100 % of the shares in each case.

Business Development and Position

The overall economic situation was marked by the euro debt crisis and the resulting uncertainty on the market. This uncertainty resulted in very cautious ordering behaviour on the part of customers, particularly in the second and third quarters of 2011. One of the consequences was a cut in inventories. The fourth quarter was marked by a significant turnaround. Between October and December alone, orders to the value of around EUR 50 million were received. This revival is almost exclusively attributable to the automotive industry.

Despite the prevailing uncertainty, SCHWEIZER’s sales figures and orders on hand remained stable year-on-year, thus matching the record numbers of 2010. In the reporting year, the company achieved sales of EUR 105.4 million (previous year: EUR 105.4 million). Incoming orders amounted to EUR 103.6 million (previous year: EUR 163.0 million). At year-end the company’s orders on

hand totalled EUR 120 million (previous year: EUR 122.0 million). The decline in incoming orders compared with 2010 can be largely attributed to the significant catch-up effects following the economic crisis of 2009. A normal level was reached again in the reporting year, equating to a book-to-bill ratio of 1.0.

2011 was a year of disparate development of SCHWEIZER's most important customer segments. While the automotive and industry segments experienced a boom, the solar segment suffered significant losses compared with the previous year. In the automotive segment, the company achieved sales of EUR 58.7 million (previous year: EUR 51.6 million). Incoming orders totalled EUR 87.5 million, resulting in a segment-specific book-to-bill ratio of 1.5. This success can be mainly attributed to solutions in the fields of Power Electronics and System Cost Reduction. Sales in the industry segment (excl. solar) amounted to EUR 20.8 million (previous year: EUR 18.9 million). This again equated to an increase of more than 10 % on the record numbers of 2010. However, business development was very different in the solar electronics sector. The crisis resulting from overcapacities and price drops had a massive impact on SCHWEIZER. In 2011, sales in the solar segment totalled just EUR 18.3 million (previous year: EUR 27.9 million). Due to this 35 % decline, results for this particular segment were way below target. However, when looking at the company's results as a whole, the losses in the field of solar electronics where cancelled out by the growth in the automotive and industry segments.

The development in the customer segments also had a significant influence on the sales figures of the cooperation partner Meiko Electronics, where increases in sales to solar electronics customers were planned for 2011. However, due to the underperformance of this market segment, Meiko's share of sales failed to meet expectations. In the reporting year, sales via the low-cost sites in Asia amounted to EUR 7.8 million (previous year: EUR 8.7 million), equating to an 11 % decline from the previous year. As a result, the company's high-volume partners, and Meiko Electronics in particular, accounted for 7 % of the company's sales volume (previous year: 8 %). The PCB business of the main plant in Schramberg, on the other hand, remained very stable. In fact, the market success of product innovations allowed the Schramberg site to achieve a slight increase in sales from EUR 96,5 million in the previous year to EUR 97.5 million in 2011. Since last year, SCHWEIZER has been closely monitoring the success of its product innovations in the fields of Power Electronics, Embedding and System Cost Reduction. These key areas accounted for 29 % of sales in the reporting period (previous year: 23 %). While embedding technology is still in the pre-production phase and not expected to make significant contributions to the company results until 2014, the key area of power electronics generated 11 % (EUR 11.9 million) of SCHWEIZER's total sales, with system cost reduction accounting for 17 % (EUR 18.2 million). This targeted sales growth with products from the innovative SCHWEIZER technology spectrum represents one of the focal points of the company's future success.

The new divisions SCHWEIZER Systems and SCHWEIZER Energy are still in the start-up phase and did not contribute to company sales in 2011. These diversification efforts are expected to have a positive impact on company results as of 2013/2014.

Earnings Position

An EBIT of EUR 9.3 million (previous year: EUR 13.0 million) before special effects was achieved in the reporting year, which equates to an EBIT margin of 8.8 %. The negative special effects to the value of EUR 1 million can be attributed to the lasting impact of the fire event of 2005. In 2010, following a final evaluation according to the tax balance sheet approach, a revaluation of fixed assets resulted in a positive special effect for that year.

For SCHWEIZER, 2011 was marked by a rise in the cost of input factors and lower utilisation of the plant in the fourth quarter. Despite lower overall performance, personnel expenses rose to EUR 34.1 million (previous year: EUR 31.5 million). This increase is the result of the partial restoration of extended working hours following the fire event as well as salary adjustments. The consequence of these factors was a EUR 1.8 million increase in personnel costs compared with the previous year. In response to the weak fourth quarter, the number of employees was reduced to 670 (previous year: 738) through the release of temporary workers. The majority of materials also experienced an increase in price levels. This development can be mainly attributed to expiring long-term contracts for raw materials and an increase in energy prices. The rising price pressure resulting from the under-utilisation of many competitors in 2011 made it largely impossible to pass these increases on to customers. Consequently, the cost of materials ratio in the Schramberg business unit rose to 43 % (previous year: 41 %), which equates to a drop in earnings of EUR 2.2 million. Despite consistent sales levels, the PCB square meterage produced in 2011 was approx. 10 % less than in the previous year. One factor contributing to this development was the stock reduction in Schramberg to the value of EUR -1.4 million (previous year EUR +2.8 million). On the other hand, the revenue per square metre of PCBs sold in 2011 rose 13 % year-on-year.

Financial Position

At the end of the 2011 business year, the company's cash on hand amounted to EUR 10.2 million (previous year: EUR 10.8 million).

The cash flow from operating activities totalled EUR 11.2 million (previous year: EUR 12.3 million). In 2011, the lower EBITDA before special effects of EUR 13.2 million (previous year: EUR 17.4 million) was largely offset through other items.

The cash flow from investment activities was EUR -4.7 million (previous year: EUR -6.9 million). While 2010 was still characterised by the financial investments in Meiko Electronics (EUR 4.6 million), all investments in the reporting year served the purpose of eliminating bottlenecks, supporting product innovations and consolidating information technology in the Schramberg plant.

2011 was a year of refinancing and debt elimination for the company. While the previous year's cash flow from financing activities still amounted to EUR +4.6 million, outgoing funds for the reporting year totalled a net amount of EUR -7.1 million. The main contributing factor was the servicing of maturing loans to the value of EUR 9.0 million. These were refinanced with new loans totalling EUR 5.6 million, with the balance paid out of the company cash flow. In addition, dividend payouts to the value of EUR 1.6 million were made to shareholders.

Net Asset Position

Total assets for the reporting year amounted to EUR 71.2 million (previous year: EUR 73.2 million).

The balance sheet structures continued to improve over the course of the reporting year. At year-end, the company's equity capital was EUR 42.0 million (previous year: EUR 37.0 million), as a result of which the equity ratio increased to 59.0 % (previous year: 50.5 %).

Company debt was reduced in the reporting year. While net indebtedness still amounted to EUR 3.9 million in 2010, this value was reduced to EUR -1.1 million: SCHWEIZER's short-term liquidity thus exceeds its interest-bearing liabilities. As a result, net gearing was reduced to -3 % (previous year: 11 %). The total liabilities of the company were reduced by 31.2 % to EUR 15.0 million (previous year: EUR 21.8 million). The main reason for this development is the reduction of liabilities to credit institutions from EUR 11.7 million in the previous year to EUR 6.2 million in the reporting period. Due to the high level of liquid funds, new loans totalling EUR 5.6 million were taken out to refinance the loans of EUR 9.0 million maturing at the end of 2011.

Legal Framework

The company's share capital of EUR 9,664,053.86 is divided into 3,780,000 no-par-value shares (individual shares). The Management Board is not aware of any restrictions relating to voting rights or the transfer of shares.

As per the reporting date, the community of heirs of Gerhard Schweizer, comprising Ms Hannelore Schweizer, Ms Kristina Schweizer and Mr Bernd Schweizer, as well as Mr Christoph Schweizer each holds a direct or indirect stake in excess of 10 % of the company capital and voting rights. No shares exist with special rights or voting right control in the case of participating interests of employees.

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

The regulations governing amendments to the Articles of Association, as set out in Section 179 of the of the Stock Corporation Act and in Section 17(2) of the Articles of Association, are as follows: Resolutions of the annual general meeting regarding amendments to the Articles of Association and dissolution of the company are subject to the legally prescribed majority requirements.

By resolution of the annual general meeting of 1 July 2011, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital until 30 June 2016 by up to EUR 3,221,351.29 by issuing new, no-par-value shares in return for contributions in cash and/or in kind (authorised capital). In the process, the shareholders must

be granted a subscription right. However, the Management Board was authorised, subject to the approval of the Supervisory Board, to exclude the subscription right a) for fractional amounts; b) for the issuance of new shares against cash contributions if the pro rata amount of capital stock attributable to the new shares does not exceed 10 % of the share capital on the date of entry of this authorisation in the commercial register (EUR 9,664,053.86) and – in total – does not exceed 10 % of the share capital on the date of issuance of the new shares, and if the issue price of the new shares is not substantially lower than the stock exchange price of the company's shares of the same class and structure on the date of final determination of the issue price (Section 203(1) Clause 1 in conjunction with Section 186(3) Clause 4 AktG); c) for the issuance of new shares against contributions in kind for the purpose of acquiring companies, parts of companies or stakes therein. This authorisation is regulated in Section 4(4) of the Articles of Association.

No use was made of this authorisation in the reporting period.

By resolution of the annual general meeting of 1 July 2011, the Management Board is authorised until 30 June 2016 to acquire own shares up to a total value of 10 % of the share capital at the time of the resolution (EUR 9,664.053.86) for purposes other than trading in own shares. Together with the other shares held by the company or to be treated as such in accordance with Sections 71 a et seqq. of the German Stock Corporation Act (AktG), the acquired shares must not at any time constitute more than 10 % of the share capital at the time of the resolution.

The Management Board is also authorised, subject to the approval of the Supervisory Board, to retire own shares purchased under the terms of this authorisation without such retirement or its implementation requiring a further resolution on the part of the annual general meeting. All aforementioned authorisations may be exercised by the company wholly or in part, once or several times, in pursuit of one or more purposes. The authorisations – with the exception of the authorisation to retire own shares – may also be exercised by third parties acting on behalf of the company.

No use was made of the authorisation to acquire own shares in the reporting period.

The regulations regarding the remuneration of the Management and Supervisory Boards are detailed in the remuneration report.

The annual general meeting decided on 1 July 2011 to forego the stipulations of Section 285 no. 9 a Clause 5 to 8 and Section 314(1) No. 6 a Clause 5 to 8 of the German Commercial Code (HGB) relating to the disclosure of individual Management Board remuneration. This applies to the company financial statements and any consolidated accounts to be created for the business years 2011 to 2015.

Employees

Particular mention must be given to the exceptional loyalty and commitment of the employees, without whom the successes of 2011 would not have been possible. This applies particularly to the flexibility of the workforce in the face of fluctuating utilisation of production capacities, for which additional framework conditions were created. SCHWEIZER employees were included in the company's success in the form of granted salary increases and a profit-sharing scheme.

Company management recognises the loyalty and openness of employees and extends its thanks to everyone involved.

In 2012, SCHWEIZER will focus on increasing flexibility as well as employee training and acquisition.

Changes to the Boards

On 27 July 2010, the Supervisory Board appointed Mr Nicolas-Fabian Schweizer (35) as the company's Chief Human Resources Officer (CHRO) for a period of 5 years from 1 April 2011. The board thus consisted of three members up to 31 March 2011 and has comprised four members since 1 April 2011.

Procurement

The reporting year was characterised by the return to normal of the delivery capability and the delivery times of SCHWEIZER's suppliers. The temporary delivery bottlenecks of 2010 were not experienced in the reporting year due to increases in capacity on the supplier side and the economic slowdown in 2011. The European supplier base remains stable. Thanks to the rapid recovery of the economy in 2010, the rating and creditworthiness of suppliers have improved on average.

Purchase prices increased again in 2011, particularly in the case of raw materials, such as gold salts, as a result of expiring long-term supply agreements.

Research and Development

R&D plays a key role at SCHWEIZER. The company therefore pressed ahead with its R&D efforts in 2011, despite the continued cost discipline. SCHWEIZER research anticipates trends, customer wishes and requirements and serves as the basis for the development of products that are ready for series production. The company aims to provide customers with products and tailored solutions, and has aligned its technology portfolio and core competencies accordingly. The results of the company's research and development are protected by means of systematic property rights management.

In addition to its close cooperation with customers in joint development projects, SCHWEIZER also uses the services of partners to achieve its ambitious R&D goals. Particularly in the face of

future technological challenges and the need to bring products to market as quickly as possible, this close interaction is an absolutely essential requirement. In all its joint research and development work, SCHWEIZER ensures that it retains the core competencies for the relevant technologies.

The activities in the 2011 business year can be grouped into four categories:

- In the Power Electronics category, further solutions were developed for high-performance automotive applications to reduce fuel consumption and CO_2 emissions while enhancing safety. In this area, SCHWEIZER is responding to the growing use of components with high thermal dissipation by providing intelligent cooling solutions. In addition, new solutions have been developed for PCB-based LED applications, which represent a more cost-effective alternative to ceramics solutions.

- In the Embedding category, the company is working hard to make its embedding applications ready for series production. In this context, the company has founded the SCHWEIZER Systems division in response to the growing trend towards miniaturisation and ever-increasing functionality in minimal spaces.

- The category System Cost Reduction" comprises solutions of the company's own technology spectrum that facilitate the reduction of the customer's overall system costs. In this area, SCHWEIZER has greatly enhanced its knowledge and experience in the field of high-frequency applications for driver assistance systems. In addition, the company's introduction of substitute technologies for ceramic interconnect devices based on highly integrated organic PCBs with universal surfaces was met with a high level of willingness on the part of customers to explore new paths, particularly in the face of great cost pressure.

- In the area of "product and process development", SCHWEIZER is expanding its process roadmap in order to provide optimum and stable production processes for its product developments. This tried-and-tested, quality-based procedure also supports the ongoing reduction of process costs. The company also introduced new processes, such as the NiPdAu surface finish to serve the growing market for gold bond applications.

In 2011, spending on research and development totalled EUR 2.3 million.

Quality and the Environment

Conservation of resources and sustainable economic activity are top priorities for SCHWEIZER. These approaches have been incorporated in an integrated management system based on the international quality standards ISO 9001 and ISO/TS 16949. Regular internal audits, customer audits and inspections carried out by independent third parties confirm compliance with the management system for the 2011 business year.

On the subject of environmental protection, it is significant to note that back in 2008, SCHWEIZER was one of the first PCB manufacturers to implement exhaust air treatment using bacteria in place of the energy-intensive combustion method. SCHWEIZER has also made progress in terms of consolidating the environmental management system in line with ISO 14000. The envi-

ronmental management system and its enhancement remains a set part of the management system.

Supplementary Report

No results came to light after the reporting date which had a significant influence on SCHWEIZER's earnings, net assets and financial position.

Risk Management Report

Risk Management

One of the main duties of a listed company is the continuous monitoring and management of risks. SCHWEIZER ELECTRONIC AG has therefore established a system to identify risks at an early stage, which meets the requirements of Section 91(2) of the German Stock Corporation Act (AktG). Against the backdrop of constantly changing external market and internal company conditions, the focus areas are continuously adapted and developed.

The main task of the risk management system is to identify risks at an early stage so that suitable countermeasures can be implemented in good time. In principle, it is the job of each and every employee to actively avert all imminent risks to the company. The risk system is therefore recorded in a management document that is accessible to all employees and that includes planning, information and controlling processes. A cross-hierarchy reporting system ensures that management receives accurate information.

SCHWEIZER identifies and analyses potential risks in a rolling process. Imminent risks are evaluated according to a standardised classification system. The probability of occurrence, likelihood of detecting the risk and the potential economic damage if the risk were to occur are the crucial factors determining how intensively individual risks are monitored. For risks with a higher danger rating, corresponding plans for implementing measures to avert the risk are defined in advance. If the assessment of a certain risk situation changes, set processes define how suitable measures are taken as quickly as possible.

SCHWEIZER divides the most significant risks into external, operational, financial and organisational risks. The economic environment, industry trends, competitive situation, technological progress, the capital market, as well as legal parameters can all entail external risks, while operational risks are those that can occur during the implementation of customer orders. Sales, profit and liquidity planning make up the financial control parameters.

The risks pertaining to the financial accounting process are described in the section entitled "Characteristics of the internal control and risk management system with regard to the financial accounting process". Organisational risks primarily occur in the areas of personnel, information technology and general organisation.

The company strives continuously to improve the early detection and management of opportunities and risks. This process relies on valuable information from two sources: Firstly, Quality Management monitors the situation as part of its internal and special audits, and secondly, the auditors look at the design and function of the early risk detection system.

Significant Risks

The financial stability of SCHWEIZER ELECTRONIC AG showed further tangible improvement in 2011. Despite weaknesses in individual market segments and the uncertainty regarding future economic development triggered by the financial crisis in the euro countries, sales and orders on hand remained stable.
Nevertheless, significant risks are posed by the advancement of the company and the markets.

Currency Risk
Due to its international integration, SCHWEIZER is subject to exchange rate risks and opportunities. In particular, supplies from the strategic cooperation partner Meiko Electronics are paid for in US dollars, meaning that material expenditure is subject to an exchange rate risk. The majority of the company's sales markets, however, are located in the Euro area. Consequently, US dollar requirements exceed US dollar income. The hedging tools used by SCHWEIZER ELECTRONIC AG take into account existing foreign currency receivables and payables as well as expected payment flows. Derivative financial instruments are used in order to reduce currency risks and secure the calculation basis for customer orders. Currency risks are monitored and managed centrally.

Exercise Risks
For SCHWEIZER, the consolidation of the PCB industry in Europe has had a positive effect on the sales markets. However, it has also resulted in additional risks on the procurement side from Germany and Europe. Lower demand for PCB-type materials from Europe could result in major European suppliers ceasing their activities. SCHWEIZER is therefore putting in efforts now to guard against such a scenario with the multiple qualification of materials, to prepare for alternative procurement from other continents.

SCHWEIZER is highly successful in the power electronics innovation area. The management of high currents and heat means increased use of raw materials on the procurement side, particularly copper. The extremely volatile raw material prices in recent years mean that there is a calculation risk. This risk is countered by concluding long-term contracts with suppliers in good time. SCHWEIZER therefore does not conclude futures contracts. The most important raw materials (copper, gold, aluminium) are monitored on a weekly basis. In addition, the current and expected price level of the most important materials as well as the creditworthiness and delivery performance of suppliers are made available to management in the quarterly purchasing report.

Credit Risk

Weakness in the solar industry once again led to increased dependency on the automotive industry during the reporting year. As this industry sector is subject to cyclical variations, there is a risk of insolvencies and associated bad debt losses. In order to diversify risk, SCHWEIZER believes it is important to win new customers, including medium-sized companies. Yet new customers also mean increased risk in terms of creditworthiness, therefore managing the risk of bad debt is extremely important for SCHWEIZER. Customers' creditworthiness is monitored constantly based on external credit ratings and internal findings, such as changes in payment history and press reports. Trade credit insurance is not offered. Customers are split into different creditworthiness categories and the payment conditions, and thus the maximum liability, are adjusted accordingly in line with the risk. These assumptions are continuously monitored in weekly credit risk meetings, ensuring the relevant sales employees are made aware of critical issues in good time. Monthly management reports provide details of changes involving major customers.

Production Risks

SCHWEIZER's competitive edge is founded in particular in its capacity to innovate and the speed with which it does so, even in the face of complex problems on the part of its customers. This leads to increasing complexity and higher value of the products it manufactures. This in turn leads to heightened risks for the production of such new, high-value products with respect to the stabilisation of new production processes, production quality and reject rates. These risks are countered by involving the people responsible for production, processes and purchasing heavily in the development phase of a new product. Once production is underway, regular interdisciplinary team meetings are held, during which problems with processes are addressed and resolved.

The production network with partners Contag and Meiko Electronics means that part of the value creation no longer takes place solely in the SCHWEIZER production facilities. It is not possible to monitor quality aspects and delivery reliability at external partners to the same extent as in your own organisation. Therefore, to minimise the potential risk, SCHWEIZER has introduced a "safe launch" concept to identify quality risks in the start-up phase, both at the partner's site and in the main plant in Schramberg.

Characteristics of the internal Control and Risk Management System with regard to the financial Accounting Process

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

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

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

Corporate Governance Statement in Accordance with Section 289a of the German Commercial Code (HGB)

The corporate governance statement can be found on the web page at the following address:
http://www.schweizer.ag/en/investor-relations/corporate-governance.html

SCHWEIZER ELECTRONIC AG is committed to the principles of responsible leadership and controlling, and thus complies with the recommendations of the German Corporate Governance Codex governmental commission. Exceptions are explained in the Declaration of Conformity. Details of this can be found on the web page at the following address:
http://www.schweizer.ag/en/investor-relations/corporate-governance.html

Remuneration Report

The remuneration of the SCHWEIZER ELECTRONIC AG Management Board consists of a fixed and a variable element. The latter is divided into a component geared towards the achievement of defined targets for the respective current business year as well as a component with a long-term incentive effect and a proportion of risk. The modified corporate law regulations governing Management Board remuneration according to the German Act on the Appropriateness of Management Board Compensation (VorstAG) as of 31 July 2009, apply to Management Board contracts. Contracts issued before 31 July 2009 have been modified accordingly. The fixed income component of the Management Board's remuneration is not tied to the achievement of defined targets and is paid monthly. The variable income component, which relates to the targets for a business year, is geared towards the attainment of certain quantitative and qualitative targets. The

quantitative targets – to which the greatest weight is assigned – are Economic Value Added® (EVA®) and the improvement of the Economic Value Added® compared with the previous year (ΔEVA). In addition to these, individual strategic objectives, agreed upon with the members of the Management Board, are taken into consideration. This remuneration component is paid upon verification and approval of the financial statement by the supervisory board. The amount is determined by the level of goal attainment and is capped. In addition to these two board remuneration components, there is also a Long Term Incentive Program ("LTIP") for Management Board members. The LTIP is a remuneration component that offers a long-term incentive effect and a proportion of risk in the form of a "share matching" plan with a four-year ban on sale.

Mr Nicolas Schweizer was appointed to the Management Board on 1 April 2011. His earnings are therefore included for nine months. In the 2011 business year, the Management Board's earnings totalled EUR 1.056 million (fixed), EUR 736,000 (variable) and 11,695 shares for long-term goals.

The members of the SCHWEIZER ELECTRONIC AG Management Board are covered by directors and officers liability insurance ("D&O") with an excess – since 5 August 2009 – of at least 10 % of the damage, up to a maximum of one and a half times their fixed annual remuneration, in accordance with the German Stock Corporation Act (AktG).

The remuneration of the supervisory board is regulated in Section 13 of the Articles of Association. In addition to the reimbursement of expenses, each member receives a fixed remuneration component of EUR 8,000 per business year as well as a variable remuneration of EUR 400 for each EUR 0.01 by which the dividend declared at the annual general meeting exceeds a dividend of EUR 0.10 per share with full dividend entitlement distributed to the shareholders. The chairman is paid double and his deputy one and a half times this amount. Members of supervisory board committees also receive a fixed annual remuneration of EUR 2,000. The total remuneration of the supervisory board in 2011 came to EUR 74,000 (fixed) and EUR 126,000 (variable).

Financial Disclosure

Acquisition and Sale of Company Shares

In accordance with Section 15a of the German Securities Trading Act (WpHG), the members of the Management Board, employees with managerial functions and members of the Supervisory Board or persons closely associated with them are legally obliged to disclose the acquisition and sale of shares in SCHWEIZER ELECTRONIC AG where the value of the business conducted by the member and persons associated with him amounts to EUR 5,000 or more within one calendar year. The dealings reported to SCHWEIZER ELECTRONIC AG during the last business year were duly disclosed and can be viewed on the company's web page at http://www.schweizer.ag/en/investor-relations/corporate-governance/directors-dealings.html.

Share Holdings as per 31 December 2011

Management Board: 907,303 shares. One member of the Management Board is also a member of a community of heirs that holds 576,520 shares.

Supervisory board: 866,000 shares. One member of the supervisory board is also a member of a community of heirs that holds 576,520 shares.

Forecast Report

SCHWEIZER Electronic – Core Business in PCBs

According to analyst forecasts, the global PCB market, with a current volume of around USD 56 billion, is expected to grow by a further 5 % in 2012, with an estimated average annual growth of 5 % year-on-year until 2015.

At USD 40.5 billion, the Asian share (excluding Japan) of the world market accounts for around 72 % and will continue to be influenced for the most part by the “three big Cs” (computing, communication and consumers), which at approximately USD 47 billion, account for an 84 % share of the PCB market. Smartphones and tablet PCs continue to be the main growth drivers in Asia in 2012. PCB companies in these two fields continue to experience good production capacity utilisation, whereas Asian capacity utilisation in the other sales segments was already much weaker as of the second half of 2011. The first small positive indications of an increase in utilisation were seen after the Chinese New Year.

The PCB business unit of SCHWEIZER ELECTRONIC AG is predominantly affected by European customer groups with global positioning. At USD 2.4 billion, Europe occupies a 4.3 % share of the world market.
Unlike the Asian market, the two largest market segments in Europe are automotive (18.4 % and USD 0.44 billion) and industry including solar (37.5 % and USD 0.9 billion).

Predictions concerning the development of the PCB market in Europe are varied; while the German Electrical and Electronic Manufacturers’ Association (ZVEI) predicts growth of 4 % for 2012, analysts believe we will see a slight dampening of the market. From its current position, SCHWEIZER believes a lateral movement is most likely.

Automotive and Electromobility represent Growth Drivers for SCHWEIZER PCBs in 2012

2012 is turning out to be a bridge year in the solar electronics segment with continued great uncertainty on the market side. Despite this, analysts are keeping to their positive long-term forecast, which is supported by the new growth markets of Asia/Pacific and the Americas. Until these new markets supplement the European market effectively in the years ahead, SCHWEIZER expects falling sales and increasing price pressure. The company therefore predicts a drop in solar sales in the Schramberg business unit for 2012. Likewise, it does not expect an increase in large-scale production (Meiko production) of PCBs for the solar industry.

The industrial electronics market is not expected to grow significantly in 2012. If global investment activities decrease considerably, the possibility of a drop in sales with mechanical engineering customers cannot be ruled out. Dealings with customers in niche markets within the industrial electronics sector are continuing on a positive trend.

The main impetus in the automotive sector will continue to come from the Asian end markets of SCHWEIZER customers. The increase in the use of electronics as well as new applications for electromobility provide promising growth opportunities for the company.
For this reason, SCHWEIZER expects continued growth in sales in the automotive segment, enabling it to compensate for the weaknesses in the other sales markets in the Schramberg business unit in 2012.

The main risks, as far as SCHWEIZER is concerned, continue to be the ongoing consequences of the debt crisis, risks of recession in Europe, continued movements in commodity prices and exchange rates, as well as market fluctuations in the automotive sector, which are dependent on the future development of the supporting sales markets in the BRIC nations.

Further Increase in Research and Development

The major investments for innovations in the Schramberg technology site made during 2010 and 2011 are paying off. For example, SCHWEIZER innovations are resolving the technological challenges faced in the automotive segment concerning hybrid and electromobility. In response to growing demand for innovative products, particularly in the area of power electronics, SCHWEIZER is strengthening its development teams in 2012.

Investment in Asia with the strategic partner Meiko Electronics is focussed on the expansion of the production facility in Hanoi, Vietnam.

SCHWEIZER Systems

The SCHWEIZER Systems division addresses the trend for miniaturisation and ever-increasing functionality in minimal spaces. For example, semiconductors and, if required, passive components are embedded inside the PCB on the basis of SCHWEIZER's own embedding technologies. Thus, SCHWEIZER Systems increases the added value in house compared with the current PCB technology from SCHWEIZER ELECTRONIC AG.

There are two main objectives for 2012: Firstly, to attain series-production readiness for technologies in customer applications and secondly, to forge partnerships for additionally required core competencies.

Typical applications for SCHWEIZER Systems include electronic control units (ECU), motor drives, DC/DC and AC/DC converters as well as consumer and communications applications and semiconductor packaging.

Thus SCHWEIZER is addressing both the challenges of the growing electromobility markets

(eMobility) and the issue of CO_2 reduction with classic drives in the automotive sector. The embedding of logic components is also relevant for the communication markets.

In addition to their specific characteristics, all SCHWEIZER Systems technologies pursue four goals:

- Miniaturisation in all dimensions
- Improvements in electrical and thermal performance
- Active protection of intellectual property (customer-specific ICs can be “hidden” in the PCB)
- Solutions with the potential to reduce the system costs of customer applications

Every customer application has different requirements. SCHWEIZER Systems’ answer to this has been to develop a modular embedding system in the same way as for power electronics. This modular system meets the following challenges and customer requirements:

- The i^2 Board (integrated interposer board) was developed to enable the embedding of logic semiconductors with horizontal current flow. The approach with indirect pad contacting makes the i^2 Board ideally suited for motherboard embedding.
- The p^2 Pack (power PCB pack) was developed to enable the embedding of power semiconductors with vertical current flow. This allows current ceramics solutions to be realised more cost effectively.
- The μ^2 Pack (µ thin, µ pitch board) was developed to allow the creation of smaller, thinner and multi-chip modules with direct pad contacting.

SCHWEIZER Energy

The SCHWEIZER Energy division focuses on the generation, sale and storage of energy as well as software and advisory services. To ensure growth, SCHWEIZER invests primarily in the most profitable areas of the most rapidly expanding markets.

SCHWEIZER Energy, the new division currently under development, will have three focus areas in 2012:

- Establishing global sales partnerships for high-efficiency modules
- Opening its own sales channels in the Asia/Pacific region, particularly in China
- Building and starting up the first 100 MW production line for high-efficiency cells and modules in Nantong, China. The sales launch is planned for the first half of 2013, with the exact timing to be decided by SCHWEIZER to coincide with the expected recovery of the sales markets.

The new division is described in more detail below:

Analysts have confirmed the positive global long-term prognosis for photovoltaics, not least due to ever increasing energy requirements, particularly in the emerging countries/BRIC nations, and rising energy prices.

According to leading industry experts, the global photovoltaics market is expected to grow from 16.4 GWp in 2010 to 31.7 GWp in 2015, representing a CAGR of 14.1 %. However, in the wake of

the sharp declines of 2011, regional segmentation shows that by 2015 with a figure of 15.0 GWp, the European market will have only just exceeded 2010 levels (approx. 13.1 GWp). Considerable growth is expected in the two Americas sales regions with a CAGR of 44.2 % (2010: 1.2 GWp, 2015: 7.5 GWp) as well as in the Asia/Pacific region in particular. Here, the market is expected to grow from 1.8 GWp in 2010 to 8.2 GWp in 2015, representing a CAGR of 36.7 %.

When assessing prospects for growth, SCHWEIZER believes that it is also essential to segment by technologies.

39.7 % of global demand, totalling 16.4 GWp, was covered by poly-Si technologies in 2010. This segment has become a “demand-supply-model”, whereby excess capacity currently exists, which has led to considerable price erosion. This in turn has instigated a continuing selection process within companies. Growth prospects for poly-Si modules with a CAGR of 13.7 % (2010: 6.5 GWp, 2015: 12.3 GWp) lie within a very moderate range. On the other hand, growth prospects for mono-Si high-efficiency modules with a CAGR of 56.1 % (2010: 1.1 GWp, 2015: 9.9 GWp) are rated positively. Two companies currently occupy this growing technology segment for the most part. A well-known consulting firm commissioned by SCHWEIZER rated the opportunities for market entry as positive, forecasting that demand will exceed production capacity for high-efficiency modules with optimum price-performance ratio in the coming years.

SCHWEIZER is concentrating on this technology in combination with the Asia/Pacific growth region.

Investment against the Trend

With its counter-cyclical investment, SCHWEIZER intends to participate in the expected positive development of the photovoltaics market, firm in the belief that now is precisely the right time to enter the solar business. With its planned production line, the company will be well positioned to respond directly to future demands for high-efficiency modules.

High-efficiency Modules are the Key

The photovoltaics market (“PV”) is experiencing increasing demand for high-efficiency modules, meaning that the present shortage of supply will only worsen in the future. Not least due to their excellent price/performance ratio, high-efficiency modules can facilitate the rapid establishment of grid parity and thus enable the generation of competitively priced electricity. Another important factor is that the rising prices of power gained from conventional fossil energy sources are likely to continue in future. Nevertheless, PV production is facing enormous challenges: Optimum process technology and high production yield are essential requirements. In the face of permanent pressure to reduce costs in cell production, the use of state-of-the-art, innovative technologies of the next system generation for PV production is an essential means of increasing efficiency while achieving the necessary long-term cost savings.

Partnership with Schmid Group – Global Leader in Production Lines in the PV Field

The company's strategic technology partner for the first production line is the Schmid Group, based in Freudenstadt, Germany. Schmid is a highly experienced, long-standing equipment supplier to SCHWEIZER ELECTRONIC AG and the global leader in turnkey production lines for wafer, cell and module production in the area of PV. The Schmid production facilities utilise by far the most successful selective emitter technology, of which 6 gigawatts (GW) have been sold and, for the most part, are already in production operation. In addition, the planned new production site will see the first use of the revolutionary contact-free "HiMet" metallization technology with laser transfer and nanoparticle inkjet printing. This represents an ideal basis for this production site becoming a milestone for the next generation of cell and module production.

Asia an emerging Market in the PV Field

When deciding on a location for the production facility in China, the key factors were attractive conditions in terms of location and logistics, as well as an investment agreement with the city of Nantong. SCHWEIZER welcomed on board a strategic co-investor for this project, with an extensive network in the Asian region. The start of production is planned for 2013. The SCHWEIZER management team in Asia is overseeing the construction of the plant. The local team has extensive experience in the PV industry and is supported by a team of experts from the Schmid Group.

PV Production and Sales from a single Source

In addition to establishing PV production, SCHWEIZER is working in parallel on establishing its own sales channel in Asia. In addition to the planned manufacture of photovoltaics products, SCHWEIZER Energy will assume the role of system integrator and provide advice, planning services and installation monitoring for solar farms, as well as their maintenance and operation in the After Sales Service area.

At Home on foreign Soil

The target market of SCHWEIZER Energy is the Asia-Pacific region and China in particular. The company plans to distribute cells and modules through international sales partnerships, but also on the local market. The Asian market for renewable energies is developing at a rapid rate and thus offers excellent opportunities for market entry and growth. Moreover, thanks to its former business dealings as part of the Pentex-Schweizer joint venture (1983 onwards), SCHWEIZER is still extremely well connected in this region and a recognised technology leader.

Foundations laid for Sales Channels in China

In 2011, SCHWEIZER Energy concluded two letters of intent with the joint venture company Sino Singapore for the planning of solar farms in two of China's most important eco-cities (Guang-

zhou Knowledge City and Nanjing Eco High-Tech Island). The joint venture is the result of an agreement between China and Singapore to collaborate on the construction of resource-friendly, environmentally and socially sustainable cities in China. This means that SCHWEIZER already has some established sales channels and in future will be able to market the modules produced in its own plant in Nantong.

The main risks that SCHWEIZER envisages with photovoltaics in the Energy segment are a decline in growth in the Americas and Asia/Pacific markets, prolonged market weakness in Europe, the financial feasibility of investments in photovoltaics, new competitors in high-efficiency modules, as well as the continued movements in commodity prices and exchange rates.

SCHWEIZER Group

Favourable profit margins in the PCB business unit provide an excellent foundation for further internationalisation and diversification

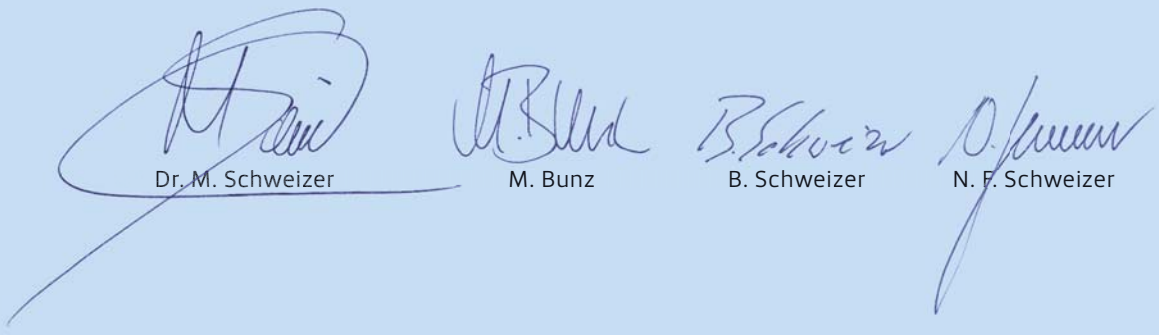
Despite market weaknesses, SCHWEIZER is currently expecting sales revenues of between EUR 105 and 110 million for 2012 in the PCB business unit. It expects margins to remain at a stable level of around 8-10 % EBIT. For 2013, the company predicts growth in line with the overall market.

SCHWEIZER can compensate for the drop in sales in solar electronics with new, innovative products for the automotive industry in the Schramberg business unit. On the other hand, the company's growth plan with high-volume products at Meiko will take a much flatter course in 2012 due to the weakness of the solar electronics market. The boosting of automotive volumes in large-scale production at Meiko is affected by the long qualification lead times that are customary in the industry.

SCHWEIZER plans to generate positive contributions to sales and results with the new Energy division currently being set up, though the necessary expenditure will reduce the 2012 Group result by around 2 % EBIT points.

Schramberg, 15 February 2012

The Management Board



Dr. M. Schweizer M. Bunz B. Schweizer N. F. Schweizer

Balance Sheet

Assets

		31/12/2011	31/12/2010
	EUR	EUR	€ thousands
Fixed assets			
Intangible assets	232,623		293
Tangible assets	31,738,067		31,972
Financial assets	4,657,970		4,640
		36,628,660	**36,905**
Current assets			
Inventories	12,130,044		14,076
Receivables and other assets	12,140,284		11,321
Cash on hand, bank balances	10,152,616		10,798
		34,422,944	**36,195**
Prepayments and accrued income		**102,102**	**99**
		71,153,706	**73,199**

Liabilities

		31/12/2011	31/12/2010
	EUR	EUR	€ thousands
Equity capital			
Subscribed capital	9,664,054		9,664
./. Own shares	-25,284		-44
	9,638,770		**9,620**
Capital reserves	21,589,429		21,489
Profit reserves			
Other profit reserves	5,698,368		4,229
Balance-sheet profit	5,053,113		1,620
		41,979,680	**36,958**
Provisions			
Provisions for pensions and similar obligations	6,942,236		6,786
Additional provisions	7,221,657		7,564
		14,163,893	**14,350**
Liabilities			
Liabilities to credit institutions	6,173,462		11,718
Trade payables	3,342,188		4,720
Liabilities to affiliated companies	2,304,356		2,395
Other liabilities	3,158,462		2,995
		14,978,468	**21,828**
Prepayments and accrued income		31,665	63
		71,153,706	**73,199**

Income Statement

In €	2011	2010
Sales revenue	105,351,956	105,394,951
Reduction (PY increase) in stocks of finished and unfinished goods	-2,035,568	3,019,905
Other internally produced and capitalised assets	89,321	154,954
	103,405,709	**108,569,810**
Other operating income	3,782,596	7,619,067
of which income arising from currency conversion EUR 204,020 (PY EUR 135,486)		
Material costs		
Costs for raw materials and supplies and for purchased goods	-41,257,407	-42,092,875
Costs for purchased services	-6,594,834	-6,496,073
Personnel costs		
Wages and salaries	-28,662,569	-26,409,447
Social contributions and expenses for pension provisions and for support	-5,439,312	-5,070,921
Depreciation of tangible and intangible assets	-4,956,733	-5,448,874
Other operating expenses	-12,003,347	-13,762,918
of which expenses arising from currency conversion EUR 139,808 (PY EUR 55,094)		
Other interest and similar income	138,713	38,654
Interest and similar expenses	-1,171,184	-1,414,086
of which expenses arising from increased interest EUR 415,031 (PY EUR 427,779)		
Result from normal business activities	**7,241,632**	**15,532,337**
Extraordinary income	0	115,300
of which expenses from application of Section 66 and 67(1) to (5) EGHGB (transitional regulations regarding BilMoG) EUR 0 (PY EUR 115,300)		
Extraordinary expenses	0	-969,784
of which income from application of Section 66 and 67(1) to (5) EGHGB (transitional regulations regarding BilMoG) EUR 0 (PY EUR 969,784)		
Extraordinary result	**0**	**-854,484**
Taxes on income and revenue	-692,583	-1,142,930
Other taxes	-82,084	-91,016
Annual net profit	**6,466,965**	**13,443,907**
Profit carried forward (PY loss carried forward)	36,148	-13,274,313
Withdrawals from the other profit reserves	0	1,450,000
Deposits in the other profit reserves	1,450,000	0
Balance-sheet profit	**5,053,113**	**1,619,594**

Cash Flow Statement

In € thousands	2011	2010
1, Cashflow from current business activities		
Period results	6,467	13,444
Depreciations/write-ups on fixed assets	4,957	4,560
Modifications to the provisions	-148	3,685
Other non-cash revenue/expenses	101	-4,480
Profit/losses from divestments of assets	3	-33
Modification to the inventories, the trade receivables and other assets	1,124	-6,624
Modification to trade payables and other liabilities	-1,336	1,702
Cashflow from current business activities	**11,168**	**12,254**
2, Cashflow from investment activities		
Receipts from divestments of tangible fixed assets	58	41
Payments for investments in the tangible fixed assets	-4,656	-2,163
Payments for investments in the intangible fixed assets	-68	-176
Payments for investments in the financial assets	-18	-4,640
Cashflow from investment activities	**-4,684**	**-6,938**
3, Cashflow from financial activities		
Receipts from equity inputs (sale of own shares and capital increase)	0	8,869
Payments to company owners	-1,584	0
Receipts from the take-up of financial loans	5,600	0
Payments for the amortisation of financial loans	-11,145	-4,249
Cashflow from financial activities	**-7,129**	**4,620**
4, Fund for financing purposes at period end		
Cash modification to fund for financing purposes (sub-total 1-3)	-645	9,936
Fund for financing purposes at period start	10,798	862
Fund for financing purposes at period end	**10,153**	**10,798**
5, Composition of fund for financing purposes		
Liquid funds = fund for financing purposes at period end	**10,153**	**10,798**

Statement of Changes in Equity

In €	Subscribed capital	Own shares	Capital reserves	Generated equity		Equity according to balance sheet
				Profit reserves	Balance-sheet profit/loss	
31.12.2009	9,203,254	0	14,111,656	5,629,113	-13,274,313	15,669,710
Adjustment of disclosure of own shares due to Accounting Law Modernisation Act	0	-504,116	0	-521,288	0	-1,025,404
Issue of shares	460,800	0	3,769,200	0	0	4,230,000
Sale of own shares	0	460,163	3,608,011	571,237	0	4,639,411
Liquidation of profit reserves for purposes of profit distribution	0	0	0	-1,450,000	1,450,000	0
	460,800	-43,953	7,377,211	-1,400,051	1,450,000	7,844,007
Annual net profit	0	0	0	0	13,443,907	13,443,907
31.12.2010	9,664,054	-43,953	21,488,867	4,229,062	1,619,594	36,957,624
Issue of own shares to Management Board (variable remuneration for 2010)	0	18,669	100,562	19,306	0	138,537
Paid dividends	0	0	0	0	-1,583,446	-1,583,446
Deposit in profit reserves according to Section 58(2) Clause 1 AktG	0	0	0	1,450,000	-1,450,000	0
	0	18,669	100,562	1,469,306	-3,033,446	-1,444,909
Annual net profit	0	0	0	0	6,466,965	6,466,965
31.12.2011	9,664,054	-25,284	21,589,429	5,698,368	5,053,113	41,979,680

Appendix for 2011

General Notes

The present financial statement was produced in accordance with Section 242ff. and Section 264ff. of the German Commercial Code (HGB) and according to the relevant provisions of the German Stock Corporation Act (AktG). The regulations regarding large corporations apply.

The income statement was produced according to the total-cost method.

In order to improve the clarity of the presentation, we collated individual items of the balance sheet and so structured and explained them separately in this appendix. For the same reason, the “of which” notes were also included in some cases at this point.

Accounting and Evaluation Methods

The following accounting and evaluation methods were decisive for the production of the financial statement.

Acquired **intangible assets** among the fixed assets are accounted at procurement cost and are reduced, insofar as they are subject to depreciation, in scheduled instalments according to their useful life.

The **tangible assets** are reported at procurement or manufacturing cost and are reduced, insofar as they can be depreciated, in scheduled instalments. Both individual costs and pro-rata overhead costs are integrated into the manufacturing costs of internally produced assets. The definition of the useful life of assets is guided by the period during which it is advisable for reasons of profitability to use the particular asset (economic useful life). Insofar as fiscally permissible, the declining-balance method was always applied for movable fixed assets up to 2007 inclusive. The transfer to the linear method takes place in the year in which the linear method leads to higher annual depreciation amounts for the first time. All asset acquisitions since 2008 and any other fixed assets are depreciated with the linear method. Low-value assets with a value of up to EUR 150 are depreciated in full in the year of acquisition. It is assumed that such assets are retired immediately. Low-value assets with a value of between EUR 150 and EUR 1,000, that were acquired after 31 December 2007, are collated in a collective item for the specific year and depreciated together in linear fashion over a period of five years. The existing collective items are, in total, relatively insignificant for the net assets, financial position and earnings of the company. Depreciation on the tangible fixed assets is always carried out on a pro rata temporis basis.

The **financial assets** are reported at procurement cost or at lower fair values.

The **inventories** are reported at procurement and manufacturing cost or at lower current values.

The inventories of **raw materials and supplies** are valued according to the lower of cost or market principle. A fixed value has been defined for plating solutions.

The **works in progress and the finished products** are valued at manufacturing cost on the

basis of individual calculations that are based in turn on the business statement for the period from 1 January 2011 to 30 November 2011, whereby not only the directly attributable costs of direct materials, production wages and special individual costs are taken into account, but also production and material overhead costs and depreciations according to the minimum scope prescribed by trade law.

In all cases, the valuation ensured that there would be no losses, i.e. if necessary, deductions were made from the forecast sale prices to cover any costs that were still to be incurred.

Merchandise is accounted for at procurement cost or at lower market prices.

All detectable risks in the **inventories** that arise from above-average storage duration, impaired usability and lower replacement costs have been taken into account with appropriate devaluations.

Provisions have been formed in appropriate amounts for losses arising from delivery obligations.

Apart from the standard commercial reservation of proprietary rights, the inventories are free of any rights of third parties.

Receivables and other assets are always reported at par value. All risk-carrying items have been taken into account with the formation of appropriate individual value adjustments; the general lending risk has been taken into account with fixed-rate deductions. Interest-free liabilities with a duration of more than one year are discounted.

The **provisions for pensions** and similar obligations are determined according to the present value of entitlement method using the “2005 G reference tables”. The average market interest rate with a remaining term of 15 years (5.14 %) was taken as a fixed rate for the discount in accordance with the provision discount ordinance dated 18 November 2009. Any anticipated salary and pension increases were taken into account with a rate of 5 % (for 2012) and 2 % (from 2013) for one group of people and with a rate of 1 % for the remaining persons entitled to claim.

The **tax provisions** and the **other provisions** take into account all uncertain liabilities and threatened losses from pending contracts. They are reported in the amount of the necessary fulfilment amount based on a reasonable commercial assessment (i.e. including future cost and price increases). Other provisions with a residual term of more than one year are discounted.

Liabilities are reported at the respective fulfilment amount.

In order to determine **deferred taxes** based on temporary or quasi-permanent differences between the value approaches according to trade law for assets, for debts and for accruals and deferred income and their fiscal value approaches or based on tax losses carried forward, the amounts of the resulting tax burden and tax relief are valued and not discounted with the company’s own tax rates applicable at the time of the elimination of the differences. Active and passive deferred taxes are offset. The capitalisation of deferred taxes shall be discontinued upon the exercise of the existing right to select the respective approach.

Assets and liabilities denominated in foreign currency have always been converted using the spot exchange average rate applicable on the financial statement reference date.

Explanations of the Balance Sheet

The items that have been collated in the balance sheet are explained separately below.

Fixed Assets

The performance of the individual items among the fixed assets is shown in the Analysis of Changes in Fixed Assets with a specification of the depreciations for the business year.

		Procurement and manufacturing costs			
In €	**01.01.2011**	**Acquisitions**	**Divestments**	**Repostings**	**31.12.2011**
I. Intangible assets					
Rights and values acquired for a fee	**2,792,543**	**68,467**	**5,748**	**280**	**2,855,542**
II. Tangible assets					
1. Land and buildings	37,508,868	0	0	0	37,508,868
2. Technical equipment and machines	79,783,646	1,926,413	1,156,742	157,800	80,711,117
3. Other plant, factory and office equipment	53,012,572	497,678	315,153	4,045	53,199,142
4. Advance payments and plants under construction	162,125	2,231,378	0	-162,125	2,231,378
	170,467,211	**4,655,469**	**1,471,895**	**-280**	**173,650,505**
III. Financial assets					
1. Shares in affiliated companies	1,009	17,550	0	0	18,559
2. Holdings	4,639,411	0	0	0	4,639,411
	4,640,420	**17,550**	**0**	**0**	**4,657,970**
	177,900,174	**4,741,486**	**1,477,643**	**0**	**181,164,017**

Given the exercise of the valuation selection right in accordance with Section 253(3) Clause 4 HGB, the holdings were reported with a book value of EUR 4.639 million, which is EUR 2.555 million above the current fair value. An unscheduled depreciation was not applied because the fair value increased again between the financial statement reference date and the production of the financial statement and so there was only a temporary reduction in value.

	Accumulated depreciations				Book values	
	01.01.2011	Acquisitions	Divestments	31.12.2011	31.12.2011	31.12.2010
	2,499,893	**128,774**	**5,748**	**2,622,919**	**232,623**	**292,650**
	19,014,330	916,340	0	19,930,670	17,578,198	18,494,538
	75,657,548	1,703,274	1,100,676	76,260,146	4,450,971	4,126,098
	43,823,699	2,208,345	310,422	45,721,622	7,477,520	9,188,873
	0	0	0	0	2,231,378	162,125
	138,495,577	**4,827,959**	**1,411,098**	**141,912,438**	**31,738,067**	**31,971,634**
	0	0	0	0	18,559	1,009
	0	0	0	0	4,639,411	4,639,411
	0	**0**	**0**	**0**	**4,657,970**	**4,640,420**
	140,995,470	**4,956,733**	**1,416,846**	**144,535,357**	**36,628,660**	**36,904,704**

Specifications of Share Holdings

SCHWEIZER ELECTRONIC AG holds 100 % of the shares of Schweizer Asia Limited, Hong Kong, China. Its subscribed capital amounts to HKD 10,000 (EUR 1,000). The company continues to hold 100 % of the shares of Schweizer Energy Pte. Ltd., Singapore, which was founded during this business year. The subscribed capital of this company is SGD 1. At the time of production of the annual financial statement of SCHWEIZER ELECTRONIC AG, there were not yet any annual financial statements available for this company.

Inventories

In € thousands	31.12.2011	31.12.2010
Raw materials and supplies	4,012	3,970
Work in progress	3,062	4,505
Finished products	5,056	5,601
	12,130	**14,076**

Receivables and other Assets

In € thousands	31.12.2011	31.12.2010
Trade receivables	11,101	10,077
of which residual term of more than one year	0	0
Receivables from companies in which participating interests are held	177	29
of which residual term of more than one year	0	0
Other assets	862	1,215
of which residual term of more than one year	205	237
	12,140	**11,321**

The receivables from companies in which participating interests are held arose exclusively from trade receivables.

Deferred Taxes

The active deferred taxes that were not reported in the context of exercising the approach selection right refer to the balance of deferred tax claims on differences in the balance-sheet value approaches for pension provisions and other provisions and deferred tax claims on losses carried forward and deferred tax debts on differences in balance-sheet value approaches for tangible assets and other assets.

Equity Capital

The share capital amounted to EUR 9,664,054 as per 31 December 2011 and is divided into 3,780,000 nominal shares (non-par-value shares).

As per the balance-sheet reference date, SCHWEIZER ELECTRONIC AG held a total of 9,890 own shares. This corresponds to an amount of the share capital of EUR 25,284 or 0.26 %. The acquisition of own shares took place in accordance with Section 71(1) No. 8 AktG in September 2,000 (10,460 shares), in March/April 2001 (15,483 shares) and in July 2008 (180,000 shares). 8,750 shares were drawn from the inventory at that time of 25,943 shares in June 2005. During the course of the share exchange with Meiko Electronics Co. Ltd., Ayase, Japan, 180,000 shares were drawn from the inventory in October 2010. During the current business year, 7,303 shares (which corresponds to an amount of the share capital of EUR 18,669, that is 0.19 % of the share capital) were drawn to be yielded to the Management Board as a variable remuneration component from the previous year. In connection with this transaction, EUR 19,306 were deposited in the other profit reserves and EUR 100,562 were deposited in the capital reserve during the 2011 business year in accordance with the regulations in Section 272(1b) Clauses 2 and 3 HGB.

Authorised Capital

The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company up to 30 June 1016 by up to a total of EUR 3,221,351.29 through the issue of new, registered non-par-value shares against contributions in cash and/or in kind (authorised capital). This authorisation may be exercised in full or in parts, and on one or several occasion(s). In the process, the shareholders must be granted a subscription right.

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders

a) for peak amounts;
b) for the issue of new shares against cash contributions if the total pro-rata amount accounted for by the new shares with regard to the share capital does not exceed 10 % of the share capital available at the time of entry of this authorisation in the Commercial Register (EUR 9,664,053.86) and – in cumulative terms – does not exceed 10 % of the share capital available at the time of issue of the new shares and if the issue price of the new shares does not fall considerably below the listed price of the shares of the company of the same class and category at the time of the final definition of the issue price (Section 203(1) Clause 1 in connection with Section 186(3) Clause 4 AktG); in the calculation of the 10 % limit, the pro-rata amount in reference to the share capital must be deducted which is accounted for by new or re-acquired shares that were issued or divested since 1 July 2011 under the simplified exclusion of subscription rights pursuant to or in accordance with Section 186(3) Clause 4 AktG, and the pro-rata amount in reference to the share capital which forms the basis for option and/or convertible rights arising from option and/or convertible bonds and/or duties to convert, which have been issued since 1 July 2011 according to the application of Section 186(3) Clause 4 AktG, must also be deducted;
c) for the issue of new shares against contributions in kind for the purpose of acquiring companies, parts of companies or holdings in companies.

The Management Board is authorised, with the consent of the Supervisory Board, to define further details concerning the implementation of capital increases from the authorised capital and the conditions for issuing shares, in particular the issue price. The Supervisory Board is authorised to adjust the wording of Section 4(1) and (4) of the Articles of Association according to the use of the authorised capital or after expiry of the authorisation period.

Notifications of Voting Rights

The German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) obliges investors to notify the relevant company if their voting interest in listed companies reaches specified thresholds. We have been informed of the existence of the following holdings:

Mr Marc Schweizer, Schramberg, informed us on 2 April 2002 that his voting interest in Schweizer Electronic AG amounted to 8.28 % as per the reference date of 1 April 2002.

Mr Nicolas Schweizer, Schramberg, informed us on 2 April 2002 that his voting interest in Schweizer Electronic AG amounted to 8.28 % as per the reference date of 1 April 2002.

The community of heirs upon the decease of Mr Gerhard Schweizer informed us on 12 January 2006 that their voting interests in Schweizer Electronic AG were constituted as follows:

Voting interest of the community of heirs upon the decease of Mr Gerhard Schweizer, consisting of the members Hannelore Schweizer, Bernd Schweizer and Kristina Schweizer: 16,01 %.

Voting interest of Ms Hannelore Schweizer, held by herself: 1.475 % and as a member of the community of heirs of Mr Gerhard Schweizer: 16,01 %.

Voting interest of Mr Bernd Schweizer, held by himself: 8.167 % and as a member of the community of heirs of Mr Gerhard Schweizer: 16,01 %.

Voting interest of Ms Kristina Schweizer, held by herself: 8.167 % and as a member of the community of heirs of Mr Gerhard Schweizer: 16,01 %.

KST Beteiligungs AG, Stuttgart, informed us on 21 July 2008 that its voting interest in Schweizer Electronic AG fell below the threshold of 10 % on 21 July 2008 and then stood at 5.97 %.

Deutsche Asset Management Investmentgesellschaft mbH, Frankfurt, informed us in accordance with Section 21(1) WpHG on 4 June 2010 that its voting interest in Schweizer Electronic AG fell below the threshold of 3 % of the voting rights on 28 May 2010 and on that date it amounted to 2.990 % (which corresponds to 107,630 voting rights).

MK LuxInvest SA, Luxembourg City, Luxembourg, informed us in accordance with Section 21(1) WpHG on 24 August 2010 that its voting interest in Schweizer Electronic AG exceeded the threshold of 3 % of the voting rights on 13 August 2010 and on that date it amounted to 3.00 % (which corresponds to 108,113 voting rights).

Meiko Electronics Co. Ltd., Ayase, Japan, informed us in accordance with Section 21(1) WpHG

on 13 January 2011 that its voting interest in Schweizer Electronic AG fell below the threshold of 5 % of the voting rights on 30 December 2010 and on that date it amounted to 4.76 % (which corresponds to 180,000 voting rights).

Mr Christoph Schweizer, Schramberg, informed us in accordance with Section 21(1) WpHG on 18 March 2011 that his voting interest in Schweizer Electronic AG reached the threshold of 15.00 % of the voting rights on 30 December 2010 (which corresponds to 567,000 voting rights).

Balance-Sheet Profit

The balance-sheet profit includes a profit carried forward of EUR 36,000; moreover, we also draw attention here to the proposal for the use of the balance-sheet profit.

Provisions

In € thousands	31.12.2011	31.12.2010
Provisions for pensions and similar obligations	6,942	6,786
Additional provisions		
Tax provisions	1,772	1,113
Other provisions	5,450	6,451
	7,222	7,564
	14,164	**14,350**

The pension provisions disclosed in the balance sheet consist of liabilities arising from pension pledges to active and former members of the Management Board and/or their surviving dependents, to executive employees and/or their surviving dependents and to the widow of a former partner.

The pension provisions for the remaining staff are carried by the Christoph Schweizer e. V. support fund.

The other provisions include, in particular, provisions for remaining holidays not taken, overtime, age-related part-time employment, personnel costs, environmental protection measures, outstanding invoices, guarantees, financial statement costs and payments of compensation for damages. The calculations for age-related part-time employment using insurance formulae is based on the “2005 G guidelines”.

Liabilities Schedule

	31.12.2011				31.12.2010	
	Residual term		secured by		residual	
In € thousands	up to 1 year	over 5 years	mortgage with	total	term up to 1 year	total
Type of liability						
1. Liabilities to credit institutions	421	2,667	6,173	6,173	11,145	11,718
2. Trade payables	3,342	0	0	3,342	4,720	4,720
3. Liabilities to affiliated companies	201	1,299	0	2,304	181	2,395
4. Other liabilities	2,513	21	0	3,158	2,516	2,995
- of which arising from tax	908	0	0	908	819	819
- of which relating to social security	66	21	0	111	48	107

Liabilities to affiliated Companies

In accordance with the regulations of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG), this item includes the loan from the Unterstützungskasse Christoph Schweizer e. V. , which was previously disclosed under the Other liabilities, as the situation involves a special purpose entity in the meaning of Section 290(2) No. 4 HGB. The cash value of the indirect pension pledges determined with insurance formulae according to the present value of entitlement method exceeds the actual cash assets by EUR 3.817 million on the basis of the “2005 G reference tables”. A subsidiary liability exists in this amount. The liabilities exist within the context of social security.

The previous year’s amount was adjusted in accordance with the option stipulated in Section 265(2) Clause 3 HGB. As a result, the other liabilities of the previous year are disclosed EUR 2.395 million lower and the liabilities to affiliated companies are shown correspondingly higher.

Other Liabilities

The other liabilities include liabilities to partners in the amount of EUR 600,000 and result from the granting of loans.

The previous year's amount was adjusted in accordance with Section 265(2) Clause 3 HGB. On this topic, please see the details concerning liabilities to affiliated companies.

Contingent Liabilities

In € thousands	31.12.2011	31.12.2010
Guaranteed amount from cooperative shares	5	5

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

Off-Balance-Sheet Transactions

In € thousands	31.12.2011
Annual payment liabilities arising from	
- lease agreements	410

The purpose and advantages of lease agreements lie in the procurement of liquidity and, to some extent, in the avoidance of risks regarding residual value. Risks arise in the contractual bond over the entire term.

Moreover, we would like to draw attention to the disclosures under the Liabilities to affiliated companies on page 82.

Other financial Liabilities

In detail, these liabilities involve the following issues:

In € thousands	
Annual payment liabilities arising from	
- lease agreements	150
- maintenance agreements	367
Order obligation from awarded investment orders	1.285

The lease agreements and the maintenance agreements end between 2012 and 2015.

Derivative financial instruments

Details about financial instruments:

Type/category	Nominal amount $ thousands	Fair value € thousands	Book value (if available) € thousands	In balance-sheet items (insofar as disclosed in balance sheet)
Foreign exchange-related transactions	400	25	-	-

The currency-related transactions relate to a foreign-exchange forward transaction in USD.

The fair price was determined with the mark-to-market method.

Transactions with associated Companies and Persons

No transactions were carried out with associated companies and persons at any rates that were not standard market rates.

Explanations of the Income Statement

Sales Revenue

The net sales revenue is divided up as follows:

In € thousands	2011	2010
By fields of activity		
Metallised circuits	24,870	26,395
Non-metallised circuits	5,562	4,513
Multilayer/HDI	72,864	71,347
Other	2,056	3,140
	105,352	**105,395**
By regions		
National	61,088	71,921
EU countries	34,408	25,807
Rest of Europe	1,604	1,401
America	4,112	2,707
Asia	4,074	3,504
Other countries	66	55
	105,352	**105,395**

Other Operating Income

The other operating income includes in particular income from waste recycling, supplier credits and insurance indemnifications. Moreover, this item includes income from a different period arising from the liquidation of other provisions in the amount of EUR 1.205 million (previous year: EUR 169,000).

Personnel Costs

The Social contributions and expenses for pension provisions and for support contain expenses for pension provision in the amount of EUR 594,000 (previous year: EUR 670,000).

Other Operating Expenses

This item includes operating, administrative and marketing costs and maintenance expenses.

Financial Result

In € thousands	2011	2010
Other interest and similar income	139	39
Interest and similar expenses	-1,171	-1,414
	-1,032	**-1,375**

Taxes on Income and Revenue

The taxes incurred exclusively on the result from normal business activities also include expenses from a different period, i.e. the previous year, in the amount of EUR 59,000.

Supplementary Information

Employees

Average number of employees employed during the business year:

Wage-earning employees	418
Employees	216
	634
Trainees	25
	659

Management Board

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

Dr. Marc Schweizer
Role
Chairman of the Management Board
Managing Director
Schweizer Energy Pte. Ltd., Singapore (since 20 May 2011)
Schweizer Aviation GmbH, Schramberg
Schweizer Air Service GmbH & Co. KG, Schramberg
Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg
ProAir Management GmbH, Filderstadt
Director
Member of the General Management Board of ZVEI
Director of the Circuit Board section in the PCB and Electronic Systems association of the ZVEI
Mandates
None

Bernd Schweizer
Role
Director
Mandates
None

Marc Bunz
Role
Director
Managing Director
Schweizer Energy Pte. Ltd., Singapore (since 20 May 2011)
Schweizer Asia Ltd., Hong Kong
Mandates
Member of the Stock Exchange Council of the Baden-Württembergische Wertpapierbörse

Nicolas Fabian Schweizer (since 1 April 2011)
Role:
Director
Managing Director
Schweizer Energy Pte. Ltd., Singapore (since 20 May 2011)
Mandates
None

Supervisory Board

In this business year, the Supervisory Board consisted of the following persons:

Christoph Schweizer (Chairman)
Roles
- Managing Director of Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg
- Managing Director of Schweizer Air Service GmbH & Co. KG, Schramberg

Mandates
- None

Michael Kowalski (Deputy Chairman)
Roles
- Managing Director of ESSMANN GmbH, Bad Salzuflen
- Managing Director of ESSMANN Gebäudetechnik GmbH, Bad Salzuflen
- Managing Director of Quadriga Capital Investco 3. GmbH, Bad Salzuflen
- Managing Director of SEP ESSMANN s.r.o., Ostrava (CZ)

Mandates
- None

Martin Fischer
Roles
- Chairman of the Management Board of Sparkasse Jena-Saale-Holzland, Jena
- Managing Director of S-Immobilien- und Service-GmbH, Jena
- Managing Director of S-Grundstücksverwaltungs-GmbH, Jena

Mandates
- Member of the Supervisory Board of Cybio AG, Jena
- Member of the Board of Directors of Landesbank Hessen-Thüringen (Helaba), Frankfurt am Main
- Member of the Supervisory Board of Aifotec AG, Jena

Kristina Schweizer
Role
- Assessor, Content Manager, Wolters Kluwer GmbH, Munich

Mandates
- None

Siegbert Maier*, Member of the Works Council
Mandates
- None

Markus Kretschmann*, Mechatronics Engineer
Mandates
- None

**) Employees' representative*

Total Remunerations of the Management Board

The total remunerations of members of the Management Board include both fixed and variable elements.

The variable elements consist of a success-related component and a component with a long-term incentive effect and a proportion of risk.

The members of the Management Board receive a share of the annual net income. Depending on the amount of the distributed dividend, the members of the Management Board receive shares in the company with a sale block lasting several years.

In this business year, the remuneration of the Management Board totalled EUR 1.056 million (fixed) and EUR 881,000 (variable). The variable remunerations involved 11,695 shares with a fair price at the time they were granted amounting to EUR 145,000. These shares will be issued in 2012.

Total Remunerations of the Supervisory Board

The remunerations of the Supervisory Board in this business year amounted to EUR 74,000 (fixed) and EUR 126,000 (variable).

Former Managing Directors and/or Members of the Management Board

In the 2011 business year, former managing directors and members of the Management Board and/or their surviving dependents were granted total remunerations in the amount of EUR 810,000. The provisions formed for this group of persons amount to EUR 5.963 million.

Group Relations

An obligation to produce a consolidated financial statement following international accounting standards in accordance with Section 315a HGB does not exist, despite the founding of an additional subsidiary according to Section 290(5) in connection with Section 296(2) HGB.

Proposal for Appropriation of Profit

Given a profit carried forward in the amount of EUR 36,148, the annual net income of EUR 6,466,965 and the deposit of EUR 1,450,000 in the other profit reserves by the Management Board and the Supervisory Board in accordance with Section 58(2) Clause 1 AktG, the balance-sheet profit amounts in total to EUR 5,053,113. It shall be proposed at the annual general meeting to appropriate this balance-sheet profit as follows:

In €	
Distribution of EUR 0.47 per share for 3,770,110 nominal shares	1,771,952
Balance to be carried forward	3,281,161
	5,053,113

Audit and Consulting Fees

The auditor's fee charged for this business year amounts to EUR 50,000 for the financial statement audit and EUR 1,000 for other confirmation services.

Declaration in Accordance with Section 161 AktG with regard to the Corporate Governance Codex

SCHWEIZER ELECTRONIC AG has issued the declaration for 2011 stipulated in Section 161 AktG and has made this declaration available to the shareholders on the Internet at www.schweizer-electronic.ag.

Schramberg, 15 February 2012

The Management Board

Dr. M. Schweizer M. Bunz B. Schweizer N. F. Schweizer

Audit Opinion

We have audited the financial statement – comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity and the appendix – including the bookkeeping system, and the status report of SCHWEIZER ELECTRONIC AG, Schramberg for the business year from 1 January to 31 December 2011. The maintenance of the books and records and the preparation of the financial statement and the status report in accordance with German commercial law are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the financial statement, the bookkeeping system and the status report based on our audit.

We conducted our audit of the financial statement in accordance with Section 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit so that misstatements and violations which materially affect the presentation of the net assets, the financial position and earnings as presented in the financial statement in compliance with the principles of proper bookkeeping and in the status report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and evidence supporting the disclosures in the books and records, the financial statement and the status report are examined primarily on the basis of random samples within the framework of the audit. The audit includes an assessment of the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the financial statement and status report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, and based on the information gained from the examination, the financial statement complies with the statutory provisions and gives a true and fair view of the net assets, financial position and earnings of the company in accordance with the principles of proper accounting. The status report is in agreement with the financial statement and on the whole provides an accurate understanding of the company's position and suitably presents the opportunities and risks of future development.

Villingen-Schwenningen, 22 February 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nietzer
Auditor

Busser
Auditor

Declaration of Conformity

In Accordance with Section 161 AktG (status May 2011)

The Management Board and the Supervisory Board of SCHWEIZER ELECTRONIC AG hereby declare in accordance with Section 161 of the Stock Corporation Act:

The Management Board and the Supervisory Board of SCHWEIZER ELECTRONIC AG hereby declare that the company has been and is in conformity with the recommendations of the Government Commission's German Corporate Governance Codex in the version of 26 May 2010, published in the electronic Federal Gazette on 2 July 2010, subject to the following exceptions justified by the size and the shareholder structure of the company:

Codex No. 4.2.4 and No. 4.2.5: The annual general meeting decided on 30 June 2006 to forego the disclosures stipulated in Section 285 Clause 1 No. 9(a), Clauses 5 to 9 of the German Commercial Code (HGB) and in Section 314(1) No. 6(a), Clauses 5 to 9 HGB for a period of five years. This relates to the annual financial statements and the possible consolidated financial statements of the company for the business years 2006 to 2010. The Management Board and the Supervisory Board of SCHWEIZER ELECTRONIC AG believe that any individual disclosure of the remunerations of the Management Board would be an excessive intrusion into the privacy of the individual members of the Management Board and so the Management Board and the Supervisory Board intend to propose at the next annual general meeting a resolution that the disclosures currently stipulated in Section 285 No. 9(a) Clauses 5 to 8 HGB and in Section 314(1) No. 6(a) Clauses 5 to 8 HGB should be withheld for the business years 2011 to 2015. Insofar as the annual general meeting passes this resolution, the individual disclosure of the Management Board remunerations will also be withheld for the business years 2011 to 2015.

The total remunerations of the members of the Management Board are specified in the appendix to the financial statement. Further details will not be disclosed.

Codex No. 5.1.2: We do not consider it advisable to make a standard specification of an age limit for members of the Management Board. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.

Codex No. 5.3.2: For a company of our size and orientation, we do not believe that it is either advisable or necessary to set up an audit committee. The tasks generally assigned to an audit committee are being handled by the existing finance committee and in plenary sessions.

Codex No. 5.4.1: We do not consider it advisable to make a standard specification of an age limit for members of the Supervisory Board. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age. The Supervisory Board therefore did not consider such an age limit when it stated the specific objectives to be achieved when constituting the board.

The members of the Supervisory Board are supported appropriately and to the legally permissible extent by the company with regard to training and further-education measures that are necessary for their tasks. In view of the unclear legal situation with regard to the permissibility of the company taking over costs for training and further-education measures for members of the Supervisory Board, the Management Board and the Supervisory Board of SCHWEIZER ELEC-

TRONIC AG will propose a resolution to the next annual general meeting, stating that Section 13 of the Articles of Association should be amended by inserting a new Paragraph 6, whereby every member of the Supervisory Board may demand that the company should refund the expenses for any training and further-education measures necessary for that member's tasks up to a sum in the amount of EUR 2,500 per annum.

Codex No. 5.4.6: An individualised disclosure of the remuneration of the members of the Supervisory Board regulated in our Articles of Association is not made in the Corporate Governance report, because no additional information that is relevant to the capital market is involved.

Schramberg, May 2011

Schweizer Electronic AG

The Management Board

Dr. Marc Schweizer
Chairman of the Management Board

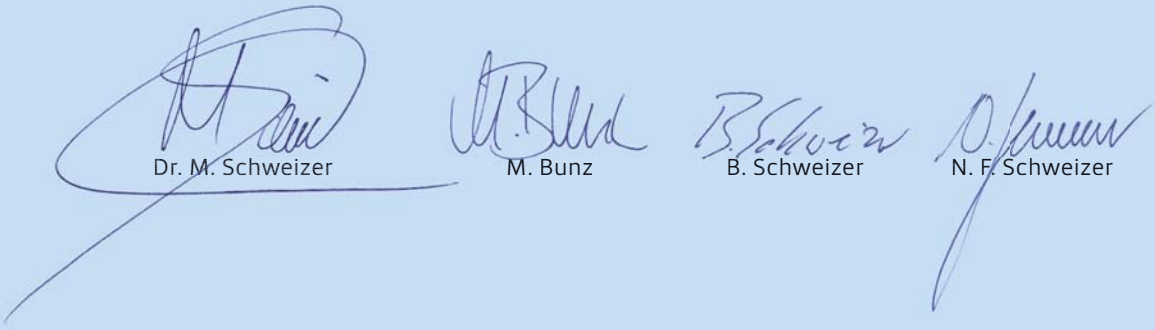
The Supervisory Board

Christoph Schweizer
Chairman of the Supervisory Board

Declaration by the legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statement gives a true and fair view of the net assets, financial position and earnings of Schweizer Electronic AG and the status report includes a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Schramberg, 15 February 2012
The Management Board



Dr. M. Schweizer M. Bunz B. Schweizer N. F. Schweizer

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