

Annual Report

2012





An example for embedding

The p^2 pack in an application – a 40 kW motor for electric vehicles

Key Figures

Orderbook (Million Euro)



Net Gearing



EBIT-Margin



Equity Ratio



EPS (Euro)



Working Capital (Million Euro)



■ 2012 ■ 2011

€ million	2012	2011	2010	2009
Revenues	100.2	105.4	105.4	65.8
EBITDA	10.0	13.2	22.4	2.2
EBIT	5.2	8.3	16.9	-3.4
Annual result	0.7	6.5	13.4	-4.5
Earnings per share (€)	0.18	1.71	3.56	-1.24
Dividend (€)	0.55*	0.47	0.42	-
Book-to-bill ratio	0.7	1.0	1.6	1.3
Total assets	71.7	71.2	73.2	50.8
Investments	7.5	4.7	7.0	0.7
Equity capital	40.9	42.0	37.0	15.7
Operating cash flow ⁽¹⁾	7.2	11.2	12.3	-3.9
Employees	663	670	738	660

⁽¹⁾ DRS 2

* Proposal to annual general meeting on 05/07/2013

Highlights 2012

0.55

€ dividend per share

32

% of sales volume with products and solutions in the key innovation areas power electronics, embedding and system cost reduction

57

% equity ratio

Company Focus in 2012 Business Year

The Foundations have been laid

In the past two years, SCHWEIZER has made intensive preparations regarding the future orientation of the company. The key areas during this time were strategic aspects, diversification and innovation. Today, the foundations have been laid for a future in which SCHWEIZER is best equipped for the requirements of the coming years, particularly in the fields of mobility and energy efficiency.

Succeeding with a Wealth of Ideas and Quality

SCHWEIZER has developed, produced and sold high-quality PCBs for over half a century. Over the course of this period, the company has succeeded in going from an industry pioneer to one of the leading providers in Europe and has always ranked among the top three since the 1980s. The

basis of this success was and remains a great capacity to innovate, outstanding development and process expertise and quick and flexible production of small to medium volumes. These factors have helped make SCHWEIZER the first choice for many customers as a recognised and reliable partner in the segments automotive, industry and solar.

From a Traditional Company to a Global Player

A large proportion of SCHWEIZER's customer base is operating increasingly internationally. In order to meet the needs of these customers, the company addressed this trend at an early stage. As far back as the early 1980s, SCHWEIZER documented its first step in the direction of internationalisation with the Pentex-Schweizer joint venture. Four years ago, SCHWEIZER joined forces with MEIKO, 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.

This cooperation was strengthened through intensive collaboration and cross-shareholding in 2010. On the basis of this successful partnership, both companies agreed on the founding of a joint venture in 2012. The objective is to set-up a common production line for the manufacturing of PCBs for European customers in the segments automotive and industry.

In taking this step as part of the consistent implementation of its internationalisation strategy, SCHWEIZER has rounded out its range to cover the complete life cycle of a product. This means that customers profit from a service portfolio that spans from the idea to series development and through to high-volume production.

PCBs as the Basis for Innovative Solutions

With the success of its Electronic division, the company has laid the foundation for the continued expansion of its existing business model. Whereas PCBs were previously a single component in applications, their most recent history has seen them develop more and more from merely carrier material for modules into an independent system. 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. This method aids miniaturisation above all and improves both electrical and thermal properties – an advantage that is increasingly important in many applications.

The success of the solutions developed to date, which address the areas power electronics, embedding and system cost reduction, demonstrates once again that SCHWEIZER – with its Systems division – has set its innovation priorities correctly and is rightly identified as a trend-setter and technological leader in this field.

Diverse Expertise enables Broadening of the Spectrum

In times of climate change and fossil fuel shortages, the topics of energy efficiency and mobility are among the most important trends of our century. Both are closely related. The demand for energy is increasing rapidly and it is estimated that the global energy demand will double by 2050. This is expected to intensify global competition in the energy sector and increase the demand for new energy and environmental technologies. There is a demand for innovative solutions with which energy can be efficiently gener-

ated and/or used.

For some time, solutions that promote and support energy efficiency and mobility have been the main areas of innovation for SCHWEIZER's Electronic division. SCHWEIZER's Energy division, founded in 2011, also enables the company to seize the opportunities resulting from the foreseeable developments in the energy sector. This has enabled the company to expand its range of products and services and has driven the implementation of its plans for its own production line in China for the manufacture of high-efficiency cells and modules.

The basis for this complementary expansion of the company is formed by the experience gained in the Electronic division and the expertise in research and development, processes and production, particularly regarding inverters in the field of renewable energy. In addition, the processes used in the manufacture of photovoltaic cells (PV) are very similar to those employed in PCB production. Supported by an established network with experienced partners in the fields of equipment and market access, SCHWEIZER is planning to predominantly market PV cells and modules in the Asia region (APAC) – especially China and Japan – as well as Europe (EMEA).

Steady Growth thanks to Prudence and Foresight

The preservation and healthy growth of a company with a history of over 160 years represents a commitment for all interest groups, requiring a balance between creating financial stability and being open to innovations. In the past, SCHWEIZER has demonstrated its ability to act and react rationally with prudence and foresight in times of increasing dynamism and rapid change. It is this experience that has strengthened the company in using the above-mentioned business developments to lay the foundations for future growth and sustainable success. Employees, shareholders and customers ultimately benefit from this in equal measure.

Financial Calendar

28/03/2013

Annual Financial Report
2012

26/04/2013

Interim Report for
1st Quarter 2013

26/04/2013

Analyst Conference

05/07/2013

Annual General Meeting

14/08/2013

Half-yearly Financial
Report as per 30/06/2013

08/11/2013

Interim Report for
3rd Quarter 2013

04/07/2014

Annual General Meeting

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



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Imprint

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This report has been translated from the original German version of Schweizer Electronic AG's annual report 2012. Please note that only the original German version is legally binding.

In this report, Schweizer Electronic AG is simply referred to as SCHWEIZER.

Meiko Electronics Co., Ltd. is referred to as MEIKO.

Contag AG is referred to as CONTAG.

Gebr. Schmid GmbH is referred to as SCHMID.

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

To aid readability, the male form is used throughout this document. However, the female form is also always implied.

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Solutions for Today and for the Future



demand Energy Efficiency and Mobility

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 world's top PCB manufacturers 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 663 staff in Germany and, including the employees of its partners CONTAG and MEIKO, the Group has a total workforce of approximately 13,000. The company, which is based in Schramberg in the Black Forest, was founded in 1849 and went public in 1989.

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 energy efficiency and electromobility and has adapted its portfolio accordingly.

The implementation of this strategy is based on the company's structuring into three divisions: Electronic, Systems and Energy. Whilst the Electronic division has been established for many years, the Systems and Energy divisions are still undergoing development. This development underlines the implementation of the diversification strategy.



Company Video

Divisions and corresponding Business Units

Schweizer Electronic

Business Unit

- PCB

Schweizer Energy

Business Units

- Energy Production
- System Integration

Schweizer Systems

The Divisions as the Basis for securing Company Success

Electronic Division

The Electronic division focuses on the development, production and sale of high-quality PCBs. Its commanding position as one of the leading manufacturers for automotive and industry electronics 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 163 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 54 billion in 2012, of which 72 % were in Asia, 17 % in Japan, 7 % in America and 4 % in Europe
- Decreased by 2 % between 2011 and 2012
- Expects average annual growth of 4 % and should thus reach approx. USD 66 billion in 2017
- Remains fragmented despite multiple waves of consolidation. The 15 largest companies have a 41 % 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 Q4/2012)

Competition

The situation faced by PCB manufacturers is one of a highly fragmented landscape. There are currently some 2,500 manufacturers operating across the globe, of which approximately 260 are based in Europe. The world's 15 largest manufacturers achieve sales of USD 22.3 billion and have a global market share of 41 %. The largest manufacturer occupies a 4.8 % 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 manufacturers 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. Having greatly increased its capacity in Asia in recent years, MEIKO further expanded its Vietnamese business in 2011. Based on the successful partnership, the companies SCHWEIZER and MEIKO agreed on the foundation of a Joint Venture in 2012. The objective is to set-up a common production line for the manufacturing of PCBs for European customers in the segments automotive and industry.

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, while its partner MEIKO has four sites in Japan (Kanagawa, Fukushima, Miyagi / reopening planned for 2013, Yamagata), two in China (Guangzhou, Wuhan) and one in Vietnam (Hanoi). The other partner, CONTAG, has a single site in Germany (Berlin). The plants in Germany focus on technology, development and production (SCHWEIZER) as well as the manufacture of prototypes and samples (CONTAG). High volume production of MEIKO takes particularly place in Japan (Yamagata, Fukushima), Vietnam (Hanoi) and China (Wuhan, Guangzhou). In Kanagawa, the company focuses on the production of pro-

totypes and on technology, whereas in Hanoi PCB assembly is done as well. 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 the future. These are just some of the many fields of applications 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 1,200 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. PCBs offer a more cost-effective alternative to the lead frames and ceramics currently used in a whole host of solutions. In 2012, the market for ceramic solutions alone was valued at approx. USD 5 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 i² Board®, p² Pack® and µ² 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 flex-

ible 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 among the top three in the world in this industry.

A total of just 15 PCB manufacturers out of 2,500 companies worldwide cover around 75 % of automotive requirements in a market that is 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 Electronic serves two main market segments: automotive and industry.

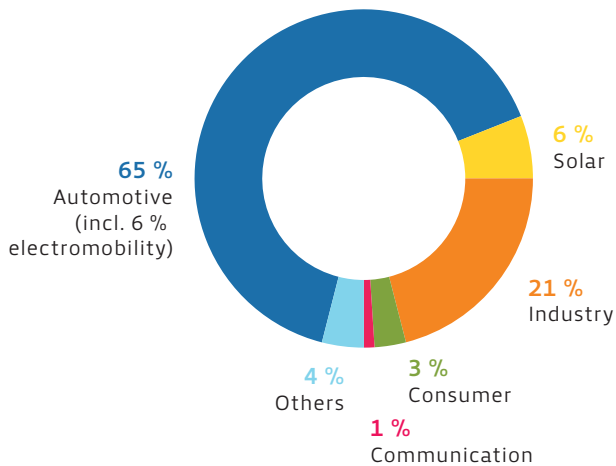
- The automotive segment accounts for the biggest share with 65 %. SCHWEIZER serves five of the ten largest automotive suppliers and thus occupies a commanding position in this market segment. The company already generates 6 % of sales in the fields of electromobility and hybrid drives.
- The solar electronics segment accounts for 6 % of total sales.
- With over 125 European customers, the industry segment provides 21 % of the company's turnover.

Technology

SCHWEIZER is a technological leader, a fact that can mainly be attributed to the company's significant expertise in the

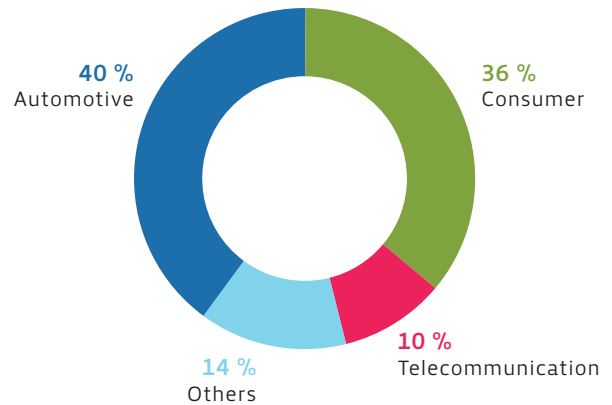
SCHWEIZER

Distribution of sales, 2012 business year



MEIKO

Distribution of sales, 2011/2012 business year



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

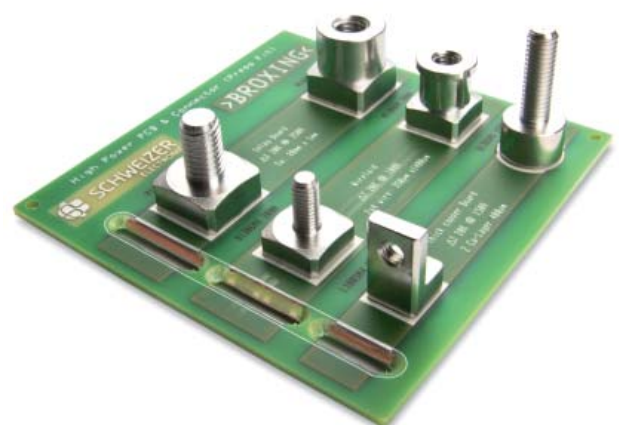
Due to its close connection to the semiconductor industry, the PCB market is a cyclical growth business. To be able to operate in such a volatile market, flexible cost structures are an essential requirement. In this fixed-cost-intensive business, low capacity utilisation immediately results in significant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

In 2012, the solar segment was subject to extreme price pressure, especially for inverters. This development as well as the fact that more and more Asian PCB manufacturers increasingly provide European markets with their products, will most likely continue in future. Thus, it remains difficult to forecast the future development of demand, as not only the German but other European markets, too, are facing significant changes.

Applications and Segments

SCHWEIZER PCBs are used in applications that:

- Help to reduce fuel consumption and CO₂ emissions
- Increase comfort and accelerate your journey from A to B
- Raise the safety, efficiency and performance of systems



Technology prototype with BROXING pressfit contacts

Systems Division

The creation of the Systems division is the logical consequence of increasing customer demand, SCHWEIZER's experience and know-how as well as its 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 electro mobility. 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 7.9 billion and accounts for approx. 15 % of the total market. The market for semiconductor housings, based on PCB substrates, is currently valued at around USD 8.2 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.

Positioning

Embedding

Embedding describes the process of inserting components into a PCB. These components (e.g. semiconductors and/or passive components) used to be applied to the board surface of a PCB. Due to lack of space and in order to increase the performance, components are now also placed into the inner part of the PCB.

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.



Sportive PCBs

In many media SCHWEIZER is promoting the categories of its 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?

Learn more about it on our homepage:
<http://www.schweizer.ag/en/products-solutions/sportive-pcb.html>



Energy Division

SCHWEIZER has been gathering comprehensive 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, based in Singapore, in the spring of 2011, SCHWEIZER initiated the setup of its own manufacturing in China for production of high-efficiency photovoltaic cells and modules which succeeded in the registration of its Nantong site in October 2012. In addition, SCHWEIZER Energy has started to set up its own sales channels in the APAC and EMEA regions with a focus on China, Japan and Germany.

Value Chain

SCHWEIZER's Energy division targets to become a solution provider in the field eco-energy-supplies by employing photovoltaics. Herein, SCHWEIZER's high-efficiency cells and modules produced on the latest production equipment constitute the cornerstone to reduce system cost and are hence predestined to be used on (space constrained) residential and commercial roofs. SCHWEIZER also follows the approach of photovoltaics becoming an integral part of conceptual layout and building design, particularly at newly designed eco-cities in China. Forward looking, SCHWEIZER Energy will also integrate its modules into storage solutions to foster self-consumption for private residential, medium-

scale commercial and off-grid solutions.

Global Market

In 2011, the market volume in the photovoltaics sector amounted to 30 GWp, thereof approx. 22 GWp in Europe (73 %). The strong 77 % year-to-year growth was predominantly resulting from record installations in Italy (9.3 GWp) and Germany (7.5 GWp) as well as steady growth in the APAC (4.8 GWp) and Americas (2.1 GWp) regions. The APAC and Americas regions will see more growth in the next years with CAGR (2011 - 2016) exceeding 30 % respectively, and are hence expected to replace Europe as the driving force.

In 2012, the worldwide market is expected to grow to around 31 GWp. While Germany exhibited another record year in 2012 with new installations of 7.6 GWp, the Italian market has already been decreasing from the 2011 high and is expected to total around 5 GWp. Cuts in feed-in tariffs will force Europe to come up with new business models in which self-consumption will play a more important role. During this process, photovoltaics will integrate itself firmly into the landscape of decentralized energy generation with generated kWh becoming more important than installed kWp. Although the market in Europe is expected to grow long-term, the growth-rates will be very moderate in the one-digit range until 2016 after an even decrease in 2013.

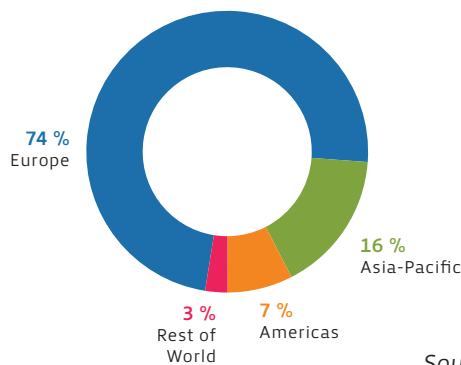
The market share of APAC is forecasted to increase from 16 % in 2011 to more than 35 % (of 50 GWp) in 2016 and thereby exceeding the demand in Europe. China and Japan are seen as the major driving countries in the region. China has set up a series of ambitious government programs – including most recently the announcement of feed-in tariffs

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 partners: technology partner Schmid Group and local Asian network

– to boost photovoltaic panel demand. These are to provide a domestic channel for the suffering Chinese module manufacturers, but also to meet China's aggressive eco-targets in adding capacity for its increasing energy demand. According to its revised 5-year-plan, China plans to add another 20 GWp of photovoltaics until 2015, of which 50 % are in large-scale and 50 % in distributed installations. Japan, on the other hand, currently provides the most attractive feed-in tariffs worldwide to attract investors for PV power

Newly installed PV power by region, 2011



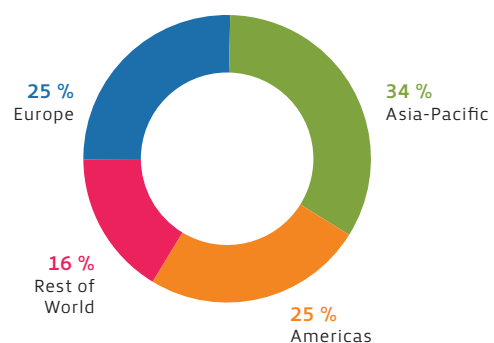
plant installations. After the nuclear disaster of 2011, Japan has seen a large movement towards supporting renewable energy in favour of nuclear power generation with installations expected to double from 1.3 GWp in 2011 to about 3.2 GWp in 2012.

In 2011 and 2012 the PV modules have seen massive year-to-year price declines of up to 40 %, resulting from excess capacities predominantly in the field of standard poly-silicon modules. As a consequence, we have seen consolidation starting among European players in 2012 and expected to be followed among Chinese players in 2013, before the market will return to healthier and more balanced growth conditions starting from 2014. As in past years prices have been falling below the long-term cost-reduction learning curve, more stabilized prices are expected from 2014 - 2017 after consolidation. With respect to this, SCHWEIZER – with its counter-cyclical investment – intends to participate in the expected positive development of the photovoltaics market, firm in the belief that it has been precisely the right time to enter the solar business.

Competition

The market for mono-crystalline high-efficiency modules is dominated by two companies, one being Japanese and one being American. German and Chinese companies currently

Newly installed PV power by region, 2016



play a relatively minor role in the market segment of high-efficiency modules. More businesses are expected to enter this sector to improve their competitive position and exploit new opportunities for growth. However, most companies are heavily burdened with old and ineffective production lines, lacking cash after losing money over several years and unable to receive a loan from banks and hence will not be able to afford an upgrade of their capacities. On the other hand, 1st tier player will use the underutilization of their lines during the consolidation phase to expedite their R&D. With its planned production line, SCHWEIZER will be the first company in China to focus solely on this market segment. With its lean approach and employing the latest

innovations of production equipment, the company will be well positioned to respond directly to future demands for high-efficiency cells as well as met the cost targets.

Market Segments

The target market of SCHWEIZER Energy is the Asia-Pacific region, in particular China and Japan, as well as Europe. The company plans to predominantly distribute its products via two downstream channels.

The first is the OEM channel where high-efficiency cells are provided to module manufacturers to enable them to complete their product portfolio toward the high-end product range. This concept is also feasible to players with own cell production, as efficiency out of legacy lines may not be sufficient to participate in the high-end market. Alternatively, SCHWEIZER Energy can also provide its high-efficiency modules branded under the customer's OEM name according to OEM customers' specific requests.

The second channel is selling through SCHWEIZER Energy's project pipeline which is provided and supported by its System Integration unit. Here, in addition to providing modules, SCHWEIZER Energy will also pursue the role of a system integrator and provide advice, planning services and monitoring for solar farms as well as deliver customer support in the form of maintenance and operation services. Thanks to its former business dealings as part of the Pentex-Schweizer joint venture, SCHWEIZER is still extremely well connected in the APAC region and a recognized technology leader. Therefore, it is no surprise that 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. In addition, the System Integration unit has also started to explore project opportunities in Japan and other areas as well as off-grid opportunities. The latter provides solar energy in combination with storage solutions for an eco-friendly power supply and independency of remote areas.

Positioning and Unique Selling Points

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. With SCHMID as its partner, SCHWEIZER Energy is employing German technology which has a very good recommendation worldwide for its accuracy and precision, enabling the manufacturing of high-quality products. Exceeding the cell efficiency of competitors with a lean green-field approach, SCHWEIZER Energy and its OEM customers will be enabled to market high-end products at attractive cost. OEM customers can complete their portfolio and enjoy the benefits of low-cost production in China through the trustworthiness of a German-Singaporean partner – making a global business regional. Last but not least – with its setup – SCHWEIZER Energy is a flexible unit which can react fast to market changes and customer requirements.

Technology

For product differentiation, reduction of system cost and optimization of earnings on limited space, 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 the future.

The Schmid production equipment utilizes by far the most successful selective emitter technology of which 6 GWs 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 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.

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 mono-crystalline 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.



Letter to the Shareholders

Dear Shareholders, Business Partners and SCHWEIZER Employees,

Together with my colleagues on the Management Board, Marc Bunz, Bernd Schweizer and Nicolas Schweizer, I was responsible for our performance in the 2012 business year. This was not an easy year, but a successful one in terms of the development of SCHWEIZER.

The 2012 Business Year in Brief

The debt crisis in Europe brought considerable economic uncertainty in 2012. The solar sector was also characterised by major changes to the framework conditions. The resulting restraint of our customers affected our revenue, which fell by around 5 % to EUR 100.2 million.

We have succeeded in offsetting the EUR 12.7 million fall in revenue in the field of solar industry through new innovations for the automotive industry and industry electronics. This underlines our positioning as a provider with a deep understanding of systems and applications for the technological requirements of our customers.

Our earnings before interest and taxes (EBIT), which reached EUR 8.3 million in 2011, were EUR 5.2 million in 2012. The increasing proportion of innovative products had a positive effect on value creation. However, the increased complexity of the PCBs produced initially led to cost increases in the materials field and in the production and quality assurance process. Whilst our earnings in the 2011 business year received a boost of around EUR 1.2 million thanks to the liquidation of various provisions for contingent liabilities, these special effects were no longer a factor during the 2012 business year. This factor alone accounts for nearly 40 % of the fall in earnings from the previous year.

In addition to the EBIT falling by EUR 3.1 million, a EUR 2.8 million devaluation of our share in MEIKO made a major contribution to the fall in profit. The significant and sustained reduction in the valuation of the PCB sector on the capital market that has occurred since the implementation of the cross-shareholding meant that the stake in MEIKO had to be written down based on the year-end closing price. As a result, the stake in MEIKO is valued at EUR 1.8 million (previously EUR 4.6 million) in the financial assets.

At EUR 7.2 million, the cashflow from current business activities was 35.7 % lower than in the previous year but still at a satisfactory level. The fall was primarily caused by a EUR 5.8 million fall in period results. We were able to reduce our working capital by EUR 1.3 million.

Over the course of the year, the company's share price rose by 16 %. During the same period, the technology-driven share index TecDAX increased on a similar scale. The Management Board and Supervisory Board have decided to propose a dividend amounting to EUR 0.55 per share at the upcoming annual general meeting.

The Outlook for 2013

The prospects for further development of the global economy in the coming year are moderate, with the European PCB market likely to recede by 5 % to 10 % in 2013. The demand for our products has been rather restrained as a result. In the 2013 business year, we are expecting our revenue to reflect the market development and decrease by around 10 %. Provided there is stable economic development, we expect the 2014 business year to see a return to a rise in revenue. This will result from the boost in new innovative products at the Schramberg plant on the one hand, and the start of production by the Asian capacity on the other hand.

With regard to the economic uncertainty as well as the continued fall in earnings, we have initiated a range of measures designed to stabilise the margin. An example of this is the investment budget for the Electronic division, which is not currently being increased despite the initial investments in the Asian production capacity. In Sales and Administration, as well as Research and Development, projects of low strategic importance are being either sidelined or cancelled altogether. The expenditure for external service providers is being reduced.

In the Research and Development sector, the focus in 2013 will be on taking innovative solutions from the technology spectrum and transferring them to series production, whilst reducing the manufacturing costs involved. We will also seek to internationalise the organisational structure of R&D. The costs for R&D might increase in total. Despite the growing number of innovative products and the capacity to be filled in Asia, it should be possible to maintain steady marketing costs. We are exercising strict cost discipline in terms of administrative costs and will be reducing these in comparison with the previous year.

The further development of working capital in the 2013 business year will be primarily influenced by the customer structure. We are making efforts to build upon the success of the working capital reduction in 2012 and to achieve further reductions.

In the coming business year there are plans to increase the number of employees by 36 (5 %). These will be utilised to develop the new divisions in Asia in particular.

With our dividend policy we follow the strategy of ensuring that you, the shareholder, have an appropriate level of participation whilst simultaneously building up cash reserves. This should ensure a steady development of the dividends, allowing us to pay dividends in future that are constant at the very least. Should the economic uncertainties turn out to have a lesser effect on global growth and we return to a path of accelerated growth as a result, we will also be able to pay increased dividends. A further part of our dividend policy is the appropriate participation of our employees by means of performance-related payments.

In 2013 we will continue to employ cycle management – already our greatest business skill with regard to the economic ups and downs. For SCHWEIZER this means a continuation of counter-cyclical investment to then gain market shares during periods of upturn, retaining the core of our workforce regardless of the economic cycle and always setting aside an appropriate amount to enable the company to prosper. In recent years we have used this procedure to establish a solid foundation, restructure the Electronic division and successfully focus on the corresponding product portfolio. Today, SCHWEIZER holds a leading market position in the automotive and industry sales segments. The foundations have also been laid for the new Energy and Systems

divisions, which address the growth markets of mobility and energy efficiency. In the Energy division we are particularly well-prepared to commence our photovoltaic activities once the right market window opens up. The structural basis required for this has already been put in place.

Given the market position and growth drivers, we believe we are capable of achieving an average level of growth above that of the reference markets over the course of an economic cycle. SCHWEIZER is increasingly evolving into a provider of technologically advanced products with a deep understanding of applications. The level of product performance for the customer is increased as a result, with the time between product development and market launch also being shortened. This greatly benefits our customers in terms of market shares, revenue and achievable prices.

Our Employees form the Basis for our Success

As has been the case in years gone by, we have been able to count on the commitment, reliability and energy of the workforce in times of economic uncertainty. On behalf of the Management Board, I would like to sincerely thank all of our employees for their achievements and the effort they have shown. They all form an essential element of the company's success and help to guide SCHWEIZER towards a successful future. Following up on recent years, we will issue our employees with a profit-sharing scheme for their work in 2012.

We also hope that you, dear shareholders and business partners, remain loyal to SCHWEIZER and join us on our journey into a successful future.



Dr Marc Schweizer
Chairman of the Management Board

Interview with the Members of the Management Board



Dr Marc Schweizer, Chief Executive Officer

Dr Schweizer, the solar industry has undergone difficult times in the last year and a half or so. Are you still standing by your energy activities in China?

Yes, because energy requirements are growing rapidly – the global demand for energy is set to double by the year 2050. This will increase the demand for new energy and environmental technologies. The Asian market will become one of the key markets in the process.

Despite the positive long-term prospects for growth, the PV (solar) industry still faces great challenges. Optimum process technology and high production yield are essential requirements for success in the future. In response to the



permanent pressure to reduce costs, the use of innovative technologies is an essential means of achieving the necessary long-term cost savings.

It is for this reason that we will begin our energy activities once the right market window opens up. In recent quarters we have created the framework conditions for a swift entry into the market. Our core team is ready to act and we have all the necessary operating licences and structures in place. The financial basis has been strengthened with the help of a strategic investor who is involved with Schweizer Energy Production Singapore. In other words: we are ready to go, however up to this point we have neither built up fixed costs nor boosted investment.

In the current climate, it would be unwise to rule out any market shifts resulting from the duties on imports to Europe. It is also for this reason that we have not yet given the go-ahead for the installation of the first cell lines.

What megatrends are set to influence your market in the coming years?

Energy efficiency and mobility. In times of climate change, fossil fuel shortages and increasing mobility, these topics are among the most important trends of our century. For some time, solutions that promote and support energy efficiency and mobility have been the main areas of innovation in our Electronic division. In 2012, innovations for this growth market accounted for 32 % of the revenue we generated. We have therefore aligned our technologies in the Energy and Systems divisions with these two megatrends.

How can Schweizer continue in this environment?

It is a matter of solidifying and developing our competitive advantage with products that are efficient and innovative.

In terms of profitability, we also want to regain our former strength. Our level of success is of course dependent upon the market.

The decision to expand our capacity in Asia has led us to implement some basic measures for further growth. Size is playing an increasingly important role in our industry, but it is not the be all and end all. In the long term it will not be enough simply to distinguish ourselves through the technological excellence of our products. We have to ensure our growth through a superior understanding of the applications of our customers and the excellent cost/performance ratio of our products. In terms of the latter, we still have a huge task ahead of us at the German plant.

Nicolas-Fabian Schweizer, Chief Human Resources Officer

Mr Schweizer, you have a tradition of involving the employees of the company in its success. Why is that important to you?

Involving the employees in the success of the company in the form of performance-related remuneration components represents a logical addition to the basic remuneration.

For all employees at the company, the basic remuneration is already subject to the individual performance principle. This means that the performance of the individual is evaluated annually and the remuneration for the following year is calculated as a result of this. We thereby create performance incentives and reward employees for their motivation.

Performance-based remuneration is a sensible tool to motivate employees to benefit from the company's success on the one hand and, on the other, to foster each employee's responsibilities within the company.

Alongside these activities, we will also be promoting our internationalisation. We support this through the targeted strengthening of engineering teams in Asia in close proximity to the development centres of our customers, for example. I am convinced that the dynamism and complexity of our industry will inevitably mean that the increasing rate of our adjustment and change will lead to success. To ensure sustainable success, we rely on diversity management and will be combining the experience of employees with young talent from Europe to put together teams that are stronger than ever before.

What sort of involvement can be expected for the 2012 business year?

A performance-related remuneration component will again be distributed in 2013, based on the 2012 business year. The final decision, mainly regarding the amount, is made based upon the success in 2012.



Marc Bunz, Chief Financial Officer

Mr Bunz, the company's balance sheets are once again looking very stable. How has this been achieved?

We have actually managed to achieve or even significantly surpass all of our financial targets within three years. The equity ratio is fluctuating at around 60 %, and the net indebtedness is around zero. We have also replenished our cash reserves, which will be particularly useful for bridging gaps caused by fluctuations in the market. We have dimensioned these in such a way that it is possible to use our own cash to bridge a crisis phase like that of 2009.



Your shares have a slight float component of around 30 %, 14 % of which lies in the hands of institutional investors. Will there be any change to this in the foreseeable future?

As a family-operated listed company, we are particularly interested in shareholders who are faithful and have long-term goals. Traders who act more in the short term are not our target group. Our current shareholder structure meets these demands very well. In addition to the family shareholders, the interests of our institutional investors are predominantly long-term. We are very comfortable with this situation.

What are the prospects for your dividend policy in the coming year?

Our shareholders will surely be very happy to know that we will propose a dividend increase for the third year in a row. After EUR 0.42 for the 2010 business year and EUR 0.47 for 2011, we plan to reward our shareholders with EUR 0.55 per share for the past year. Since the revival of the dividend payments, we strictly follow a dividend policy that is geared towards free cashflow. For this, a deduction is first made from the available cash to cover the committed expenditure and transfers to the crisis reserves as well as reserves for maturing loans. As the crisis reserves are full and all matur-

ing loans have been settled, we are in a position to once again increase dividends.

Bernd Schweizer, Chief Operating Officer

Mr Schweizer, you are making plans with your Japanese partner MEIKO for a new production line in their plant in Vietnam. How do you ensure that your high quality requirements are also met there for a complex product such as the PCB?

We apply a methodical procedure from the plant concep-



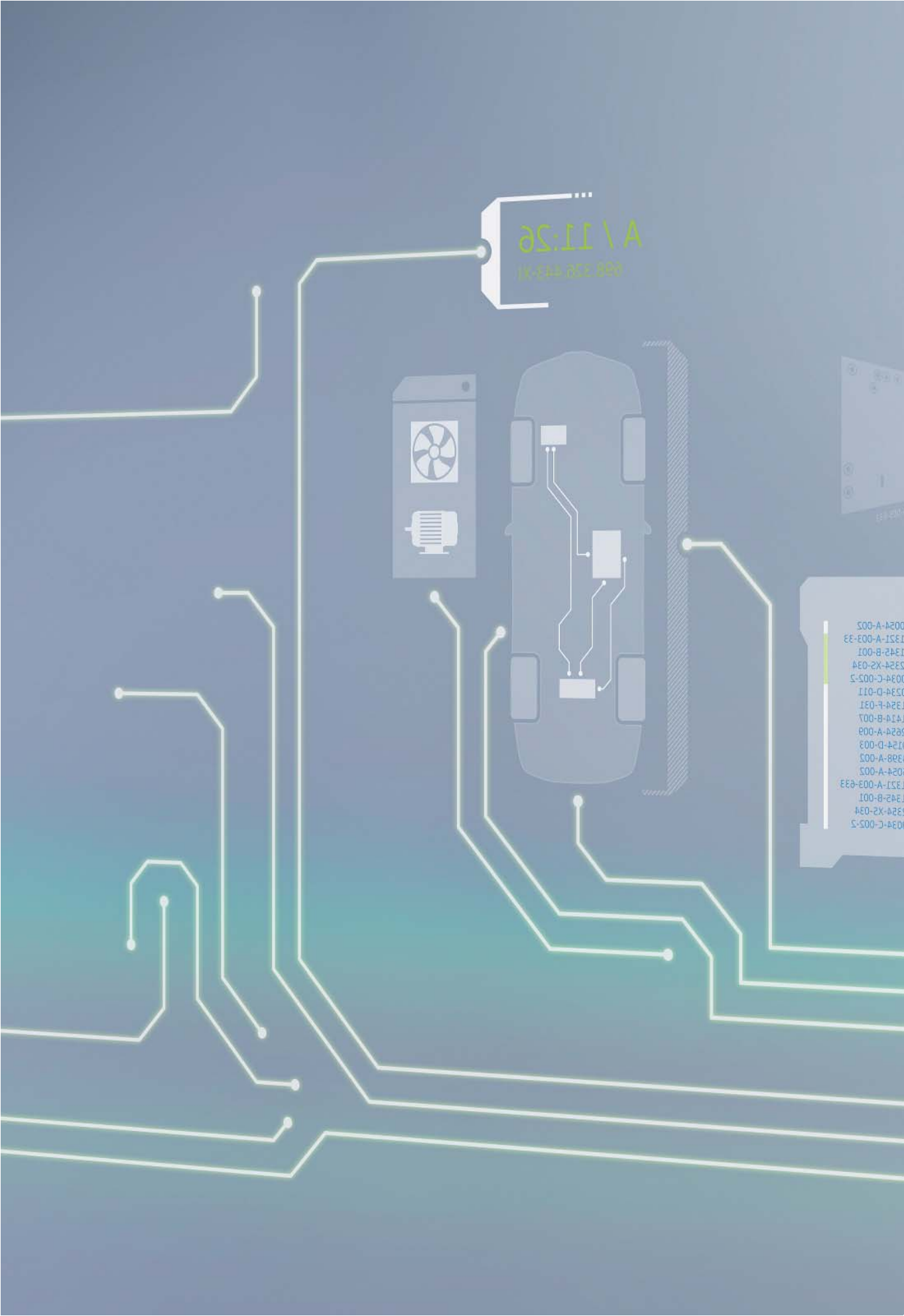
tion stage right up to fulfilment of qualifications, also known as the APQP process (Advanced Product and Quality Planning) in the automotive sector. Qualification is essentially ensured by our employees, who boast years of experience in relation to the requirements of our European customers. Sustainability is ensured

through the corresponding "safe launch" and process monitoring concepts.

How long will it take to reach a level of marketable series production? After all, your customers in the automotive sector are aware that you conduct very thorough tests before they receive any large quantities from you.

For our European customers, that is correct. We work on the basis that the qualification can last for up to nine months for customers in the industry segment, and up to 18 months for those in the automotive sector.

In addition to this, following the start of production and the basic plant qualifications, we will incorporate PCB production for our cooperation partner MEIKO.



Report from the Supervisory Board



During the course of the business year, the Supervisory Board of Schweizer Electronic AG has regularly provided the Management Board with advice on how to run the company and continuously monitored the management of the Management Board itself. The duties were carried out in a comprehensive and timely manner, both verbally and in writing, with all necessary information provided by the Management Board.

The Management Board supplied the Supervisory Board with detailed 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.

In terms of decisions or measures by the management requiring the approval of the Supervisory Board due to law, the Articles of Association or rules of procedure, proposals were presented in good time, inspected and the relevant judgements made as necessary.

New legal requirements were observed, discussed and implemented as necessary by the Supervisory Board. The efficiency of these meetings was analysed and documented. The five Supervisory Board and three finance committee meetings, most of which lasted several days, were attended by all relevant members. There were also a number of informal meetings between the Chairman, his deputy, members of the finance committee and the Chairman of the Management Board.

Key Areas of the Meetings of the Supervisory Board and Finance Committee

As one of its main duties of 2012, the Supervisory Board supported the company management in a critical and advisory capacity in promoting the creation of the new divisions without neglecting the core business of PCBs. The finance committee conducted multiple meetings with the Management Board, which focused on the current situation and future strategy of the company as well as the expansion of its business activities.

The Supervisory Board focused on the following issues in the individual meetings: during its meeting in April, the Supervisory Board addressed the financial statement, status report and audit report for the 2011 business year, the diversification of the company, the extension of the Management Board contracts of Marc Bunz and Bernd Schweizer as well as the agenda for the 2012 annual general meeting. The meetings in June, July and October focused on the company's position as well as the opportunities and risks associated with the individual divisions. The focus of the December meeting was on the Management Board's operational and financial planning from 2013 to 2015, and its risk analysis for the individual divisions.

Supervisory Board Committees

The Supervisory Board has set up a finance committee with the goal of increasing efficiency. For a company of our size and orientation, we do not believe that it is either advisable or necessary to set up any further committees. Tasks which had been designated for other committees can be easily dealt with by the finance committee, provided that these are not to be dealt with by the Supervisory Board.

Financial Statement, Financial Statement Audit

The financial statement and status report of Schweizer Electronic AG were produced according to the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). As decided in the 2012 annual general meeting, the Supervisory Board commissioned Ernst & Young AG in Stuttgart with the audit of the company's accounts, financial statement and status report. An unqualified audit opinion was issued on 18 February 2013. The auditor's financial statement, status report and audit report were made available to all members of the Supervisory Board. The Supervisory Board meeting of 27 March 2013 was attended by the auditor, who supplied the Supervisory Board with their written report and provided exhaustive answers to all questions.

The financial statement, status report and proposal for the use of the balance-sheet profit were all discussed at length by the Supervisory Board. There were no objections and the Supervisory Board approved the audit results. The financial statement of 27 March 2013 is thereby adopted in accordance with Section 172 of the German Stock Corporation Act. The Supervisory Board has aligned itself with the proposal for appropriation of profit, which allows for a dividend of EUR 0.55.

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.

Schramberg, 27 March 2013

The Supervisory Board



Christoph Schweizer
Chairman

Board Members

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 until: 31/03/2016

Supervisory Board Members

Christoph Schweizer

Chairman

Schramberg

Appointed until: annual general meeting 2014

Michael Kowalski

Deputy Chairman

Managing Director of Essmann GmbH,
Bad Salzungen

Appointed until: annual general meeting 2014

Martin Fischer

Chairman of the Management Board of
Sparkasse Jena-Saale-Holzland, Jena (until 30/06/2012)

Appointed until: annual general meeting 2014

Kristina Schweizer

Editor, Wolters Kluwer Deutschland GmbH,
Unterschleißheim

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*

Vision & Mission

A mission statement by which we are measured

Our mission statement explains the reasoning behind our strategy and actions.

Its purpose is to outline our self-conception and to trigger excitement and enthusiasm for our company. It is also to convey the values and guiding themes that are the pillars of our success.

Vision

We are a global "best-in-class" technology company.

Our products conserve resources to safeguard the future of our children.

We are a leading manufacturer of high-quality printed circuit boards (PCBs) and recognised producer of energy-saving, environmentally friendly products and services.

Mission

Our mission is to ensure the success of our customers – and thus also that of our company!

The goals of our customers, their faith in us and our pleasure in constantly pushing the boundaries of what is possible – these are the key drivers behind our success.

We are able to achieve this on the basis of our long-term experience, state-of-the-art technology, production methods and processes as well as our excellent knowledge of our target markets.

We focus on attractive and promising business opportunities. Our activities as a family business with a long-standing tradition are geared towards long-term, sustainable success. Our employees form the basis for this success.

The following values are important to us and guide our behaviour:

Quality, speed, creativity, openness.

These values represent the foundation for our past, present and future.

Quality

We are committed to reducing energy consumption, increasing energy efficiency, continuously improving our services and contributing to environmental protection. In addition, our compliance with relevant laws and regulations forms the indispensable basis of all our actions. We are therefore working openly with authorities and the public on environmental protection issues. We stand for highest quality levels and operate with utmost care in all facets of our business.

Shares

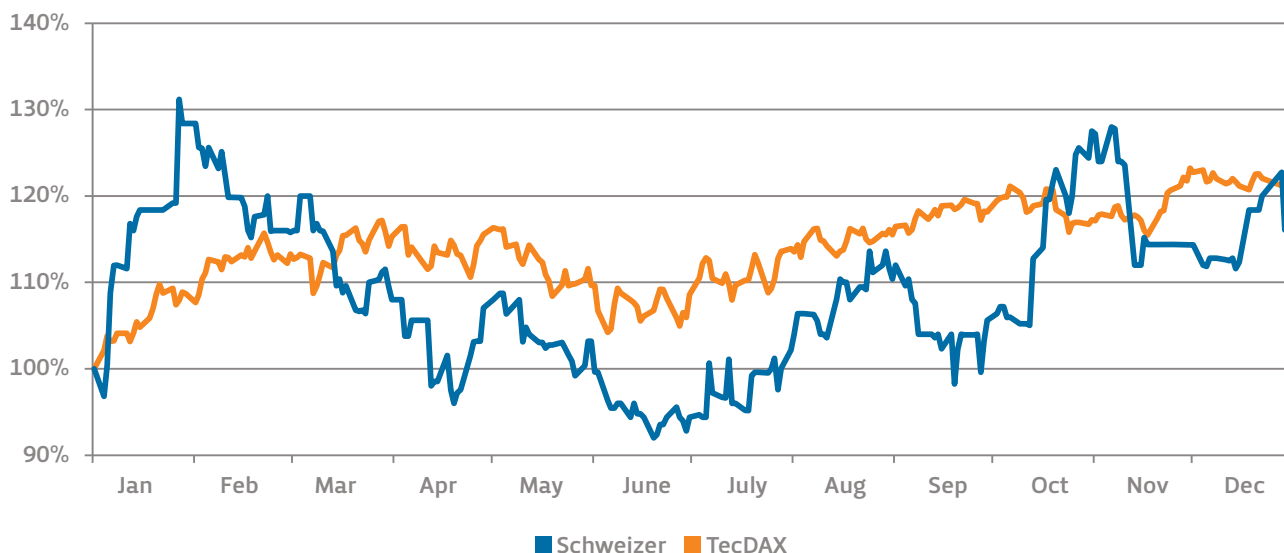
Stock Markets remain volatile

The German leading index DAX has already risen by a good 20 % in the first quarter, and in March exceeded the mark of 7,000 points for the first time since the downturn at the beginning of autumn 2011. Compared with the 2011 cyclical trough, this represents a gain of around 40 %. Along with the monetary measures of the ECB and national central banks, the positive mood was also enhanced by a brightening trend indicator in the German business landscape and the resulting announcement of new record employment within the German employment market. The ever-resurgent uncertainties, regarding the debt situation of many European countries in particular, in turn contributed to the fall of the DAX to its annual low of 6,000 points at the beginning of June.

With the passage of the European ESM bailout fund and the fiscal pact, the rate of return sank on government bonds in the heavily indebted countries and investors were once again prompted to invest heavily in shares and exploit the profit-making opportunities. This was facilitated by the base rate being cut from 1.0 % to 0.75 % by the ECB. These developments drove the DAX to a peak of over 7,600 points by the end of the year, which marked not only an annual high but a five-year high. In the year as a whole, the German leading index was able to make gains of around 30 %, with the smaller indexes also registering strong growth. The MDAX rose by over 34 % compared with last year and the TecDAX, oriented by technology stocks, rose by 21 %.

Share Price rises by 16 % over the Year

Analogous to the German indexes, the start of 2012 saw the Schweizer Electronic AG share price make strong gains. The losses in the final two months of 2011 had already been fully compensated for by January. The share price increased to over EUR 16, which represented a growth of around 30 %. However, this situation meant that the annual high had been reached very early on, as the share began to experience a clear downward trend even before the traditionally weak summer months. By mid-June the share price had fallen to its annual low of EUR 11.50, interrupted only by a brief period of stabilisation around EUR 13.50 at the beginning of May. The technology-driven TecDAX also had to endure considerable losses in early summer. After a short interim low in September, the share price followed the upward trend of the entire German market landscape before finally reaching a share value of around EUR 16 at the beginning of November. Towards the end of the year, the SCHWEIZER share fluctuated within a corridor between EUR 14.50 and EUR 15.50. On 31 December 2012 the share closed at EUR 14.51, equating to a gain of 16 %. The 2012 trading year once again underlined the independence of the SCHWEIZER share from the general development within the photovoltaics industry, and thus healthy diversification with regard to business activities. This explains the enhanced perception of the share as an automotive and industrial supply stock, and to a lesser extent a solar stock, which can have a positive effect with regard to the company's long-term performance on the stock market.



Increase of the Dividend to EUR 0.55

In accordance with the established cashflow-oriented dividend policy, shareholders are expected to participate appropriately in company development this year. The dividend policy is based on the appropriate participation of all stakeholders in the free cashflow as well as the build-up of a crisis reserve. As a result of the success in the previous business years, all maturing loans were settled and a crisis reserve corresponding to the target values of the company was established. It is for this reason that the Management Board and Supervisory Board will propose increasing the dividend to EUR 0.55 per share at the annual general meeting. This represents a dividend yield of 3.79 % based on the year-end closing price of EUR 14.51.

Investor Relations

The management of Schweizer Electronic AG takes very seriously its task to inform the capital market participants in a detailed, transparent and thorough manner. In addition to its extensive financial reporting, the management team attended numerous capital market conferences and investor meetings. The trusting and long-term relationships with all stakeholders is further underlined by the extensive information which can be found on the SCHWEIZER website at:

www.schweizer.ag/en/investor-relations.html.

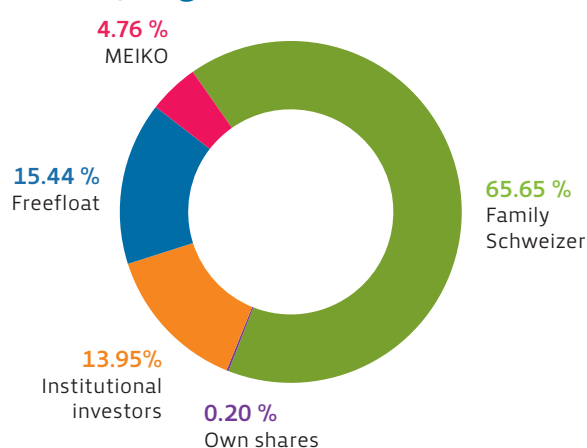


www.schweizer.ag/en/investor-relations.html

Shareholder Structure

The shareholder structure barely changed during the 2012 business year. The stake held by the Schweizer families increased slightly to 65.65 %. At year-end, the cooperation partner MEIKO still owned a 4.76 % stake in Schweizer Electronic AG. A further 14.0 % is held by institutional investors.

Share Key Figures



Basic Share Data

Year-end closing price	EUR 14.51
Highest price	EUR 16.40
Lowest price	EUR 11.50
No. of shares at end of business year	3,780,000
Market capitalisation at end of business year	EUR 54.8 million
ISIN	DE0005156236
German Securities Code (WKN)	515623
Symbol	SCE
Listed in	Xetra, Frankfurt, Stuttgart, Düsseldorf, Berlin
Stock market segment	Regulated market
Level of transparency	General Standard

A successful Network: Technology – Production – Sales

Electronic Division

Schweizer Electronic AG, Schramberg/Germany

Company headquarters/technology centre

Production site

Capacity: 475,000 sqm/year

663 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

Schweizer Electronic Singapore Pte. Ltd., Singapore

Rapid prototypes:

Contag AG, Berlin/Germany

Company headquarters

Production site

Capacity: approx. 8000 orders/year

75 employees

Reliable mass production:

Meiko Electronics Co., Ltd., Ayase/Japan

Company headquarters near Tokyo/Japan

Production sites in Japan, China and Vietnam

Approx. 7 million sqm/year (2012)

Approx. 12,200 employees

Energy Division

Schweizer Pte. Ltd., Singapore

Schweizer Energy Production Pte. Ltd., Singapore

Schweizer Energy System Integration Pte. Ltd., Singapore





Multifaceted Customer Proximity

Customer proximity plays a crucial role in customer satisfaction. SCHWEIZER ensures this proximity through a variety of measures and activities. When it comes to key customers, regular visits by experts from the areas of sales, marketing and innovations are just as common as visits by customers to the site in Schramberg. The goal of a personal information exchange is to determine the exact requirements of the customer – after all, SCHWEIZER ultimately strives to provide the customer with a competitive advantage with its solutions and deep understanding of systems and applications.

In addition to customer visits, SCHWEIZER uses various platforms to give customers and interested parties in the sector a better understanding of its product and solutions portfolio. This also includes technical lectures at conferences, universities, colleges, institutions and professional associations. Furthermore, participation at trade fairs offers direct contact with the target group and therefore provides customers with the opportunity to take a good look at the company's range of services.



Distinction through cutting-edge Solutions

Every two years, decision-makers, developers and buyers come together for “electronica” in Munich – the world’s leading trade fair for components, systems and applications. For SCHWEIZER, this trade fair is by far the biggest and most important event of its kind. In November 2012, the company used eight displays at its stall to exhibit products and prototypes which impressed visitors and struck a chord with both existing and potential customers alike. The staff manning the SCHWEIZER trade fair stand were delighted by the huge number of customers and interested parties who wanted to find out more about the products and solutions on show. Many conversations served to confirm that SCHWEIZER excels in its field thanks to its cutting-edge solutions, which optimally address the challenges facing the users. electronica also provided the ideal setting to present the “Technology Specials” – four films in which SCHWEIZER gives brief yet detailed descriptions of power electronics and embedding (i² Board and p² Pack) as well as system cost reduction (“All in one PCB”). The trade fair appearance was rounded off by a get together in the evening, which gave customers, suppliers and partners the chance to meet and continue their discussions in a relaxed atmosphere.

Technology Films



Power Electronics



i² Board



p² Pack



System Cost Reduction
“All in One PCB”

Expertise in all Fields – from the Idea through to Series Production

A complete Product Life Cycle for every Need

The life of a product begins with an idea, then undergoes advance development and series development in the production phase before finally going out of production. Due to SCHWEIZER's customer structure, it is not only necessary to manufacture cutting-edge products for niche markets within this cycle, but also large quantities of high-quality products. For our customers, a balanced offer is an absolute must – that is to say a good mix of products in differing quantities and at attractive prices. SCHWEIZER enables this through its set-up with Schramberg as a site for innovation, technology and mid-sized series, and its partnership with MEIKO for large-scale production. Customers therefore choose SCHWEIZER as a supplier not just because of the product price and innovative technology, but because they carefully weigh up whether the company is a reliable long-term partner for projects and quantities of all sizes and can thus qualify as a strategic supplier.

Research and Development – creative Ideas lead to Innovations

As well as the continuous further development of standard products, SCHWEIZER also focuses on implementing ideas in the key areas of innovation – power electronics, embedding and system cost reduction. The success of intensive activity in the field of research and development in the past year was reflected both in series launches for new products and through profit from new product-related projects for customers. The company has adapted itself to existing and future customer demands for PCBs of a high technological quality, and thus also increasingly established itself as a strategic development partner for key customers.

Furthermore, through participation in projects funded by the Federal Ministry of Education and Research (BMBF) and consortia which are occupied by SCHWEIZER customers as well as suppliers and research institutions, the existing network of universities and institutes has been further expanded and there has been a close integration of research results with clearly defined development themes.

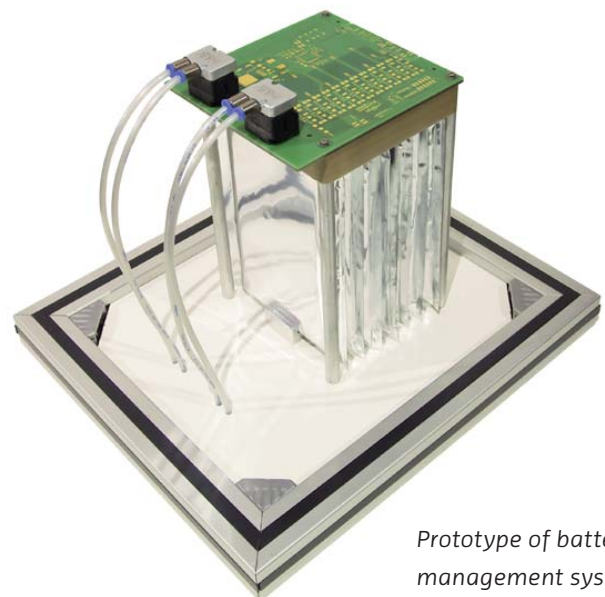
SCHWEIZER offers more than PCBs

Prototypes represent a milestone in the process between idea and finished product. In the following, we present prototypes for each of the key innovation areas of power electronics, embedding and system cost reduction, which are intended to demonstrate the innovative possibilities of PCB technology.

Power Electronics: Battery Management System (BMS) Application for electric Cars

Not only do battery management systems require intelligent management of the battery cells to ensure a long battery life, the conventional systems in use today are frequently cooled by water using additional cooling channels.

In order to rise to these challenges, SCHWEIZER has developed a prototype which was created in collaboration with KA-RaceIng and which combines the benefits of the Power Combi Board and Water Board in one solution. Whereas the logic wiring is located on top of the PCB, the battery cells can be applied directly (e.g. using a laser process) to the rear. The so-called "hot spots" which exist during operation are cooled down directly by the Water Board (a water-cooled PCB).



Prototype of battery management system

Embedding: the p² Pack in a 40 kW electric Motor Application for electric Cars

The progressing miniaturisation of the high-performance electronics requires switching losses and dissipation losses to be minimised within the most limited space. In hybrid and electric vehicles, the demands in terms of electrical performance management are increasing due to the electrification of the drive train. Through ever more compact solutions, size is playing an increasingly important role.

In collaboration with the ETH in Zurich, a prototype was created with integrated electronics – an electromobility application for a 40 kW electric motor with embedded IGBTs and diodes. When using conventional power modules, the use of several guided bonding wires in parallel leads to undesirable inductances that are highly parasitic. This causes high over-voltages when switching such modules on and off. In the p² Pack, this problem is solved by replacing the bonding wires with copper-filled blind holes. However, the Smart p² Pack allows the size, weight and costs to be considerably reduced in comparison with classic DCB modules. Combining the p² Pack directly with the logic wiring simplifies the entire system and significantly improves its performance. The p² Pack thus represents a smart solution for all future three-phase drives as well as all DC/DC and AC/DC converters.



Prototype of
40 kW electric motor

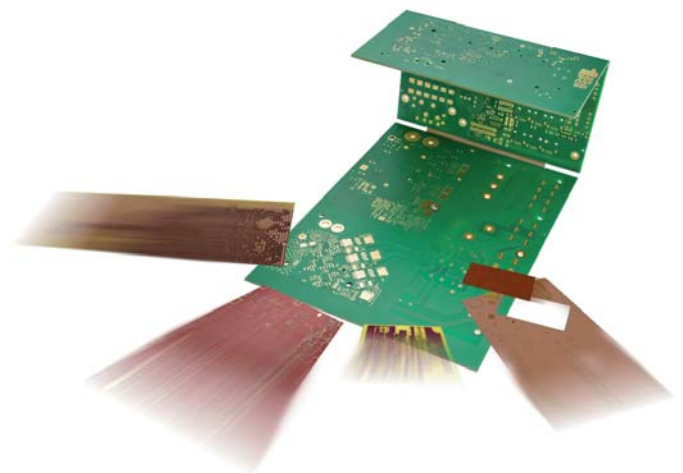
System Cost Reduction: the “All in one PCB” for use in Solar Inverters

The “All in one PCB” inverter prototype reveals the intriguing possibilities for combining a variety of PCB technologies.

Photovoltaic inverters today comprise between 3 and 22 assemblies which can be reduced to one individual assembly through intelligent structuring of the PCBs. This optimises the performance, increases the quality and reduces the system costs.

The “All in one PCB” consists of pre-built inserts with a functionally adapted superstructure, based on experience with the Combi Board and Wirelaid™ for the combination of logic and power as well as the inlay board for maximum heat dissipation and high currents.

With the SCHWEIZER FR4 Flex technology, the different functional areas can finally be adapted to the device structure using bending technology.



“All in one PCB”

Quality and continuous Improvement in Machines, Plants, Procedures and Processes

The journey from the implementation of an idea for a new product to the final series production is a complex one, requiring very close integration between diverse functions and specialist areas across the entire company. The multifaceted development and production process is continuously monitored and requires the adherence to specific production processes which are supported by strict quality control. Constant improvements play a part in this effort to always deliver products of the highest quality and precision.

At the heart of SCHWEIZER's PCB production at the Schramberg plant is a production environment comprising a range of machines and systems. This is regularly upgraded to correspond to the latest technical and technological advancements. In addition to the thorough maintenance of machinery, there are constant investments in the expansion of plants to make the production process more efficient and support the introduction of new technologies. In the 2012 business year, for example, we purchased a milling machine and a hot air levelling machine for both leaded and lead-free solders, and also commissioned the new mass-lam press centre.

Furthermore, in the previous business year a spray coating unit for PCBs with photoimageable solder resists was also acquired for the solder mask area. For decades, spray coating has been an established process in the automotive sector – a very important sector for SCHWEIZER in terms of sales.

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.

SCHWEIZER launched the “lean production” project at its Schramberg site in order to ensure permanent and sustainable optimisation with regard to manufacture. This has resulted in a decrease in production stocks over the past two years, the reduction of order lead times, a high level of delivery accuracy and increased production flexibility.

This success has prompted the company to also extend the “lean” concept to other areas of the company which are only indirectly engaged in production.



Detailed view of spray coating unit

Recognising and promoting Potential

Employees as the Key to Success

The success of the company is undoubtedly rooted in the qualified and motivated workforce who are dedicated and committed to fulfilling their duties. In a time when the demands on each individual employee are growing and shifting, the continuous further development of staff and the associated management is absolutely vital.

Against the backdrop of diversification and internationalisation of the company, SCHWEIZER intensified employee development and measures for attracting employees in the 2012 business year. As part of this, the Human Resources division also established itself as a competent business partner for the specialist areas.

Talent management was greatly enhanced – a function which focuses on the areas of employee training and development. Key to this is the early recognition and targeted development of potential within the company. Last year, numerous measures were implemented to enhance staff competence, an example of this being that around 10 % of all employees undergo a structured 18-month English course. In addition to this area of further development, weaker employees are provided with support in the form of targeted steps to improve their performances. All employees were also given the chance to participate in various training courses and seminars which were offered through the internal training catalogue. At the beginning of their

employment at SCHWEIZER, new employees are accompanied by a structured onboarding process. All activities in the area of employee development contribute to the concept of “identify, develop, employ and retain”.

With regard to the future security of all sites and divisions, SCHWEIZER focuses on attracting specialist and managerial talent through establishing and maintaining partnerships with schools and universities, for example. This is just one of many important aspects which falls under the scope of human resources and which is addressed in order to meet future demands.

In 2012 SCHWEIZER succeeded in improving employer branding, i.e. the brand presence as an employer. In the field of training, particular contributions were made through the use of social media, a new training strategy and an own slogan for trainees: “Jump into Life”. Furthermore, the company’s Internet presence has been completely revised.

In 2012, SCHWEIZER was also able to depend fully upon the commitment, energy and reliability of its workforce and wishes to thank all employees for their achievements and the effort they have shown.



jump into life

SCHWEIZER
ELECTRONIC

Ausbildung
SCHWEIZER

Vertrauen
Kompetenz
Erfolg
Einsatz
Qualität
Verantwortung
Innovation
Wissen
Verständnis
Zukunft
Know-how
Kreativität
Sicherheit
Leidenschaft
Zuverlässig
Karriere
Teamwork
Offenheit
Bildung
Gemeinschaft
Schule
Erfahrung
High-Tech

www.schweizer.ag/karriere



Status Report

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Business Activities

Schweizer Electronic AG is 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 top ten worldwide suppliers of PCBs to the automotive industry. Within this collective, CONTAG is focused on the 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. In the 2012 business year a contract was agreed with Meiko Electronics regarding a joint venture for production in Vietnam, for European customers in particular. This joint venture will allow SCHWEIZER to also serve its customers from its own stable Asian capacity.

The company is 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 ELECTRONIC has defined three technological areas as a means of providing forward-looking solutions for 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 key technological areas and is constantly working on promising new systems. The major market segments for SCHWEIZER are the automotive and industry electronics sectors.

SCHWEIZER continues to pursue a diversification strategy in two new 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 plans to invest in the production of photovoltaic cells and modules in China as well as in the planning of solar farms. The additional divisions did not contribute to the operating results in the reporting year.

Schweizer Electronic 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, Schweizer Energy Pte. Ltd., Singapore, and Schweizer Pte. Ltd., Singapore. As at 31 December 2012, the stake in Meiko Electronics was 1.62 %, with Schweizer Electronic holding a 100 % stake in all other companies.

Business Development and Position

A revenue of EUR 100.2 million was achieved in the 2012 business year (previous year EUR 105.4 million), representing a fall of 4.9 %. Incoming orders were also below the level of the previous year. Whereas EUR 103.6 million worth of new orders were posted in 2011, this decreased by 32.3 % to EUR 70.1 million in the reporting year. The orders on hand amounted to EUR 89.8 million at the end of the 2012 business year (previous year EUR 120.0 million).

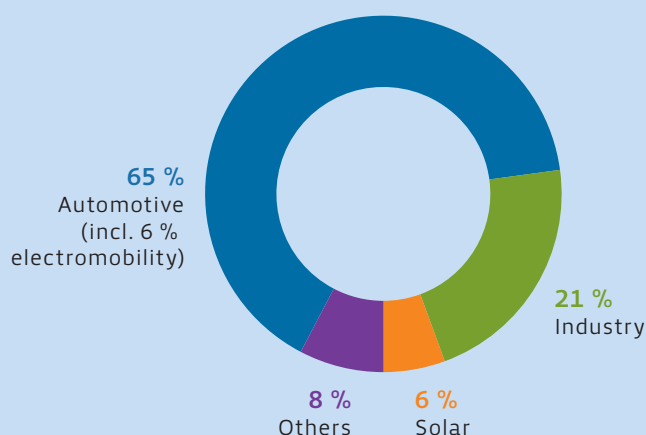
The characteristics of incoming orders were very heterogeneous over the course of the year. At EUR 21.2 million, incoming orders were at their highest in the fourth quarter of the reporting year. However, a marked uncertainty – particularly among automotive customers – led to very conservative ordering behaviour in the second quarter. In this quarter, only EUR 5.8 million of new orders were entered into the order books. Consequently, the EUR 41.6 million of new orders

posted in the second half of the year accounted for 59 % of all new orders.

As expected, however, revenues were lower in the second half of the year than in the first. Whereas the months of January to June saw a revenue of EUR 53.7 million, this fell in the second half of the year to EUR 46.5 million. As a result of seasonal factors, the fourth quarter sees the weakest month in terms of revenue. At EUR 22.7 million, the revenue in the fourth quarter of the reporting year (previous year: EUR 21.8 million) was 4.1 % above the previous quarter.

In the reporting year, SCHWEIZER was able to achieve a historic all-time high with customers in the automotive sector. With a revenue of EUR 65.3 million (previous year: EUR 58.7 million), this customer group represented 65.2 % (previous year: 55.7 %) of the total revenue of the company. Revenues from industry electronics customers have also risen, reaching EUR 21.6 million in 2012 (previous year: EUR 20.8 million). Due to the market situation in the field of photovoltaics, which continues to be very weak, revenues from customers in this area recorded a further fall. A revenue of EUR 5.6 million was recorded for solar electronics in the reporting year (previous year: EUR 18.3 million) – a fall of 69 % from the previous year. Incoming orders show a different picture, as these were more than halved during the reporting year among customers from the automotive sector. Whereas EUR 87.5 million worth of new orders from this customer segment were posted in 2011, this figure fell to EUR 41.2 million in 2012. Orders on hand for automotive customers correspondingly fell by EUR 24.1 million to EUR 75.0 million. On the one hand, this development can be explained by the fact that the automotive market has cooled significantly, particularly in southern European states. On the other hand, this development represents palpably cautious planning on the customer side, which demonstrates the increased uncertainty with regard to the ongoing market development of the automotive sector.

2012 sales per customer segment

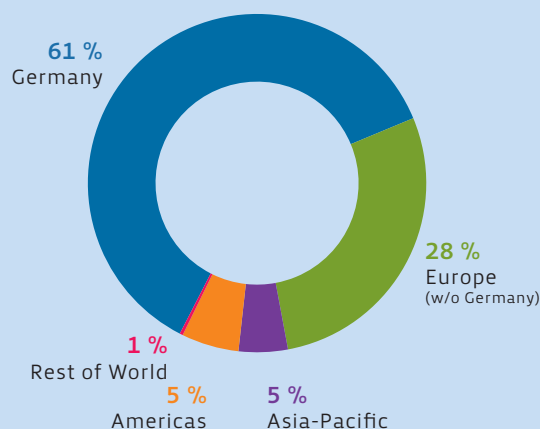


€ million	2012	2011
Automotive	65.3	58.7
Solar	5.6	18.3
Industry	21.6	20.8
Other	7.7	7.5
	100.2	105.4

The regional revenue analysis shows that the relatively weak market in Europe (not including Germany) has had a noticeable effect on the 2012 figures. Whereas revenues in Germany remained very stable compared to the previous year, revenues in the rest of Europe demonstrated noticeable reductions. A revenue of EUR 61.3 million was recorded in Germany in the reporting year (previous year: EUR 61.6 million). In contrast, business activities in the rest of Europe (not including Germany) fell by around 20 % to EUR 28.4 million (previous year: EUR 35.6 million). Outside of Europe, increases in revenue were consistently achieved. In the APAC and Americas regions, a revenue of EUR 10.2 million was recorded in the 2012 business year (previ-

ous year: EUR 8.1 million) – as a result of this, the contribution made by these regions to the total revenue rose to 10.2 % (previous year: 7.7 %).

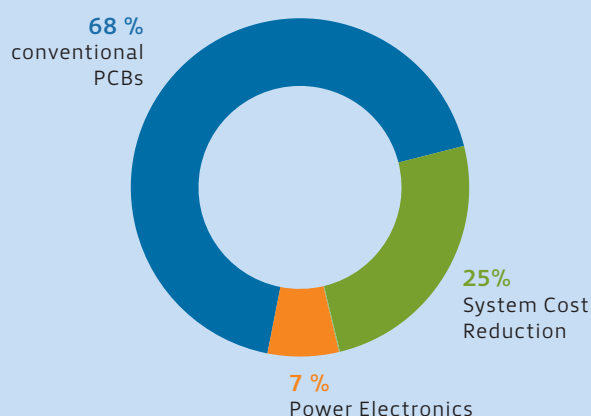
2012 sales by region



€ million	2012	2011
Germany	61.3	61.6
Europe (without Germany)	28.4	35.6
Asia	4.7	4.0
Americas	5.5	4.1
Rest of World	0.3	0.1
	100.2	105.4

The revenue from products in SCHWEIZER's key innovation areas rose again in 2012 despite the weaker overall situation. Clear successes were achieved, especially in products focused on system cost reduction. The EUR 25.2 million in revenue recorded by these products in the reporting year (previous year: EUR 18.2 million) accounted for 25.1 % of the total revenue of the company. Important products in this innovation segment are three-dimensional PCBs (FR4 Flex), which are particularly good at taking into account the increasing requirements of automotive customers with regard to design and cost reduction through the omission of plug-in connections. Influenced by the significant fall in revenue among solar electronics customers, revenue from the power electronics innovation segment fell to EUR 6.8 million (previous year: EUR 11.9 million). Embedding products from the third key area of innovation play a more minor role. Overall, products from the three key areas of innovation accounted for a 32.0 % share of sales (previous year: 28.6 %). This success underlines the fact that, despite the weaker market, highly innovative products are in a position to make ongoing contributions to increasing revenue.

2012 sales by technology



€ million	2012	2011
conventional PCBs	68.1	75.3
System Cost Reduction	25.2	18.2
Embedding	0.1	0.0
Power Electronics	6.8	11.9
	100.2	105.4

The revenue recorded thanks to our strategic cooperation partner Meiko Electronics also increased in 2012. This was particularly true among customers from the automotive sector, with the revenue of EUR 6.8 million (previous year: EUR 5.0 million) equating to an increase of 36 %. Overall, the revenue achieved within the scope of this cooperation is still below the targets set by SCHWEIZER. As an expansion of the cooperation, SCHWEIZER has decided to found a joint venture with Meiko Electronics for production in Vietnam which will involve the creation of production lines specially targeted at the European market.

Earnings Position

In 2012, SCHWEIZER's earnings before interest and taxes (EBIT) were EUR 5.2 million (previous year: EUR 8.3 million). The EUR 3.1 million fall has primarily been caused by three factors.

Firstly, as a result of a fall in overall performance, fixed cost inertia in the fields of materials, administration and production had a negative effect on the profits ratio. The overall performance of the company in the reporting year was EUR 98.5 million (previous year: EUR 103.4 million), therefore remaining 4.7 % or EUR 4.9 million below the level of the previous year. An important factor in terms of expenses, energy costs amounted to EUR 5.7 million in 2012. Although the price of electricity itself remained stable, supplementary electricity costs such as the levy of the German Renewable Energy Act (EEG) continued to increase. At the end of the year, SCHWEIZER employed 663 staff (previous year: 670 staff). A comparison between the year-end levels in 2011 and 2012 shows that the number of full-time employees fell by 24, whereas the number of part-time employees rose by 17 to 31. The personnel cost flexibility was therefore adapted in line with the lower basic utilisation of capacity.

Secondly, the structure of the PCBs produced has become more complex. The increasing proportion of innovative products has a positive effect on value creation. This requires increased expenses in both the materials field and in the production and quality control process.

Thirdly, the result in the 2011 business year received a boost of around EUR 1.2 million as a result of the liquidation of various provisions for contingent liabilities. This special effect was no longer a factor during the reporting year. This factor alone accounts for nearly 40 % of the fall in earnings from the previous year.

The period results amounted to EUR 0.7 million (previous year: EUR 6.5 million). Alongside the EUR 3.1 million fall in the EBIT, the primary factor for the fall in profit that was reflected in the financial result was a EUR 2.8 million devaluation in our share in Meiko Electronics. In October 2010, SCHWEIZER and Meiko Electronics implemented a cross-shareholding to strengthen their strategic partnership. In this context, Meiko Electronics took a 5.0 % (undiluted) shareholding in Schweizer Electronic AG in exchange for SCHWEIZER taking a 1.62 % stake in Meiko Electronics. Due to the capital increase that has since taken place at SCHWEIZER, the stake held by Meiko Electronics now amounts to 4.76 %. The mutual value of the shareholding was EUR 4.6 million. The intrinsic value of the stakes was strengthened by the respective partners through due diligence. The significant and sustained reduction in the valuation of the PCB sector on the capital market that has since occurred meant that the stake in Meiko Electronics had to be written down based on the year-end closing price of the MEIKO stock. As a result, the stake in MEIKO is valued at EUR 1.8 million (previously EUR 4.6 million) in the financial assets.

Financial Position

Cash revenue increased in the reporting year and was at a level of EUR 11.6 million on 31 December 2012 (previous year: EUR 10.2 million).

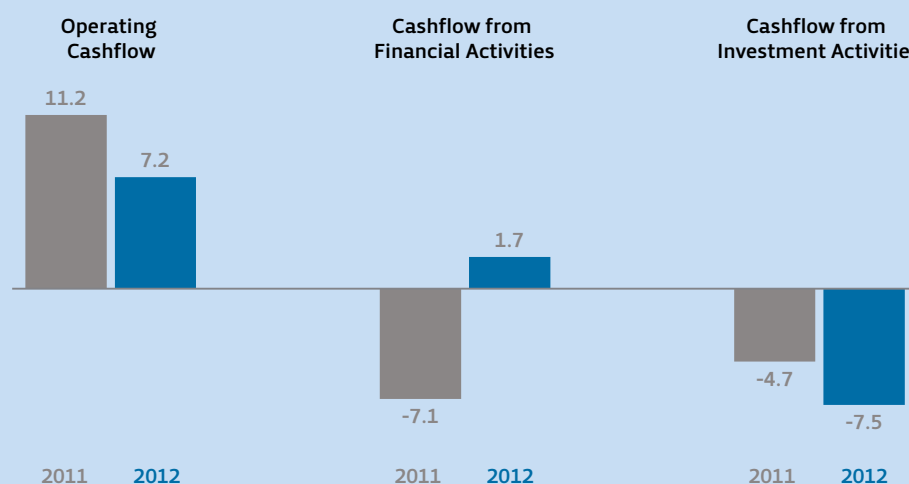
At EUR 7.2 million, the cashflow from current business activities (previous year: EUR 11.2 million) was 35.7 % lower than in the previous year. A primary factor for this fall were the period results, which were EUR 5.8 million lower. The unscheduled EUR 2.8 million depreciation in the value of our stake in Meiko Electronics did not have an effect on cash revenue. The EUR 1.3 million reduction in working capital had a positive effect, and the EUR 2.2 million stock reduction made a particular contribution to this. As a result of the increased revenue volume in the fourth quarter compared with the previous year and the increase in the average terms of payment thanks to a customer structure, the receivables rose by EUR 1.4 million to EUR 13.5 million (previous year: EUR 12.1 million).

Investments worth EUR 7.5 million (previous year: EUR 4.7 million) were realised in the reporting year. The majority flowed as capital contributions into the Asian subsidiary Schweizer Pte. Ltd., Singapore. A total of EUR 4.4 million will be used in the development of the Energy division. An additional EUR 2.6 million (previous year: EUR 4.7 million) was invested in innovative production facilities at the Schramberg plant. A further EUR 0.6 million (previous year: EUR 0.1 million) was invested in the modernisation and streamlining of SCHWEIZER's software environment.

The cashflow from financial activities amounted to EUR 1.7 million (previous year: EUR -7.1 million). New loans worth EUR 4.0 million (previous year: EUR 5.6 million) were taken out. In addition to the dividend payments of EUR 1.8 million (previous year: EUR 1.6 million), the cost for the amortisations came to EUR 0.4 million (previous year: EUR 11.1 million). Own shares worth EUR 0.1 million were bought back in the reporting year.

Net Asset Position

The developments in the net asset and capital structure during the reporting year were as follows: the total assets increased to EUR 71.7 million (previous year: EUR 71.2 million). The major change in the assets resulted from the increase in the receivables by EUR 1.4 million to EUR

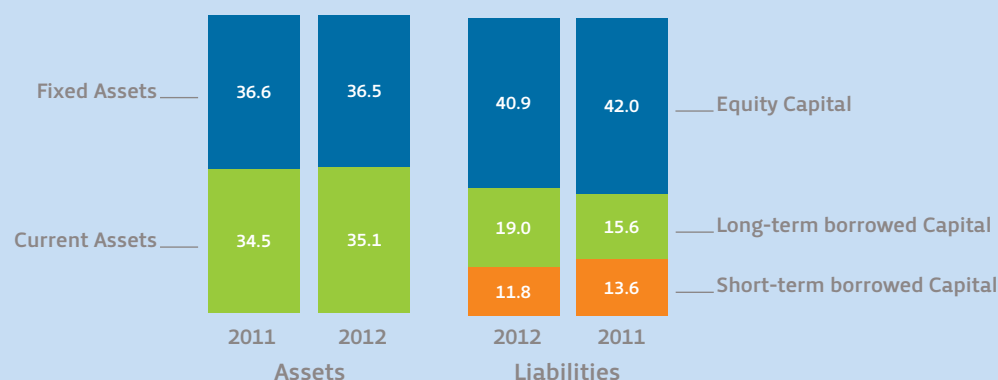


13.5 million (previous year: EUR 12.1 million). On the liabilities side, the new loans increased the liabilities to credit institutions by EUR 3.6 million to EUR 9.8 million. On the other hand, the provisions for taxes fell by EUR 1.7 million. In 2011, tax provisions for two business years were still on the books due to the previous turnaround. At EUR 40.9 million, the equity capital remained EUR 1.1 million below the value of the previous year, as a result of which the equity ratio fell to 57.1 % (59.0 % in the previous year).

On the receivables side, the financial assets increased by EUR 1.6 million to EUR 6.3 million. The capital payment for the Asian activities in the Energy division came to EUR 4.4 million in the reporting year. This was countered by a EUR 2.8 million value adjustment regarding the stake in Meiko Electronics. The inventories fell to EUR 9.9 million (previous year: EUR 12.1 million) as we were able to reduce the inventories of finished goods in particular, facilitated by the closure of a plant after Christmas. Despite the lower annual revenue, the receivables increased by EUR 1.4 million to EUR 13.5 million due to increased average terms of payment as a result of changes to the customer structure. Whereas customers still paid their invoices after an average of 39 days in 2011, this value increased to 43 days in the reporting year. At the end of the year, the cash on hand amounted to EUR 11.6 million (previous year: EUR 10.2 million).

The financing structure saw further improvement during the reporting year: the fixed assets of EUR 36.5 million are countered by EUR 59.9 million of long-term capital, of which EUR 40.9 million is equity capital and EUR 18.7 million is long-term borrowed capital. The short-term borrowed capital with a maximum residual term of one year totalled EUR 11.8 million.

Balance sheet structure in EUR millions



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 at 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.

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.

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.

In the event of premature loss of a position on the Management Board due to a change of control, two members of the Management Board are entitled to a severance payment and a compensation payment as a result of their employment contract. If the employment contract of the Management Board member ends twelve months after the change of control as a result of mutual termination, expiry or termination of the Management Board member due to his Management Board position having been considerably affected by the change of control, then he is due severance payments in the amount of his capitalised total annual remuneration for the residual term of his employment contract. If the residual term of the employment contract comes to more than three years, then the severance payments for the additional period shall be subject to a flat-rate reduction of 25 per cent in order to take into account the discounting and deduction of additional benefits. In addition, the Management Board member shall receive compensation of at least double his total annual remuneration, or triple in the event that he has been an active member of the company's Management Board for more than ten years. The total of the severance and compensation payments shall be limited to an amount equal to five times the total annual remuneration of the Management Board member.

Employees

The success of 2012 can primarily be traced back to the continually outstanding performance of our employees. With their creativity, willingness to change, constant striving for improvement and special sense of team spirit, the employees have engineered the development of themselves and the company. Company management explicitly recognises the exceptional performance of the employees and thanks them for their contribution in 2012. The inclusion of employees in the company's success will be continued.

2012 was characterised by a greater focus on employee development and recruitment. This will be continued in 2013, with additional focus being placed on the internationalisation of the company as well as measures accompanying the resulting culture change.

Changes to the Boards

The Supervisory Board of Schweizer Electronic AG extended the Management Board contracts of Marc Bunz and Bernd Schweizer, which expired in March 2013, for a further five years until 2018. Marc Bunz has been a member of the Management Board since 1 April 2010 and is responsible for Finance & Controlling, Information Systems, Purchasing and Investor Relations. Bernd Schweizer has been part of the Management Board since 1 April 2008 and is responsible for Production, Supply Chain and Quality Control.

Procurement and Production

SCHWEIZER's supplier strategy follows the requirements of a premium provider, demanding the following of its suppliers: high delivery reliability, exceptional quality standards, great capacity to innovate and, last but not last, exceptional creditworthiness. The company sees this as an important requirement for providing optimum service to its customers. Due to the increasing price sensitivity on the customer side, this criterion also plays an important role on the procurement side.

The procurement volume of materials, purchased goods and services amounted to EUR 45.8 million in the reporting year (previous year: EUR 47.9 million). The fall was predominantly related to sales volume.

The utilisation of the suppliers fell in the reporting year compared with the previous year, although high delivery reliability and short delivery times were the positive effects of this. The most important raw materials for SCHWEIZER – gold and copper – were subject to major price fluctuations in 2012. Where possible, SCHWEIZER attempts to compensate for these fluctuations through longer-term price fixing agreements in order to have sufficient calculation security. Energy prices continue to increase, particularly as a result of the increase in the levies of the German Renewable Energy Act (EEG).

In future, due to the increasing price sensitivity of its customers, the company shall attend to the internationalisation of its supplier base even more than before.

The reporting year was characterised by very good levels of production in the first half of the year. The customer demand, which fell from June, was offset by the counter-trend of an increasing contribution made by innovative products and increased value creation. However, the increased complexity of the PCBs produced led to cost increases in the materials field and in the production and quality control process.

Within the year, we succeeded in flexibly balancing out the fluctuations of the market and adapting the production capacities of the respective market requirements.

We were able to make considerable progress in the development of inventories, with the inventories being at a markedly lower level than in previous years.

Research and Development

R&D plays a key role at SCHWEIZER. The company therefore pressed ahead with its R&D efforts in 2012, despite the continued cost discipline. SCHWEIZER research anticipates trends, customer wishes and requirements that are consistently implemented from development through to 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.

In 2012, through intensive research and development activities, SCHWEIZER succeeded in consolidating its strategic importance as a development partner among key customers.

Together with the processing of projects funded by the Federal Ministry of Education and Research (BMBF), we were also able to further expand our existing network of universities and institutes. The funded project "HELP" introduces new opportunities for markets in the high temperature field that have not yet been opened up, whereas the funded project "HI-Level" is aimed at integrating logic and power semiconductors as well as power MOSFETs and IGBTs in organic PCBs.

These research projects also lay the content-related foundations for the Systems division, which will be further structured in the coming year.

In the area of power electronics, which is a focus of development, we were able to further increase the share of sales of high-current PCBs and expand the field to additional application areas. For the products with start-stop functionality that were already available, new projects were also created for voltage converters – so-called DC/DC converters or AC/DC converters.

The series launch for a high-efficiency LED application also falls under the category of power electronic systems, although in this case it applies to applications in the consumer area.

In the key area of embedding, we were able to acquire new potential customers and supply them with samples, providing SCHWEIZER with the opportunity to use these technologies in series production in the near future. To date, the Schweizer embedding platform comprises the three independent technologies that take into account the current market trends – i² Board, p² Pack and μ^2 Pack.

Characterisations and initial reliability tests were successfully performed on the first mounted modules with p² Pack technology. The automotive industry has recognised and investigated the potential of SCHWEIZER technology: the SCHWEIZER p² Pack is already being used in electric and hybrid vehicles within the scope of advance development projects.

In the key area of system cost reduction, preparations have been made for the series production of replacement technologies for ceramic interconnect devices, which is expected in the course of the coming year. This enabled us to increase the number of projects that could replace ceramic interconnect devices, so-called LTCC substrates, in the future.

The proportion of high-frequency applications is also rising in the area of driver assistance systems – they contribute to cost reduction in these future high-volume applications with the help of mixed substrates developed by SCHWEIZER that are made of high-frequency basic materials and cost-effective standard PCB material.

In the area of process development, the focus was on the preparation and stabilisation of newly introduced processes for new products. For example, this includes the introduction and stabilisation of the nickel-palladium-gold universal PCB finish, which can be deposited on copper surfaces without power supply and can be used both for soldering purposes and for common wire bonding processes such as aluminium and gold wire bonding. In addition, an alternative pressing technology for multilayer products that can cover increased quality requirements was transferred to series production.

In 2012, spending on research and development totalled EUR 2.2 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 2012 business year. After having TÜV as our certifier for many certification periods, we made a change to DNV in 2012. Certification of the SCHWEIZER environmental management system in line with ISO 14000 is scheduled for 2013.

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 and Opportunity 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

Schweizer Electronic AG was financially stable throughout the 2012 business year. As a result of the weaknesses in individual market segments and the remaining uncertainty regarding future economic development, not least driven by the persisting financial crisis in the euro countries, sales and orders on hand have fallen.

Significant risks are posed by the advancement of the markets and the company.

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 USD, 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, USD requirements exceed USD 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 from Europe for materials involved in the manufacture of

PCBs 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. In this context, additional suppliers from Asia were audited, qualified and approved in the past financial year (2012), with the first orders and deliveries being made and the ramp-up phase being successfully completed.

Strongly fluctuating markets for industrial raw materials combined with the extremely volatile raw material prices mean that there is a calculation risk. This risk is countered by concluding contracts with suppliers in good time. The possibility of futures contracts was inspected in 2012 within the scope of commodity management; however, no corresponding contracts were concluded with SCHWEIZER. 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

Increasing weakness in the solar industry caused dependency on the automotive industry to heighten further 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 new products. 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.

Opportunities

The opportunities shown below represent a cross-section of the opportunities that are being presented to us. The valuation of the opportunities is also subject to ongoing changes, as SCHWEIZER, its markets and its technologies are constantly developing. This can generate new opportunities, cause existing opportunities to lose relevance or change the importance of an opportunity for SCHWEIZER.

Entry to Asia

A few years ago, our activities in the highly significant Asian market were very limited for various reasons. Thanks to the cooperation with Meiko Electronics in Asia and the development of the Energy division, SCHWEIZER achieved a good entry to the Asian market. If we continue to succeed in positioning SCHWEIZER as part of Asian industry and thus as an element of the respective countries, this could lead to a wealth of new and additional opportunities and have a positive effect on business at SCHWEIZER.

Technology & the Importance of electronic Components

Recent years have seen a rise in the proportion of electronic components and parts among products in almost all sectors, and there are no signs yet of this trend abating. Technologies in the PCB industry are an important element of these electronic components, parts and applications in a number of areas. In development cooperations with our customers and independent innovations, SCHWEIZER identifies possibilities for gaining an above-average share in market growth.

Financial Position

The current financial situation, which we have already covered, enables SCHWEIZER to benefit from being offered good refinancing conditions and from exploiting these where necessary. For SCHWEIZER, this creates financial room for manoeuvre that guarantees above-average company flexibility with regard to the implementation of strategy.

Delivery Capability

The existing capacities for PCBs in the Electronic division enable SCHWEIZER to cover increased demand among our existing customers and new customers at short notice in the event of a market upturn, an opportunity that exists even if current capacity utilisation is low. This can generate positive effects in future with regard to market shares and earnings position.

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

Schweizer Electronic AG is committed to the principles of leadership and controlling that is responsible, value-based and aligned towards long-term success, targeted and efficient cooperation between the Management Board and the Supervisory Board, respecting the interests of its shareholders and employees, and transparency. The company thus complies with the recommendations of the German Corporate Governance Codex governmental commission. Exceptions are explained in the Declaration of Conformity. This document can be found on the web page at the following address:

<http://www.schweizer.ag/en/investor-relations/corporate-governance.html>

The Corporate Governance Declaration and the corporate governance report can be found on the web page at the following address:

<http://www.schweizer.ag/en/investor-relations/corporate-governance.html>

This information can also be found in the annual report.

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. In addition, ancillary payments such as the provision of a company car and insurance subsidies are granted. 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 (Δ EVA), along with market capitalisation, strategic long-term goals and continuous company growth. 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. Taxes due on this shall be taken over if required.

In the 2012 business year, the Management Board's earnings totalled EUR 1.265 million (fixed), EUR 573,000 (variable) and 9,577 shares for long-term goals. In the 2012 business year, all mem-

bers of the Management Board were employed for the full calendar year. This is in contrast to 2011, when Nicolas Fabian Schweizer was employed for nine months and the other members of the Management Board were employed for the full calendar year.

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 2012 came to EUR 74,000 (fixed) and EUR 153,000 (variable).

Forecast Report

Fundamentals

As a result of internationalisation, SCHWEIZER will increasingly be obtaining revenues in US dollars as well as euros. This will see costs in USD increase on the purchasing side. The ratio of revenues to costs is not balanced: fluctuations in the exchange rate between the euro and the US dollar have an impact on the development of revenue and earnings at SCHWEIZER. Excluding hedging transactions, a change of one cent in the euro/US dollar exchange rate from the budgeted exchange rate leads to a deviation in the result of around EUR 35,000. The currency effect is weaker with regard to revenue.

Global Prospects

The prospects for the development of the global economy in 2013 are moderate to restrained. The global economy lost momentum in 2012, with worldwide GDP growth of 3.2 %. Although the IMF is forecasting GDP growth of 3.5 % in 2013, the moderate yet mildly positive outlook is primarily based on the assumption that the tensions in the financial markets in the context of the European debt crisis will be reduced step by step. However, expert estimations suggest that an escalation of the debt crisis in Europe would lead to a significant recession in the euro area and the global market would be dampened as a result of trade relations and internationally networked financial markets. The growth prognosis also depends on whether the USA succeeds in implementing an economically compatible reduction in expenditure and whether China achieves a soft landing in 2013. For 2014, experts are forecasting an upturn in GDP on a scale of 4.1 %.

China and India will remain the main growth drivers in Asia. The increase in public expenditure should help the Chinese economy to counteract the negative effect of the low demand for exports. Growth in Asia will also be aided by fast-growing countries such as Indonesia and Vietnam, whose production is expected to grow by around 5 % to 6 % in the coming years. The

outlook for Japan is less optimistic: growth will slow again in 2013, as consumer spending has been further dampened and the risk of deflation has risen once more.

Electronic Division

Low economic dynamism and high overall economic risks have left their mark on the (European) PCB industry, with the European PCB market falling by -4.3 % in 2012 compared with the previous year (source: Prismark market research institute Q3/2012). Whilst the prognosis institutes and industry associations had predicted in 2012 that there would be growth on a scale of 0.7 % in 2013 (source: Prismark Q1/2012), they are now predicting further lateral development in European markets. Provided a global recession can be avoided, SCHWEIZER is working on the basis of a -5 % to -10 % fall for 2013 in the European PCB market, which represents the most important sales territory for SCHWEIZER. The time delay regarding information received also plays a role in SCHWEIZER's market assessment. As an early cyclical company, SCHWEIZER observes actual developments at a very early stage by means of incoming orders and customer indicators. An outlook from market analysts would normally only record such tendencies at a later stage.

Energy Division

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 – Brazil, Russia, India and China – and rising energy prices. However, 2013 will again be characterised by further consolidations and a difficult market environment. Overall, SCHWEIZER is currently forecasting a generally greater demand from the start of 2014 in the emerging nations that are continuing to develop their energy infrastructure along with the return to moderate growth in the industrialised nations that have committed to implementing a more environmentally friendly energy policy.

Development of Sales

In the Electronic division, SCHWEIZER is forecasting development of revenue in 2013 in line with market growth. On the basis of the market estimate that has been detailed here, SCHWEIZER is forecasting falling sales in 2013 on a scale of 10 %.

For the 2014 business year, the company is forecasting a return to increasing revenue provided that there is stable economic development. This will result from the boost in new innovative products at the Schramberg plant on the one hand, and the start of production of the Meiko Schweizer Electronics Co. Ltd. joint venture with products from Vietnamese production on the other hand.

In the Energy division, the preparations for the market entry are complete. SCHWEIZER continues to monitor the projected time of the market upturn as well as the competitive environment and adjust the start of production accordingly. The start of production is currently scheduled for the first half of 2014, meaning that Energy will not make any contribution to revenue in the 2013 business year.

The Systems division is still in the business modelling phase and will only generate revenue in subsequent years, in accordance with the planning.

Measures for the Margin Stabilisation in the Electronic Division

With regard to the economic uncertainty as well as the continued fall in earnings, SCHWEIZER has initiated a range of measures designed to stabilise the margin.

In Production, for example, production plants will be shut down on a daily basis and the use of temporary workers will be reduced. Despite the initial investments in the joint venture in Vietnam, the investment budget for the Electronic division is not currently being increased. In Sales and Administration, as well as Research and Development, projects of low strategical importance are being either sidelined or cancelled altogether and the costs for external service providers are being reduced.

In addition, the personnel budget – allowing for wage increases – was frozen. The sum of the savings resulting from these measures is expected to be over EUR 2.5 million.

Profit Margin

Due to the market uncertainties, the revenue in 2012 was and the forecast sales volume for 2013 is below the level originally planned by the company. Combined with the expenses in developing the joint venture in Vietnam, this will have an additional two to three per cent impact on the 2012 profit margin. Depreciations will also rise as a result of the major investments in 2011 and 2012. The further increases in revenue in 2014 are expected to lead to improved covering of fixed costs, which will have a positive effect on the profit margin.

In the Electronic division, SCHWEIZER is expecting rising price pressure due to excess capacity at many Asian competitors as well as European competitors. The company is also anticipating increasing energy and material costs. The start-up of the Meiko Schweizer Electronics Co. Ltd. joint venture with its products from Vietnamese production will have a EUR 0.7 million impact on earnings.

EUR 2.5 million of start-up costs have been budgeted for the Energy division in 2013 on the basis of the current plan regarding the start of production.

The Systems division will not incur any start-up costs in 2013 that will have an impact on earnings.

Increases in Research and Development Costs, stable Marketing Costs, falling Administrative Costs

In the Research and Development sector, the focus in 2013 will be on taking innovative solutions from the technology spectrum and transferring them to series production, whilst reducing the manufacturing costs involved. SCHWEIZER will also be internationalising the organisational structure of R&D, which may cause total R&D costs to rise. Despite the increasing number of innovative products and the additional capacities of the Meiko Schweizer Electronics Co. Ltd. joint venture that need to be met, the marketing costs can be kept stable. SCHWEIZER will be exercising strict cost discipline in 2013 with regard to administrative costs: these will fall compared with the previous year.

Working Capital

The working capital as at 31 December 2012 demonstrated an improvement of EUR 17.1 million (7.1 %) compared with the previous year, to which the EUR 2.2 million stock reduction made a particular contribution. The further development of the working capital in the 2013 business year will be primarily influenced by the customer structure. SCHWEIZER is making efforts to build upon the success of the working capital reduction in 2012 and to achieve further reductions. The expected growth in revenue may lead to increased working capital beyond the 2013 business year.

Investments and Production Capacities

As a result of the further development of the Electronic division via the Meiko Schweizer Electronics Co. Ltd. joint venture for production in Vietnam as well as the planned development of the Energy and Systems divisions, investments in 2013 and 2014 will exceed the typical average of our business model.

Employee Development

The number of employees fell by 3 % between 2011 and 2012 as a result of the reduced market utilisation, however we are planning to increase our number of employees by 36, or 5 %, in 2013. These will be utilised to develop the new divisions in Asia in particular.

Cashflow from Financial Activities

In the 2010 business year, SCHWEIZER resumed dividend payments and distributed a dividend of EUR 0.42 per share, with the dividend for the 2011 business year increasing to EUR 0.47 per share. The Supervisory Board and Management Board are intending to propose a dividend of EUR 0.55 at the next annual general meeting. With its dividend policy, SCHWEIZER is pursuing a strategy of involving shareholders to an appropriate extent and building up cash reserves, which should ensure constant development of the dividend. SCHWEIZER is therefore working on the basis that it will pay at least constant dividends in future. If the global economic uncertain-

ties have less of a dampening effect on global economic growth, with SCHWEIZER returning to accelerated growth as a result, then we may even pay increasing dividends. Part of the dividend policy is also the appropriate involvement of employees in the success of the company by means of performance-related payments.

SCHWEIZER ensures there is a balanced use of equity capital and borrowed capital when financing new projects, a ratio that is aligned with the strategic equity capital rate with regard to expansion-related investments. New loans in 2013, particularly for the implementation of the strategic project in Asia, will be higher than the amortisation payments – this means that the financial liabilities within the scope of the strategic financial objectives will increase.

Balance Sheet Structure

The objectives for the balance sheet structure of Schweizer Electronic AG are targeted at maintaining a creditworthiness assessment at investment grade for refinancing by means of borrowed capital. In this context, SCHWEIZER is pursuing the long-term objectives of net indebtedness below 90 % and an equity capital rate of 35-40 %. SCHWEIZER's plans make allowances for the event that these objectives are considerably exceeded once again in 2013.

Long-Term Growth Drivers for Business at SCHWEIZER

SCHWEIZER is active in fields with attractive growth rates, with market analysts forecasting growth rates in high single figures for the years 2013 to 2018.

The high growth rates in these markets are driven by two relevant and central topics for SCHWEIZER.

Mobility

Whether in terms of private or public transport, SCHWEIZER ensures the mobility of people both within and between cities. PCBs made by SCHWEIZER are also used in cars with combustion engines, cars with electric motors, hybrid vehicles containing both of these and in electrically-powered two-wheelers. An increasing number of people either want mobility for personal reasons or need mobility for economic reasons. This is accompanied by an increase in the proportion of the population that can afford mobility.

Energy Efficiency

The global population is growing and energy requirements are increasing. Saving electrical energy and having a sustainable energy supply from renewable resources are among the most pressing current social duties. SCHWEIZER already generates the majority of its current revenue from products and solutions for efficient use of energy in the automotive, solar and industry sectors.

SCHWEIZER to continue with tried and tested Cycle Management

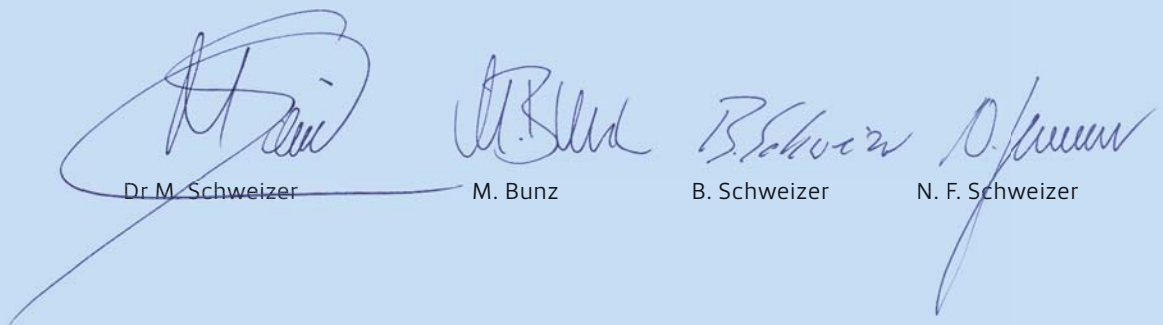
In 2013 we will continue to employ cycle management – already our greatest business skill with regard to the economic ups and downs. For SCHWEIZER this means a continuation of counter-cyclical investment to then gain market shares during periods of upturn, retaining the core of our workforce regardless of the economic cycle and always setting aside an appropriate amount to enable the company to prosper. In recent years, SCHWEIZER has used this procedure to establish a solid foundation and is more stable yet not immune to fluctuations in the economy.

Target Business Model

In recent years, SCHWEIZER has restructured the Electronic division and successfully focused the corresponding product portfolio. SCHWEIZER has a leading market position in the automotive and industry sales segments. The foundations have also been laid for the new Energy and Systems divisions, which address the growth markets of mobility and energy efficiency. Given the market position and implemented growth drivers, SCHWEIZER believes it is capable of achieving an average level of growth above that of the reference markets over the course of an economic cycle. SCHWEIZER is increasingly evolving into a provider of technologically advanced products with a deep understanding of applications. The level of product performance for the customer is increased as a result, with the time between product development and market launch also being shortened. This greatly benefits SCHWEIZER customers in terms of market shares, revenue and attainable prices.

Schramberg, 15 February 2013

The Management Board



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

Balance Sheet

Assets

	EUR	31/12/2012 EUR	31/12/2011 € thousands
Fixed assets			
Intangible assets	909,564		233
Tangible assets	29,351,156		31,738
Financial assets	6,260,871		4,658
		36,521,591	36,629
Current assets			
Inventories	9,895,024		12,130
Receivables and other assets	13,524,973		12,140
Cash on hand, bank balances	11,577,357		10,153
		34,997,354	34,423
Prepayments and accrued income		137,768	102
		71,656,713	71,154

Liabilities

		31/12/2012	31/12/2011
	EUR	EUR	€ thousands
Equity capital			
Subscribed capital	9,664,054		9,664
./. Own shares	-19,185		-25
	9,644,869		9,639
Capital reserves	21,663,364		21,590
Profit reserves			
Other profit reserves	5,640,882		5,698
Balance-sheet profit	3,975,245		5,053
		40,924,360	41,980
Provisions			
Provisions for pensions and similar obligations	6,921,123		6,942
Additional provisions	4,489,546		7,222
		11,410,669	14,164
Liabilities			
Liabilities to credit institutions	9,752,081		6,174
Trade payables	3,485,617		3,342
Liabilities to affiliated companies	2,221,388		2,304
Other liabilities	3,589,598		3,158
		19,048,684	14,978
Prepayments and accrued income		0	32
Deferred tax liabilities		273,000	0
		71,656,713	71,154

Income Statement

In €	2012	2011
Sales Revenue	100,179,045	105,351,956
Reduction in stocks of works in progress and finished products	-1,689,606	-2,035,568
Other internally produced and capitalised assets	31,514	89,321
	98,520,953	103,405,709
Other operating income of which income arising from currency conversion EUR 195,040 (PY EUR 204,020)	2,085,369	3,782,596
Material costs		
Costs for raw materials and supplies and for purchased goods	-39,384,236	-41,257,407
Costs for purchased services	-6,394,509	-6,594,834
Personnel costs		
Wages and salaries	-28,685,685	-28,662,569
Social contributions and expenses for pension provisions and for support	-5,191,155	-5,439,312
Depreciation of tangible and intangible assets	-4,817,260	-4,956,733
Other operating expenses of which expenses arising from currency conversion EUR 160,262 (PY EUR 139,808)	-10,949,845	-12,003,347
Income from holdings	14,746	0
Other interest and similar income	44,400	138,713
Depreciation from financial assets	-2,804,851	0
Interest and similar expenses of which expenses arising from increased interest EUR 386,280 (PY EUR 415,031)	-808,995	-1,171,184
Result from normal business activities	1,628,932	7,241,632
Taxes on income and revenue of which expenses arising from changes to deferred taxes reported in the balance sheet EUR 273,000 (PY EUR 0)	-852,778	-692,583
Other taxes	-81,273	-82,084
Annual net profit	694,881	6,466,965
Profit carried forward	3,280,364	36,148
Deposits in the other profit reserves	0	1,450,000
Balance-sheet profit	3,975,245	5,053,113

Cash Flow Statement

In € thousands	2012	2011
1. Cashflow from current business activities		
Period results	695	6,467
Depreciations/write-ups on fixed assets	4,817	4,957
Modifications to the provisions	-2,603	-148
Other non-cash revenue/expenses	3,088	101
Profit/losses from divestments of assets	-23	3
Modification to the inventories, the trade receivables and other assets	814	1,124
Modification to trade payables and other liabilities	460	-1,336
Cashflow from current business activities	7,248	11,168
2. Cashflow from investment activities		
Receipts from divestments of tangible fixed assets	24	58
Payments for investments in the tangible fixed assets	-2,555	-4,656
Payments for investments in the intangible fixed assets	-553	-68
Payments for investments in the financial assets	-4,408	-18
Cashflow from investment activities	-7,492	-4,684
3. Cashflow from financial activities		
Payments to company owners		
Acquisition of own shares	-138	0
Dividend	-1,773	-1,584
Receipts from the take-up of financial loans	4,000	5,600
Payments for the amortisation of financial loans	-421	-11,145
Cashflow from financial activities	1,668	-7,129
4. Fund for financing purposes at period end		
Cash modification to fund for financing purposes (sub-total 1-3)	1,424	-645
Fund for financing purposes at period start	10,153	10,798
Fund for financing purposes at period end	11,577	10,153
5. Composition of fund for financing purposes		
Liquid funds = fund for financing purposes at period end	11,577	10,153

Statement of Changes in Equity

In €	Subscribed capital	Own shares	Capital reserves	Generated equity		Equity according to balance sheet
				Profit reserves	Balance-sheet profit	
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
Acquisition of own shares	0	-25,566	0	-112,525	0	-138,091
Issue of own shares to Management Board and Leadership Team (variable remuneration for 2011)	0	31,665	73,935	55,039	0	160,639
Paid dividends	0	0	0	0	-1,772,749	-1,772,749
	0	6,099	73,935	-57,486	-1,772,749	-1,750,201
Annual net profit	0	0	0	0	694,881	694,881
31/12/2012	9,664,054	-19,185	21,663,364	5,640,882	3,975,245	40,924,360

Appendix for 2012

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 2012 to 31 October 2012, 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. Appropriate expenses were activated for social facilities of operation in accordance with Section 255(2) Clause 3 HGB.

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 (5.06 %, as of October 2012) 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 2 % 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.

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 €	01/01/2012	Acquisitions	Divestments	Repostings	31/12/2012
I. Intangible assets					
Rights and values acquired for a fee	2,855,542	552,590	4,328	296,517	3,700,321
II. Tangible assets					
1. Land and buildings	37,508,868	0	0	0	37,508,868
2. Technical equipment and machines	80,711,117	851,738	1,050,869	891,091	81,403,077
3. Other plant, factory and office equipment	53,199,142	971,149	125,275	470,360	54,515,376
4. Advance payments and plants under construction	2,231,378	732,043	0	-1,657,968	1,305,453
	173,650,505	2,554,930	1,176,144	-296,517	174,732,774
III. Financial assets					
1. Shares in affiliated companies	18,559	4,407,752	0	0	4,426,311
2. Holdings	4,639,411	0	0	0	4,639,411
	4,657,970	4,407,752	0	0	9,065,722
	181,164,017	7,515,272	1,180,472	0	187,498,817

*) Unscheduled depreciation in accordance with Section 253(3) Clause 3 HGB

	Accumulated depreciations			Book values		
	01/01/2012	Acquisitions	Divestments	31/12/2012	31/12/2012	31/12/2011
	2,622,919	172,166	4,328	2,790,757	909,564	232,623
	19,930,670	914,705	0	20,845,375	16,663,493	17,578,198
	76,260,146	1,501,275	1,050,869	76,710,552	4,692,525	4,450,971
	45,721,622	2,229,114	125,045	47,825,691	6,689,685	7,477,520
	0	0	0	0	1,305,453	2,231,378
	141,912,438	4,645,094	1,175,914	145,381,618	29,351,156	31,738,067
	0	0	0	0	4,426,311	18,559
	0	2,804,851 *)	0	2,804,851	1,834,560	4,639,411
	0	2,804,851	0	2,804,851	6,260,871	4,657,970
	144,535,357	7,622,111	1,180,242	150,977,226	36,521,591	36,628,660

Specifications of Share Holdings

Schweizer Electronic AG holds 100 % of the shares of Schweizer Asia Limited, Hong Kong, China. The result for 2011 was HKD 6,000 (EUR 1,000) and the equity capital amounted to HKD -2,000 (in EUR thousands = 0) as at 31 December 2011.

The company continues to hold 100 % of the shares of Schweizer Energy Pte. Ltd., based in Singapore. The equity capital of this company was SGD 25,000 (EUR 15,000) as at 31 December 2011. The result for the short financial year 2011 amounted to SGD -5,000 (EUR -3,000).

Schweizer Electronic AG holds 100 % of the shares in Schweizer Pte. Ltd., Singapore – which was founded in January of this year – with SGD 7.001 million (EUR 4.362 million) of subscribed capital.

Financial statements for the 2012 business year were not available for the above-mentioned subsidiaries at the time of writing.

Inventories

In € thousands	31/12/2012	31/12/2011
Raw materials and supplies	3,598	4,012
Work in progress	2,946	3,062
Finished products	3,351	5,056
	9,895	12,130

Receivables and other Assets

In € thousands	31/12/2012	31/12/2011
Trade receivables	12,874	11,101
of which residual term of more than one year	0	0
Receivables from affiliated companies	3	0
of which residual term of more than one year	0	0
Receivables from companies in which a participating interest is held	27	177
of which residual term of more than one year	0	0
Other assets	621	862
of which residual term of more than one year	182	205
	13,525	12,140

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

Equity Capital

The share capital amounted to EUR 9,664,054 as per 31 December 2012 and is divided into 3,780,000 nominal shares (no-par-value shares).

As per the balance-sheet reference date, Schweizer Electronic AG held a total of 7,521 own shares. This corresponds to an amount of the share capital of EUR 19,000 or 0.20 %. The acquisition of own shares took place in accordance with Section 71(1) No. 8 AktG in September 2000 (10,460 shares), in March/April 2001 (15,483 shares), in July 2008 (180,000 shares), in March of this year (7,000 shares) and in June of this year (3,000 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 and 7,303 shares were drawn in the 2011 business year. During the current business year, 11,695 shares (which corresponds to an amount of the share capital of EUR 30,000, that is 0.31 % of the share capital) were drawn to be yielded to the Management Board as a variable remuneration component from the previous year. 674 shares (which corresponds to an amount of the share capital of EUR 2,000, that is 0.02 % of the share capital) were drawn to be yielded to a member of the Leadership Team as a variable remuneration component. In connection with these transactions, EUR 55,000 were deposited in the other profit reserves and EUR 74,000 were deposited in the capital reserve during the 2012 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 2016 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 %.

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).

MK LuxInvest SA, Luxembourg City, Luxembourg, informed us in accordance with Section 21(1) WpHG on 2 June 2012 that its voting interest in Schweizer Electronic AG fell below the threshold of 3 % of the voting rights on 28 June 2012 and on that date it amounted to 2.829 % (which corresponds to 106,941 voting rights).

LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, informed us in accordance with Section 21(1) WpHG on 6 July 2012 that its voting interest in Schweizer Electronic AG exceeded the threshold of 5 % of the voting rights on 5 July 2012 and on that date it amounted to 5.29 % (which corresponds to 200,000 voting rights). 5.29 % of the voting rights (corresponding to 200,000 voting rights) are to be assigned by the company in accordance with Section 22(1)

Clause 1, No. 6 WpHG to the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte (Baden-Württemberg Pension Fund Institution for Doctors, Dentists and Veterinary Surgeons).

The Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, based in Tübingen, Germany informed us in accordance with Section 21(1) WpHG on 6 July 2012 that its voting interest in Schweizer Electronic AG exceeded the threshold of 5 % of the voting rights on 5 July 2012 and on that date it amounted to 5.29 % (which corresponds to 200,000 voting rights).

Mr Christoph Schweizer informed us in accordance with Section 21(1) WpHG on 9 August 2012 that his voting interest in Schweizer Electronic AG exceeded the threshold of 15 % of the voting rights on 9 August 2012 and on that date it amounted to 15.05 % (which corresponds to 569,000 voting rights).

Balance-Sheet Profit

The balance-sheet profit includes a profit carried forward of EUR 3.28 million; moreover, we also draw attention here to the proposal for the use of the balance-sheet profit.

Provisions

In € thousands	31/12/2012	31/12/2011
Provisions for pensions and similar obligations	6,921	6,942
Additional provisions		
Tax provisions	22	1,772
Other provisions	4,467	5,450
	4,489	7,222
	11,410	14,164

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 Supervisory Board remuneration. The calculations for age-related part-time employment using insurance formulae is based on the "2005 G guidelines".

Liabilities Schedule

	31/12/2012				31/12/2011	
In € thousands	Residual term up to 1 year	over 5 years	secured by mortgage with	total	residual term up to 1 year	total
Type of liability						
1. Liabilities to credit institutions	602	2,154	9,752	9,752	421	6,173
2. Trade payables	3,486	0	0	3,486	3,342	3,342
3. Liabilities to affiliated companies	233	1,144	0	2,221	201	2,304
4. Other liabilities	2,961	13	0	3,590	2,513	3,158
- of which arising from tax	1,352	0	0	1,352	908	908
- of which relating to social security	83	13	0	112	66	111

Liabilities to affiliated Companies

This item includes a loan from the Christoph Schweizer e. V. support fund, 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 4.434 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.

Other Liabilities

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

Deferred Tax Liabilities

A tax rate of 28 % was taken as a basis for the calculation. The deferred tax liabilities mainly result from balance sheet differences regarding tangible assets. These were netted with deferred tax assets from balance sheet differences with regard to pension provisions, other provisions and corporation tax losses carried forward.

Contingent Liabilities

In € thousands	31/12/2012	31/12/2011
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	31/12/2012
Annual payment liabilities arising from - lease agreements	283

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 in this appendix.

Other financial Liabilities

In detail, these liabilities involve the following issues:

In € thousands	
Annual payment liabilities arising from	
- lease agreements	207
- maintenance agreements	425
Order obligation from awarded investment orders	764

The lease agreements and the maintenance agreements end between 2013 and 2015.

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	2012	2011
By fields of activity		
Metallised circuits	22,400	24,870
Non-metallised circuits	4,945	5,562
Multilayer/HDI	69,450	72,864
Other	3,384	2,056
	100,179	105,352
By regions		
National	60,967	61,088
EU countries	27,307	34,408
Rest of Europe	1,303	1,604
America	5,514	4,112
Asia	4,759	4,074
Other countries	329	66
	100,179	105,352

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 55,000 (previous year: EUR 1.205 million).

Personnel Costs

The Social contributions and expenses for pension provisions and for support contain expenses for pension provision in the amount of EUR 436,000 (previous year: EUR 594,000).

Other Operating Expenses

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

Financial Result

In € thousands	2012	2011
Income from holdings	15	0
Other interest and similar income	44	139
Depreciations/write-ups on fixed assets	-2,805	0
Interest and similar expenses	-809	-1,171
	-3,555	-1,032

Supplementary Information

Employees

Average number of employees employed during the business year:

Wage-earning employees	392
Employees	224
	616
Trainees	24
	640

Management Board

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

Dr Marc Schweizer

Chairman of the Management Board, CEO

Activities and mandates within the Group:

- Director of Schweizer Energy Pte. Ltd., Singapore
- Managing Director of Schweizer Pte. Ltd., Singapore (since 3 January 2012)
- Managing Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore (since 6 January 2012)
- Director of Schweizer Energy System Integration Pte. Ltd., Singapore (since 14 February 2012)
- Director of Schweizer Electronic Singapore Pte. Ltd., Singapore (since 20 September 2012)
- Director of Schweizer Energy Nantong Co. Ltd., China (since 19 October 2012)

Managing Director:

- Schweizer Aviation GmbH, Schramberg
- Schweizer Air Service GmbH & Co. KG, Schramberg
- Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg
- ProAir Management GmbH, Filderstadt

Management Board:

- Member of the General Management Board of ZVEI
- Director of the Circuit Board section in the PCB and Electronic Systems association of the ZVEI

Bernd Schweizer

Member of the Management Board, COO

Activities and mandates within the Group:

- Director of Schweizer Pte. Ltd., Singapore (since 23 February 2012)
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore (since 23 February 2012)
- Director of Schweizer Energy System Integration Pte. Ltd., Singapore (since 23 February 2012)
- Director of Schweizer Electronic Singapore Pte. Ltd., Singapore (since 20 September 2012)

Marc Bunz

Member of the Management Board, CFO

Activities and mandates within the Group:

- Director of Schweizer Energy Pte. Ltd., Singapore
- Director of Schweizer Asia Ltd., Hong Kong
- Managing Director of Schweizer Pte. Ltd., Singapore (since 23 February 2012)
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore (since 23 February 2012)
- Managing Director of Schweizer Energy System Integration Pte. Ltd., Singapore (since 23 February 2012)
- Director of Schweizer Energy Nantong Co. Ltd., China (since 19 October 2012)

Mandates:

- Member of the Stock Exchange Council of the Baden-Württembergische Wertpapierbörse

Nicolas Fabian Schweizer

Member of the Management Board, CHRO

Activities and mandates within the Group:

- Director of Schweizer Energy Pte. Ltd., Singapore
- Director of Schweizer Pte. Ltd., Singapore (since 3 January 2012)
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore (since 6 January 2012)
- Director of Schweizer Energy System Integration Pte. Ltd., Singapore (since 14 February 2012)
- Supervisor of Schweizer Energy Nantong Co. Ltd., China (since 19 October 2012)

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)
- Managing Director of OOO Essmann, Moscow (RF)

Mandates:

- None

Martin Fischer

Roles:

- Chairman of the Management Board of Sparkasse Jena-Saale-Holzland, Jena (until 30 June 2012)
- 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 (until 30 June 2012)
- Member of the Supervisory Board of Aifotec AG, Jena

Kristina Schweizer

Role:

- Editor, Wolters Kluwer Deutschland GmbH, Unterschleißheim

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.

In this business year, the remuneration of the Management Board totalled EUR 1.265 million (fixed) and EUR 712,000 (variable). The variable remunerations involved 9,577 shares with a fair price at the time they were granted amounting to EUR 139,000. These shares will be issued in 2013.

Total Remunerations of the Supervisory Board

The remunerations of the Supervisory Board in this business year amounted to EUR 74,000 (fixed) and EUR 153,000 (variable).

Former Managing Directors and/or Members of the Management Board

In the 2012 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 868,000. The provisions formed for this group of persons amount to EUR 5.879 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 additional subsidiaries 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 3,280,364 and the annual net profit of EUR 694,881, the balance-sheet profit comes to a total of EUR 3,975,245. It shall be proposed at the annual general meeting to appropriate this balance-sheet profit as follows:

In €

Distribution of EUR 0.55 per share for 3,772,479 nominal shares	2,074,863
Balance to be carried forward	1,900,382
	3,975,245

Audit and Consulting Fees

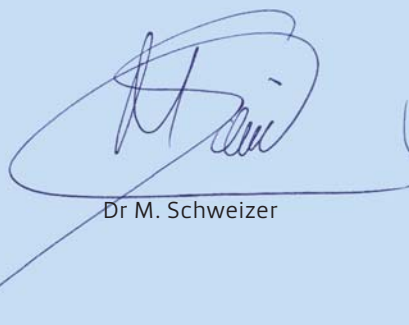
The auditor's fee charged for this business year amounts to EUR 55,000 for the financial statement audit and EUR 10,000 for other confirmation services.

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

Schweizer Electronic AG has issued the declaration for 2012 stipulated in Section 161 AktG and has made this declaration available to the shareholders on the Internet at <http://www.schweizer.ag/en/home.html>.

Schramberg, 15 February 2013

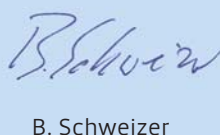
The Management Board



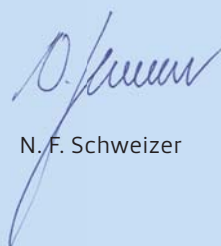
Dr. M. Schweizer



M. Bunz



B. Schweizer



N. F. Schweizer

Audit Opinion

With regard to the financial statement and the status report, we have issued the following 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 2012. 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, 18 February 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nietzer
Auditor

Busser
Auditor

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 2013


The Management Board



Dr. M. Schweizer



M. Bünz



B. Schweizer



N. F. Schweizer

Corporate Governance

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

The principles of responsible and good corporate governance determine the activities of the management and control bodies of Schweizer Electronic AG. In this statement, the Management Board reports on corporate governance in accordance with Section 289a(1) HGB. At the same time, the Management Board and Supervisory Board report on the corporate governance of the company in accordance with item 3.10 of the German Corporate Governance Codex.

Schweizer Electronic AG is a listed company in accordance with German law and is subject to the statutory provisions for management and monitoring of listed companies. The administration of the company is carried out by the Management Board and the Supervisory Board.

The Management Board leads the company in accordance with the statutory provisions and the rules of the Board and

the Supervisory Board monitors, advises and accompanies the Management Board in its activities. The rules of both Boards regulate aspects such as this cooperation. Since the introduction of the German Corporate Governance Codex in 2002, the compliance with nationally and internationally recognised standards for responsible corporate governance must consequently be observed.



The Declarations of Compliance made by the Management Board and the Supervisory Board, which were first issued in December 2002 and have since been issued in each business year, have been made available to all interested parties on the company web page <http://www.schweizer.ag/en/investor-relations/corporate-governance.html>.

The Management Board and the Supervisory Board dealt with the recommendations and suggestions of the German Corporate Governance Codex once again in the 2012 business year. The changes to the codex on 15 May 2012 have been inspected and will be taken into account in the next Declaration of Compliance in May 2013.

Schweizer Electronic AG has always been committed to the principles of responsible leadership and controlling, and thus complies with the recommendations of the German Corporate Governance Codex governmental commission with a few minor exceptions.

The Declaration of Conformity that was issued by the Management Board and the Supervisory Board in May 2012 in accordance with Section 161 of the German Stock Corporation Act deviates from the recommendations of the German Corporate Governance Codex governmental commission that were published in the electronic Federal Gazette on 2 July 2010 with regard to the following items. This involves a statement of clarification that Schweizer Electronic AG has not created a consolidated financial statement, which is why there are no statements on the provisions that are not to be applied in this regard.

Declaration of Conformity in accordance with Section 161 AktG

(status May 2012)

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 1 July 2011 to forego the disclosures stipulated in Section 285 No. 9(a), Clauses 5 to 8 of the German Commercial Code (HGB) and in Section 314(1) No. 6(a) Clauses 5 to 8 HGB for the business years 2011 to 2015. This applies to the company financial statements and any consolidated accounts to be created 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.

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 2012

Schweizer Electronic AG
The Management Board

The Supervisory Board

The Structure of the Company Management and Monitoring of Schweizer Electronic AG is as follows:

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the annual general meeting of the company, which takes place in the first eight months of the business year. The Chairman of the Supervisory Board presides over the annual general meeting. The annual general meeting decides on all the tasks assigned to it by the law.

It is our goal to make it as easy as possible for shareholders to participate in the annual general meeting, which is why all documents necessary for participation are published online in advance. A proxy is named for the shareholders for the annual general meeting; this proxy can exercise their voting rights according to their instructions.

Supervisory Board

The Supervisory Board of Schweizer Electronic AG is made up of six members, of which two are chosen by the company employees in accordance with the provisions of the law with respect to the German One-Third Employee Representation Act (DrittelbG). The remaining four members of the Supervisory Board have been selected until the annual general meeting in 2014. An additional member was chosen with respect to the medium-term succession planning. The Chairman of the Supervisory Board is chosen from among the members of the Supervisory Board.

In evaluating the company-specific situation, the size of the company and the proportion of international business activities with regard to its constitution, the Supervisory Board set the following objectives:

1. A minimum of one seat on the Supervisory Board for persons that particularly embody the criterion of internationality (for example, through foreign nationality, relevant experience abroad or relevant experience in international business);
2. no more than two seats on the Supervisory Board for persons that have an advisory or organisational role with regard to customers, suppliers, creditors or other business partners of Schweizer Electronic AG; this is intended to limit potential conflicts of interest within the Supervisory Board;
3. a minimum of three seats on the Supervisory Board for independent members of the Supervisory Board in terms of Codex No. 5.4.2, i.e. a minimum of one seat on the Supervisory Board for independent shareholder representatives and a minimum of two seats on the Supervisory Board for independent employee representatives (the Supervisory Board estimates that employee representatives will in principle be independent members of the Supervisory Board);
4. a minimum of one seat on the Supervisory Board to be occupied by a woman.

The current composition of the Supervisory Board complies with these objectives.

The Supervisory Board appoints the members of the Management Board. It monitors and advises the Management Board in the leadership of the company. The key decisions made by the Management Board require the approval of the Supervisory Board. The Supervisory Board meets at least four times a year and meets without the Management Board if required. There is also a finance committee consisting of three members of the Supervisory Board. The Supervisory Board determines the financial statement and commissions the auditor.

The status report shall report on the essential features of the Supervisory Board remuneration system.

D&O insurance with an excess has been concluded for the Supervisory Board.

Management Board

The Management Board leads the company under its own responsibility and consists of four members. The Management Board informs the Supervisory Board regularly, promptly and comprehensively with regard to all relevant issues regarding business development, planning, finance and the business situation. The status report describes the essential features of the Management Board remuneration system. D&O insurance with an excess has been concluded for the Management Board.

Accounting and Financial Statement Audit

The financial statement is made in accordance with German Commercial Code guidelines. It is produced by the Management Board, checked by the auditor and determined by the Supervisory Board. The financial statement is publicised within four months of the end of the business year.

It has been agreed with the auditor, Ernst & Young GmbH – a Stuttgart-based audit firm with a branch office in Villingen-Schwenningen – that the Chairman of the Supervisory Board shall immediately be informed of key issues that surface during the inspection. The auditor report on all issues and occurrences that are of essential importance to the tasks of the Supervisory Board that are revealed by the financial statement audit – reporting immediately to the Chairman of the Supervisory Board. In addition, the Chairman shall be informed if the auditor determines facts that result in inaccuracy with respect to the Declaration of Conformity submitted by the Management Board and the Supervisory Board in accordance with Section 161 AktG. The auditor participates personally in the Supervisory Board meeting in which the financial statement is determined.

Transparency

A uniform, comprehensive and prompt information policy is of particular importance to Schweizer Electronic AG. The business situation and the results are reported in the annual report, at the Analyst Conference, in the interim reports and in the half-yearly financial report.

Information is also communicated via press releases or ad hoc messages where this is a statutory requirement. All messages and disclosures can be found online under "Investor Relations".

Schweizer Electronic AG has created the stipulated list of insiders and the persons in question have been informed of the statutory obligations and sanctions.

Share Holdings as at 31 December 2012

Management Board: 919,998 shares. One member of the Management Board is also a member of a community of heirs that holds 576,520 shares.

Supervisory Board: 868,600 shares. One member of the Supervisory Board is also a member of a community of heirs that holds 576,520 shares.

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>.

Schramberg, 27 March 2013

The Management Board

The Supervisory Board

Schweizer Electronic AG

Einsteinstraße 10
78713 Schramberg
Postfach 561
78707 Schramberg
Germany