

165 years of innovations that excel



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KEY FIGURES

	2014	2013	Change	
			absolute	in %
Revenues (EUR million)	110.2	101.2	9.0	9
Order book (EUR million)	119.2	114.2	5.0	4
EBITDA (EUR million)	14.2	14.2		
EBITDA margin (%)	12.9	14.0		
EBIT (EUR million)	10.0	9.8	0.2	2
EBIT margin (%)	9.1	9.7		
Annual result (EUR million)	5.6	6.1	-0.5	-8
EPS (EUR)	1.48	1.62	-0.14	
Dividend (EUR)	0.65*	0.60	0.05	8
Total assets (EUR million)	81.3	76.7	4.6	6
Investments (EUR million)	7.8	6.9	0.9	13
Equity capital (EUR million)	48.4	45.1	3.3	7
Equity ratio (%)	59.6	58.8		
Net gearing (%)	5	3		
Working capital (EUR million)	22.5	21.2	1.3	6
Operating cash flow (EUR million)	8.7	8.8	-0.1	-1
Employees**	758	736	22	3

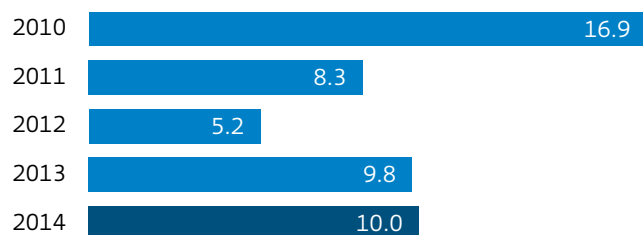
* proposal to annual general meeting

** at the close of the business year including temporary staff

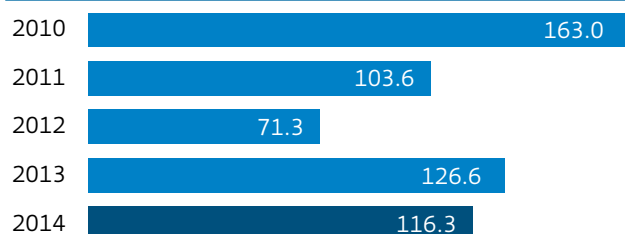
Revenues (€ million)



EBIT (€ million)



Order entry (€ million)

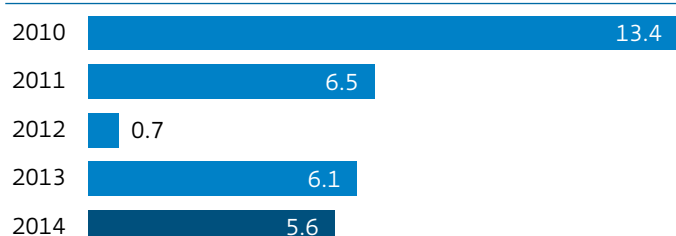


Dividend (€)



*Vorschlag an die Hauptversammlung

Annual net profit (€ million)



Employees



HIGHLIGHTS 2014

April

WUS Printed Circuits Co., Ltd. and Schweizer Electronic AG agree on a partnership in the high-frequency (HF) PCB segment



July

Strategic Partner WUS invests into SCHWEIZER by acquiring a stake of 4.5 %

July

SCHWEIZER increases dividends to

€0.60

November

Infineon Technologies AG acquires a 9.4 percent stake in Schweizer Electronic AG to jointly tap the market for chip embedding



October

28/10/2014: Exactly 165 years ago SCHWEIZER was founded and since then has become a recognised partner for the highest quality levels, reliability and expert advice

December

SCHWEIZER ends the 2014 financial year with record sales of

€110 million

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, Business Partners and SCHWEIZER Employees,

2014 was a particularly successful business year for us. Thanks to our highest turnover yet and at the same time the second highest EBIT in our company's history, we have shown that even under fluctuating economic framework conditions we can reliably achieve our objectives in a dynamic market environment. Our overall very good financial key figures demonstrate that SCHWEIZER is an exceptionally stable and successful company, and I am personally very pleased by this.

STRATEGIC KEY FOCUSES SUCCESSFULLY IMPLEMENTED

Over the last business year, we consolidated our position as a technology leader for power electronics and system cost reduction. The share of highly innovative products already makes up almost half of our sales and thanks to extensive capital investments in the expansion of the technology base in Germany, this will continue to increase. We have consolidated our market position in the field of high-frequency applications, and as part of our international development we have set a course for further expansion thanks to a partnership with the company WUS. The family company WUS Printed Circuits Co., Ltd. has extensive experience in the high-frequency market. This partnership provides us with access to additional production capacity in Asia and will help us to expand our position as a leader in the high-frequency PCB segment. Only a few months after the agreement WUS underpinned this partnership through capital investment in our company. We are therefore well equipped to satisfy the increasing demand from the automotive sector.

SHIFTING SYSTEM BOUNDARIES WILL REQUIRE NEW BUSINESS MODELS

80 percent of automotive innovations today have been made possible by PCBs and semiconductors. The miniaturisation of technology is therefore becoming ever more important. The next logical step is the embedding of active and passive components in PCBs, and the convergence of semiconductor and PCB technologies will be the logical consequence.

We are already one step ahead, since together with industry partners we have for some time been developing embedding solutions whereby the semiconductor (chip) is already embedded in the PCB. SCHWEIZER's innovative embedding technology is protected by several international patents. We expect this to yield significant growth potential over the next few years. This is why, in November last business year, our partnership with Infineon Technologies AG entered into the next level with Infineon acquiring a

capital share in our company in this context. Together with our partner and investor, Infineon, we will tap the chip embedding market over the coming years, as this represents the future of high-performance electronic applications.

THE BENEFITS OF EMBEDDING CHIPS

Today PCBs are fitted with chips on their front and rear, but in the future chip embedding will allow the semiconductors to be “embedded” inside the PCB. The PCBs thus become smaller. This benefits vehicle systems that have limited space available, for example electric power steering, active suspension or electric pumps. In addition, the cooling of the chips is improved as the heat generated while the chips are working is dissipated directly via the PCB. This is particularly advantageous for applications that require a high level of electric power and that previously had to employ costly cooling measures for their power semiconductors, for example air conditioning compressors in a vehicle.

Infineon is the technological leader when it comes to power semiconductors and SCHWEIZER is the leading manufacturer of high-performance PCBs in the automotive and industry sectors. Thanks to their exceptional market positions and good customer relations, our two companies make a very good match. We have already demonstrated this with our jointly developed prototypes for tailored customer solutions. Over the course of its 165-year company history SCHWEIZER has repeatedly proved that it can generate sustainable corporate development thanks to its flexibility and ability to adapt rapidly to market trends. The agreement with Infineon is the next step towards shaping the future of the electronics industry.

SUSTAINABILITY AT SCHWEIZER

We are already thinking about tomorrow today. We do not simply pursue economic objectives; instead sustainability plays an important part for our focus on long-term success. For example, the topic of energy efficiency for an energy intensive company such as SCHWEIZER is not only important in terms of conserving resources but also when it comes to cost management. In the last business year again the specific power consumption was reduced by almost 10 percent. We are already working on further projects for efficient energy management and, through internal training measures, are actively involving our employees in our resource-efficient handling of energy.

However, sustainable corporate governance is not simply a question of conserving environmental resources. Our key figures and disclosures in the status report provide you with comprehensive information about

our sustainable financial management. When looking towards the future, it is also important to consider the handling and promotion of employees.

Our corporate culture is characterised by openness and trust, and we promote a high degree of self-responsibility. In addition, we offer a comprehensive package of employee benefits and opportunities for further development. Thanks to our effective personnel marketing, we are increasingly attracting attention on the highly competitive labour market. For the second time in a row our company was elected one of the best employers in Germany in an independent survey carried out by Focus magazine in conjunction with the Xing business network and the kununu rating platform (source: Focus special, February/March 2015).

THANKS TO OUR EMPLOYEES

Together with my colleagues on the Management Board, I would like to take this opportunity to present this award back to all our employees with our thanks, as they are the driving force behind the success of our company. With great dedication and commitment they have supported the implementation of our strategies and the achievement of our objectives for 2014 and thus made a crucial contribution towards the excellent results. My thanks also extends to the management and employees of our partners Meiko Electronics and Elekonta, as well as our new partners and investors Infineon and WUS for their confidence in SCHWEIZER.

EXPECTATIONS FOR THE CURRENT BUSINESS YEAR

In 2014 we were able to successfully implement important strategic key focuses in order to gain market shares in the sales markets thanks to the increased Asian production capacity, and to grow quicker than the sales markets. The current strong movements on the industrial metal and currency markets, in particular the exchange rate developments between the US dollar and the euro, also entail additional risks and opportunities. Furthermore, while an increased proportion of merchandise through our Asian cooperation partners leads to higher absolute results, the relative margins are lower than for goods manufactured ourselves due to the nature of commercial business.

Our order books are already well filled and SCHWEIZER is very well positioned with its international production environment. We have proved in the past that we plan prudently, with an eye on the future and have at the same time a sufficient capacity for flexibility to enable us to adapt rapidly to the changing economic framework conditions and market situation in the dynamic electronics industry. This is why we look on

the new business year with optimism and hold to our outlook that in 2015 we will again grow more quickly than the reference markets.

Dear shareholders, business partners and employees, your confidence and your loyalty encourage us, and we look forward to continuing together on our common path in 2015. The success of SCHWEIZER is truly important to us.

A handwritten signature in blue ink, appearing to read 'M. Schweizer', is positioned above the printed name and title. The signature is stylized with a large loop at the top and a long horizontal stroke at the bottom.

Dr Maren Schweizer
Chief Executive Officer

MANAGEMENT BOARD



Marc Bunz, Nicolas-Fabian Schweizer, Dr Maren Schweizer, Bernd Schweizer

CONSISTENT BUSINESS DEVELOPMENT IS RIGOROUSLY PURSUED

Part of SCHWEIZER's responsible corporate governance is keeping promises and the company has held true to this yet another time in the past business year. In 2014 the highest turnover in SCHWEIZER's history was recorded and the second highest EBIT since the company was founded was generated. With this result SCHWEIZER has proved again that it realistically assesses the market and business developments, and that its forecasts are reliable. SCHWEIZER also keeps its word when it comes to the development of dividends. Since the revival of the dividend payments in 2010, the SCHWEIZER share dividend has increased from 42 euro cents to 60 euro cents, and at the annual general meeting in July the company will propose a further increase to 65 euro cents.

Reliability generates trust and forms the basis for loyalty. SCHWEIZER customers value this and it is reflected in their order volumes. Thanks to its output over the past business year, the advanced technology site Schramberg has broken through the EUR 100 million mark for the first time and set yet another record in the company's history. This development is clear evidence that solidarity with the Schramberg site and the decision to invest more in the site are based on a solid, forward-looking strategy. The expansion of the technology park means that the growth in sales and the on-site development of customer-specific innovations can be ensured in the long-term.

In addition to expansion and sales growth at the site in Germany, SCHWEIZER's internationalisation strategy is also bearing fruit. The turnover generated by the Asian partner network rose in the past business year by more than 50 percent, and further growth is anticipated for the current business year.

Sustainable corporate governance also consists of adapting strategies to take account of market changes. In the Energy division, SCHWEIZER has adapted its business model to account for different framework conditions

and has reorganised the division. It intends to hand this division over in part to an industrial investor.

Reliability generates trust and reinforces loyalty. Reliability in business development is also an important factor for the successful retention of staff, particularly when coupled with an attractive working environment and interesting further development opportunities for employees. At SCHWEIZER people are the top priority and the employees reward this with correspondingly positive reviews of their employer. For the second time Schweizer Electronic AG was elected one of the best employers in Germany in an independent survey carried out by Focus magazine in conjunction with the Xing business network and the kununu rating platform (source: Focus special, February/March 2015). The low fluctuation rate of less than 0.3 percent speaks for itself.

If you want to shape the future you need solid foundations that you can build on. Schweizer Electronic AG has recognised this fact – innovative advanced technology and continuous growth can only be achieved with highly motivated employees. The success demonstrates that the company is once again on the right track.

REPORT FROM THE SUPERVISORY BOARD

Dear shareholders,

Schweizer Electronic AG can look back on a successful 2014 business year. The consistent implementation of the long-term strategy and the continued improvement of processes contributed to this success. The Supervisory Board provided active support and advice to the Management Board along this path.

The Supervisory Board performed its duties as required by law, the German Corporate Governance Code, the Articles of Association and rules of procedure in the 2014 business year. The Supervisory Board advised the Management Board on the leadership of the company extensively and on a regular basis, and supervised the management of the company. The Supervisory Board was involved by the Management Board at an early stage in decisions that were of fundamental importance to the company.

In addition, the Management Board informed the Supervisory Board both verbally and in writing of the company's current position and of all strategy or planning issues relevant to the company in a regular, comprehensive and timely manner. All Supervisory Board members were regularly sent detailed monthly reports on the company's position between each meeting. A significant number of individual informational briefings and working meetings took place between the Chairman, his deputy, the finance committee and the Management Board members. In these meetings particular emphasis was placed upon regular risk analyses and their significance for the company. The content and scope of the reporting by the Management Board at all times fulfilled the requirements of the Supervisory Board to the full extent.

Decisions or measures by the management requiring the approval of the Supervisory Board due to law, the Articles of Association or rules of procedure were presented in good time, inspected and the relevant judgements made. Where necessary, urgent judgements of the Supervisory Board were made by circulating the motion.

In the 2014 business year, five rotational and one extraordinary meeting of the Supervisory Board and two meetings of the finance committee took place. All members were present at the meetings of the finance committee. With the exception of one meeting at which one member was missing, all members of the Supervisory Board were present at the Supervisory Board meetings. Two rotational meetings and one finance committee meeting were organised as WebEx conferences.

KEY FOCUSES OF THE MEETINGS OF THE SUPERVISORY BOARD AND FINANCE COMMITTEE

In the rotational meetings the Supervisory Board dealt with reports from the Management Board on the business situation of SCHWEIZER, and in particular the current development of revenue and earnings and the finance and risk situation. A recurring topic at several meetings in the 2014 business year was the strategic further development of different divisions, together with existing and targeted partnerships and the opportunities and risks for the company that could arise from them. The Management Board always involved the Supervisory Board in all key decisions affecting the company.



Michael Kowalski, Chairman of the Supervisory Board

The Supervisory Board discussed the following topics in more detail:

The focus of the accounts meeting in March was the financial statement and status report, together with the appropriation of the profit from the 2013 business year. The proposal for appropriation of profit from the Management Board was discussed and unanimously adopted, the status report from the Management Board, including the corporate governance report, was approved and the report of the Supervisory Board was adopted at the 2014 annual general meeting. Regarding other topics, the agenda for the 2014 annual general meeting, the future Supervisory Board elections and the German Corporate Governance Code were dealt with, and the update to the Declaration of Compliance was adopted. The Management Board also provided information on organisational changes in the company.

Business development and the opportunities and risks for the individual divisions formed the focus of the information, discussions and advice of the Management Board and the Supervisory Board at the meeting in June 2014.

At the constituent meeting after the annual general meeting on 4 July 2014 Mr Michael Kowalski was unanimously elected as Chairman of the Supervisory Board and Mr Christoph Schweizer as his deputy. The constitution of the finance committee with Messrs Kowalski and Schweizer and Ms Kristina Schweizer was approved unanimously.

The meetings in September and October focused on the handling of the strategic development of SCHWEIZER and the status of the quality initiative started in 2014.

In addition to reporting on business developments, aspects covered in the December meeting included operational and financial planning by the Management Board from 2015 to 2017, information on current market developments and notes on the control instruments implemented by the Management Board.

Efficiency reviews were regularly carried out and documented during the year.

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 plenum.

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 (Handelsgesetzbuch, HGB) and the German Stock Corporation Act (Aktiengesetz, AktG). As decided at the 2014 annual general meeting, the Supervisory Board commissioned the Villingen-Schwenningen office of Ernst & Young GmbH, Stuttgart, with the audit of the company's accounts, financial statement and status report. The audit did not give rise to any objections and an unqualified audit opinion was issued on 16 February 2015. 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 23 March 2015 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 in detail by the Supervisory Board. There were no objections and the Supervisory Board approved the audit results. The financial statement of 23 March 2015 is thereby adopted in accordance with Section 172 of the German Stock Corporation Act (AktG). The Supervisory Board has aligned itself with the proposal for appropriation of profit, which allows for a dividend of EUR 0.65 per share.

CONSTITUTION OF THE SUPERVISORY BOARD

At the annual general meeting on 4 July 2014 the periods of office of all the Supervisory Board members came to an end. With effect from the end of the annual general meeting and in accordance with the German One-Third Employee Representation Act, elected employee representatives Mr Carsten Brudlo and Mr Siegbert Maier became members of the Supervisory Board at the beginning of June 2014. At the annual general meeting on 4 July 2014, Messrs Michael Kowalski, Christoph Schweizer and Christian Schmid and Ms Kristina Schweizer were elected as shareholder representatives. We would like to extend out particular thanks to Mr Martin Fischer, who after 25 years on the Supervisory Board decided not to run for re-election, for his many years of dedication to the benefit of the company.

The Supervisory Board would also like to sincerely thank the members of the Management Board and all employees for their strong personal commitment, and our shareholders for the confidence they have shown.

Schramberg, 23 March 2015

The Supervisory Board



Michael Kowalski
Chairman

165 YEARS OF INNOVATIONS THAT EXCEL

THANKS TO ITS SURE SENSE FOR MARKET TRENDS AND SUCCESSFUL PARTNERSHIPS, SCHWEIZER ELECTRONIC AG ALWAYS SUCCEEDS IN RE-IMAGINING ITSELF AND ACHIEVING SUSTAINABLE SUCCESS.

A strong pioneering spirit and willingness to think beyond boundaries has ensured, since the founding of the company in 1849, that SCHWEIZER constantly inspires its customers with technological innovations. Rapid implementation, a focus on quality and strategic, stable corporate governance form the basis for the continuous and sustainable growth of the family company, which in 2014 impressed its stakeholders once again with record sales.

From yesterday's cuckoo clock to today's advanced technology applications, the applications of SCHWEIZER products have constantly evolved over the course of its 165-year history to meet society's new requirements. In 1958 SCHWEIZER was one of the first companies to start the production of PCBs and is now the third most successful manufacturer in Europe. While the industry continues to consolidate and relocates to the attractively priced Asian region, SCHWEIZER is constantly expanding its market position. The company is pursuing a targeted internationalisation strategy and is therefore also entering into exclusive partnerships in Asia to secure access to reliable, cost-effective production capacity and to respond to increasing demand for its innovative PCBs and solutions. The advanced technology site Schramberg remains, now as then, the centre of development and production, and an effective, well developed technology transfer ensures compliance with the proven SCHWEIZER quality standards.



GROWTH DRIVERS OF THE PCB INDUSTRY

While demand for PCBs on a global level is still overwhelmingly generated by the 3-C segments (computing, communication and consumer), the growth drivers in Europe are automotive and industry applications. According to the market research institute Prismark, the automotive sector is in first place, with an expected increase of up to 5.9 percent.

SCHWEIZER recognised this trend early and has for years been expanding its market position in the industry sector and more particularly in the automotive sector.



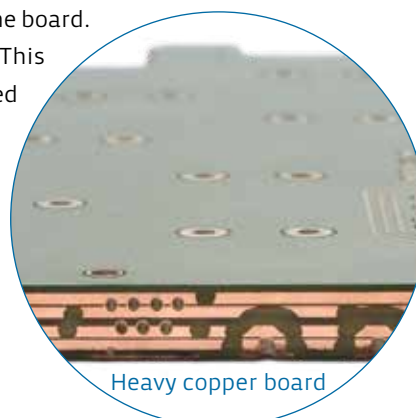
True to the motto “more than just PCBs”, the company has continued to broaden its innovation scope since its entry into the PCB industry and has also ensured access to new profitable customer markets. As a result, SCHWEIZER was already successfully re-certified last year for the EN 9100 aerospace standard and has been successfully audited by customers ensuring that the first products are awaiting qualification in 2015.



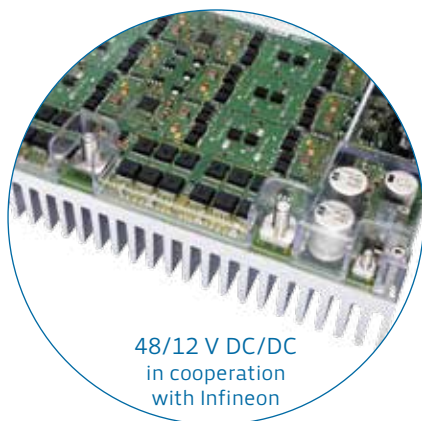
CONSUMPTION, SAFETY AND COMFORT ARE WHAT COUNTS WHEN IT COMES TO THE AUTOMOTIVE SECTOR

By 2021, vehicles in Europe will be required to emit a maximum of 95 g of CO₂ per kilometre. This corresponds to a consumption of 3.6 l of diesel or 4 l of petrol per 100 km, and similar developments can be expected in other regions. To reach this target, new drive concepts will need to be implemented across the board.

Driving should also be as comfortable and safe as possible. This means that vehicles will need to become increasingly electrified and higher currents will need to be switched. Thanks to its consultancy and technological expertise, Schweizer Electronic AG is the perfect partner to help its customers meet future statutory requirements.



Heavy copper board

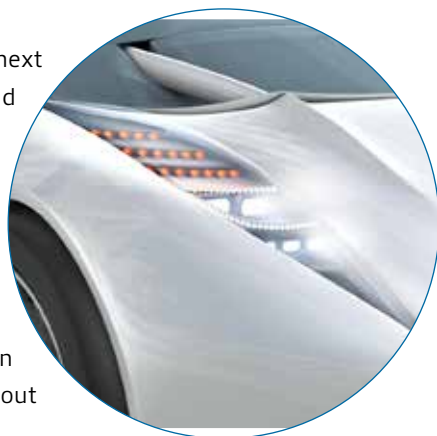


48/12 V DC/DC
in cooperation
with Infineon

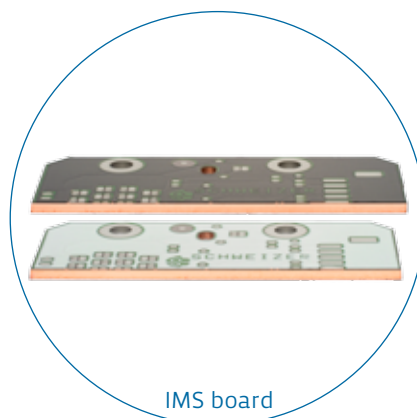
As an example, the heavy copper board from SCHWEIZER is the technology of choice, as it offers current-carrying capacity of several hundred amps with very good heat dissipation characteristics.

MORE THAN ILLUMINATING

LEDs are the light sources of the future. Over the next few years LED headlights will replace xenon and halogen bulbs. 30 percent of all accidents occur at night and approx. 50 percent of all accidents are caused by incorrect visual assumptions. Thanks to their technology, LED headlights offer many advantages for road safety. To give an example: for the same energy consumption, they provide 30 percent more light on the road than xenon headlights and ensure glare-free high beam without the need for mechanics.



As a partner in the research consortium for the Federal Ministry of Education and Research (BMBF) project VoLiFa 2020 (a research project to develop a fully adaptive light projection system to increase traffic safety), SCHWEIZER has been actively involved since 2014 in the research and value chain of a headlight system and is already working on the next generation of headlights and beyond. Customer interest in SCHWEIZER's LED technology has been widely aroused and the company and its corresponding PCB solutions have been listed with various premium automobile manufacturers in the meantime.



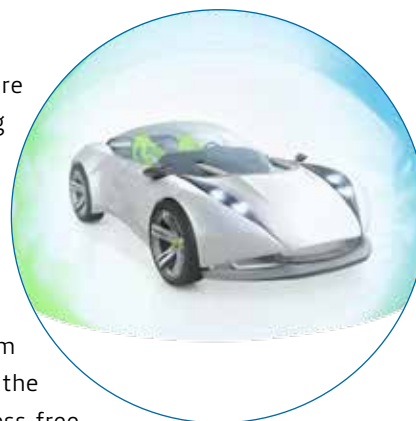
IMS board

ADVANCED ELECTRONICS PROTECT VEHICLES AND OCCUPANTS

Ever increasing volumes of traffic on the roads mean the safety of occupants is increasingly critical.

An example of this would be the use of airbags. Initially a feature only provided in premium vehicles to protect the driver, the airbag is today fitted as standard and is found at a number of locations in vehicles as all-round protection for occupants.

Applications such as radar for cars, which is increasingly integrated as standard, are undergoing similar development in the automotive sector. While a short time ago only premium models were fitted with radar, nowadays compact cars, e.g. the Volkswagen Polo (source: Internet), are also advertised with stress-free driving, thanks to radar sensors.



There are a huge number of these immensely popular applications, which range from proximity cruise control, braking to standstill, proximity and collision warning systems, and intelligent braking with adaptive brake assistant to blind spot monitoring, lane change assistant and rear cross traffic alert. The concept of autonomous driving which is so frequently talked about these days is naturally also only possible thanks to radar sensors. All of these applications contain special PCB materials suitable for high-frequencies, meaning that demand is increasing rapidly. At the moment, the market is still more or less manageable with global sales of approx. 10 million radar sensors. However, over the next 10 years this will increase at least ten-fold. Very positive market researchers are even predicting up to a twenty-fold increase. SCHWEIZER is the current market leader for high-frequency (HF) PCBs with a market share of more than 30 percent and plans to consolidate this and expand in the long-term. This is why the company has entered into a strategic partnership with the company WUS Printed Circuits Co., Ltd. in Kunshan, China, which already has extensive experience in the

high-frequency market. The aim is to work with the partner WUS to meet customer demand for large volumes at attractive prices. The family company WUS was founded in 1971 in Taiwan and has been manufacturing high-quality PCBs for over 44 years. WUS employs around 12,000 workers in its plants in Taiwan (2) and China (2), and the production capacity in China is currently being upgraded by two new plants. WUS has an in-depth technical platform and suitable production capacity that SCHWEIZER will be able to access in the future. The partnership for HF PCBs will be based at the KEPZ automotive and industry plant in Kunshan.



Radar sensor
from Bosch



Chris Wu, Managing Director of the originally Taiwanese company WUS Printed Circuits Co., Ltd. explains: *“We realised very soon that our exclusive partnership in HF technology bears a win-win solution for both companies as well as for our customers in order to face our common challenges. Therefore, we decided to buy the equity stake of 4.5 percent, allowing us to further participate in SCHWEIZER’s business results and to share risks as well as positive outcomes with our partner.”*

FUTURE PROSPECTS

80 percent of automotive innovations today have been made possible by PCBs and semiconductors. In the automotive sector too, miniaturisation of technology is therefore becoming ever more important. When one considers for example that the engine compartment for a hybrid drive solution needs to accommodate not just a conventional internal combustion engine but also an electric motor, it is clear that every square centimetre of space counts. The convergence of the semiconductor and PCB industries is the consequence of this trend for miniaturisation.

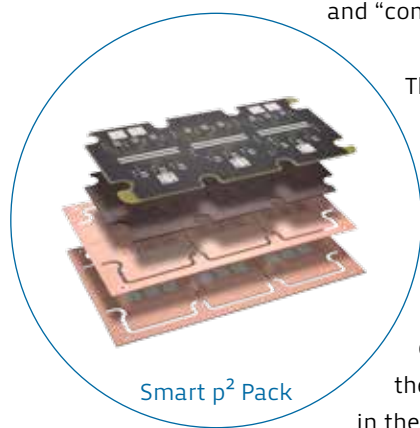
SYSTEM BOUNDARIES BETWEEN PCBs AND SEMICONDUCTORS ARE SHIFTING

Many systems for current and future applications are required to be ever smaller and at the same time to offer additional functionalities. Electric motors provide one such example, as the PCBs are now installed with the electronics in the motor. The first applications are appearing in which the surface of the PCB and that of the installed semiconductor are almost the same. Hence the next and crucial step: the embedding of active and passive components in PCBs. In a move typical of the SCHWEIZER success story, the company is one step ahead in this area and, together with industry partners, has for some time been developing embedding solutions whereby the semiconductor (chip) is already embedded in the PCB.

As part of the Hi-LEVEL joint project (high-current PCBs as an integration platform for power electronics of electric vehicles), SCHWEIZER has, together with five other industry partners and two research institutions*, developed a fundamental technology for electric vehicles: high-current PCBs at the heart of drive electronics. In this way the embedding technology was used and the components were integrated and fixed directly into a PCB according to the smart p² Pack technology developed by Schweizer Electronic.

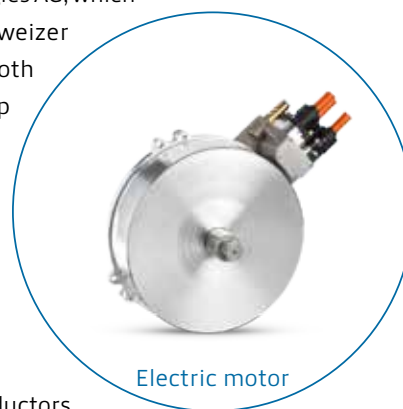
* The industry partners, under the leadership of the international automobile supplier Continental, were Daimler, Infineon, Schweizer Electronic, Heraeus and AMIC. TU Berlin and ISEA Institut RTWH Aachen were the two high-level research institutions that formed part of the consortium. This project was sponsored by the Federal Ministry of Education and Research (BMBF) as part of the innovation programme “Key Technologies for Electric Mobility” (STROM).

Thanks to the p² Pack technology, an innovative technology is available for the manufacture of power modules that consequently uses the potential of embedding components on PCB substrates. This means that more efficient inverters and drives with smaller semiconductors, higher switching frequencies and lower losses can be built, which then helps to minimise the installation spaces and the weight of power electronic modules and to reduce the overall system costs. The p² Pack technology therefore supports the megatrends of “increasing energy efficiency” and “conserving resources”.



Smart p² Pack

The system boundaries between PCBs and semiconductors are changing and this in turn requires new business models. As a result in November 2014 SCHWEIZER entered into a partnership with the semiconductor manufacturer Infineon Technologies AG, which acquired a capital share in Schweizer Electronic AG in this context. Both companies are planning to open up the chip embedding market together in the future and to tap the associated market potential. Infineon and SCHWEIZER have already jointly developed several prototypes for tailored customer solutions and both have an exceptional market position and an excellent customer base.



Electric motor

Infineon is a technological leader in particular in power semiconductors and with its semiconductor and system solutions is addressing the central challenges of modern society, such as energy efficiency, mobility and safety. Together with Infineon SCHWEIZER will in future be able to generate synergies in its Systems division from semiconductor and PCB expertise and using new solutions, establish a clear competitive advantage in the long term, particularly for the Schramberg site.

Dr. Reinhard Ploss, CEO of Infineon Technologies AG explains: *"We improve the performance and energy efficiency of vehicles and industrial applications with system competence and the use of highly innovative technologies. Our shareholding in Schweizer Electronic AG supports us on the road from product thinking to system understanding. Chip embedding yields a great added value for our customers, as their systems become more compact and even more efficient at the same time."*



THE BENEFITS OF EMBEDDING CHIPS

Today PCBs are fitted with chips on their front and rear, but in the future chip embedding will allow the semiconductors to be "embedded" inside the PCB. The PCBs thus become smaller. This benefits vehicle systems that have limited space available, for example, electric power steering, active suspension or electric pumps. In addition, the cooling of the chips is improved as the heat generated while the chips are working is dissipated directly via the PCB.



Air conditioning compressor

This is particularly advantageous for applications that require a high level of electric power and that previously had to employ costly cooling measures for their power semiconductors, for example, air conditioning compressors in a vehicle. In addition the automotive sector is also expecting the 48 volt network to gain in importance, alongside today's 12 volt on-board network. As this means it will be possible to use higher electrical power levels, it will also be easier to extend vehicles in the low and medium price segment to hybrid functionality. This is where chip embedding can help.

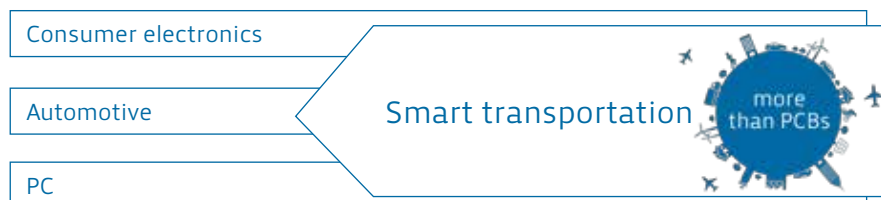
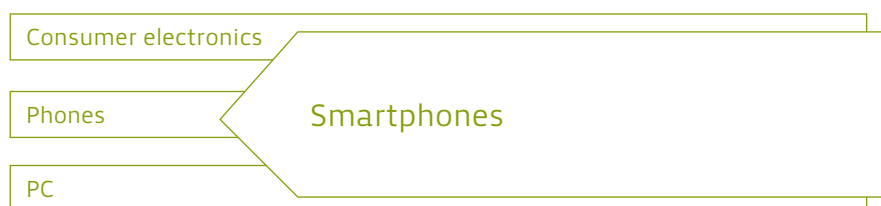
With this investment, Infineon underlines its decision to work with SCHWEIZER to develop technologies for the integration of power semiconductors in PCBs and to open up chip embedding for automotive and industrial applications with a very high level of electric power.



E-Turbo

INDUSTRY BRANCHES CONVERGENCE

A clear trend for the future is the convergence of industry branches. Like the development of smartphones, which grew out of the convergence of consumer electronics, computers and mobile phones, the automotive sector is increasingly converging with the consumer electronics and computer sectors to create the new sector of “smart transportation”. Anyone who, like Schweizer Electronic AG, wants to remain a market leader, needs to foster and expand their core competencies. Power electronics and chip embedding provide the key technologies that make it possible for customers to implement the trends of tomorrow and, at the same time, to reduce system costs.



SHARES

DAX INCREASED BY 2.7 PERCENT IN 2014

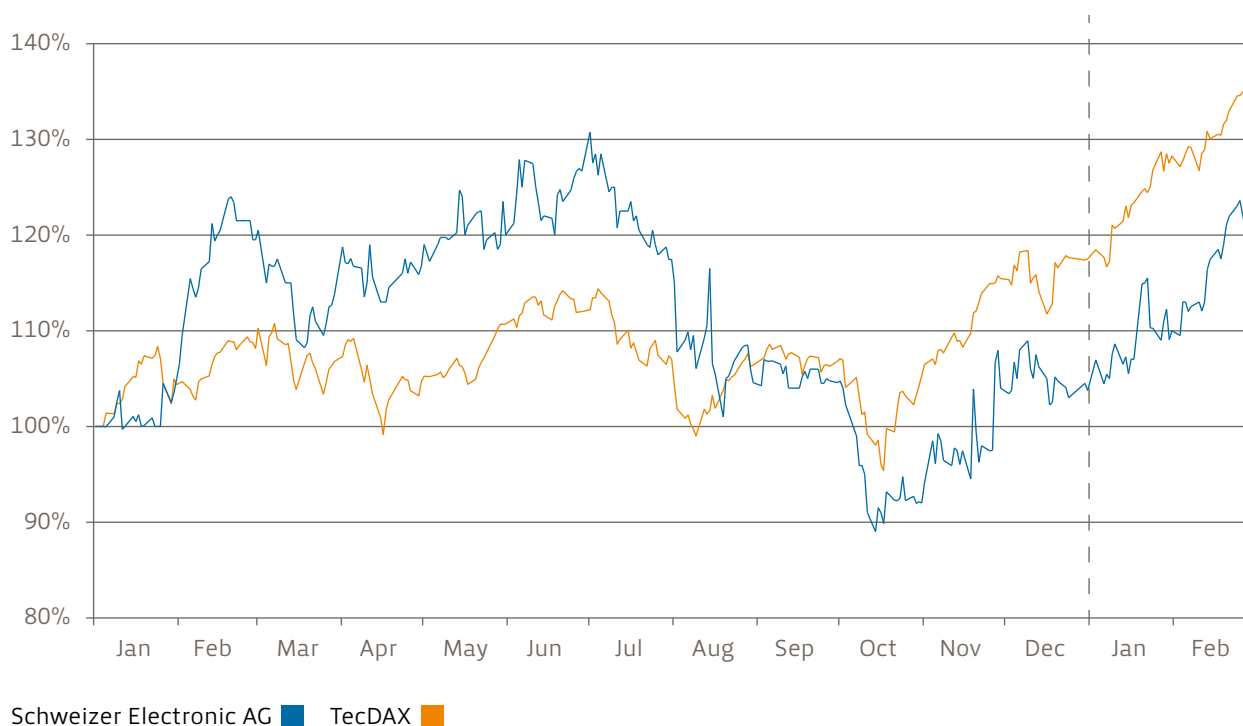
Despite the tailwind due to the expansive monetary policy of the European Central Bank, the German leading index only gained 2.7 percent compared with the situation at the end of 2013. Although the DAX achieved an all-time high on 5 December 2014 with 10,093 points, the disappointing development of the economy and company results in combination with geopolitical crises terminated this trend for the time being. So the DAX ended the trading year with 9,805 points, which corresponds to a gain of 2.7 percent.

In contrast, the development of the technology index, TecDAX, was very positive. At its highest point the German technology index reached 1,381 points shortly before the end of the year and then ended the year with 1,371 points, a gain of 17.5 percent.

INCONSISTENT PRICE DEVELOPMENT OF THE SCHWEIZER SHARES

The price development of the Schweizer Electronic AG share has been very inconsistent. Positive news regarding another dividend increase for the 2013 business year, the partnership agreed with WUS and good business development in the first months of 2014 were rewarded by an increase in the share price to EUR 26.15. Over the following months the SCHWEIZER share had to give up some of its gains. Positive company announcements, such as Infineon AG's decision to develop technologies for the integration of power semiconductors into PCBs in cooperation with SCHWEIZER, were only reflected in the share price to a limited extent. The Schweizer Electronic AG share ended the year with a price of EUR 20.75, or a gain of 3.8 percent.

Share price 1 January 2014 – 28 February 2015



DIVIDEND WILL INCREASE TO EUR 0.65

The good business development makes it possible for the company to continue its cash-flow oriented dividend policy adopted in 2010. Through this policy, SCHWEIZER is pursuing a strategy of equitably sharing the company's success with all stakeholders as well as building up cash reserves.

The Management Board and Supervisory Board will propose a dividend amounting to EUR 0.65 per share at the annual general meeting. With reference to the price at year-end, this corresponds to a return on investment of 3.13 percent.

Dividend in EUR

Dividend for business year	Dividend per share
2010	EUR 0.42
2011	EUR 0.47
2012	EUR 0.55
2013	EUR 0.60
2014	EUR 0.65 *

*proposal to the annual general meeting

INVESTOR RELATIONS

The task of investor relations is to provide all players on the capital market with detailed, transparent and comprehensive information. The management team of Schweizer Electronic AG takes this task very seriously. In addition to its extensive financial reporting, the management team attended capital market conferences, teleconferences 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.

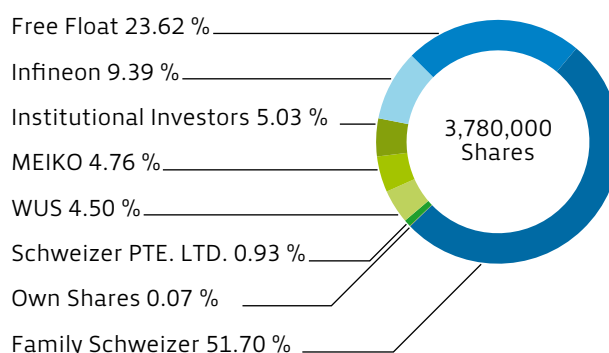


[en/investor-relations.html](http://www.schweizer.ag/en/investor-relations.html).

SHAREHOLDER STRUCTURE

The holdings acquired by the companies WUS and Infineon in 2014 have altered the shareholder structure of the company. At the end of 2014, the Schweizer families held a stake of 51.7 percent in Schweizer Electronic AG. The shares owned by the cooperation partner Meiko remained unchanged at 4.76 percent. As a result of the decline in institutional investors, the free float portion of shares increased by just over four percentage points compared to December 2013.

Shareholder structure as at 31/12/2014



KEY SHARE FIGURES

	2014	2013
Year-end closing price	EUR 20.75	EUR 20.00
Year high	EUR 26.15	EUR 20.00
Year low	EUR 17.80	EUR 12.20
No. of shares	3,780,000	3,780,000
Market capitalisation at the end of business year	EUR 78.4 million	EUR 75.6 million

BASIC SHARE DATA

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

STATUS REPORT

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I COMPANY FUNDAMENTALS

BUSINESS MODEL

Schweizer Electronic AG is a global best-in-class technology company active in the manufacture of high-quality PCBs and the provision of innovative solutions to the automotive, industry and aerospace sectors. Based on its recognised technology and consultancy expertise, SCHWEIZER supplies products and solutions that address key challenges in power electronics, embedding technology and cost reduction and that stand out thanks to their energy efficiency and consideration for the environment.

In the Electronic division, together with its partners Elekonta Marek GmbH & Co. KG, Meiko Electronics Co. Ltd. and WUS Printed Circuit (Kunshan) Co., Ltd., the company supplies cost and production optimised solutions for small and medium batch sizes as well as for mass production. SCHWEIZER alone has 750 employees, with more than 20,000 people employed in its extended network in Germany, Japan, China and Vietnam. In future, the chip embedding market for automotive and industrial applications shall be opened up together with Infineon Technologies AG.

Schweizer Electronic AG has been listed on the stock exchange since 5 July 1989. The shares (ISIN DE0005156236) are listed in Frankfurt am Main and Stuttgart.

DIVISIONS

Globalisation and diversification

The global organisation 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 the divisions: Electronic, Systems and Energy. Whilst the Electronic division has been established for many years, the Systems divisions is still undergoing development in cooperation with Infineon. The Energy division was reorganised and will be gradually handed over to an industrial investor.

Electronic division

Together with its partners Elekonta, Meiko Electronics Co. Ltd. and WUS, SCHWEIZER is the global leader for the supply of rigid PCBs to the automotive industry. Within the partnership, Elekonta is focused on the production of prototypes. Meiko Electronics Co. Ltd. is responsible for mass production at low-cost locations in China and Vietnam and also has technology plants in Japan. Through the Meiko Schweizer Electronics Co. Ltd. joint venture SCHWEIZER also has production lines available in Vietnam (under development) that specifically cater to the requirements of European customers. WUS Printed Circuits Co., Ltd., which has several production sites in China, is the partner for handling constantly increasing demand for high-frequency (HF) PCBs for the automotive sector. This means that while SCHWEIZER focuses on the research and development of products and on series with technically sophisticated production techniques, WUS takes over cost-effective mass production to ensure that high-quality and attractively priced HF PCBs continue to be available to customers in the desired quantity.

For the Electronic division SCHWEIZER holds a stake in Meiko Electronics Co. Ltd., Ayase, Japan, and through subsidiary Schweizer Pte. Ltd., Singapore, it holds shares in Schweizer Electronic Singapore Pte. Ltd. and in Meiko Schweizer Electronics Co. Ltd., Hong Kong.

Systems division

The creation of the Systems division is the logical consequence of increasing customer demand, SCHWEIZER's experience and expertise as well as its new solutions based on embedding technologies (integration of active and passive components in the PCB). 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. The integration of components in the PCB requires a new business and process model, in which both the components and the PCBs are closely involved. To enable early implementation of this new approach and complete its range of products and services, SCHWEIZER is

working closely with Infineon, customers and technical institutes to ensure that the Schweizer Systems division can offer customers PCBs and much more besides.

Energy division

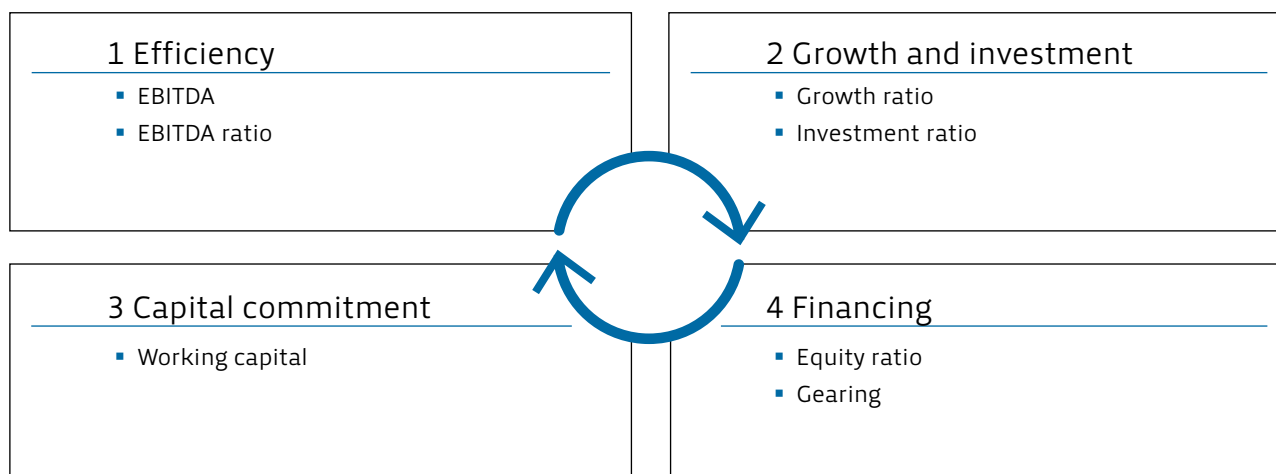
Schweizer Energy is aiming to become a solution provider in renewable energies through photovoltaics. SCHWEIZER's high-efficiency cells and modules, which are to be manufactured using state-of-the-art production technology and systems, are key in reducing system costs. SCHWEIZER also follows the approach of integrating photovoltaics as an integral part of conceptual building design. As a forward-looking company, SCHWEIZER is also planning to be active in the off-grid sector and to offer solutions for private households and municipal authorities (self-consumption) in conjunction with storage media.

For the Energy division the company holds shares through Schweizer Pte. Ltd. in Schweizer Energy Production Singapore Pte. Ltd. and in Schweizer Energy Production Nantong Ltd., China. A strategic industrial partner and co-investor is responsible for the manufacture under its shell company, which has integrated Operations into its company. In this context, it was agreed that the partner would gradually take over 40 percent of the business shares in Schweizer Energy Production Singapore Pte. Ltd.

CONTROL INSTRUMENTS

The central corporate goal is the continuous, long-term increase of corporate value. SCHWEIZER is oriented around four analytical focus points that have a decisive influence on the assessment.

The main premise of the target system is that good efficiency, paired with stable, safety-oriented financing and high growth, will have a positive impact on the corporate value.



1 Efficiency

This focus point is measured by two key figures:

- **EBITDA:** EBITDA represents a central parameter for internal controlling and also serves as a basis for comparison with peer-group companies as part of benchmarking. In addition the key parameter is a good indication of the operative cash flow of the company. The key figure is calculated from the period result without taxes, depreciation and amortisation, and interest.
- **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) ratio:** This measures the relationship between revenue and the operating result before taxes, depreciation and amortisation, and interest.

As part of budget planning, target values are calculated for both key figures and are regularly compared with the actual values.

2 Growth and investment

In the long term, growth without investment is not possible. This is particularly true for capital-intensive industries such as the PCB industry. SCHWEIZER measures two main key figures in this category:

- **Growth ratio:** This parameter is calculated from the change in the revenue compared to the previous period. As part of the planning and budgeting process, the target values of the expected growth rates of the overall market are derived and corresponding market share gains are planned. A particular limiting factor is the available production capacity.
- **Investment ratio:** The investment ratio corresponds to the relationship between the cash flow of the investments made during the period and the target EBITDA. Investments related to replacement, technology and expansion are considered for this parameter. Growth can be achieved both through a greater quantity and through a higher added value per unit of quantity.

3 Capital commitment

The company's principle objective is to maintain the amount of working capital at an optimal level commensurate with the business situation, by means of production measures, purchasing and sales. Particular attention is paid to how strong growth is, what financing structures and cash equivalents are present and what the impact on the efficiency of the company is.

4 Financing

SCHWEIZER aims to use conservative and period-based financing to provide the company with a secure foundation in the long term to withstand all economic cycles. The parameters for this strategy are equity ratio and gearing.

- **Equity ratio:** The ratio of equity capital to total capital provides information on the financial stability of the company. As a target figure, SCHWEIZER defines a minimum ratio that must not be fallen short of. It may however be exceeded and is oriented to the actual situation (investment programme, interest rate levels, credit rating factors).
- **Gearing:** Gearing is derived from the ratio between borrowed capital and equity capital. SCHWEIZER focuses on the development of net gearing. Net gearing is calculated from interest-bearing liabilities less the liquidity portfolio.

In addition to these long-term top key figures, the most important functional areas are managed using positive scorecards. Additional economic and strategic company objectives – both financial and non-financial – are determined annually by the company management and regularly monitored by means of key figures or progress reports.

RESEARCH AND DEVELOPMENT

The basis of SCHWEIZER's research and development work consists of anticipating trends, implementing customer wishes in products and translating customer requirements into specifications. Thanks to the company's international orientation and due to global pressure from competitors, these functions play a crucial role for the company. Using the recently established Stage-Gate process, the transparent use of resources and the achievement of corporate objectives are taken into account. This approach, which is part of SCHWEIZER's stringent quality management, makes it possible to offer our customers tailored solutions from the idea stage right up to series production and to minimise the risks of new development in the process. The company 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.

R&D activities were therefore aligned to the technology modules and their ongoing development. As in the previous year, the focus in the 2014 business year was on the growth markets of power electronics, system cost reduction and embedding. When it comes to the embedding of components in PCBs, focus was placed on the creation of stable partner networks for a continuous supply chain as a basis for industrialisation and market launch.

Power electronics

- Substitution of ceramic superstructures with PCB solutions
- Additional heavy copper solutions for slimmer products with better thermal performance
- Further cost reduction by insourcing value creation processes
- Key applications for new technologies with partners e.g. for the Smart Battery Switch in conjunction with Infineon Technologies AG
- New high temperature materials and thermo-prepregs, e.g. for diverse new LED applications in the automotive segment.

Embedding (miniaturisation) and new assembly and connectivity techniques

- For power: Together with our partner Infineon, we shall define semiconductor applications which will be transferred to commercial products. The focus here is on applications in which the p² Pack technology can exploit its full potential: the highest performance in the smallest space for increased frequencies in the future.
- For logic: It was possible to identify new sensor applications that can be advantageously designed using i² Board technology. In the next step, these are being qualified with pilot customers for future series production.
- For modules: The first applications for "Systems in package", so-called SiPs are currently being manufactured for use in the automotive field and then tested.

Reduction of system costs

- 3D PCBs for safety-related applications
- Expanding solutions for radar applications, e.g. new "Single Board" solutions in hybrid or mixed superstructures
- Combi Boards to combine diverse SCHWEIZER technologies.

In 2014 two projects sponsored by the Federal Ministry of Education and Research (BMBF) – HELP and Hi-LEVEL – were completed with great success.

In the HELP project, the consortium, under the leadership of SCHWEIZER, succeeded in developing two new materials which fulfilled the project objective.

In the HI-LEVEL project, under the leadership of Continental, it was possible to demonstrate the outstanding properties of the p² Pack embedding technology using a 50 kW prototype for a hybrid-driven vehicle.

Thanks to the close cooperation with customers, partners, universities and institutes in the above-mentioned projects, SCHWEIZER was able to further reinforce and expand its close connection with the field of development and its research network.

Thanks to intensive research and development activities, in 2014 SCHWEIZER succeeded in further expanding its strategic importance as a development partner among key customers.

In 2014, spending on research and development totalled EUR 3.0 million.

Research and development employees

In 2014 further important steps were taken to develop leadership positions in the strategic axes of power electronics, embedding and the system cost reduction. The SCHWEIZER Stage-Gate process was supported by comprehensive in-house training courses, such as "Design for Six Sigma", to further increase the methods and professional expertise of our development employees. The generally available development capacity was also increased by over 15 percent thanks to the recruitment of a balanced mix of junior staff and experienced managers.

At year end SCHWEIZER employed 76 engineers or technical staff. With a total of 758 employees (including temporary staff), this corresponds to a ratio of 10 percent.

Patents

The patent portfolio of SCHWEIZER increased to 19 patent families in 2014. Three European patents were issued in 2014 and these were each validated in five countries.

EMPLOYEES

The number of SCHWEIZER employees increased over the anniversary year to 758 at the end of 2014 (31 December 2013: 736). Examined in more detail, the slight growth is due to 36 new employees, the hiring of nine apprentices and the move of 42 temporary workers into fixed employment relationships and thus makes it clear that SCHWEIZER is creating jobs in the long term. As in the past, SCHWEIZER is pursuing a forward-looking personnel policy that counters demographic change and consequently invests in training its own staff in the long term. In order to continue to create secure jobs in the long term, order peaks are cushioned by well-chosen temporary staff. SCHWEIZER is proud of the fact that, as part of capacity expansion and succession

planning, it took three times as many temporary workers on in permanent positions in 2014 than in the previous year.

Over the reporting year SCHWEIZER invested more heavily in its specialist and managerial staff to further improve its competitive position. Priority was given to recruiting in the process and product development fields, quality management and for the internationalisation of the company. On the other hand, in this year as in the previous year SCHWEIZER, as a company not tied to wage scales, increased salaries for all employees by 2.5 percent. Furthermore, the company's 2013 success was passed on to employees by means of a profit-sharing scheme worth EUR 500,000. This profit-sharing scheme applies to all employees, regardless of whether in temporary or permanent positions, and was implemented for the fourth year running. This profit sharing is handed out, insofar as possible, as gift cards in the form of EC cards, which makes shopping and benefiting from countless promotions very easy. The reaction of employees to this measure is very positive and confirms the current personnel management approach at SCHWEIZER.

Sales per employee rose by 3.3 percent to approx. EUR 164,000.

SCHWEIZER once again among the best employers in Germany

In 2015 SCHWEIZER was again singled out by the news magazine Focus as one of the best employers in Germany. This is welcome recognition for SCHWEIZER's efforts on the topic of employer branding. It is still a challenge for technology companies to find suitable employees. The company has considered what makes SCHWEIZER special and what SCHWEIZER stands for. Within four months it was possible to fill all the open positions in the technology field with applicants from across Germany.

In addition to its targeted recruitment campaign, SCHWEIZER also builds personal contact with potential and future applicants. Over 20 events attended by approx. 160 school pupils and students took place at the Schramberg site. The concept conveyed SCHWEIZER's authenticity and the value it places on families and employees. The concept has now

been established as an employer branding measure and will be repeated at regular intervals over 2015.

CUSTOMER RELATIONS

SCHWEIZER produces highly innovative PCBs for automotive, industry and, in the future, aerospace customers. PCBs play an increasingly fundamental role for new developments. For example, more than three quarters of all innovations in cars are today made possible by the use of electronics. The market is determined by the requirements of further technical developments, increasing efficiency and the integration of a wide variety of components in the smallest possible space. Opportunities for European PCB manufacturers are predominantly to be found in reacting rapidly to new challenges and specialised solutions. Our technology-intensive products usually result from close collaboration with our customers. The trust required has been built up over years of collaboration with various key customers. This is a very important intangible asset for SCHWEIZER. Good customer relations are reflected by the healthy state of the order book which increased to EUR 119.2 million by the end of 2014.

SUPPLIER RELATIONSHIP

In 2014, further price reductions in purchasing also contributed to the attainment of corporate goals. The relocation of additional procurement volumes to Asia (predominantly China) had a positive effect on the material cost ratio. This meant it was possible to further reduce the prices of almost all product groups and materials. The strategic and operative organisational structures established in the past were extended and are contributing in the long term to a continued increase in competitiveness. The conclusion of agreements on the joint purchasing of materials with strategic partners and the integration of regional purchasing in Asia ensure even better access to regional procurement markets. In addition to the information exchange with our partners, the focus in 2014 was on joint price negotiation and price agreements. Successful implementation was based on the agreement

and definition of procurement and material strategies, together with the bundling of procurement volumes.

Close supplier relationships are of key strategic importance.

SCHWEIZER has a vested interest in long-term collaboration with its suppliers. Excellent manufacturing quality can only be ensured by further developing manufacturing expertise together. Close coordination with suppliers regarding raw materials again resulted in the conclusion of several framework agreements in 2014.

QUALITY MANAGEMENT AND SUSTAINABILITY

Schweizer Electronic AG does not consider its corporate activity limited to economic success; instead the company also sees itself as responsible with regard to quality, the environment and the community.

Corporate Social Responsibility (CSR) does not just concern the company's own sphere of responsibility, but also requires suppliers and cooperation partners to comply with international human rights, ethical principles, the renunciation of child labour, environmental protection and sustainable energy management.

The company meets the requirements in both the field of quality and that of the environment. This is certified by external independent companies.

Quality management

Corporate success depends on the quality of the products and solutions that SCHWEIZER provides to its customers and that it has been able to continuously increase over the years. In the 2014 business year the high standard of quality was maintained. This was reconfirmed by certification from external independent auditors. Again in 2014 Schweizer Electronic AG successfully passed certification according to ISO/TS 16949: 2009 and EN 9100: 2009, and the certificates remain valid. Certification according to these two standards proves that SCHWEIZER is able to supply the automotive and aerospace industries with high-quality products. Furthermore, certification is also evidence of the continuously increasing standard and successful compliance with it. The high quality standard was also confirmed by several customer audits in the automotive sector, and in the industry and aerospace sectors. The customer audits were all passed with great success.

Environmental management

The high environmental standard that SCHWEIZER sets itself was confirmed by external independent companies through renewed certification according to ISO 14001: 2004. In addition to its commitment in the field of environmental protection, SCHWEIZER also specifically devotes itself to energy management. Here again, auditing in accordance with the energy management standard ISO 50001: 2011 was successfully passed.

In the field of quality and environmental management Schweizer Electronic AG is constantly working towards improvement and is further developing both product quality and the respective management systems.

II ECONOMIC REPORT

OVERALL ECONOMIC AND INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

Global economic expansion increased over the course of 2014. After the global gross domestic product rose only very modestly in the first half of the year, it increased noticeably more strongly in the third quarter. Measured in the medium-term, however, the growth rate is still moderate and, with an expected gain of 3.4 percent, the annual average will only have increased slightly more in 2014 than in the previous year.

In the third quarter, the economy in the United States continued its significant upward trend and the labour market also gathered considerable momentum. In Great Britain too, the situation in the labour market improved

considerably, whereas economic activity in the euro area increased only slightly over the summer months and unemployment remained persistent at high levels.

Despite the partly turbulent global framework conditions, 2014 went well for the German electronics industry with regard to expectations. In the period from January to October 2014, sales for domestic electronics companies totalled EUR 141.6 billion, an increase of 2.6 percent compared to the previous year. Of this, EUR 71.2 billion (+1.1 percent) was generated at home and EUR 70.4 billion (+4.1 percent) abroad, whereby sales in the Eurozone exhibited a gain of 3.3 percent, while revenues from third countries increased by 4.6 percent to EUR 44.7 billion.

The production of German electronics companies, adjusted for price effects, exceeded their previous year's level in October 2014 by 3.2 percent and thus increased by

2.6 percent the first ten months of the last year compared with the previous year. Accumulated incoming domestic orders increased by 0.8 percent and incoming orders from abroad by 0.5 percent. Orders from the Eurozone saw a growth of 2.6 percent, while orders from third countries decreased by 0.7 percent.

In November 2014, the business climate in the German electronics industry also improved again – after declining three times in a row. Both the actual situation and the business expectations for the coming six months were evaluated as better overall than even one month before. This meant that export expectations for the next three months also increased for companies in the German electronics industry.

Overall the Germany economy is picking up again. It is expected that the gross domestic product will gain by 1.7 percent and 1.9 percent in 2015 and 2016 respectively. German exports prove to be resilient in a difficult international environment. With a predicted upturn in the world economy, exports in both 2015 and 2016 will improve by more than 6 percent.

Global economic growth will also increase gradually over the next two years. Following an increase in global production of 3.4 percent in 2014 on the basis of purchasing power parities, growth of 3.7 percent for 2015 and 3.9 percent for 2016 is expected.

Business development in the PCB market

The global PCB market expects growth of 2.4 percent to USD 57.5 billion for 2014 as a whole, compared to USD 56.2

billion in 2013. Sales of USD 59.1 billion are forecast for 2015. This is a growth of 2.7 percent compared to the previous year.

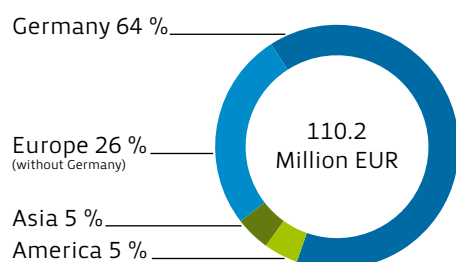
EARNINGS POSITION

For the 2014 business year, the income statement was for the first time produced using the cost-of-sales method according to Section 275(3) of the HGB. This type of presentation means that the results can be more easily compared to internationally active companies and simultaneously corresponds with the structure of the management income statement.

Based on positive forecasts for global economic development and the strategic positioning of the company, the Management Board of Schweizer Electronic AG expected sales growth of between 3 to 7 percent at the end of March 2014 as well as a slight improvement in the results compared to the previous year.

Thanks to the good first half of 2014 in terms of operation and an order book of EUR 119.5 million at the end of June, it was possible to give a concrete sales forecast with expected growth in the range of 7 percent. Further successes in portfolio management in the second half of the year indicated positive effects with regard to the results. This prompted the Management Board to clarify its forecast for 2014 at the beginning of November, giving a sales forecast of EUR 108 million and an EBIT in the range EUR 9 – 10 million.

Sales by region



EUR millions	2014	2013
Germany	70.7	66.3
Europe (excl. Germany)	29.2	26.2
Asia	5.1	4.5
America	5.0	4.1
Other countries	0.2	0.1
	110.2	101.2

In the last months of the business year SCHWEIZER was also able to benefit disproportionately from the current thriving automotive economy and an increasing tendency towards hybrid vehicles and more electronics in cars. In this environment, SCHWEIZER was able to achieve record sales of EUR 110.2 million in 2014 (2013: EUR 101.2 million), with an EBIT of EUR 10.0 million. The EBITDA remained stable at EUR 14.2 million, which corresponds to a ratio of 12.9 percent.

The tax quota was also expected to remain stable for 2014 in comparison to the previous year. In fact the tax quota in the reporting year was 28.7 percent, which represents a slight improvement on the previous year (29.0 percent).

Record sales level

In the 2014 business year SCHWEIZER recorded a turnover of EUR 110.2 million (2013: EUR 101.2 million). This corresponds to a growth ratio of 8.9 percent (2013: 1.0 percent). The turnover was generated exclusively in the Electronic division. The Systems and Energy divisions are still in the process of construction and have not contributed to the turnover.

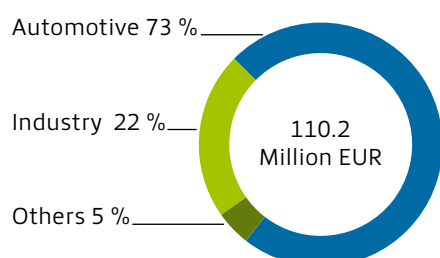
Innovative technology products contributed heavily to the success. PCBs from the focus areas of power electronics, embedding and the reduction of system costs were responsible for almost 90 percent of the sales increase. At EUR 50.5 million, very sophisticated technology products already represent 46 percent of SCHWEIZER's turnover. Over the last few years, the share of innovative products has increased continuously. This trend will continue, particularly for the Schramberg site.

The Germany technology plant in Schramberg achieved a production output of EUR 100.3 million (2013: EUR 94.6 million), and thus broke through the EUR 100 million for the first time. This figure is even more worthy of note when the fact that the technically sophisticated product portfolio sets increasingly demanding challenges for process expertise and quality requirements is taken into account. Targeted investments in eliminating bottlenecks, quality assurance measures and technology, paired with continued process optimisation, have made this possible. The evolution of sales via our Asian partner network has also been pleasing. With sales of EUR 9.9 million (2013: EUR 6.4 million), the previous year's level was exceeded by 54 percent. Meiko Electronics Co. Ltd. deserves special mention in this context as it contributed significantly to this success thanks to its plants in China.

The most important market for SCHWEIZER continues to be Germany. Here sales increased to EUR 70.7 million (2013: EUR 66.1 million). The German market represented 64 percent of the overall volume. Beyond Germany, the most important market continues to be Hungary which, at EUR 17.5 million, has risen by 22 percent. Sales in Asia increased by 12 percent to EUR 5.1 million. This was achieved thanks to contract gains in China. Sales on the American market also increased. These were EUR 5.0 million for the reporting year meaning that with 24 percent the USA contributed the most to the increase. Overall the export ratio increased to 36 percent in 2014.

The most important customer group for PCBs in the reporting year was again the automotive industry. With a turnover of EUR 80.5 million, the previous year's figure

Sales by customer segment



EUR millions	2014	2013
Automotive	80.5	69.6
Industry	24.5	24.5
Other	5.2	7.1
	110.2	101.2

was exceeded by 16 percent. It therefore represents 73 percent of sales. The turnover level from customers in the electronics industry was stable. It was EUR 24.5 million and thus remained unchanged compared to the previous year. Sales from other customer groups decreased due to a lack of free production capacity. Turnover from customers in the consumer, communication and other segments decreased by EUR 2.0 million to EUR 5.2 million.

Order book increase

Incoming orders amounted to EUR 116.3 million in the 2014 business year (2013: EUR 126.6 million). Order income from customers in the automotive industry decreased by EUR 10.3 million. The remaining customers placed the same number of orders as in the previous year. The reduction in orders from automotive customers can be attributed to more cautious planning behaviour and strengthened efforts to optimise working capital. In addition to internal objectives, uncertainty regarding the possible negative economic impact triggered by global political developments in 2014 was also a contributing factor. The long-term high level of production capacity utilisation by SCHWEIZER also left no scope for implementing significant growth in orders within the expected delivery times.

Thanks to sustained high demand, orders on hand increased to EUR 119.2 million in the reporting year (2013: EUR 114.2 million). This increase can be seen across all customer segments. Overall, the high order book highlights a positive development of sales supported by customers in the automotive industry and technologically sophisticated products.

Second highest EBIT in the company's history achieved – EBITDA stable

In the reporting year SCHWEIZER recorded earnings before interest, taxes, depreciation and amortisation of EUR 14.2 million (2013: EUR 14.2 million). The EBITDA ratio was 12.9 percent (2013: 14.0 percent). One important reason why the EBITDA did not increase as much as the sales is the higher proportion of Asian merchandise contributing to the total sales. This rose from 6.4 percent in 2013 to 9.0 percent in the reporting year. As a result of the business model, margins in commercial business are lower if goods are produced internally, due to the reduced internal value

creating. On the other hand, SCHWEIZER invested heavily in the development of the joint venture with Meiko Electronics Co. Ltd. regarding production in Vietnam, and in the partnerships with WUS Kunshan and Infineon in the fields of high-frequency PCBs and chip embedding respectively. The increased costs for these key focuses compared to 2013 came to EUR 1.1 million.

Earnings before interest and taxes (EBIT) gained by EUR 0.2 million or 2.0 percent over the twelve-month period. They totalled EUR 10.0 million (2013: EUR 9.8 million), which corresponds to an EBIT ratio of 9.1 percent. Scheduled depreciation fell by EUR 0.3 million to EUR 4.2 million.

Gross income increased by 5 percent

The gross income for the reporting year was EUR 24.2 million (2013: EUR 23.0 million). The gross margin therefore decreased to 22.0 percent. A particular cause of the disproportionately low development of the gross margin was the increase in sales achieved via the Asian partner network. As a result of the business model, the margins are comparatively lower than if production was completely internal. In contrast, the market prices of the most important raw materials for PCB production – gold and copper – developed positively. In the second half of the year, the weaker euro against the US dollar made an impact.

Cost increase due to future investments

Personnel costs for the reporting year were EUR 37.5 million (2013: EUR 35.5 million). In addition to the investment in direct personnel required by the volumes produced, a targeted increase in personnel was carried out in the field of technology and quality. In relation to the overall performance, which was EUR 111.2 million in the business year, the personnel expenses ratio still improved slightly overall to 33.7 percent (2013: 33.9 percent). Other operating expenses totalled EUR 1.3 million (2013: EUR 0.4 million). The increase in costs is predominantly a result of services to expand the partner network in Asia with a key focus on the plant in Vietnam, which was mainly performed by employees at SCHWEIZER's Asian sites.

Financial and interest result

In the reporting year the financial result was EUR -1.7 million (2013: EUR -0.9 million). This contains a value adjustment for the interests in Meiko Electronics Co. Ltd. of EUR 0.9 million. In the previous year a value adjustment of EUR 0.1 million was established. As a result of the reduced discount factor for pension obligations, interest expenses increased by EUR 0.1 million to EUR 0.9 million (2013: EUR 0.8 million). Income from interest and holdings increased slightly to EUR 39,400 (2013: EUR 31,500). Due to the additional charges, the result from normal business activities decreased to EUR 8.3 million (2013: EUR 8.7 million).

Tax on profits

Taxes on income and revenue increased slightly in the reporting year to EUR 2.7 million. Expenditure from a different period of EUR 0.3 million is included. The tax quota totalled 28.7 percent (2013: 29.0 percent).

Net profit for the period

The net profit for the period totalled EUR 5.6 million in the business year (2013: EUR 6.1 million). The improved EBIT was burdened by the increased impairment of the stake to Meiko Electronics Co. Ltd.

ASSET POSITION

At 31 December 2014, the total assets came to EUR 81.3 million (31 December 2013: EUR 76.7 million). This means that the company's assets rose by EUR 4.6 million or 6.0 percent over the year.

On the receivables side, fixed assets increased by EUR 1.7 million, particularly in terms of financial assets. As part of increased investment for the expansion of the Asian partner network, the equity capital of the Asian subsidiaries was reinforced. Current assets also increased by EUR 2.8 million due to the increase in volume.

The company intended to invest EUR 9.0 million in the PCB business. In fact the investment amounted to EUR 7.8 million. A cheaper machine configuration and the deferral of smaller subprojects caused the investment sum to be slightly less than planned.

The management of working capital is considered by SCHWEIZER to be an important instrument for controlling cash flow. A similar amount of working capital was targeted in 2014 as for 2013. At EUR 22.5 million (2013: EUR 21.2 million) the value of this key figure increased only slightly; however, in relation to the target revenue, the key figure did improve.

On the liabilities side, equity capital rose by EUR 3.4 million due to the increased balance-sheet profit and the long-term borrowed capital arising from loans taken.

BALANCE SHEET DEVELOPMENT, ASSETS

Fixed assets

Fixed assets stood at EUR 40.3 million at the end of the reporting year (2013: EUR 38.6 million). SCHWEIZER invested EUR 4.8 million in new systems and software. Furthermore, equity investments of EUR 3.0 million were effected in the Asian subsidiaries for the expansion of the partner network in China and Vietnam. Depreciation stood at EUR 5.0 million. Net fixed assets increased overall by EUR 1.8 million. The investment ratio in the business year was 54.9 percent relating to the EBITDA.

Current assets

At 31 December 2014, current assets totalled EUR 40.7 million (2013: EUR 37.9 million). The increase of EUR 2.8 million or 7.4 percent can be predominantly attributed to higher business volumes. Inventories increased disproportionately by 13.1 percent to EUR 15.2 million. On the one hand, this is caused by the fact that at EUR 6.4 million (2013: EUR 5.0 million) the inventory of finished products and merchandise increased by EUR 1.4 million at year end. This effect was caused by pre-production of products to be delivered in January and increased gold waste stocks. On the other hand, the methodology of mobility-dependent valuation for raw materials and supplies was revised, which led to a EUR 0.6 million increase of book values. The objective was to bring the tax and commercial balance sheet valuation principles into line.

Receivables totalled EUR 15.8 million at year end (2013: EUR 15.4 million). An increase of EUR 0.2 million arose for trade receivables due to the increase in volume. On average, customers settled their invoices after 44 days (2013: 45 days). Finally, the cash on hand increased to EUR 9.6 million (2013: EUR 9.0 million).

BALANCE SHEET DEVELOPMENT, LIABILITIES

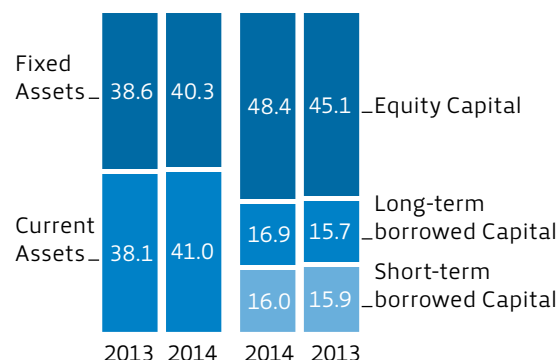
Equity capital

In the reporting year SCHWEIZER's equity capital increased again and at 31 December 2014 was EUR 48.4 million (2013: EUR 45.1 million). This increase is caused by the contribution to the profit reserves of EUR 3.0 million and the balance-sheet profit of EUR 5.4 million (2013: EUR 5.0 million). The equity ratio therefore improved to 59.6 percent (2013: 58.8 percent). In the long term, SCHWEIZER wants to maintain an equity ratio of 35 to 40 percent. This specification was therefore also complied with in the reporting year.

Borrowed capital

The sum of liabilities and provisions increased by EUR 1.0 million to EUR 32.5 million. Overall, long-term bank loans of EUR 3.0 million were taken up. After scheduled repayments of current loans of EUR 1.8 million, net borrowings stood at EUR 1.2 million. Liabilities to the SCHWEIZER support fund increased by EUR 0.3 million to EUR 2.8 million. At EUR 3.0 million at the end of December (2013: EUR 3.6 million), the accounts payable were at a comparably low level. SCHWEIZER was also a discount payer in 2014. On average, liabilities were paid after 38 days (2013: 33 days). The slight increase is a result of the larger investment volumes in tangible assets. Receivables from companies with which a participating interest is held stood at EUR 1.2 million at the reporting date (2013: EUR 0.7 million). Net gearing stood at EUR 1.9 million at year end (2013: EUR 1.5 million). In the long term, the company does not want to exceed a net gearing of 150 percent. With 5 percent net gearing, this framework condition was complied with in 2014.

Balance sheet structure in EUR millions



Working capital

Over the course of the reporting year, working capital increased to EUR 22.5 million (2013: EUR 21.2 million). The increase of EUR 1.3 million or 6.2 percent predominantly arose from inventories. Raw materials and supplies increased by EUR 0.8 million and half-finished and finished products by EUR 0.9 million. Furthermore, receivables to customers increased by EUR 0.2 million to EUR 14.5 million, whereas the accounts payable decreased overall by EUR 0.2 million to EUR 4.2 million. In relation to the target sales, the working capital developed in accordance with the internal objectives.

FINANCIAL POSITION

Principles of financial management at SCHWEIZER

SCHWEIZER pursues a balanced and crisis-resistant financing structure, whereby the finance strategy focuses on financial security against fluctuations in the economy, safeguarding autonomy and support for growth. To this end, the company has set itself various financial objectives and targets. Firstly, the equity ratio should not fall below a value of 35 to 40 percent. Secondly, financial structures should be designed such that classification in the investment grade rating by credit institutions is ensured. Finally, a certain amount of crisis reserves must be kept aside in the form of short-term liquidity. All targets are checked at regular intervals. The company currently fulfils all its financial strategic targets.

The internal financing policy defines the form in which investments should be financed. In the process, it is consistently decided whether replacement or expansion investments are concerned. For SCHWEIZER, the most important source of liquidity consists of operational business activities. Loans are only taken on for expansion and technology investments that increase the company's ability to create additional value.

Cash flow development

Liquid assets totalled EUR 9.6 million at the end of the financial year (2013: EUR 9.0 million). This corresponds to an improvement of the fund for financing purposes of 6.8 percent. At EUR 8.7 million, the cash flow from current business activities was almost at the same level as in the previous year (2013: EUR 8.8 million). At EUR 6.8 million, payments for investments were also at the previous year's level (2013: EUR 6.9 million). Thanks to new loans, cash flow from financial activities increased by EUR 3.2 million to EUR -1.3 million (2013: EUR -4.5 million). Net cash flow is defined as the balance between the cash flow from current business activity (operating cash flow) and the cash flow from investment activity. It gives an indication as to the extent it was possible to cover investments from the operating cash flow. In this regard SCHWEIZER showed a positive net cash flow of EUR 1.9 million.

Cash flow from current business activities

The cash flow from current business activities totalled EUR 8.7 million (2013: EUR 8.8 million). The period result plus the depreciation of fixed assets amounted to EUR 9.7 million (2013: EUR 10.6 million). The use of provisions, in the amount of EUR -1.0 million, had a negative effect on the operating cash flow. This was mainly caused by tax provisions which were EUR 0.9 million in 2013 and at 31 December 2014 stood at EUR 0.1 million in the books. In the previous year, increasing provisions by EUR 1.7 million provided an inflow when determining the operating cash flow. Another significant factor was the development of the inventories and receivables. These increased by EUR 2.3 million in the reporting period (previous year: EUR 5.5 million).

Cash flow from investment activity

SCHWEIZER had to register a cash outflow of EUR 6.8 million in the reporting year (2013: EUR 6.9 million). Of this, EUR 4.7 million flowed into tangible fixed assets (2013: EUR 2.3 million). Investments in the technology plant in Schramberg were doubled. Funds were primarily invested to eliminate technological bottlenecks and in systems for improved quality and fault detection. In Schweizer Pte. Ltd. (Singapore) an equity capital payment of EUR 3.0 million was made. These funds were specifically used for investments and start-up costs for the production joint venture in Vietnam. Furthermore, Schweizer Pte. Ltd. paid a shareholder loan of EUR 1.0 million back to Schweizer Electronic AG. The investment ratio – the relationship of investments in tangible and financial assets to the EBITDA – stood at 55.6 percent (2013: 48.6 percent). SCHWEIZER is pursuing an average investment ratio of 50 to 100 percent in the long term.

Cash flow from financial activities

The cash flow from financial activities totalled EUR -1.3 million in the reporting year (2013: EUR -4.5 million). The change was mainly a result of new long-term loans being taken on in the amount of EUR 3.0 million (2013: EUR 0.0 million). Scheduled repayments amounted to EUR 1.8 million (2013: EUR 2.4 million). The outflow of funds for the payment of the dividend for the 2013 business year at EUR 0.60 per share was EUR 2.2 million.

SCHWEIZER has sufficient open-ended credit lines with banks to ensure that even significant working capital fluctuations can be financed in the short term.

III 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.

IV OUTLOOK AND OPPORTUNITY REPORT

TARGET BUSINESS MODEL

The growth potential for SCHWEIZER results from the SCHWEIZER product portfolio, which is aligned to the growth markets of mobility and energy efficiency. It is demand in these two markets shaped by developments in society that drives SCHWEIZER's target markets.

The company already holds a leading market position in the automotive sector. When it came to PCBs for the automotive industry, SCHWEIZER was again able to improve its market position in 2014. Together with Meiko and WUS we were able to improve from second to first place with regard to sales.

Over the last years, SCHWEIZER has further developed its divisions that address the growth market mobility and energy efficiency and successfully focused of the associated product portfolio.

Focus areas for the Electronic division:

- To strengthen our leading technological position in power electronics, the reduction of system costs and high frequency applications
- To intensify the cooperation with our partners
- To continue the process of internationalisation
- To extend capacity in the production environment in Asia for the transfer of technologies
- To create the foundations for future technologies in the production environment in Germany

Focus areas for the Systems division:

- To strengthen partnerships with semiconductor companies
- To launch new technologies for semiconductor applications on the market and in growth markets
- To substitute products currently used with technological solutions from SCHWEIZER in existing markets

Focus areas for the Energy division:

- Together with an Asian industrial investor who will take over industrial management, to utilise the next opening for market entry

Two important strategic focus areas were successfully implemented:

In the first half of the year, the partnership for high-frequency PCBs (HF boards) with the Chinese company WUS was agreed. In the second half of the year, this was underpinned as WUS made a capital investment in SCHWEIZER. With a global market share of around 30 percent, SCHWEIZER is a market leader in the field of HF boards for the automotive sector. The partnership with WUS provides the company with access to expanded production capacity to further increase its market position.

In November, the leading semiconductor manufacturer Infineon Technologies AG invested in SCHWEIZER.

With this investment, Infineon underlines its decision to work with SCHWEIZER to develop technologies for the integration of power semiconductors in PCBs and to open up chip embedding for automotive and industrial applications with a very high level of electric power.

SCHWEIZER thus further improved its already good foundation.

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. In 2014 SCHWEIZER was again successful in this aim. Its sales growth was 8.9 percent against a global market growth in the field of PCBs of 2.4 percent.

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.

Market consolidation brings opportunities for SCHWEIZER

There are many examples of the traditional market consolidation model to be seen in the electronics industry. The companies that survive are those with a firm financial foundation and/or those that have access to capital, while successfully differentiating themselves from their competitors.

End use defines the trend

As with the semiconductor industry, the PCB market is increasingly defined by application trends (end use trends). This is opening up many new market opportunities for technology companies, particularly in the automotive segment. This market is specifically characterised by long design-in cycles, demanding quality requirements and high price pressure. According to market research institute Prismark, over the coming years the automotive segment will become the biggest driver of growth in the PCB market, displacing the mobile phone from its long-held position as the strongest growth market for PCBs.

PCBs moving towards becoming a high-performing system

Nowadays, a mobile phone or smartphone can do much more than a PC was capable of just a few years ago. Comparable developments can be seen in the automotive

segment, where miniaturisation is gaining ever more importance. When one considers for example that the engine compartment for a hybrid drive solution needs to accommodate not just a conventional internal combustion engine but also an electric motor, it is clear that every square millimetre of space counts. In order to save space, Schweizer Systems offers diverse PCB embedding solutions that use assembly and connectivity techniques to combine miniaturisation with enhanced performance and so help to optimise customer applications.

The benefits of embedding chips

Today PCBs are fitted with chips on their front and rear, but in the future chip embedding will allow the semiconductors to be “embedded” inside the PCB. The PCBs thus become smaller. This benefits vehicle systems that have limited space available, for example, electric power steering, active suspension or electric pumps. In addition, the cooling of the chips is improved as the heat generated while the chips are working is dissipated directly via the PCB.

This is particularly advantageous for applications that require a high level of electric power and that previously had to employ costly cooling measures for their power semiconductors, for example, air conditioning compressors in vehicles that can have electric power of up to 2 kilowatts (kW). In addition the automotive sector is also expecting the 48 volt network to gain in importance, alongside today's 12 volt on-board network. As this means it will be possible to use higher electrical power levels, it will also be easier to extend vehicles in the low and medium price segment to hybrid functionality (“E-Turbo” with 5 kW to 20 kW). This is where chip embedding can help.

Shifting system boundaries will lead to new business models are required

The system boundaries between PCBs and semiconductors are changing and this in turn requires new business models. SCHWEIZER expects this to yield significant growth potential in a few years. Infineon is the technological leader when it comes to power semiconductors and SCHWEIZER is the leading manufacturer of high-efficiency PCBs in the automotive and industry sectors. Thanks to their exceptional market positions and good customer relations, the two companies are very well matched. This has already

been demonstrated by SCHWEIZER and Infineon with their jointly developed prototypes for tailored customer solutions.

Advanced electronics protect vehicles and passengers

Ever increasing volumes of traffic on the roads mean the safety of passengers is increasingly critical. Reducing the number of people killed and injured on the roads is an ongoing priority. Electronics in vehicles can contribute significantly to this. An example of this would be the use of airbags. To begin with, airbags were a feature fitted in premium vehicles to protect the driver. Nowadays, airbags are fitted as standard at a number of points in vehicles as all-round protection for passengers.

Applications such as radar, which is increasingly integrated as standard, are undergoing similar development in the automotive sector. The number of applications on vehicles is growing exponentially. These applications range from proximity cruise control, braking to standstill, proximity and collision warning systems and intelligent braking with adaptive brake assistant to blind spot monitoring, lane change assistant and rear cross traffic alert. All these applications contain technically sophisticated PCB materials that are significantly more expensive than standard materials. Consequently, one challenge is to apply these more expensive materials only partially. Having positioned itself in this market at an early stage, SCHWEIZER's sales in these applications increased significantly in 2014 and the company now takes a leading role and is in a position to grow fast with high frequency products. Thanks to the partnership with WUS, the production capacity required for this is available.

Technology and application know-how as success factors

The applications described above are examples of the exacting requirements placed on the development process for PCB technologies, requirements that can only be met by a limited number of the world's 2,500 PCB suppliers. Special products, such as 3D PCBs, combinations of the solutions described above and many other products will continue to advance, providing increasingly greater differentiation potential for specialised suppliers, such as SCHWEIZER.

PROSPECTS FOR GROWTH IN THE GLOBAL ECONOMY AND THE GERMAN ECONOMY

Global economy continuing to grow

Global economic growth will also increase gradually over the next two years. Following an increase in global production of 3.4 percent in 2014 on the basis of purchasing power parities, growth of 3.7 percent for 2015 and 3.9 percent for 2016 is expected. Yet, the global economy remains susceptible to disruptions, whether caused by geopolitical developments or upheavals on the financial markets. The forecast is based on the assumption that while geopolitical crises will continue to simmer away for some time, they will not come to a head again. Furthermore, it is assumed that clear tensions on the financial markets, such as the consequences of economic problems in important emerging nations or as a result of pending interest rate changes, will fail to materialise, will be very limited in duration, or will be restricted to individual countries. In addition, it is assumed that there will be no sustainable irritations in the context of pending elections in crisis countries within the euro area or renewed doubts as to the existence of the euro area for any other reasons. What should be helpful in this regard is that the process of economic adaptation in crisis countries moves forward gradually and in plain sight. If the risks listed above should occur to any significant extent, it would be necessary to contend with a noticeably weaker expansion of the global economy, in part or in total.

PROSPECTS FOR GROWTH IN THE ELECTRONIC AND SYSTEMS DIVISIONS

Indicators in the electronics industry are positive

In November 2014, the business climate in the German electronics industry also improved again – after declining three times in a row. Both the actual situation and the business expectations for the coming six months were evaluated as better overall than even one month previously. This meant that export expectations for the next three months also increased for companies in the German electronics industry.

Growth expectations in the global PCB market exceeded

The global PCB market developed better in 2014 than initially expected and increased by approx. 2.4 percent to USD 57.5 billion, compared with 56.2 billion in 2013. For 2015, forecasting institutions are assuming slightly higher growth rates. Thus USD 59.1 billion is forecast for 2015. This corresponds to global growth of 2.7 percent compared to the previous year. The growth rates for the European and German market, based on the euro, are once again expected to fall. The biggest increase in 2015 is predicted for the automotive segment, with an annual average of 5.9 percent. This assessment is further substantiated by the statement from Gartner, Inc. (Research and Advisory Company), which forecasts growth of 5.4 percent for semiconductors. If the economic risks should occur to any significant extent, it would be necessary to contend with noticeably weaker growth should be expected in the PCB market.

RESEARCH AND DEVELOPMENT

In Research and Development the focus in 2015 will continue to be on taking innovative solutions from the technology spectrum and transferring them to series production, while reducing the manufacturing costs involved. Furthermore, together with Infineon Technologies we will invest heavily in activities in the Systems division.

INVESTMENT, PRODUCTION CAPACITIES AND DEPRECIATION

In the 2014 business year, demand for innovative products continued and it was possible to carry out the portfolio shift as planned. Similarly, the sales and results from our Asian production network developed positively. The Meiko Schweizer Electronics Co. Ltd. joint venture for production in Vietnam was qualified by selected key customers.

Thanks to very high customer demand and the more dynamic shift of the product portfolio towards technology products with higher value creation, we are also maintaining our investment ratio for the Electronic and Systems divisions in 2015. The funding requirements for the Energy division will again be reduced compared to the

previous year.

EMPLOYEE DEVELOPMENT

We implemented the recruitment drive at the Schramberg technology site that was planned for 2014, in particular in research and development. The number of employees rose between 2013 and 2014 from 736 to 758 at year end. Continued moderate recruitment is planned for 2015 in Germany. In addition, the SCHWEIZER Group was represented at year end by 14 of its own employees in Asia. The number of employees in the Asian partner network and in the production of our joint venture is not provided here.

CASH FLOW FROM FINANCIAL ACTIVITIES – DIVIDEND POLICY

SCHWEIZER intends to consistently continue the ongoing dividend policy pursued over the last few years.

In the 2010 business year, SCHWEIZER resumed dividend payments and distributed a dividend of EUR 0.42 per share. In subsequent years the dividend was increased to EUR 0.47 per share in 2011, EUR 0.55 per share in 2012 and EUR 0.60 per share in 2013.

The Supervisory Board and Management Board will propose a dividend of EUR 0.65 at the upcoming annual general meeting.

With its dividend policy, SCHWEIZER is pursuing a strategy of involving shareholders to an appropriate extent and building up cash reserves. This should ensure continuous development of the dividends. SCHWEIZER therefore intends to pay at least constant dividends in future. If the positive trend in the global economy is maintained such that SCHWEIZER can continue its growth path, it may be possible to pay increased 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 and technology investments. SCHWEIZER will continue to maintain higher levels of investment in years to come. Financing of the investment programme in the Electronic and Systems divisions is already assured by agreed credit facilities.

TAXES

The company anticipates a comparable tax quota on earnings in 2014.

WORKING CAPITAL

Following a EUR 1.3 million increase in working capital to EUR 22.5 million in the previous business year, SCHWEIZER expects this to stabilise in 2015. It is anticipated that the level of receivables will increase slightly in line with the sales forecasts. The stable customer structure should mean average terms of payment remain at the level of the previous year. Accordingly, the accounts payable will show an upward trend. The company is not currently proposing any change to the payment policy, which is primarily targeted at the exploitation of discounts.

The level of stocks of unfinished goods was reduced in the past year through investment in eliminating bottlenecks, improving processes and increasing the size of the workforce.

BALANCE SHEET STRUCTURE – EQUITY CAPITAL TREND

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 percent and an equity ratio of at least 35 to 40 percent. SCHWEIZER's plans make allowances for the event that these objectives are considerably exceeded once again over the coming business years.

The company is working on the basis of a further increase in equity capital for 2015 as a result of the expected positive results in 2015. The equity ratio is expected to remain stable due to a potential slight balance-sheet extension.

As a result of the continued stable development of the operating cash flow and the investment objectives described, a constant net gearing in 2015 can be assumed.

OVERALL STATEMENT ON THE EXPECTED DEVELOPMENT OF SCHWEIZER

Mobility and energy efficiency are long-term drivers for the growth of SCHWEIZER. In the Electronic core business, the company leads the market, has excellent technologies and products in addition to well-established customer relationships that we can also use in the Systems division. SCHWEIZER's customers are leaders in their sales segments.

In 2014 SCHWEIZER was able to successfully implement important strategic key focuses in order to gain market shares in the sales markets thanks to the increased Asian production capacity, and to continue to grow quicker than the sales markets.

The order book is already extremely full and the order backlog already stands at EUR 119.2 million at the reporting date (2013: EUR 114.2 million). The capacity at the German technology plant is thus already well utilised and orders for Asia are in the order book. The order backlog demonstrates that the share of innovative and technologically advanced products can be increased yet further.

In 2015, however, SCHWEIZER is dealing with challenges for business development caused by the weak euro. The contributions to results and sales growth provided by our Asian capacity may be attenuated by this factor. The weakness of the euro against the most important global currencies may reduce the cost advantages of our Asian production capacity on the European market. While the prices of raw materials – as in 2011 and 2012 – decrease at the same time as the euro weakens, the impact on the profitability from cost increases for purchasing production

materials in our German production remains limited.

We stand by our forecast that in 2015 we will again grow more quickly than the reference markets and expect a continued slight increase in sales compared to 2014. These sales will be carried by the Asian production capacity and the investments made in the German technology plant.

On the basis of the planned customer and product portfolios, the company expects stable operating results – particularly the EBITDA –, which will move according to the slightly positive sales forecast. However, the current strong movements on the industrial metal and currency markets entail additional risks and opportunities. Furthermore, while an increased proportion of merchandise through our Asian cooperation partners leads to higher absolute EBITDA, the relative margins are lower than for goods manufactured ourselves due to the nature of commercial business. As a result, the EBITDA ratio is slightly reduced, as it was in 2014.

V RISK MANAGEMENT REPORT

FUNDAMENTALS

Effective management of risks and opportunities is an important part of SCHWEIZER's business activities and supports the goal of growing sustainably and profitably. The core business of PCBs is largely characterised by regular periods of market growth that alternate with downturns in the market. Moreover, the risk and opportunity position is affected by the need for a high level of investment in order to achieve and secure a market position as well as exceptionally fast technological turnaround. Against the background of these fundamental characteristics of the PCB industry, the SCHWEIZER risk policy is aimed at responding quickly to opportunities and exploiting them in order to continually add value for the company. At the same time, any risks – which could be associated with the exploitation of opportunities – must be actively controlled and any substantial risk of forfeiture avoided. For this purpose, risk management is closely linked to planning at company level and implementation of the strategy and falls to the higher responsibility of our Management Board.

For the purposes of implementing this risk policy, a risk management and control system made up of a number of complementary elements has been established. In addition to the "Risk and opportunity management" and "Internal control system governing the financial accounting process" systems described below, this notably includes the standardised planning, control and internal reporting processes linked to the systems.

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.

All relevant risks and opportunities are evaluated in a standardised way from a quantitative and/or qualitative perspective. The assessment covers the following dimensions: degree of impact on the business activities, financial position and earnings, cash flow and reputation as well as probability of occurrence. A risk indicator is

determined for the potential degree of impact on the business activities, financial position and earnings, cash flow and reputation, and probability of occurrence. Insurance agreements are concluded for insurable risks according to their valuation and considering an acceptable cost relation, and these are adapted where necessary and checked at regular intervals.

SIGNIFICANT RISKS

Liquidity risks

To ensure that sufficient liquidity is always available to enable the current payment liabilities to be met, short- and medium-term finance planning is analysed in weekly cash meetings and where necessary, measures for liquidity management are agreed. Liquidity provisions from the cash flow are maintained in the short term. Furthermore, around EUR 7 million is constantly available as an available-for-sale liquidity reserve that can only be used in operations by the Management Board subject to the approval of the Supervisory Board. The financial liabilities are linked with standard market loan commitments and are subject to ongoing monitoring as part of a daily financial status. Opportunities for improvement, particularly with regard to low market interest rates, are regularly investigated. Short-term credit lines were only briefly taken in 2014 and are regularly agreed and maintained with the credit institutions.

Currency risks

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

Procurement Risks

For SCHWEIZER, the continued consolidation of the PCB industry in Europe in 2014 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 in the long term to guard early against such a scenario with the multiple qualification of materials, to prepare for alternative procurement (“multi-sourcing”) from other continents. In this context, critical supply sources were examined and additional suppliers were audited, qualified and approved in the past financial year (2014).

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 and raw material SWAPs was reviewed in 2014 within the scope of commodity management and SCHWEIZER took corresponding measures. 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

The continued positive trend in the automotive segment caused dependency on the automotive industry to remain high 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 was not taken

out. 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 credit risk meetings every two weeks, ensuring the relevant sales employees are made aware of critical issues in good time. Monthly management reports provide details of changes involving major customers. The liabilities of major customers with respect to risk and measures to cover risk are also considered regularly at Management Board meetings.

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 under way, regular interdisciplinary team meetings are held, during which problems with processes are addressed and resolved. The high quality standard is ensured by effective quality control; subsequent risks such as warranty and recourse claims are covered as part of product liability insurance.

The production network with partners Elekonta, Meiko Electronics Co. Ltd. and WUS means that part of the value creation does not take 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 GOVERNING THE FINANCIAL ACCOUNTING PROCESS

In contrast with the risk management system, the focus of the internal control system is on the financial accounting process with the aim of monitoring the correctness and effectiveness of the accounting and financial reporting processes. The aim of the internal control system is to minimise the risk of misstatements in accounting and in external reporting and to ensure a reasonable degree of assurance for the financial statement and that it complies with regulatory requirements. For this to be achieved, company-wide compliance with statutory provisions and internal company rules is essential. Clear ownership of processes is assigned. The internal control system fulfils the requirements for effectiveness and forms part of the accounting process in all significant legal entities and corporate functions. The system monitors the principles and procedures on the basis of preventive and detective controls.

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 controls 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.

The effectiveness of the internal control system governing the financial accounting process is systematically evaluated. Initially, an annual risk analysis is carried out and the defined controls revised if necessary. At this stage, significant risks with regard to the financial accounting and financial reporting process are identified and updated. The controls defined for the identification of risks are documented in a standardised way across the company. To evaluate the effectiveness of controls, we carry out regular tests on the basis of spot checks. These form the basis for an internal assessment of whether the controls are fit for purpose. The results of this internal assessment are documented and reported in a standardised system. Where weaknesses in the control system are identified, these are rectified taking into account their potential effects.

EVALUATION OF EFFECTIVENESS

At the end of the annual cycle we check and endorse the effectiveness of the internal control system governing the financial accounting process. The Management Board and the finance committee of the Supervisory Board are kept informed of any significant control weaknesses that are found as well as the effectiveness of the controls put in place. The risk management and internal control system is subject to ongoing revision in line with internal and external requirements. The system is improved in order to continuously monitor the relevant risk areas.

OVERALL STATEMENT ON THE RISK SITUATION BY THE COMPANY MANAGEMENT

The overall risk situation has been evaluated by consolidating all significant individual risks. We are not currently aware of any risks that could jeopardise the continued existence of the company.

VI MATTERS RELEVANT TO ACQUISITIONS

Composition of the subscribed capital

The company's share capital of EUR 9,664,053.86 is divided into 3,780,000 no-par-value shares (individual shares). The same rights and obligations are associated with all company shares and arise from statutory provisions and the Articles of Association.

Restrictions relating to voting rights or the transfer of shares

The Management Board is not aware of any restrictions relating to voting rights or the transfer of shares.

Direct or indirect shareholdings in the company's capital that exceed 10 percent of the voting rights

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 percent of the company capital and voting rights.

Shares conferring special control rights

No shares with special rights or voting right control, or shares with special rights or voting right control due to the participating interests of employees exist.

Statutory provisions and provisions governing the nomination and withdrawal of Management Board members and amendments to the Articles of Association

The regulations governing the nomination and withdrawal of Management Board members, as set out in Sections 84 and 85 of the German Stock Corporation Act (AktG) 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 German Stock Corporation Act (AktG) 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.

Powers of the Management Board to issue and buy back shares

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 percent 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 percent 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 percent 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. AktG, the acquired shares must not at any time constitute more than 10 percent of the share capital at the time of the resolution. Further information can be found in the publicly available invitation to the annual general meeting 2011 at www.schweizer.ag/en/investor-relations/shareholders-meeting.html.

Essential agreements for the event of a change in control

The conditions for the event of a change in control are variously set out in individual credit agreements. Agreements with an overall volume of EUR 8 million of which only EUR 3 million was utilised at 31 December 2014, provide an extraordinary right of termination, if one or more people, who act jointly in the meaning of Section 2, para. 5 of the German Securities and Takeover Act (WpÜG) and at any time in the future purchase or hold directly or indirectly more than 50 percent of the voting rights.

In the event of premature loss of a position on the Management Board due to a change of control, three 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 six 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 1.25 times the amount of his total annual remuneration earned on average over the past three business years 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 six times the total annual remuneration of the Management Board member.

VII CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB) AND THE CORPORATE GOVERNANCE REPORT

The corporate governance statement and the corporate governance report form part of this annual report and can be found on the web page at: www.schweizer.ag/en/investor-relations/corporate-governance.html.

VIII REMUNERATION REPORT

REMUNERATION SYSTEM

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 premium allowances 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). 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.

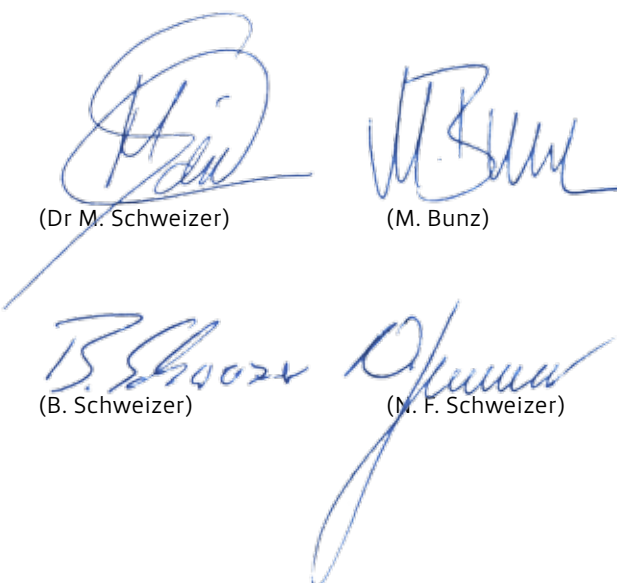
In the 2014 business year, the Management Board's earnings totalled EUR 1,494,000 (fixed), EUR 629,000 (variable) and 9,383 shares for long-term goals. Furthermore, remuneration for the activity of a member of the Management Board at an affiliated company in the amount of EUR 525,000 was assumed by the company.

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 percent of the loss amount, 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 2014 came to EUR 70,000 (fixed) and EUR 176,000 (variable).

Schramberg, 12 February 2015

The Management Board



(Dr. M. Schweizer) (M. Bunz)

(B. Schweizer) (M. F. Schweizer)

BALANCE SHEET

BALANCE SHEET

ASSETS

	EUR	31/12/2014 EUR	31/12/2013 € thousands
Fixed assets			
Intangible assets	1,168,583		1,475
Tangible assets	27,569,931		26,677
Financial assets	11,597,744		10,422
		40,336,258	38,574
Current assets			
Inventories	15,214,475		13,452
Receivables and other assets	15,839,734		15,418
Cash on hand, bank balances	9,609,910		8,999
		40,664,119	37,869
Prepayments and accrued income		328,021	229
		81,328,398	76,672

LIABILITIES

	EUR	31/12/2014 EUR	31/12/2013 € thousands
Equity capital			
Subscribed capital	9,664,054		9,664
./. Own shares	-6,557		-7
	9,657,497		9,657
Capital reserves	21,716,948		21,683
Profit reserves			
Other profit reserves	11,679,500		8,686
Balance-sheet profit	5,383,993		5,034
		48,437,938	45,060
Provisions			
Provisions for pensions and similar obligations	6,851,691		7,345
Additional provisions	4,941,394		5,691
		11,793,085	13,036
Liabilities			
Liabilities to credit institutions	8,557,917		7,386
Trade payables	3,011,919		3,638
Liabilities to affiliated companies	3,913,991		2,480
Liabilities to companies in which a participating interest is held	1,187,295		721
Other liabilities	4,126,253		4,177
		20,797,375	18,402
Deferred tax liabilities		300,000	174
		81,328,398	76,672

INCOME STATEMENT

	2014 EUR	2013 EUR
Revenues	110,217,177	101,211,368
Cost of sales	-86,024,736	-78,161,407
Gross profit	24,192,441	23,049,961
Distribution costs	-3,859,511	-3,552,512
General and administrative costs	-11,490,919	-11,338,657
Other operating income of which income arising from currency conversion EUR 238,657 (previous year: EUR 152,723)	2,515,561	1,883,797
Other operating expenses of which expenses arising from currency conversion EUR 245,416 (previous year: EUR 102,568)	-1,327,740	-419,657
Income from holdings	9,604	10,441
Other interest and similar income	29,749	21,077
Depreciation on financial assets and on securities of current assets	-862,400	-134,848
Interest and similar expenses of which expenses of discounting EUR 468,531 (previous year: EUR 384,385)	-919,697	-782,212
Result from ordinary business activities	8,287,088	8,737,390
Taxes on income and revenue of which expenses (previous year: income) arising from changes to deferred taxes reported in the balance sheet EUR -126,000 (previous year: EUR 99,000)	-2,703,639	-2,603,700
Annual net profit	5,583,449	6,133,690
Profit carried forward	2,800,544	1,900,381
Deposits in other profit reserves	3,000,000	3,000,000
Balance-sheet profit	5,383,993	5,034,071

CASH FLOW STATEMENT

	2014 € thousands	2013 € thousands
1. Cash flow from current business activities		
Period results	5,583	6,134
Depreciations/write-ups on fixed assets	4,158	4,427
Modifications to the provisions	-1,033	1,681
Other non-cash income	1,420	535
Profit/losses from divestments of assets	10	262
Modification to the inventories, trade receivables and other assets	-2,283	-5,541
Modification to trade payables and other liabilities	807	1,318
Cash flow from current business activities	8,662	8,816
2. Cash flow from investment activities		
Receipts from divestments of tangible fixed assets	0	65
Payments for investments in the tangible fixed assets	-4,693	-2,332
Receipts from divestments of intangible fixed assets	0	10
Payments for investments in the intangible fixed assets	-61	-306
Receipts from divestments of financial assets	1,000	0
Payments for investments in the financial assets	-3,038	-4,313
Cash flow from investment activities	-6,792	-6,876
3. Cash flow from financial activities		
Payments to company owners		
Acquisition of own shares	-197	-77
Dividend	-2,234	-2,075
Receipts from the take-up of financial loans	3,000	0
Payments for the amortisation of financial loans	-1,828	-2,366
Cash flow from financial activities	-1,259	-4,518
4. Fund for financing purposes at period end		
Cash modification to fund for financing purposes (subtotal 1-3)	611	-2,578
Fund for financing purposes at period start	8,999	11,577
Fund for financing purposes at period end	9,610	8,999
5. Composition of fund for financing purposes		
Liquid funds = fund for financing purposes at period end	9,610	8,999

STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Own shares	Capital reserves	Generated equity		Equity according to balance sheet
In €				Profit reserves	Balance sheet profit	
31/12/2012	9,664,054	-19,185	21,663,364	5,640,882	3,975,245	40,924,360
Acquisition of own shares	0	-12,783	0	-64,078	0	-76,861
Issue of own shares to Management Board (variable remuneration for 2012)	0	24,515	19,515	109,890	0	153,919
Paid dividends	0	0	0	0	-2,074,863	-2,074,863
Deposit in profit reserves according to Section 58(2) Clause 1 AktG	0	0	0	3,000,000	-3,000,000	0
	0	11,731	19,515	3,045,812	-5,074,863	-1,997,805
Annual net profit	0	0	0	0	6,133,690	6,133,690
31/12/2013	9,664,054	-7,454	21,682,879	8,686,694	5,034,071	45,060,244
Acquisition of own shares	0	-25,566	0	-170,812	0	-196,378
Issue of own shares to the Management Board and Leadership Team (variable remuneration for 2013)	0	26,463	34,069	163,618	0	224,150
Paid dividends	0	0	0	0	-2,233,527	-2,233,527
Deposit in profit reserves according to Section 58(2) Clause 1 AktG	0	0	0	3,000,000	-3,000,000	0
	0	897	34,069	2,992,806	-5,233,527	-2,205,755
Annual net profit	0	0	0	0	5,583,449	5,583,449
31/12/2014	9,664,054	-6,557	21,716,948	11,679,500	5,383,993	48,437,938

APPENDIX

GENERAL NOTES

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

The income statement was for the first time produced using the cost-of-sales method according to Section 275(3) of the HGB. This type of results calculation means that the results can be more easily compared to internationally active companies and corresponds with the structure of the management income statement.

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). Assets are always depreciated using the linear method. Low-value assets with a value of up to EUR 410.00 are depreciated in full in the year of acquisition. It is assumed that such assets are retired immediately. Depreciation on the tangible fixed assets is always carried out on a pro-rata temporis basis.

For the **financial assets**, the share rights 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 **unfinished and 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 01 November 2013 to 31 October 2014, 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 capitalised for company social amenities in accordance with Section 255(2) Clause 3 of the 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 identifiable 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.

In the financial statement, the change to the systematic approach to the depreciation of raw materials and supplies caused the consistency of evaluation according to Section 252(1) No. 6 of the HGB to be broken. The depreciation is now essentially executed by means of a flat-rate reduction. There is a justified exception according to Section 252(2) of the HGB, as the evaluation change is based on the economically justified findings of the external tax audit. This evaluation change resulted in lower depreciation of EUR 553,000.

Appropriate provisions have been formed as required 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 (4.53%, as of December 2014) was taken as a fixed rate for the discount in accordance with the German Provision Discount Ordinance (Rückstellungsabzinsungsverordnung) dated 18 November 2009. Any anticipated salary and pension increases were taken into account with a rate of 1% to 2.50%.

The **tax provisions** and **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, 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.

NOTES TO 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.

In €	01/01/2014	Procurement and manufacturing costs			31/12/2014
		Acquisitions	Divestments	Transfer post-ings	
I. Intangible assets					
Rights and values acquired for a fee	4,184,002	60,295	0	0	4,244,297
II. Tangible assets					
1. Land and buildings	37,508,868	22,500	0	0	37,531,368
2. Technical equipment and machines	81,497,527	2,556,898	3,610,444	188,291	80,632,272
3. Other plant, factory and office equipment	54,457,120	537,706	177,045	107	54,817,888
4. Advance payments and plants under construction	188,398	1,575,532	0	-188,398	1,575,532
	173,651,913	4,692,636	3,787,489	0	174,557,060
III. Financial assets					
1. Shares in affiliated companies	7,722,194	3,038,238	0	0	10,760,432
2. Loans	1,000,000	0	1,000,000	0	0
3. Holdings	4,639,411	0	0	0	4,639,411
	13,361,605	3,038,238	1,000,000	0	15,399,843
	191,197,520	7,791,169	4,787,489	0	194,201,200

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

	Accumulated depreciations			Book values	
01/01/2014	Acquisitions	Divestments	31/12/2014	31/12/2014	31/12/2013
2,709,269	366,445	0	3,075,714	1,168,583	1,474,733
21,759,786	915,011	0	22,674,797	14,856,571	15,749,082
75,823,609	1,050,970	3,610,389	73,264,190	7,368,082	5,673,918
49,391,468	1,823,762	167,088	51,048,142	3,769,746	5,065,652
0	0	0	0	1,575,532	188,398
146,974,863	3,789,743	3,777,477	146,987,129	27,569,931	26,677,050
0	0	0	0	10,760,432	7,722,194
0	0	0	0	0	1,000,000
2,939,699	862,400*)	0	3,802,099	837,312	1,699,712
2,939,699	862,400	0	3,802,099	11,597,744	10,421,906
152,623,831	5,018,588	3,777,477	153,864,942	40,336,258	38,573,689

SPECIFICATIONS OF SHARE HOLDINGS

The composition of the shareholding is shown in the table below.

(Amounts are shown in the national currency (NC), earnings after tax on profits)

Company name and registered office		Currency	Share in the capital % 31/12/2014	Equity capital in NC thou- sands 31/12/2014	Equity capital In € thou- sands 31/12/2014	Earnings in NC thou- sands 2014	Earnings In € thou- sands 2014
1. Directly held shares							
Schweizer Pte. Ltd., Singapore	(1)	SGD	100	18,020	11,240	139	83
2. Shares held indirectly through Schweizer Pte. Ltd., Singapore							
Schweizer Energy Production Singapore Pte. Ltd., Singapore	(1)	SGD	81.9	9,452	5,896	-103	-45
Schweizer Electronic Pte. Ltd., Singapore	(1)	SGD	100	1,460	911	-1,256	-736
3. Shares held indirectly through Schweizer Energy Production Singapore Pte. Ltd.							
Schweizer Energy Nantong Co. Ltd., China	(1)	CNY	100	55,822	7,432	0	0
4. Shares held indirectly through Schweizer Electronic Pte. Ltd., Singapore							
Meiko Schweizer Electronics Co. Ltd., Hong Kong	(2)	USD	49.9	5,899	4,876	-101	-83

(1) Values not yet audited

(2) Previous year's value at 31 December 2013

INVENTORIES

	31/12/2014 € thousands	31/12/2013 € thousands
Raw materials and supplies	4,669	3,843
Unfinished products	4,164	4,576
Finished products	6,381	5,033
	15,214	13,452

RECEIVABLES AND OTHER ASSETS

	31/12/2014 € thousands	31/12/2013 € thousands
Trade receivables	14,361	14,117
of which residual term of more than one year	0	0
Receivables from affiliated companies	2	1
of which residual term of more than one year	0	0
Receivables from companies in which a participating interest is held	156	193
of which residual term of more than one year	0	0
Other assets	1,321	1,107
of which residual term of more than one year	100	146
	15,840	15,418

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 2014 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 2,608 own shares. This corresponds to an amount of the share capital of EUR 7,000 or 0.07%. The acquisition of own shares took place in accordance with Section 71(1) No. 8 of the AktG in September 2000 (10,460 shares), in March/April 2001 (15,483 shares), in July 2008 (180,000 shares), in March 2012 (7,000 shares), in June 2012 (3,000 shares), in September 2013 (5,000 shares) and in January of this year (10,000 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. 7,303 shares were drawn in the 2011 business year, 12,369 shares in the 2012 business year and 9,576 shares in the 2013 business year. During the current business year, 9,489 shares (which corresponds to an amount of the share capital of EUR 24,000, that is 0.25% of the share capital) were drawn to be yielded to the Management Board as a variable remuneration component from the previous year. 848 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 164,000 was deposited in the other profit reserves and EUR 34,000 was deposited in the capital reserve during the 2014 business year in accordance with the regulations in Section 272(1b) Clauses 2 and 3 of the HGB.

As a 100 percent subsidiary, Schweizer Pte. Ltd., Singapore holds a total of 35,100 shares in Schweizer Electronic AG at the reporting date. This corresponds to an amount of the share capital of EUR 90,000 or 0.93%. These shares were acquired in December 2014 (54,000 shares). During the current business year, 18,900 shares were taken from this stock for sale to WUS Printed Circuit (Kunshan) Co., Ltd.

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 fractional 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 conjunction with Section 186(3) Clause 4 of the 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 of the 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 of the 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 %

Ms Kristina Schweizer, Germany, informed us in accordance with Section 21(1) of the German Securities Trading Act (WpHG) on 28 November 2014 that her voting interest in Schweizer Electronic AG fell below the threshold of 20% of the voting rights on 28 November 2014 and on that date it amounted to 19.91% (which corresponds to 752,720 voting rights). Other notes: 15.25% of the voting interest in accordance with Sections 21 & 22 of the WpHG are held by persons subject to a notification obligation as members of the community of heirs to Gerhard Schweizer, consisting of Ms Hannelore Schweizer, Ms Kristina Schweizer and Mr Bernd Schweizer.

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

LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany informed us in accordance with Section 21(1) of the WpHG on 6 July 2012 that its voting interest in Schweizer Electronic AG, Schramberg, Germany 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 of the 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) of the WpHG on 6 July 2012 that its voting interest in Schweizer Electronic AG, Schramberg, Germany 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, Germany, informed us in accordance with Section 21(1) of the WpHG on 18 July 2014 that his voting interest in Schweizer Electronic AG fell below the threshold of 15% of the voting rights on 15 July 2014 and on that date it amounted to 14.43% (which corresponds to 545,600 voting rights).

WUS International Company Limited, Tsuen Wan, Hong Kong, informed us in accordance with Section 21(1) of the WpHG on 30 September 2014 that its voting interest in Schweizer Electronic AG, Schramberg, Germany exceeded the threshold of 3% of the voting rights on 30 September 2014 and on that date it amounted to 4.5% (which corresponds to 170,100 voting rights).

WUS Printed Circuit (Kunshan) Co., Ltd., Kunshan, China, informed us in accordance with Section 21(1) of the WpHG on 30 September 2014 that its voting interest in Schweizer Electronic AG, Schramberg, Germany exceeded the threshold of 3% of the voting rights on 30 September 2014 and on that date it amounted to 4.5% (which corresponds to 170,100 voting rights). 4.5% of the voting rights (corresponding to 170,100 voting rights) are to be assigned by the company in accordance with Section 22(1) Clause 1, No. 1 of the WpHG. Attributable voting rights are held via the following controlled companies, whose voting interest in Schweizer Electronic AG is 3% or more: WUS International Company Limited.

Infineon Technologies AG, Neubiberg, Germany, informed us in accordance with Section 21(1) of the WpHG on 28 November 2014 that its voting interest in Schweizer Electronic AG, Schramberg, Germany exceeded the threshold of 3% and 5% of the voting rights on 28 November 2014 and on that date it amounted to 9.39% (which corresponds to 355,000 voting rights).



Notifications of voting rights for the last year are also published on our website at www.schweizer.ag/en/investor-relations/corporate-governance.html.

BALANCE-SHEET PROFIT

The balance-sheet profit includes a profit carried forward of EUR 2,801,000; moreover, we also draw attention here to the proposal for the use of the balance-sheet profit.

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 dependants, to executive employees and/or their surviving dependants and to the widow of a former partner.

PROVISIONS

	31/12/2014 € thousands	31/12/2013 € thousands
Provisions for pensions and similar obligations	6,852	7,345
Additional provisions		
Tax provisions	136	908
Other provisions	4,805	4,783
	4,941	5,691
	11,793	13,036

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

In € thousands	31/12/2014				31/12/2013	
	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	1,638	2,925	7,058	8,558	1,828	7,386
2. Trade payables	2,950	0	0	3,012	3,638	3,638*)
3. Liabilities to affiliated companies	1,380	1,590	0	3,914	224	2,480
4. Liabilities to companies in which a participating interest is held	1,187	0	0	1,187	721	721
5. Other liabilities	4,126	0	0	4,126	4,177	4,177
- of which arising from tax	1,393	0	0	1,393	1,765	1,765
- of which relating to social security	434	0	0	434	151	151

*) See notes regarding receivables from companies in which a participating interest is held

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 of the 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 4,915,000 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.

RECEIVABLES FROM COMPANIES IN WHICH A PARTICIPATING INTEREST IS HELD

In the reporting year, trade payables from companies with which a participating interest is held was shown for the first time under this item. The previous year was correspondingly adjusted. Without this reclassification, the disclosure for trade payables totalled EUR 4,199,000 (previous year: EUR 4,358,000).

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 and other provisions.

CONTINGENT LIABILITIES

	31/12/2014 € thou- sands	31/12/2013 € thou- sands
Guaranteed amount from cooperative shares	5	5

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

OFF-BALANCE-SHEET TRANSACTIONS

	31/12/2014 € thousands
Annual payment liabilities arising from - lease agreements	291

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:

	€ thou- sands
Annual payment liabilities arising from	
- lease agreements	168
- maintenance agreements	506
Order obligation from awarded investment orders	1,264

The lease agreements and the maintenance agreements end between 2015 and 2017.

DERIVATIVE FINANCIAL INSTRUMENTS

Details about financial instruments:

Type/ category	Nominal amount \$ thou- sands	Fair value € thou- sands	Book value (if avail- able) € thou- sands	In bal- ance- sheet items (insofar as dis- closed in bal- ance sheet)
Curren- cy-related business	1,925	24	-	-

The currency-related transactions relate to a target forward EUR/USD.

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

TRANSACTIONS WITH ASSOCIATED COMPANIES AND PERSONS

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

NOTES TO THE INCOME STATEMENT

As a result of the conversion from the total-cost method to the cost-of-sales method, the previous year's figures in the items "Manufacturing costs of services performed to target the sales revenue", "Marketing costs", "General administrative costs", "Other operating income" and "Other operating expenses" were adjusted.

SALES REVENUE

The net sales revenue is divided up as follows:

	2014 € thou- sands	2013 € thou- sands
By fields of activity		
Metallised circuits	18,367	17,151
Non-metallised circuits	5,281	5,546
Multilayer/HDI	85,239	76,378
Other	1,330	2,136
	110,217	101,211
By regions		
National	70,661	66,119
EU countries	27,337	24,354
Rest of Europe	1,870	1,995
America	5,063	4,068
Asia	5,120	4,561
Other countries	166	114
	110,217	101,211

MATERIAL COSTS

Divided according to Section 275(2) No. 5 of the HGB, the material costs for the business year are:

	€ thou- sands
a) Costs for raw materials and supplies and for purchased goods	41,809
b) Costs for purchased services	6,728
	48,537

PERSONNEL COSTS

Divided according to Section 275(2) No. 6 of the HGB, the personnel costs for the business year are:

	€ thou- sands
a) Wages and salaries	31,612
b) Social contributions and expenses for pension provisions and for support for pension provision of EUR 782,000	5,900
	37,512

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 345,000 (previous year: EUR 81,000) and income from a different period arising from electricity tax refund of EUR 204,000 (previous year: EUR 0).

OTHER OPERATING EXPENSES

Expenditure from a different period arising from cost absorption from related parties in the amount of EUR 350,000 are included.

Other taxes were included in the previous year's financial statement under the item "Other taxes" in the amount of EUR 171,000. In the financial statement of 31 December 2014 the disclosure was made under the item "Other operating expenses". The previous year's figures were correspondingly adjusted.

SUPPLEMENTARY INFORMATION

EMPLOYEES

Average number of employees employed during the business year:

Wage-earning employees	420
Employees	224
	644
Trainees	26
	670

MANAGEMENT BOARD

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

	Activities and mandates within the Group	Other activities and mandates
Dr Maren (previously Marc) Schweizer Chief Executive Officer	<ul style="list-style-type: none"> Managing Director of Schweizer Pte. Ltd., Singapore Managing Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore Director of Schweizer Energy System Integration Pte. Ltd., Singapore (up to 12 September 2014) Managing Director of Schweizer Electronic Singapore Pte. Ltd., Singapore Director of Schweizer Energy Nantong Co. Ltd., China Vice President of Meiko Schweizer Electronics Co. Ltd., Hong Kong 	<ul style="list-style-type: none"> Managing Director of Schweizer Aviation GmbH, Schramberg Managing Director of Schweizer Air Service GmbH & Co. KG, Schramberg Managing Director of Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg Board Member of Meiko Electronics Co. Ltd., Japan Member of the General Management Board of ZVEI Member of the Economic Committee of the entire ZVEI Member of the PCB section in the PCB and Electronic Systems association of the ZVEI Member of the advisory board of HDI Gerling
Bernd Schweizer Member of the Management Board, Chief Operating Officer Responsible for Operations, Technology and Supply Chain.	<ul style="list-style-type: none"> Director of Schweizer Pte. Ltd., Singapore Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore Director of Schweizer Energy System Integration Pte. Ltd., Singapore (up to 12 September 2014) Managing Director of Schweizer Electronic Singapore Pte. Ltd., Singapore 	

	Activities and mandates within the Group	Other activities and mandates
<p>Marc Bunz Member of the Management Board, Chief Financial Officer</p> <p>Responsible for Finance & Controlling, Information Systems, Purchasing and Investor Relations.</p>	<ul style="list-style-type: none"> ▪ Director of Schweizer Asia Ltd., Hong Kong ▪ Managing Director of Schweizer Pte. Ltd., Singapore ▪ Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore ▪ Managing Director of Schweizer Energy System Integration Pte. Ltd., Singapore (up to 12 September 2014) ▪ Director of Schweizer Energy Nantong Co. Ltd., China 	<ul style="list-style-type: none"> ▪ Member of the Stock Exchange Council of the Baden-Württembergische Wertpapierbörse
<p>Nicolas-Fabian Schweizer Member of the Management Board, Chief Commercial Officer</p> <p>Responsible for Sales & Marketing, Technology, Human Resources, Legal and Media & Communications.</p>	<ul style="list-style-type: none"> ▪ Director of Schweizer Pte. Ltd., Singapore ▪ Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore ▪ Director of Schweizer Energy System Integration Pte. Ltd., Singapore (up to 12 September 2014) ▪ Supervisor of Schweizer Energy Nantong Co. Ltd., China 	<ul style="list-style-type: none"> ▪ Member of the plenum of IHK Schwarzwald-Baar-Heuberg ▪ Member of Deutsche Bank's Freiburg regional advisory board

SUPERVISORY BOARD

The Supervisory Board consists of the following persons:

	Activities and mandates
Michael Kowalski Chairman Member of the finance committee	Consultant, Senior Adviser of mmc Management Consulting AG
Christoph Schweizer Deputy Chairman Member of the finance committee	Managing Director: <ul style="list-style-type: none"> Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg Schweizer Air Service GmbH & Co. KG, Schramberg
Kristina Schweizer Member of the finance committee	Editor, Wolters Kluwer Deutschland GmbH, Unterschleißheim (until 31 December 2014)
Christian Schmid	Managing Director: <ul style="list-style-type: none"> Gebr. Schmid GmbH, Freudenstadt Schmid Technology Systems GmbH, Niedereschach Schmid Vacuum Technology GmbH, Karlstein a.M. Schmid Technology GmbH, St. Leon-Rot Schmid Technology Center GmbH, Dunningen Schmid Energy Systems GmbH, Freudenstadt Schmid Silicon Technology Holding GmbH, Freudenstadt Schmid Verwaltungs GmbH, Freudenstadt Director/Member of the Board: <ul style="list-style-type: none"> Schmid Systems Inc., Watsonville, USA Schmid Thermal Systems Inc., Watsonville, USA Schmid Singapore Pte. Ltd., Singapore Schmid China Ltd., Hong Kong Schmid Shenzhen Ltd., China Schmid Zhuhai Ltd., China Schmid Asia Ltd., China Schmid Yaya Technology Co., Ltd., Taiwan
Carsten Brudlo*	Manager Surface Finishing, Schweizer Electronic AG, Schramberg
Siegbert Maier*	Member of the Works Council, Schweizer Electronic AG, Schramberg

* 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 1,494,000 (fixed) and EUR 824,000 (variable). The variable remunerations involved 9,383 shares with a fair price at the time they were granted amounting to EUR 195,000. These were issued in 2015. Furthermore, remuneration for the activity of a member of the Management Board at an affiliated company in the amount of EUR 525,000 was assumed by the company.

TOTAL REMUNERATIONS OF THE SUPERVISORY BOARD

The remunerations of the Supervisory Board in this business year amounted to EUR 70,000 (fixed) and EUR 176,000 (variable).

FORMER MANAGING DIRECTORS AND/OR MEMBERS OF THE MANAGEMENT BOARD

In the 2014 business year, former managing directors and members of the Management Board and/or their surviving dependants were granted total remunerations in the amount of EUR 491,000. The provisions formed for this group of persons amount to EUR 5,504,000.

GROUP RELATIONS

An obligation to produce a consolidated financial statement following international accounting standards in accordance with Section 315a of the HGB does not exist according to Section 290(5) in conjunction with Section 296(2) of the HGB.

PROPOSAL FOR APPROPRIATION OF PROFIT

Given a profit carried forward in the amount of EUR 2,800,544, the annual net income of EUR 5,583,449 and the deposit of EUR 3,000,000 in the other profit reserves, the balance-sheet profit totals EUR 5,383,993.

It shall be proposed at the annual general meeting to appropriate this balance-sheet profit as follows:

	EUR
Distribution of EUR 0.65 per share for 3,742,292 nominal shares	2,432,490
Balance to be carried forward	2,951,503
	5,383,993

AUDIT AND CONSULTING FEES



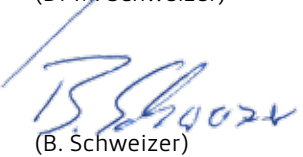
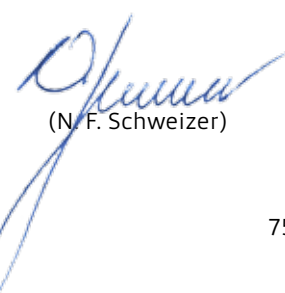
The auditor's fee charged for this business year amounts to EUR 54,000 for the financial statement audit, EUR 10,000 for other auditing services and EUR 10,000 for other services.

DECLARATION IN ACCORDANCE WITH SECTION 161 AKTG WITH REGARD TO THE CORPORATE GOVERNANCE CODE

Schweizer Electronic AG has issued the declaration for 2014 stipulated in Section 161 AktG and has made this declaration available to the shareholders on the Internet at www.schweizer.ag/en/home.html.

Schramberg, 12 February 2015

The Management Board


(Dr M. Schweizer)

(M. Bunz)

(B. Schweizer)

(N. F. Schweizer)

AUDIT OPINION

We have audited the financial statement – comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity and the appendix – including the bookkeeping system, and the status report of Schweizer Electronic AG, Schramberg for the business year from 1 January to 31 December 2014. 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 of the 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, 16 February 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr Wetzel
Auditor

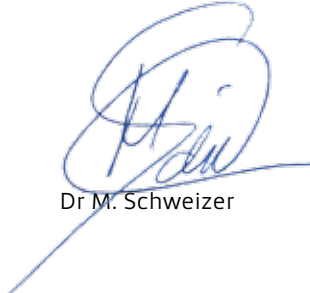


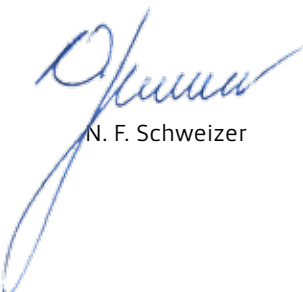
Busser
Auditor

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, 12 February 2015

The Management Board

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

CORPORATE GOVERNANCE REPORT AND STATEMENT

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) of the 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 Code.

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.

The Supervisory Board monitors, advises and supports 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 Code in 2002, the company is required to comply with nationally and internationally recognised standards for responsible corporate governance.

The Declarations of Compliance made by the Management Board and the Supervisory Board have been made available



to all interested parties on the company web page www.schweizer.ag/en/investor-relations/corporate-governance.html.

The Management Board and the Supervisory Board addressed the recommendations and suggestions of the German Corporate Governance Code once again in the 2014 business year. The changes to the Code on 24 June 2014 have been inspected and will be taken into account in the next Declaration of Compliance in May 2015. If there are changes, the Declaration of Compliance will also be updated during the year. 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 Code governmental commission with a few minor exceptions.

The Declaration of Compliance that was issued by the Management Board and the Supervisory Board in May 2014 in accordance with Section 161 of the German Stock Corporation Act deviates from the recommendations of the German Corporate Governance Code governmental commission that were published in the Federal Gazette on 10 June 2013 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 COMPLIANCE ACCORDING TO CLAUSE 161 OF THE AKTG

(status May 2014)

The Management Board and Supervisory Board of Schweizer Electronic AG (hereinafter also referred to as the “company”) issue the following Declaration of Compliance in accordance with Section 161 of the AktG with reference to the recommendations of the “German Corporate Governance Code governmental commission” and will ensure that it is published on the company’s website. The Management Board and the Supervisory Board of Schweizer Electronic AG issued the last Declaration of Compliance in accordance with Section 161 of the AktG in May 2013 and then updated it in November 2013. The following notes refer for the time period between May 2013 and 9 June 2013 to the recommendations of the German Corporate Governance Code (“Code”) in the edition of 15 May 2012, which was published in the Federal Gazette on 15 June 2012. For the time period after 10 June 2013, the following notes refer to the recommendations of the Code in the edition of 13 May 2013, which was published in the Federal Gazette on 10 June 2013 (2013 edition).

On this basis, the Management Board and the Supervisory Board of Schweizer Electronic AG note that since the last Declaration of Compliance was issued in May 2013 and the update in November 2013, the recommendations of the Code were and will be complied with, with the following exceptions:

Code No. 4.2.2: Code No. 4.2.2(2), clause 3, (2013 version) recommends that, when determining the total remuneration of the individual members of the Management Board, the Supervisory Board should consider the relationship of the Management Board remuneration to the remuneration of senior management staff and the workforce overall and its development over time.

The Supervisory Board did not fully comply with this recommendation when concluding new employment contracts with the Management Board in October 2013. When concluding the employment contracts the Supervisory Board did take steps, in accordance with the provisions of the German Stock Corporation Act (AktG), to ensure that the total remuneration awarded to Management Board members does not exceed the customary remuneration without special reason. To the extent that the Code in the new version of 13 May 2013 does specify in accordance with the German Stock Corporation Act (AktG) that the vertical appropriateness of the Management Board remuneration should be considered and to the extent that it further defines the relevant groups and the time scale for the comparison, we wish to make it clear that no claim to comply with the Code in this respect is made.

The new recommendation in the Code resulted in a controversial debate in legal literature on the clarity of the individual requirements. As a result, the Supervisory Board did not have sufficiently specific information on how the senior management staff should be distinguished from junior management and which sections of the workforce are relevant and which irrelevant in this respect. It was also unclear what time frame and perspective should be considered in terms of “development over time”. The Supervisory Board is therefore of the view that the measures already implemented for determining the remuneration of the Management Board are sufficient to ensure appropriate remuneration for members of the Management Board.

Code No. 4.2.3: According to the new Code recommendation introduced in 2013 in No. 4.2.3(2), clause 6 the Management Board compensation shall be capped, both overall and for variable compensation components. The employment contracts signed with the incumbent

members of the Management Board of Schweizer Electronic AG already provide for the required variable caps regarding fixed compensation and one part of the variable compensation components. Only with regard to individual variable compensation components and the “overall compensation” have the employment contracts not so far contained any caps. The recommendation in No. 4.2.3(2), clause 6 of the Code (2013 edition) has not therefore been complied with since 10 June 2013.

When the employment contracts were renewed in October 2013, appropriate caps for all variable compensation components and the “overall compensation” were agreed. This means that since 1 November 2013 and in the future, the new Code recommendation in No. 4.2.3(2), clause 6 (2013 edition) has been and will be fully complied with. The Supervisory Board and the Management Board therefore complied with the new Code recommendation as soon as it came into force.

Code No. 4.2.3(2), clause 8, also recommends, with respect to the variable remuneration components, that any retroactive change to performance targets or comparison parameters should be excluded.

The company has not complied with this recommendation since 01 November 2013 and will not comply with this recommendation in the future. The current and future remuneration rules in the Management Board employment contracts provide, in the event of extraordinary developments within the company (e.g. change in legal form, share buyback, capital measures, acquisition and/or sale of the company and plant, disclosure of hidden reserves) that have a significant impact on the achievability of the targets subject to variable remuneration, for the Supervisory Board to unilaterally revise the contract terms and conditions and other variable remunerations parameters. The Management Board and Supervisory Board believes it is advisable and necessary to take reasonable steps to counter the impact of such extraordinary developments.

The company has not complied with and does not comply with the recommendation set forth in Section 4.2.3(4), clause 1, of the Code, which stipulates that when concluding

contracts with members of the Management Board, care should be taken to ensure that payments including fringe benefits made to a member as a result of premature termination of management duties do not exceed the value of two years' compensation (severance payment cap), and compensate no more than the remaining term of the contract. The employment contracts signed with members of the Schweizer Electronic AG Management Board do not contain such a regulation. The Management Board and the Supervisory Board do not consider it advisable to incorporate such a clause, since even in this case the board member could refuse to step down from the Board and insist on payment of his remaining entitlement under the Management Board employment contract. We also believe that the Supervisory Board would have regard to the company's interests in its negotiations with members who retire from the Board early and would not award any excessive severance payment. This means that the recommendation in Code No. 4.2.3(4), clause 3 (calculation of the severance payment cap) is not complied with.

Code No. 4.2.3, clause 5, recommends that payments promised in the event of premature termination of management duties due to a change of control should not exceed 150% of the severance payment cap amounting to two years' compensation (i.e. total of three years' compensation). The company has not complied with and does not comply with this recommendation. In the event of premature loss of a position on the Management Board due to a change of control, three members of the Schweizer Electronic AG Management Board are entitled to a severance payment and a compensation payment as a result of their employment contract that is not limited to three years' compensation. Incorporating such a restriction would limit Schweizer Electronic AG and its Supervisory Board in the selection of suitable candidates for a position on the board, since on occasion an undertaking may be sought for payment in the event of premature termination of management duties due to a change of control greater than that recommended in Code No. 4.2.3, clause 5. Therefore, a degree of discretion is needed to enter into such undertakings for the event of a change in control. For this reason, the Supervisory Board reserves the right to enter into undertakings for the event of a change in control in the employment contracts

of members of the Management Board that do not comply with the recommended limit in Code No. 4.2.3, clause 5.

Code No. 4.2.5: According to the new Code recommendation introduced in 2013 in No. 4.2.5(3) (2013 edition) for financial years starting after 31 December 2013, the Management Board remuneration shall be presented individually in the compensation report using model tables. This recommendation will not be complied with in the future, at the annual general meeting of Schweizer Electronic AG on 1 July 2011 it was decided not to publish the individualised remunerations of the individual members of the Management Board.

Code No. 5.1.2: Code No. 5.1.2(2), clause 3, recommends that an age limit is set for members of the Management Board. The company has not complied with and does not comply with this recommendation. The Management Board and the Supervisory Board 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.

Code Nos. 5.3.1,

5.3.2 and 5.3.3: The Supervisory Board does not have an audit committee as recommended in Code No. 5.3.2 nor does the Supervisory Board have a nomination committee as recommended in Code No. 5.3.3. The Supervisory Board does not believe it is either advisable or necessary to set up the above committees for a company the size of Schweizer Electronic AG with only six members sitting on the Supervisory Board. The tasks designated for the audit committee and nomination committee as well as the other tasks of the Supervisory Board can easily be dealt with in plenary sessions, provided they are not delegated to the existing personnel and finance committee.

The personnel and finance committee is the only committee of the Supervisory Board. Given the size of the company and the size of the Supervisory Board of Schweizer Electronic AG, the Supervisory Board believes it is neither advisable nor necessary to set up additional committees. With the composition of the personnel and

finance committee, the Supervisory Board has adequately satisfied the recommendation in Code No. 5.3.1(1) (formation of professionally qualified committees depending on the specific nature of the enterprise and the number of its members). However, as an extreme precautionary measure, it is clear that no claim to comply with the Code recommendation is made.

Code No. 5.4.1: Code No. 5.4.1(2), clause 1, recommends that, when stating the specific objectives to be achieved when constituting the board, the Supervisory Board should consider an age limit for members of the Supervisory Board. The company has not complied with and does not comply with this recommendation. The Supervisory Board does 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 define such an age limit when it stated the specific objectives to be achieved when constituting the board.

Code No. 5.4.1(4 to 6) recommends that when proposing candidates to the annual general meeting the Supervisory Board should disclose the personal and professional relationships of each candidate to the company, the organs of the company and to any shareholder holding a material interest in the company. The company has not complied with and does not comply with this recommendation, because the Supervisory Board believes the requirements of the Code on the duty to report are not clearly defined or delineated. In this context such notification is not considered advisable.

Code No. 5.4.6: Code No. 5.4.6(1), clause 2 recommends that chairmanship of Supervisory Board committees should be considered in the compensation of the members of the Supervisory Board. The company has not complied with and does not comply with this recommendation, because the Management Board and the Supervisory Board believe that the additional remuneration provided for in Section 13(4) of the Articles of Association adequately rewards members of the Supervisory Board for sitting on committees, as well as the duties undertaken by

the committee chairperson.

According to the Code recommendation in No. 5.4.6(2), clause 2, if one of the Supervisory Board members is promised performance-related compensation, it should be oriented toward sustainable growth of the enterprise. The company has not complied with and does not comply with this recommendation, because the performance-related compensation promised to Supervisory Board members is linked to the dividend distributed for the respective business year. The Management Board and the Supervisory Board believe that linking performance-related remuneration to the dividend adequately reflects the responsibility of the Supervisory Board for sustainable business development and that the existing compensation arrangement provides the members of the Supervisory Board with sufficient incentive to orient the exercise of their duties towards the long-term, successful development of the company.

An individualised disclosure as recommended in Code No. 5.4.6(3), clause 1, of the remuneration of the members of the Supervisory Board regulated in the company's Articles of Association is not made in the appendix or the status report, because no additional information is involved that in the opinion of the Management Board and the Supervisory Board is relevant to the capital market.

Schramberg, May 2014

Schweizer Electronic AG

Management Board	Supervisory Board
Dr Marc Schweizer Chairman of the Management Board	Christoph Schweizer Chairman of 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 (Drittelbeteiligungsgesetz). Three members of the Supervisory Board were chosen up until the annual general meeting in 2019 and one member was chosen up until the annual general meeting in 2016. 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 Code 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. Further information on the members of the Supervisory Board, specifically regarding their working methods and the activities and mandates taken on by the members, can be found in the Report from the Supervisory Board and appended to the financial statement.

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 HGB guidelines. It is produced by the Management Board, checked by the auditor and determined by the Supervisory Board. The financial statement is published 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 audit. The auditor reports 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 identifies facts that result in inaccuracy with respect to the Declaration of Compliance submitted by the Management Board and the Supervisory Board in accordance with Section 161 AktG. The auditor participates personally in the Supervisory Board meeting at which the financial statement is decided.

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 31/12/2014

The members of the Management Board together held 600,663 shares. This contains 204,473 shares held by Dr Maren Schweizer, 189,985 shares held by Mr Nicolas-Fabian Schweizer and 197,751 shares held by Mr Bernd Schweizer. Mr Bernd Schweizer is also part of the community of heirs of Gerhard Schweizer which holds 576,520 shares.

The members of the Supervisory Board together held 658,000 shares. This contains 481,800 shares held by Mr Christoph Schweizer and 176,200 shares held by Ms Kristina Schweizer. Ms Kristina Schweizer is also part of the community of heirs of Gerhard Schweizer which holds 576,520 shares.

Acquisition and Sale of Company Shares

In accordance with Section 15a of the 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 www.schweizer.ag/en/investor-relations/corporate-governance/directors-dealings.html.



Schramberg, 23 March 2015

Management Board

Dr Maren Schweizer
Chairperson of the
Management Board

Supervisory Board

Michael Kowalski
Chairman of the
Supervisory Board

FINANCIAL GLOSSARY

AktG

Abbreviation for the “Aktiengesetz”, which is the German Stock Corporation Act

Book-to-bill ratio

Ratio of orders taken to turnover within a specified period. A book-to-bill ratio of more than 1.0 indicates that incoming orders in the business year were higher than turnover.

Cash flow

Any excess of receipts over payments for a company, which is variably determined depending on the size of the payments under consideration.

Corporate governance

Refers to the responsible management and control of a company, aligned towards long-term value creation. The German Corporate Governance Code governmental commission compiles the relevant standards and integrates them in the Corporate Governance Code.

D&O insurance

Abbreviation for director & officers insurance. D&O insurance is professional liability insurance for bodies, such as management and supervisory boards, and executive employees.

Derivative financial instruments

Derivative financial instruments are used to insure against and minimise interest rate and/or currency risks due to fluctuations in the exchange rate or market interest rate.

EBIT

Abbreviation for earnings before interest and taxes and/or EBITDA ./. Depreciation of tangible and intangible assets.

EBITDA

Abbreviation for earnings before interest, taxes, depreciation and amortisation or overall performance + other operating performance ./. Material costs ./. Personnel costs ./. Other operating expenses.

EVA®

Abbreviation for Economic Value Added®. Indicator used in the context of a comprehensive performance measurement and value creation concept.

Equity ratio

Calculated as the ratio of the total equity to the total assets.

EPS

Abbreviation for earnings per share, calculated by dividing the annual net income of the company by the number of shares.

Free float

Proportion of the share capital not in the permanent possession of specific shareholders, but that are in free float.

General Standard

One of three Regulated Market transparency levels from which a company can choose for its listing on the stock exchange. Issuers in the General Standard fulfil the high transparency standard of the Regulated Market, without having a specific international orientation. The General Standard is primarily suitable for medium and large companies focused primarily on domestic investors.

HGB

Abbreviation for “Handelsgesetzbuch”, which is the German Commercial Code.

Investment grade

Securities and issuers whose credit risk is considered to be relatively low fall under the category “Investment Grade”.

ISIN

Abbreviation for International Security Identification Number. Used to clearly identify securities internationally.

Joint venture

Cooperation between two or more partner companies, in which the partners remain legally autonomous.

Cash flow statement

Analysis of the development of liquid funds/flow of payments under consideration of the source and use of funds.

Deferred taxes

Payable or recoverable income taxes that result from the difference between the values stated in the tax and commercial balance sheets.

LTIP

Abbreviation for Long Term Incentive Program. Remuneration components with long-term incentive component and a proportion of risk in the form of a “share matching” plan.

NOPAT

Abbreviation for Net Operating Profit After Taxes. This key figure provides the net profit based on the premise of complete equity financing.

Net gearing

Interest-bearing liabilities after allowing for liquid assets and short-term financial assets.

Prepayments and accrued income

Payments that have already been made or received in advance in the reporting period, but relate to a period after the reporting date

Provisions

Payments or depreciation in value for later periods recognised as expenditure in the accounting period, the level and/or time of which is not fixed on the reporting date, but which is reasonably certain to occur.

Scorecards

Instrument for the measurement, documentation and control of a company’s activities.

Cost-of-sales method

Procedure for the income statement to determine the success of the relevant period, whereby expenses are split into functional areas (manufacturing, administration, sales). The sales revenue is only set against the manufacturing costs that were responsible for the sales.

WACC

Abbreviation for Weighted Average Cost of Capital.

WKN

Abbreviation for “Wertpapier-Kenn-Nummer”, the German securities code, which is used to clearly identify securities in Germany. In international transactions the German securities code number is replaced by the ISIN.

Working capital

The sum of the inventories and trade receivables from operating activities less vendor liabilities.

TECHNOLOGY GLOSSARY

ACT technique

Assembly and connectivity technique

Design-in cycles

Development cycles

Embedding technology

Technology for the integration of active and passive components in PCBs

High-efficiency cells/modules

Solar cells with a high level of efficiency, usually over 20 percent

High frequency application

In this case, in the 24GHz and 77GHz range. These are radar applications in vehicles

i2 Board technology

Integration of semiconductors as well as passive components in PCBs.

Inlay solution

Inlay is a solid copper layer that is embedded in the PCB using a special technique. The inlay is form-fitted in a resin composite.

Power electronics

The conduction of high currents and/or heat dissipation

PCB

Printed Circuit Board – a carrier for electronic components. PCBs are used to link active, passive and electromechanical components as well as connectors. Depending on the technological requirements, PCBs are available in a variety of formats. They offer a range of technological possibilities, which can be combined with one another in a modular manner.

Off-grid

An off-grid system is what is known as an “island system”: A photovoltaic system that is not connected to the national grid and only functions with an energy store.

p² Pack technology

Innovative technology for the manufacture of power modules

Prepreg

Fibre glass mats that are pre-impregnated with a resin and are used to bond the individual layers in a multi-layer product

Prismark

Market research institute

Single-board solution

Combining two different PCBs and technologies into a single PCB.

SiP

Systems in package. Alternative to classic “Motherboard Embedding”. In this instance, modules with different functions are installed on a base PCB or substrate.

Smart battery switch

A semiconductor switch that cuts out the on-board voltage in a vehicle in a reversible manner. In the event of a fault (e.g. accident), the switch disconnects the vehicle on-board voltage from the battery to prevent potential short circuits and so avoid the risk of fire. It can also be used to disconnect the battery voltage if a vehicle is transported (e.g. sea crossing).

Thermo-Prepregs

Special prepregs with approx. 10-times better thermal conduction than standard prepregs

ZVEI

Zentralverband Elektrotechnik- und Elektronikindustrie e.V. [German Electrical and Electronic Manufacturers' Association].

FINANCIAL CALENDAR

Date	Publication/event
31/03/2015	Annual financial report 2014
29/04/2015	Interim report for 1st quarter 2015
29/04/2015	Analysts' conference
03/07/2015	Annual general meeting
06/07/2015	Planned dividend payment date
07/08/2015	Half-yearly financial report as at 30/06/2015
30/10/2015	Interim report for 3rd quarter 2015



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

IMPRINT

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

In this report, Meiko Electronics Co., Ltd. is also referred to as Meiko.

In this report, WUS Printed Circuit (Kunshan) Co., Ltd. is also referred to as WUS.

In this report, Elekonta Marek GmbH & Co. KG is also referred to as Elekonta.

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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SAFE HARBOUR STATEMENT

This communication contains forward-looking statements and information – that is statements about events that lie in the future, not the past. These forward-looking statements can be identified by formulations such as “expect”, “wish to”, “anticipate”, “propose”, “plan”, “believe”, “seek to”, “estimate”, “become” or similar terms. While such forward-looking statements represent our current expectations and particular assumptions, they are subject to various risks and uncertainties. A number of factors, many of which are outside the control of SCHWEIZER, have an impact on SCHWEIZER's business activities, strategy and results. These factors could cause the actual results and performance of the SCHWEIZER group to differ materially from the information on results and performance made explicit or implied in these forward-looking statements. On our part these uncertainties arise in particular due to the following factors: Changes to the overall economic and business position (including margin developments in the major divisions), challenges posed by the integration of important acquisitions and the implementation of joint ventures and other major portfolio measures, changes to exchange and interest rates, the introduction of competing products or technologies by other companies, failure to find acceptance of new products and services among SCHWEIZER's target client groups, changes to the business strategy and various other factors. Should one or more of these risks or uncertainties be realised or it becomes apparent that the underlying assumptions were incorrect, this could cause the actual results to differ materially both in a positive and negative sense from the results referred to in forward-looking statements as expected, anticipated, proposed, planned, projected or estimated. SCHWEIZER does not obligate itself and does not intend to revise or correct these forward-looking statements in light of developments which differ from those anticipated.

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