

FINANCIAL CALENDAR

Date	Publication/event
April 23, 2021	Annual financial report 2020
May 07, 2021	Announcement 1st quarter 2021
June 25, 2021	Annual General Meeting
August 06, 2021	Half-yearly financial report as at June 30, 2021
November 05, 2021	Announcement 3rd quarter 2021

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

KEY FIGURES

Overview of consolidated results (in million EUR)	2020	2019	Change in %
Revenues	98.3	120.7	-18.6
Order book	109.2	126.7	-13.8
Incoming orders	78.4	74.9	+4.6
EBITDA ¹⁾	-9.5	0.1	n/a
EBITDA ratio (%)	-9.7	0.1	-9.8 pp
EBIT ²⁾	-18.5	-6.5	>100
EBIT ratio (%)	-18.8	-5.4	-13.4 pp
Annual result	-17.9	-5.6	>100
EPS (EUR)	-4.74	-1.48	>100
Cash flow from operating activities	-8.0	5.3	n/a

	Dec 31, 2020	Dec 31, 2019	
Total assets	196.7	228.9	-14.1
Investments ³⁾	22.5	92.0	-75.5
Equity	34.3	55.2	-37.9
Equity ratio (%)	17.4	24.1	-6.7 pp
Net gearing ratio (%)	180.8	60.7	+120.1 pp
Working Capital	18.4	-13.3	n/a
Employee (at year end) ⁴⁾	945	805	+17.4

¹⁾ EBITDA: Total operating profit + Other operating income ./ Material costs ./ Personnel costs ./ Other operating expenses

²⁾ EBIT: EBITDA ./ Depreciation of tangible and intangible assets

³⁾ Investment according statement of development of consolidated fixed assets and intangible assets in 2020

⁴⁾ Including temporary staff

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

FROM AUTOMOTIVE TO COMPUTING – AT HOME IN MANY INDUSTRIES.



AUTOMOTIVE



AVIATION



INDUSTRIAL &
MEDICAL



COMMUNICATION
& COMPUTING

OVERVIEW OF CONTENTS

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SCHWEIZER – MORE THAN PCBs

The intelligent answer to
the challenges of today and
tomorrow

- 
- » SECURE CONTINENTAL SUPPLY CHAIN
 - » PROCESS COMPETENCE & VALUE FOR MONEY
 - » TAKING RESPONSIBILITY
 - » OUR DEVELOPMENT EXPERTISE EXPANDS YOUR
POSSIBILITIES

SECURE CONTINENTAL SUPPLY CHAIN

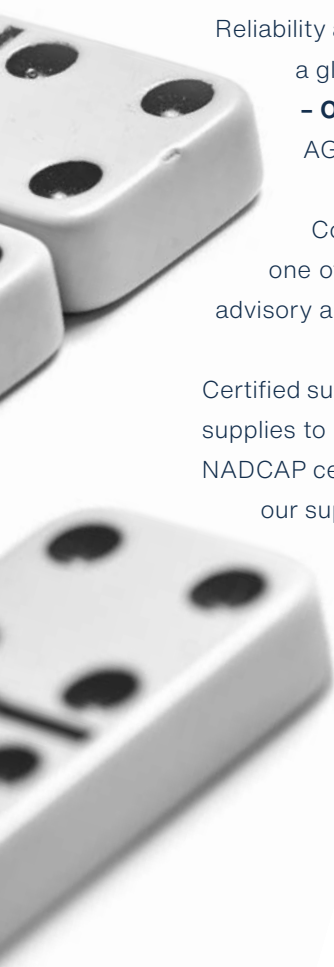


SCHWEIZER SECURES STRATEGIC AUTONOMY ON THE CONTINENT WHILE SIMULTANEOUSLY REMAINING OPEN TO GLOBAL TRADE.

Protectionist tendencies that have been exacerbated by the pandemic have resulted in disruptions to global supply chains. Both politicians and companies are concerned about how security of supply can become more robust in particular on the continent. This applies in particular to supply chains in the electronic sector. An increasing dependency on Asian suppliers has developed here. As a result, politicians have focused on strengthening the semiconductor industry, for example in Europe. Increasingly, other areas in the electronics supply chain are now also gaining attention, including the PCB industry.

Solutions are being sought in order to achieve greater strategic autonomy on the continent. In doing so, global trade restrictions should be avoided. In the electronics industry, a global network is now indispensable. Seamless collaboration between all three continents is a vital prerequisite to maintaining functioning supply chains.

SCHWEIZER addresses this challenge by intelligently linking the benefits of a German-Chinese production landscape. This will allow us to make a robust supply chain for Europe possible and at the same time benefit from a global production network.



Reliability and dependability – with production sites in Germany and China, we are pursuing a global strategy that is determined in Germany. We see ourselves as **One Company – One Team**. SCHWEIZER China is a wholly owned subsidiary of Schweizer Electronic AG in Germany.

Continental footprint – with the largest European PCB production site in Europe, one of the most modern Chinese production sites and local series production-related advisory and development competence, we ensure full-service on site.

Certified supply chain excellence – thanks to intelligent logistics concepts, we can guarantee supplies to our customers at any time, including across continents. With the AEO, IATF and NADCAP certifications, we have external confirmation of the outstanding process stability of our supply chain.

WITH ITS GERMAN-CHINESE PRODUCTION NETWORK, SCHWEIZER COMBINES PROCESS COMPETENCE AND VALUE FOR MONEY, THUS ENABLING COMPETITIVE ADVANTAGES.

Different process concepts, different interpretations of process reliability, too many interfaces and thus a concomitant lack of quality, loss of time and expertise and competitive prices are just some of the challenges that companies have to face.

SCHWEIZER overcomes these challenges with the structures and processes of its German-Chinese production network and a worldwide network of partners. Thanks to ultra-modern PCB production sites in Germany and China, we ensure that you received high-quality PCB technologies everywhere and at all times – at the best possible economic efficiency. We see ourselves as **One Company – One Quality** and have the same requirement for quality and reliability at our German and Chinese production sites.

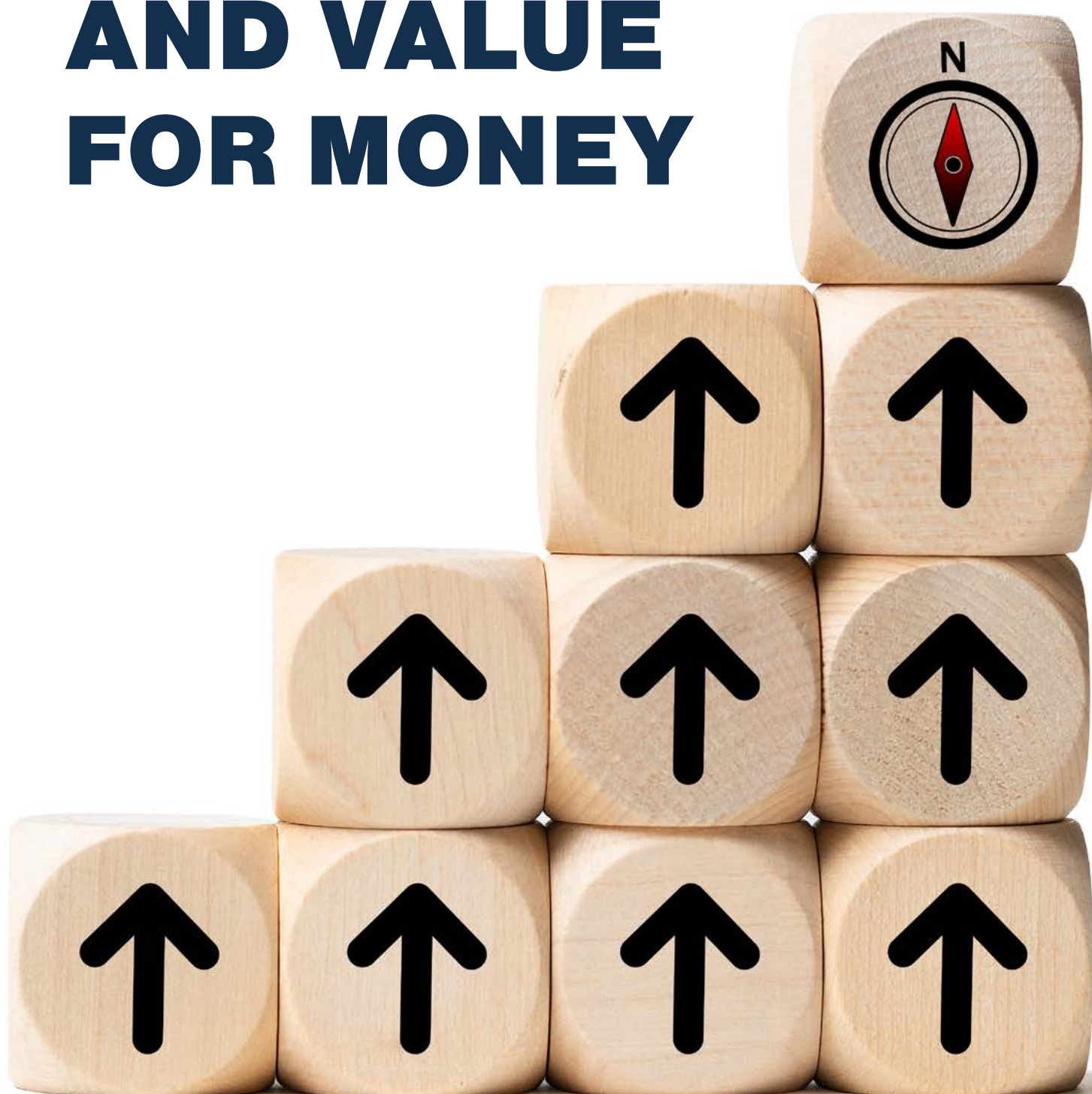
We have a committed team of approximately 1,000 employees at our plants in Germany and China. They strengthen our position and our customers in the competitive environment.

Our main plant in Germany with a production capacity of approximately 1,200 square metres per working day focuses on multi-layer and HDI printed circuit boards. The first milestone in embedding technology was reached with the production ramp-up of a high-volume project in the 48-volt system for hybrid vehicles. The next development step in the medium term will be qualification of high-voltage embedding for all-electric vehicles. Our quality and process reliability have been certified, among others, with IAF 16949, ISO 9001 and NADCAP certifications.

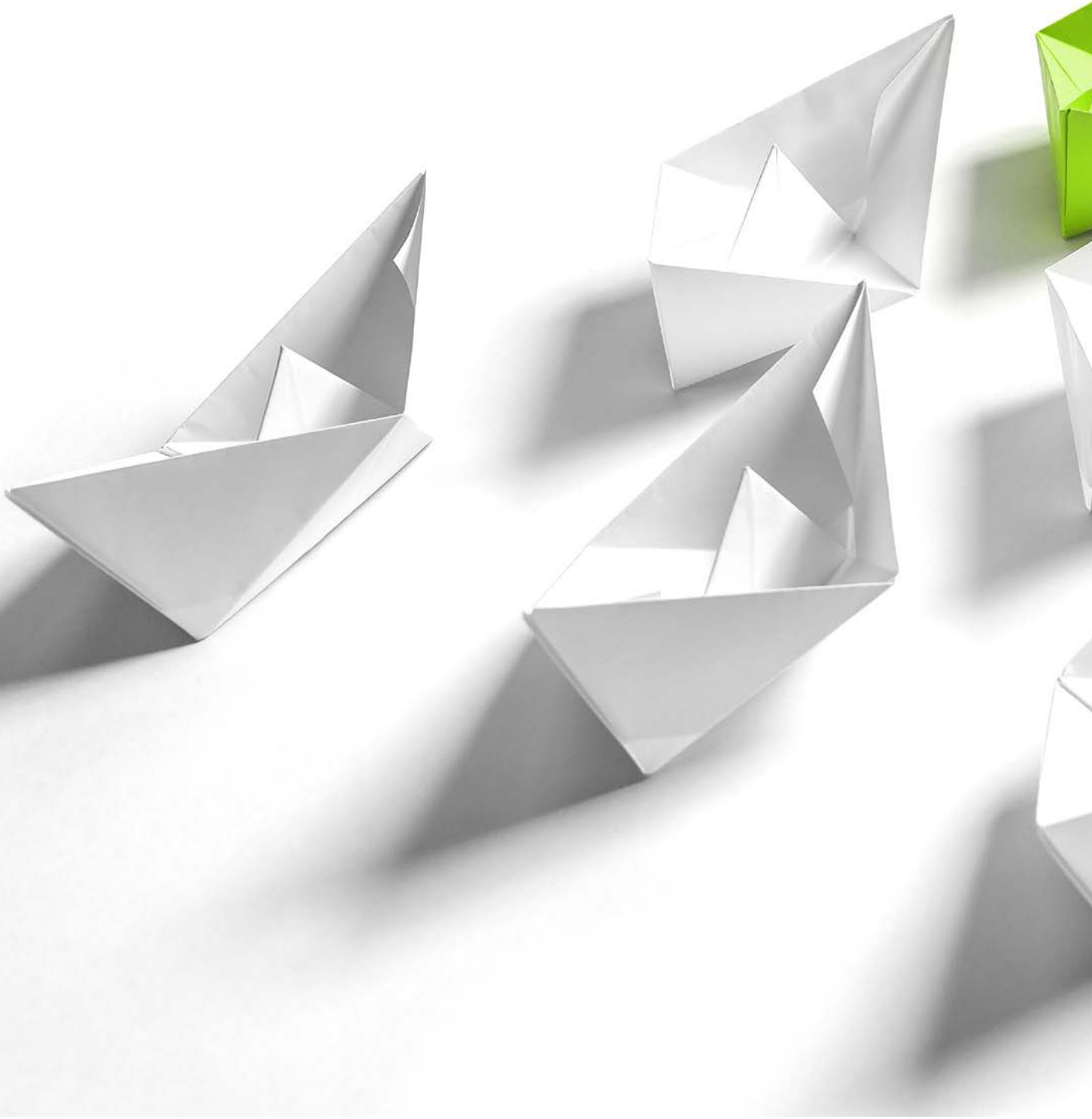
Our high-technology plant in China will have a production capacity of approximately 2,400 square metres per working day after the planned completion of the second development phase in 2021. The plant was designed under the aspect of Industry 4.0. This can be seen, for instance, in the massive reduction of manual handling in the production process, which is simultaneously positively reflected in the quality produced. After successful completion of the VDA 6.3 audit at the end of 2020, the technology qualifications expected in 2021 will represent a major step forward. The focus will be on HDI technology and chip embedding technology for 48-volt systems as well as important certifications such as IATF 16949 for the automobile industry.

By combining production sites, both established as well as new market segments can be optimally served with technological expertise, process reliability, flexibility and a high quality standard from the initial idea until large series production.

PROCESS COMPETENCE AND VALUE FOR MONEY



TAKING RESPONSIBILITY



SCHWEIZER TAKES THE CAREFUL HANDLING OF RESOURCES AND SUSTAINABLE MANAGEMENT SERIOUSLY. THIS BENEFITS SCHWEIZER AND OUR CUSTOMERS.

Our society is undergoing a transformation and the current pandemic has increasingly shown us the necessity of careful handling of resources and sustainable management.

It is now no longer a question that we need to reach the climate targets. Rapid and the best economic solutions to the great technological challenges are therefore required.

As a family company with a long history, we are convinced that social responsibility and sustainable actions in our business dealings are a crucial foundation for economic success.

The careful handling of resources and sustainable management have been anchored in the management system of our German plant for a long time. The effectiveness of our systems is regularly reviewed by means of internal audits and was again confirmed in 2020 in the context of the audit for the ISO 14001/EM ISO 50001 certification. Our core environmental topics are energy consumption, CO₂ footprint, water consumption, waste and the use of resources.

When building the new plant in China, the highest emphasis was placed on environmental issues. The most modern and reliable technologies and procedures are used and meet all the strict environmental requirements. The ISO environmental certification is expected to be completed in 2021.

At SCHWEIZER, the primary focus is on people. Our guiding principle **One Company – One Team** means that our values are the same in Germany and China. This applies equally to education, diversity and work conditions. Ensuring equal opportunities and treatment, irrespective of origin, skin colour, gender or other differentiating characteristics are a matter of course for us.

Our aspiration of actively shaping the future enables sustainable mobility for our customers. Our technologies and problem-solving expertise help our customers in the automotive sector to increase the fuel efficiency of vehicles and reduce CO₂ emissions. Our solution for less CO₂ on the road: chip embedding of power MOSFETs.

OUR DEVELOPMENT EXPERTISE EXPANDS YOUR POSSIBILITIES




SCHWEIZER OFFERS EUROPEAN DEVELOPMENT EXPERTISE FOR THE HIGHEST TECHNICAL REQUIREMENTS.

Transformation is a much-vaunted word these days. Transformation means a process of change, from a current state to an aimed-for target state. Transformation is a fundamental and continuous transition. Companies today are facing the unprecedented challenge of competitively developing new market-ready technologies in ever shorter cycles. The complexity of the technologies is increasing and, in addition to a high level of expertise, requires a relevant knowledge of the application for problem-solving approaches.

SCHWEIZER offers more than PCBs. We are a development partner with decades of German development expertise and an extensive range of technologies and solutions. Examples are:

SCHWEIZER's solution: Chip-embedding technology for power MOSFETs opens up entirely new options for the electrification of mild-hybrid vehicles. For less CO₂ on the road, Continental / Vitesco relies on the innovative technology of SCHWEIZER and Infineon for 48-volt systems.



SCHWEIZER's solution: HDI technology of the highest quality makes it possible for our industry customer Mobotix to manufacture multi-functional IP video systems for extreme weather conditions.

SCHWEIZER's solution: The swift development and production of a complex HDI PCB made it possible to manufacture a market-ready coronavirus warning buzzer. As part of a consortium, our industry customer Digades developed a solution for data privacy-compliant electronic contact tracing for people who do not have a smartphone or who do not want to use one.

SCHWEIZER's solution: The development and production of a complex HDI PCB for our customer Continental for a high-performance premium long-range radar sensor. This compact PCB in the ARS540 application with a modern sensor size offers the best radar performance for flexible use in a variety of vehicle platforms.

LETTER FROM THE EXECUTIVE BOARD

Dear Shareholders,

The past year was characterised by the pandemic and its economic management, as well as the successful continuation of our strategy and thus the further development of your company.

Looking back at the past year, we can be grateful for one thing in particular: that our staff did not have any major health problems and we can be more than proud of how we successfully navigated the challenges of 2020 together.

SCHWEIZER – specifically, the staff of SCHWEIZER – has once again shown that we have what it takes to weather even severe storms. As the Executive Board, we are particularly proud of and grateful for this. It is, after all, to the credit of our now more than 1,000 employees that we have come through 2020 safely and even strengthened.

The most important task in the past year has been protecting the health of our staff. Based on our experiences at our Chinese sites, we therefore started taking measures to protect the health of our German staff as early as February. When the pandemic reached Germany, we were well prepared. The immediate implementation of remote working, workplace de-emphasis, zone concepts, strict requirements for the mutual protection of employees and many more measures successfully proved their effectiveness. Despite a few individual cases, there was no outbreak within the company, neither in Europe nor in Asia.

Since March 2020, the majority of our staff have worked extensively from home and it was also proven here that the trust that we place in them is more than justified. Our team can be relied on, particularly in difficult times.

We have unwaveringly continued with our strategy of becoming a global, growing printed circuit board and embedding specialist with our team and your support.

Our new plant in Jintan started production on schedule in the second quarter. The organisation has now reached its planned target of 450 employees in the first development phase. We received the ISO 9001 certification in the summer and, in September, successfully concluded the automobile audit in accordance with VDA 6.3. We expect to receive the most important automobile certification in accordance with IATF 16949 in the next few weeks.

In Jintan, we are currently producing a PCB footprint of approximately 700 m² per day, almost the same volume as at the Schramberg site. The expansion of our technological production competence in China is proceeding as scheduled. The technological transfer of our new embedding technology has been initiated and will reach the production stage in Jintan in 2022. Despite the pandemic-related travel restrictions, our team was able to achieve the set targets thanks to virtual collaboration.

Schramberg has also achieved great things and endured much. The unavoidable restructuring, short-time work and surely also the partial uncertainty has demanded much of our employees. In addition, there was the personal and private stress caused by the pandemic. However, all these things did not stop our team from believing in our path and giving their best with optimism every day.

We also developed further as planned – both technologically and organisationally. Despite the conditions, we invested in the Schramberg site in 2020 in order to also continue to be at the top technologically in the future. In addition, we reorganised our distribution to drive forward the growth and opening up of new markets in North America and Asia, particularly in China.

We would like to extend to you, dear shareholders, our special thanks. You not only remained loyal to us but also supported and strengthened us with a great deal of positive feedback. Knowing that we have this kind of support from the owners of the company spurs us on to give our very best every day. For that, we would like to thank you from the bottom of our hearts.

An exciting and surely also challenging year lies ahead of us as we have again set big goals for ourselves. We intend to and will indeed implement these goals: with the achievements in 2020, Schramberg is now in an excellent position, and the ramp-up in our plant in China is also proceeding successfully.

Our wish is that you will all continue to remain at our side and we look forward to a successful future together with you.

Stay healthy!

Yours,

Nicolas Schweizer & Marc Bunz



Marc Bunz (CFO)

Nicolas-Fabian Schweizer (CEO)

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

For our society as a whole and Schweizer Electronic AG, financial year 2020 was a year of difficult challenges and many uncertain external conditions. Given the one topic that overshadowed everything else – the COVID-19 pandemic, in which the health and safety of all had the highest priority – our employees performed extraordinarily well. In an environment of highly volatile global economic and industry prospects, one of the key tasks was securing the competitiveness of the Schramberg site. This was a task that the Executive Board always coordinated closely with the Supervisory Board. At the same time, the successful construction of the new production site in Jintan (China) was driven forward and the expansion of a differentiated customer and product portfolio was accelerated.

This created good conditions for the successful further development and growth of SCHWEIZER.

COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

In the year under review, the Supervisory Board continuously advised the Executive Board on the management of the company and reviewed and monitored its management activities. The benchmark for this was the tasks required of it by law, the Articles of Association, the Rules of Procedure and the German Corporate Governance Code.

The Executive Board informed the Supervisory Board both verbally and in writing of the company's current position and of all issues relevant to the company and the Group in a regular and comprehensive manner. Supervisory Board members were sent detailed monthly reports on the business performance between each meeting. In order to meet the requirements of the COVID-19-related situation in financial year 2020, information on the liquidity and order situation was regularly provided in the form of additional reports. Moreover, a significant number of individual informational briefings and working meetings took place between the Chair, his deputy, the Personnel and Finance Committee and the Executive Board members.

The Supervisory Board, in particular the Chair and his deputy, provided the Executive Board with support and advice on all strategic issues. A variety of topics were discussed in detail in the meetings as well as in a number of informal discussions.

Decisions or measures by the management requiring the approval of the Supervisory Board due to law, the Articles of Association or the Rules of Procedure were presented in good time, reviewed and the necessary resolutions were passed. Where required, urgent decisions of the Supervisory Board were taken by circular resolution.

The Supervisory Board always had sufficient opportunity to engage critically with the reports and proposed resolutions presented by the Executive Board. In doing so, the Supervisory Board assured itself of the lawfulness, expediency and regularity of the management of Schweizer Electronic AG.

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

In four regular and four extraordinary meetings of the Supervisory Board in the 2020 financial year, the Supervisory Board dealt with all the issues relevant to the company and made corresponding decisions. In addition, three resolutions of the Supervisory Board were passed by means of circular resolution. When necessary, the Supervisory Board also met without the presence of the Executive Board. Due to the COVID-19 pandemic, the option to participate via video link was utilised to a greater extent.

The Supervisory Board members present at plenary meetings and meetings of the Personnel and Finance Committee:

	Supervisory Board plenary meeting			Finance and Personnel Committee		
	Meetings	Number of participants	Participation in %	Meetings	Number of participants	Participation in %
Christoph Schweizer (Chair)	8	8	100	2	2	100
Dr Stephan Zizala (Vice Chair)	8	8	100	2	2	100
Michael Kowalski	8	7	88	2	2	100
Chris Wu	8	7	88			
Petra Gaiselmann	8	8	100			
Jürgen Kammerer	8	8	100			

FINANCE AND INVESTMENT PLANNING; CORPORATE STRATEGY

Both in the meetings as well as in the additional reports by the Executive Board, the Supervisory Board regularly dealt with the general business development, the sales and earnings performance, the financial and risk situation, the development of the various customer groups, the partner network and the existing compliance management system.

Focal points in the year under review were consultations and discussions with management on the effects of the coronavirus pandemic for the company. Special attention was placed on the liquidity situation, the development of incoming orders and potential measures for securing the Schramberg site. The necessity of the relevant measures was discussed with the management. The Supervisory Board was regularly informed of their implementation resulting in critical appraisals and consultations on this topic taking place.

The strategic further development of the SCHWEIZER Group with the construction of the new production site in Jintan (China) was another focal point of the activity of the Supervisory Board in the past year. The members of the Supervisory Board were kept fully informed about the development, production ramp-up and use of the planned funds at all times by means of a reporting system agreed between the Executive Board and the Supervisory Board.

PERSONNEL AND REMUNERATION

Issues relating to personnel and remuneration were also openly and extensively discussed in the Supervisory Board during the year under review and were also a subject matter of the four extraordinary Supervisory Board meetings. Due to the premature exit of Dr Rolf Merte, the position of Executive Board Chair was temporarily vacant between 6 March 2020 and 9 April 2020, however Mr Nicolas-Fabian Schweizer was named as the Executive Board Chair and Mr Marc Bunz the Vice Chair of the Executive Board on 9 April 2020.

Further issues related to resolutions passed by the Supervisory Board were the determination of the Executive Board's variable remuneration, the setting of the levels of target achievement for financial year 2019, as well as discussion and resolutions of same for financial year 2020. The details of the Executive Board remuneration can be found in the remuneration report.

LEGAL DISPUTES

The Supervisory Board dealt with the two pending legal disputes and consulted the Executive Board extensively in this regard again in the past financial year. One action was filed by the former Executive Board Chair Dr Maren Schweizer in March 2017 in connection with her immediate dismissal and the extraordinary termination of her employment agreement with effect from 1 February 2017. The second action was an action filed against the subsidiary Schweizer Energy Production Singapore Pte. Ltd, which SCHWEIZER won in 2019 in the court of first instance. An appeal by the plaintiff was dismissed by the court in October 2020. SCHWEIZER thus won the suit in full.

IN ADDITION TO THE AFOREMENTIONED CORE ISSUES, THE SUPERVISORY BOARD DEALT WITH THE FOLLOWING ITEMS IN PARTICULAR AT ITS ORDINARY MEETINGS:

APRIL MEETING (MEETING CONVENED TO REVIEW THE ACCOUNTS)

On 09 April 2020, the Supervisory Board members were informed of the discussions between the Personnel and Finance Committee and the Executive Board regarding the achievement of targets. The plenary meeting followed the recommendations of the committee and the variable remuneration components MSTI and LTI for the 2019 financial year were approved.

The Supervisory Board dealt extensively with the accounting of Schweizer Electronic AG and the consolidated accounting for the 2019 financial year, the audit conducted by the audit firm Ernst & Young GmbH and the proposal for the appropriation of profits by the Executive Board of Schweizer Electronic AG. The statutory auditor participated in the meeting convened to review the accounts. The auditor reported in detail on their audit and the audit focal points. The audit results were discussed with the Supervisory Board and questions were answered satisfactorily. The Supervisory Board approved the audit results.

Furthermore, consultations were held with the Executive Board on the agenda for the Annual General Meeting as well as its execution as a virtual meeting. Against the background of the uncertainties existing at that time, the Executive Board's proposal to hold a virtual Annual General Meeting was approved.

JUNE MEETING

The Supervisory Board meeting on 26 June 2020 was held after the company's virtual Annual General Meeting held directly before it. There was consensus on the fact that a virtual Annual General Meeting cannot replace meeting shareholders in person and that this meeting should, if possible, again be held as a face-to-face meeting in the future. The Executive Board also reported in detail on the company's financial performance and the market environment. The Executive Board reported on the implementation of the measures to secure the Schramberg site and the progress relating to the construction of the production site in Jintan (China).

OCTOBER MEETING

The focal points of the meeting held on 2 October 2020 were the report on the business development, the current status of the site-securing measures decided on, and the construction of the production site in Jintan (China). Furthermore, a comprehensive report was prepared by the Executive Board on the management of COVID-19 risks with the result that the Supervisory Board was able to gain a comprehensive picture thereof.

NOVEMBER MEETING

In the meeting held on 27 November 2020, the Executive Board presented the regular issues related to the budget planning for 2021 as well as the outlook for 2022 and 2023. The Supervisory Board approved the budget for 2021 and took note of the planning for 2022 and 2023. Other items on the agenda were the remuneration system of the Executive Board to be decided at the next Annual General Meeting and the new Declaration of Compliance.

SUPERVISORY BOARD SELF-ASSESSMENT

The Supervisory Board reviews and assesses its activity regularly every year by means of a questionnaire. The last review was in summer 2020. The results were then discussed by the Supervisory Board in a meeting. No major deficits were found.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has set up a Personnel and Finance Committee with the goal of improving its efficiency. For the company's size and orientation, it was not regarded as either advisable or necessary to set up any further committees. Duties assigned to other committees can be readily dealt with by these bodies, provided they are not required to be dealt with by the Supervisory Board. Furthermore, the Supervisory Board is informed of the outcome of the committee's deliberations.

Supervisory Board members carry out the further education and training required for their tasks under their own responsibility and are supported in this by the company.

PERSONNEL CHANGES ON THE SUPERVISORY BOARD

The composition of the members of the Supervisory Board plenum and its one committee, the Personnel and Finance Committee, did not change in 2020 and continues in the same composition since the Annual General Meeting held on 28 June 2019.

WORK OF THE PERSONNEL AND FINANCE COMMITTEE

At the meeting held on 25 March 2020, the members of the committee dealt with the individual and consolidated financial statements as at 31 December 2019. The financial statements, together with a separate non-financial statement, were explained by the Executive Board and reviewed by the members of the committee. The Supervisory Board's report to the Annual General Meeting was also discussed by the body. The focal points of the meeting held on 2 October 2020 were the discussion and consultation with management on the business development, the planned and completed site-securing measures as well as the discussion and agreement on the Executive Board's variable remuneration components.

In addition to the meetings, the regular tasks of the committee include conducting annual target and review discussions with the Executive Board.

CORPORATE GOVERNANCE

The Executive Board and Supervisory Board report on corporate governance in detail in their corporate governance statement, which is available both in the Annual Report and on the company's website.

DECLARATION OF COMPLIANCE 2020

The Supervisory Board passed a resolution on a Declaration of Compliance in accordance with Section 161 AktG [German Stock Corporation Act] in the Supervisory Board meeting held on 27 November 2020. The Declarations of Compliance are permanently accessible on the company's website. The current Declaration of Compliance is, additionally, included in the corporate governance statement.

EXAMINATION OF POSSIBLE CONFLICTS OF INTEREST

The members of the Executive Board and the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest were notified by the members of the Executive Board and the Supervisory Board in financial year 2020. Two Supervisory Board members hold high-ranking positions in companies with which SCHWEIZER has a business relationship. SCHWEIZER's business transactions with these companies are or were conducted under arm's length conditions. The Supervisory Board Chair in office since 28 June 2019 has a personal relationship with the Chair of the Executive Board. When passing resolutions, the Supervisory Board ensures that potential conflicts of interest are taken into account. Details of the Supervisory Board's target composition are presented in the corporate governance statement.

ADOPTION OF THE ANNUAL FINANCIAL STATEMENTS AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The audit firm, Ernst & Young GmbH, has audited the annual financial statements and consolidated financial statements as well as the summarised status report prepared by the Executive Board for Schweizer Electronic AG and the Group for 2020. At the proposal of the Supervisory Board, Ernst & Young GmbH was appointed by the Annual General Meeting on 26 June 2020. Prior to the proposal by the Supervisory Board to the Annual General Meeting as auditors, Ernst & Young GmbH had confirmed to the Supervisory Board that there were no circumstances that could impair its independence as an auditor or give rise to doubts as to its independence. Mr Julius Mittelberger (since financial year 2019) signs as the German Public Auditor and Mr Andreas Nietzer signs as the German Public Auditor responsible for the audit (prior to that, for the annual financial statements for financial years 2007 to 2013).

The audits of the annual financial statements, consolidated financial statements and the summarised status report did not give rise to any objections. As a result of these audits, unqualified audit

opinions were issued on 09 April 2021. The documents to be audited and the audit reports of the auditor were made available to every Supervisory Board member at the meeting on 12 April 2021 and were sent to every Supervisory Board member in sufficient time to enable them to prepare. The auditor took part in the discussion of the annual financial statements and the consolidated financial statements, during which he reported on the main audit findings and provided additional information on request. No objections were raised after the final result of the reviews by the Supervisory Board. The Supervisory Board agrees with the result of the audit of both financial statements by the auditor, concurs with the Executive Board's assessment of the situation of the Group and of Schweizer Electronic AG and approves the annual financial statements and the consolidated financial statements as at 31 December 2020. The annual financial statements are thus adopted. The Supervisory Board supports the proposal of the Executive Board which envisages no dividend. The non-financial statement required by the CSR Directive Implementation Act was reviewed by the Supervisory Board.

The present Supervisory Board's report to the Annual General Meeting was adopted by the Supervisory Board.

The Supervisory Board wishes to express its heartfelt thanks to the members of the Executive Board and all employees for their dedicated commitment and constructive collaboration in the past financial year. The Supervisory Board also thanks the shareholders for the confidence they have shown.

Schramberg, 12 April 2021

The Supervisory Board

A handwritten signature in blue ink, appearing to read 'C. Schweizer', is positioned above the printed name and title.

Christoph Schweizer
Chair



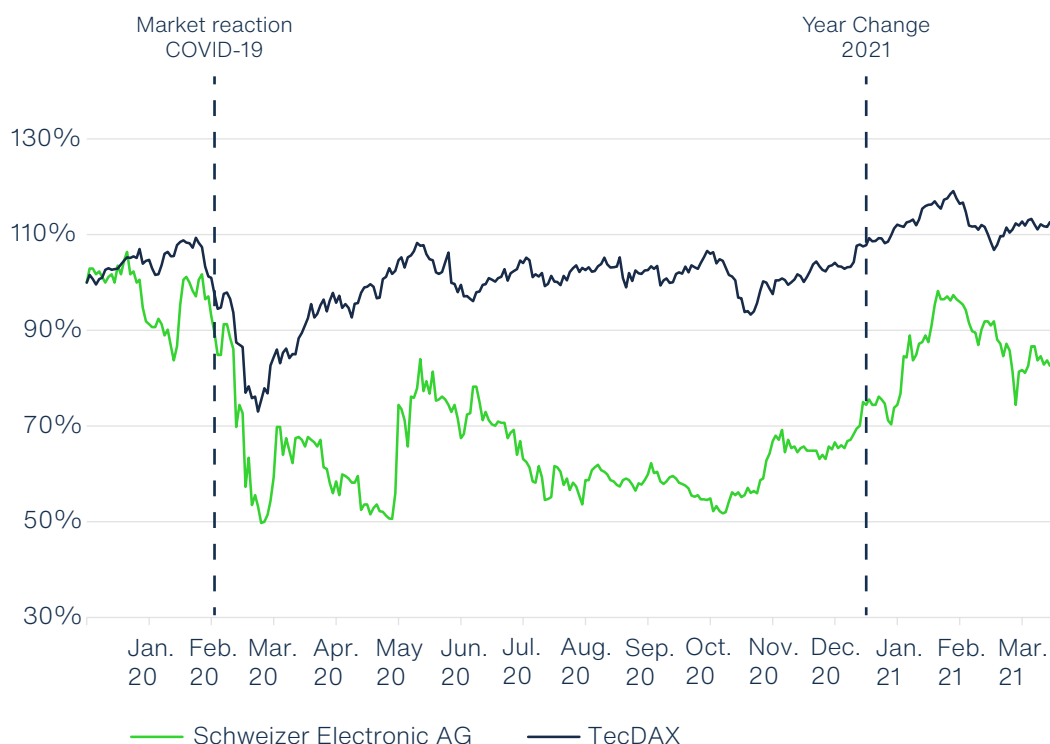
Christoph Schweizer
Chair of the Supervisory Board

SHARES

THE STOCK MARKETS IN RETROSPECT

The coronavirus pandemic led to extreme fluctuations and volatility on the financial markets in 2020. In February, Europe still believed itself to be safe from the virus which first appeared in China, and the German benchmark index, the DAX, reached a new all-time high of almost 13,800 points. With the increasing spread of the coronavirus and the realisation that this was a global pandemic as well as the impending worst economic downturn since the Second World War, the stock markets dropped to a historical low. Within the next four weeks, the DAX lost approximately 39 percent and dropped to its annual low of 8,256 points.

The stock markets recovered as quickly and strongly as the intensity of the collapse. The reason for that was that, firstly, the restrictions on public and economic life decided by numerous governments to prevent the further spread of the disease were relaxed and, secondly, governments were still assisting with unprecedented relief packages. They were supported in this from numerous central banks, which increased the supply of money considerably. Sentiment deteriorated again by the end of October but was relieved by the vaccine trial successes announced in November. The DAX closed the year with 13,719 points, which is equivalent to an annual gain of 3.5 percent. The secondary indices on the German stock market performed better, with the MDAX recording an almost 9 percent annual gain. The technology-oriented TecDAX realised a gain of 6.6 percent since the start of the year.



SCHWEIZER SHARE

The performance of the Schweizer Electronic share was, on the one hand, characterised by the general economic uncertainties. On the other hand, the strong correlation of the performance of the SCHWEIZER share with the sharp drop in the DAX automobile sector index by the middle of the year may indicate the market allocation to this sector. The first half of the year was characterised by news of temporary stoppages in automobile production and the consequences for their suppliers, SCHWEIZER's largest customer group. It was only with the launch of electric mobility on the market, supported by the granting of subsidies and a competitive offering of electric cars and plug-in hybrids from the middle of the year, that the mood in the automobile sector improved.

The Schweizer Electronic AG share recovered from its annual low on 19 March 2020 with a share price of EUR 8.55 to EUR 14.45 on 8 June 2020, but dropped again in subsequent weeks to trade at EUR 8.90 by the end of October. The share price recovered significantly from mid-November 2020 with the SCHWEIZER share closing the trading year at a share price of EUR 11.75, equivalent to a drop of 31.7 percent compared to 31 December 2019.

DIVIDEND

Given the strategic decision taken by the management to build a high-technology plant in China and the investments required for this, the Executive Board and the Supervisory Board propose the suspension of a dividend payment for the 2020 business year. In the medium term, management expects its strategic realignment to result in a disproportionately high increase in the value of the company.

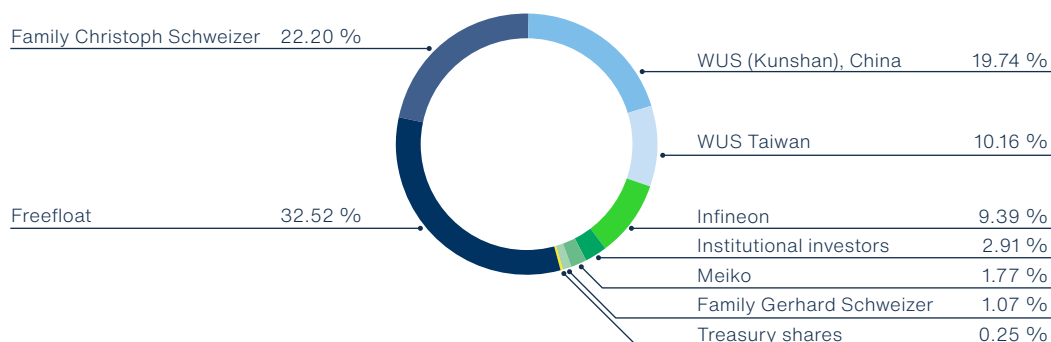
INVESTOR RELATIONS

Our goal is openness and transparency in continuous dialogue with our shareholders and capital market participants. Our investor relations work focuses on strengthening confidence in our shares in the long term and achieving a fair valuation on the capital market. In 2020, SCHWEIZER again provided all interested capital market participants with comprehensive information through financial reporting, capital market and telephone conferences, virtual road shows and numerous one-on-one meetings. This allowed them at all times to make a reasonable evaluation of the current business situation and assess the company's prospects. The Annual General Meeting is the key forum for our private shareholders. In an effort to establish a sustainable and trusting relationship with all stakeholders, we have published additional company information on our website besides the documents required by law. Extensive numerical data, various presentations and an analyst's assessment are published at www.schweizer.ag/en/investor-relations.html.

SHAREHOLDER STRUCTURE

The shareholder structure of Schweizer Electronic AG was as follows at the end of 2020:

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2020



SHARE DATA

	2020	2019
Year-end closing price*	11.75 EUR	17.40 EUR
Year high	18.30 EUR	17.50 EUR
Year low	8.55 EUR	11.40 EUR
Market capitalisation at the end of the financial year	44.4 Mio. EUR	65.8 Mio. EUR
Dividend per share	0.00 EUR	0.00 EUR

*Closing price XETRA trading system of Deutsche Börse AG

BASIC SHARE DATA

ISIN	DE0005156236
WKN	515623
Symbol	SCE
Stock market segment	Regulated market (General Standard)
Type of shares	Registered shares with no par value
No. of shares	3,780,000
Share capital	9,664,054 EUR

:

**SCHWEIZER –
PIONEERING
SPIRIT AND
INNOVATIVE DRIVE
FOR MORE THAN
170 YEARS**

SUMMA- RISED STATUS REPORT

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SUMMARISED STATUS REPORT OF THE SCHWEIZER GROUP AND OF SCHWEIZER ELECTRONIC AG AS AT 31 DECEMBER 2020

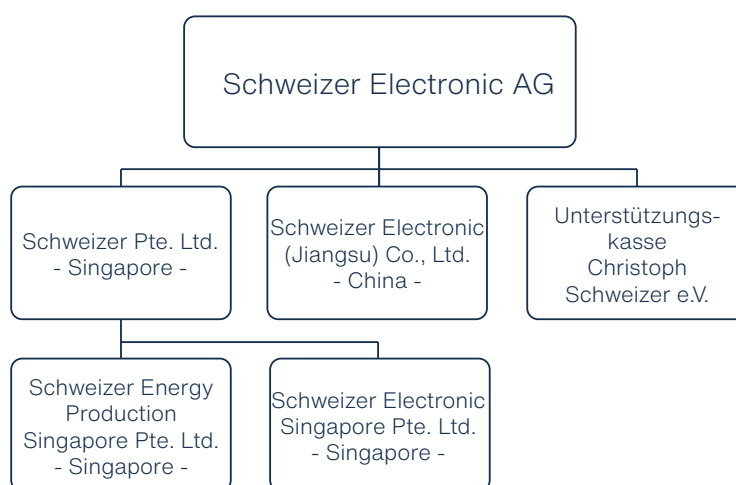
This report summarises the Group status report of the SCHWEIZER Group ("SCHWEIZER" or the "company"), comprising Schweizer Electronic AG and its consolidated subsidiaries, and the status report of Schweizer Electronic AG. It should be read in context with the audited consolidated financial statement including the notes thereto, which are presented elsewhere in this report. The audited consolidated financial statement is based on a series of assumptions and on accounting and valuation methods that are presented in detail in the notes to the consolidated financial statement. In addition, passages designated as such should be read in the context of the audited individual financial statements, including the notes. The summarised status report contains forward-looking statements regarding the performance of the business, the financial development and the income of SCHWEIZER. These statements are based on assumptions and forecasts which are themselves based on the presently available information and current assessments. These are fraught with uncertainties and risks. The actual performance of the business may therefore deviate significantly from the expected performance. SCHWEIZER assumes no obligation to update forward-looking statements, beyond that required by statutory provisions.

BASIC PRINCIPLES OF THE GROUP

LEGAL AND ORGANISATIONAL STRUCTURE

Schweizer Electronic AG, headquartered in Schramberg, is the parent company of the Group and manages the holdings directly and indirectly owned by it. The business performance of the parent company is closely linked to the performance of the subsidiaries.

GROUP STRUCTURE



With effect from 30 September 2020, the subsidiary of Schweizer Pte. Ltd., Singapore, Schweizer Electronic (Suzhou) Co., Ltd., China, was liquidated.

BUSINESS MODEL

SCHWEIZER is an international manufacturer of PCBs for the requirements of a variety of industries and markets. SCHWEIZER's innovative PCB technologies are used in demanding applications in the automotive, aerospace, industrial and medical sectors as well as in communications and computing. Industry-leading companies around the world rely on SCHWEIZER's innovative power and decades of experience as well as its product and service quality in PCB and embedding solutions. In addition, SCHWEIZER's PCB technologies are characterised by energy-saving and environmentally protective characteristics.

Thanks to ultra-modern PCB production sites in Schramberg and Jintan (China) as well as close partnerships with other technology leaders, SCHWEIZER offers access to high-quality printed circuit boards – from standard to complex customer-specific solutions.

BUSINESS STRATEGY, GLOBALISATION AND DIVERSIFICATION

The strongest focus of the strategic global orientation is on the growth region of Asia alongside Europe. SCHWEIZER has established itself as a leading manufacturer of printed circuit boards for the automobile industry, and made itself a good name as a provider of high-end PCB and embedding solutions in many other industries.

With the set-up of a new high-tech production site in Jintan (China), SCHWEIZER has an additional production area of a total of 90,000 square metres for manufacturing power electronics and embedding applications. The new production capacity will be built up in three production start-up phases, each with a capacity of 1,200 square metres of board space per day.

PCB technology

Together with its partners WUS Printed Circuit (Kunshan) Co., Ltd., Meiko Electronics Co. Ltd. and Elekonta Marek GmbH & Co. KG, SCHWEIZER is a global leader for the supply of rigid PCBs to the automotive industry. Within this partnership, Elekonta focuses on the production of prototypes. Meiko is responsible for mass production at low-cost locations in China and Vietnam, and also has technology plants in Japan. WUS, which has several production sites in China, is the partner for handling the 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 for mature series production, WUS takes over cost-effective mass production to ensure that high-quality and attractively priced HF PCBs are available to customers in the desired quantity.

Embedding technology

The development and expansion of embedding technology (technologies for the integration of active and passive components in PCBs) is the result of increasing customer requirements, SCHWEIZER's experience and expertise as well as the new solutions arising therefrom. The prevailing business model, whereby customers purchase the required PCBs and components separately, will be altered in the future by the embedding approach. The integration of components in the PCB requires a new business and process model, in which both the component manufacturer and the PCB manufacturer are closely involved. To enable early implementation of this new approach and complete its range of products and services, SCHWEIZER is therefore working closely with Infineon, customers and technical institutes.

BUSINESS UNITS

RESEARCH AND DEVELOPMENT

Process technology

For embedding power electronics, the p² Pack technology, a handling and assembly facility was procured and qualified. This was a further milestone for series production. High cost savings were made possible by various process optimisations in mechanical and chemical segments. The product portfolio was expanded with the qualification of a new vacuum plugging facility as well as the further development of conductor pattern technology and new soldermask colours.

Series development

SCHWEIZER has driven the series development further in a focused way. The internal qualification for the "embedded antenna" for high-quality applications was completed and is now available for customer projects. This technology allows particularly precise conductor structures to be generated that are of particular importance for radar and other high-frequency applications. The project business with gold-plated PCBs has been successful. These are used for the assembly of non-encased chips and are used in particular in the area of sensors. Several customer projects could be gained here and transferred to series production which will contribute to revenue at the Schramberg site over the coming years. The highly complex requirements in the aviation industry represent further major challenges. However, with its key customer SCHWEIZER is about to qualify a platform innovation that will make far-reaching market access possible. We continue to have a close collaboration with our partner WUS in the area of radar and HF PCBs. A number of projects that were developed in joint projects for SCHWEIZER customers have now been transferred to WUS.

A further focus of the work in the series development team was in transferring selected technologies from Schramberg to our site in Jintan (China). The transfer of the FR4-Flex technology was thus, for instance, on the verge of completion as at the reporting date. It is expected that the p² Pack embedding technology will be transferred in 2021. Due to the more complex supply chain and significant process enhancements, this transfer has already started to ensure the readiness for production from 2023.

Customers' interest in the p² Pack embedding project has increased significantly in the financial year both in terms of number as well as the degree of detail, with the result that further design wins can be expected in 2021. Customer enquiries and projects now encompass all three regions (EMEA, Americas and Asia Pacific). In order to account for this development organisationally as well, the development topics were bundled and expanded in a new department. The task of the newly created department is to develop customer projects for 48-volt applications (48V) to readiness for series production.

Innovation

While the p² Pack technology for 48-volt wiring systems is already in series development and is being commercialised, the focus was on innovation activity in 2020 in the further development to 400/800 V high-voltage wiring systems (HV-p² Pack technology) due the high level of customer interest. This technology thus links seamlessly to the available 48-volt p² Pack technology and is already now followed with great interest and demanded by customers for the platform development in the drive train of hybrid and electric vehicles. As in the past, a significant part of the innovation work was carried out in publicly funded projects jointly with project partners. The major funders here are VDI/VDE Innovation + Technik GmbH with a funding share from the Federal Ministry of Education and Research of between 57 and 66 percent. Non-reclaimable subsidies amounting to EUR 0.2 million were recognised in the financial year.

The funded SiCmodul project was fully completed with great success in 2020. The results have provided extensive information for the use of the p² Pack technology in high-voltage applications up to 180 kW output with battery voltage of 800 volts. This allows, for instance, material, insulation and reliability issues to be extensively examined. In addition, findings about the heat conduction, temperature and switching characteristics can be obtained. These findings are essential for the subsequent series development and are used, for instance, to develop an evaluation kit jointly with an external systems vendor. It is planned to make this available to customers in 2021. The p² Pack technology is suitable for operating both conventional silicon semiconductors as well as new semiconductor technologies (wide-bandgap semiconductors). The low-inductance breaker cell of the p² Pack results in lower switching losses and thus higher efficiency. For electric driving, this means longer range, less installation space and less cost for cooling the electronics. It is expected that p² Pack could be developed to become an alternative for conventional power modules in a voltage range of up to 1,200 V in the medium term.

The funded KoRRund project was also successfully brought to completion. Here, a new integrated circuit packaging (ICP) for direct installation and embedding of radar ICs was developed jointly with the development partners Fraunhofer IZM, Karlsruhe Institute of Technology (KIT) and Bosch, in addition to extensive material testing. The functionality and installation precision was presented on a demonstration unit. A functional ICP for the μ^2 Pack embedding technology was successfully proven with this. In a further demonstration unit, an MMIC radar chip embedded in the PCB was directly linked with a very precise antenna, with the transmission and receiving antennas being placed on each side of a flexible PCB element. With this technology, which has now been patented,

the measurement angle of the antenna can be increased to reach a 360° "panoramic view" more easily. Furthermore, the precise antennas can also significantly increase the range and bandwidth of radar applications. The technology is therefore excellently suited for application in the infrastructure of 5G networks in mobile telecommunications.

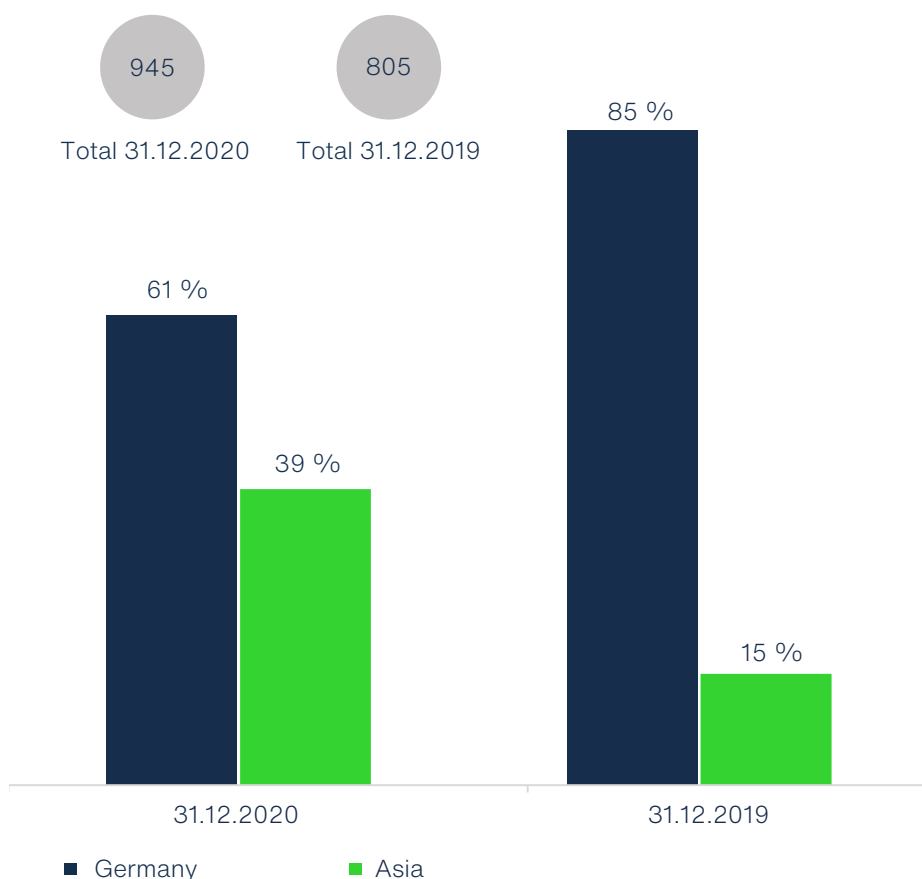
With these two technologies, SCHWEIZER is very well prepared for the promising markets in 5G communication and automated driving.

SCHWEIZER's research and development expenses recognised in the income statement amounted to a total of EUR 2.7 million in 2020. SCHWEIZER's research and development department is located in Germany. 29 employees were assigned to this department. As at 31 December 2020, SCHWEIZER employed 183 engineers and technicians.

Patents

The total number of patents granted increased to 56 patents as at 31 December 2020

EMPLOYEES* / SITES



*including temporary employees

Employees

SCHWEIZER had 945 employees as at 31 December 2020. Due to the coronavirus pandemic and the associated significant decline in demand from customers, the Schramberg site responded with a variety of measures to the lower capacity utilisation. From April 2020, short-time work was utilised and, in addition, a restructuring programme was instituted and implemented. The number of employees at the Schramberg site decreased due to natural staff turnover, fixed-term employment contracts coming to an end and operation-based socially responsible agreements. The increase in the number of employees in Asia is due to the construction of the new production facility in Jintan (China).

MARKETING AND SALES

With a share of around 74 percent of turnover in 2020, the automotive industry remains the most significant customer group for the company. SCHWEIZER has customer relationships with almost all major European Tier 1 suppliers and OEMs. The focus of sales activities is on the constant expansion of the network, especially in the growth markets of Asia and the USA. In addition to its own distribution team in China, a distribution partnership for the North American market, further distribution partnerships for the Asian (South Korea, Japan) and Israeli market were implemented in 2020.

Thanks to the new high-tech plant in China, SCHWEIZER has positioned itself well in the growth market of Asia, especially in China. This will allow SCHWEIZER to supply and advise the local and fast-growing Asian market better with its technologies and its understanding of applications. Due to our more global positioning, the supply security of our customers increases significantly.

The electrification of drive technology has developed massively in recent years. With the solutions for the 48-volt, hybrid and high-voltage applications for electric drives, SCHWEIZER has a wide range of power electronics on offer. Automated driving remains one of the greatest future challenges facing the automotive industry. Radar and camera as well as LIDAR solutions are required for the sensor systems involved. With its portfolio, SCHWEIZER offers PCB solutions for high-frequency applications and high temperature base materials for radar sensors.

SCHWEIZER has a wide range of experience in the high-frequency, high-temperature, high-voltage and miniaturisation application areas. These core competencies are required in all market segments of the automobile industry as well as in the industrial, medical and aviation sectors.

The FR4 Flex PCBs, which allow for a three-dimensional platform solution, are used in sensors in the industrial and medical sectors, as well as many camera systems.

Thanks to the combination of the production sites in Germany and China, new market segments can be optimally served with technological expertise, flexibility, the quality standard of the parent plant in Germany and the special requirements of our industrial customers – from the production of prototypes through to large-scale production.

QUALITY MANAGEMENT

Re-certification in accordance with IATF 16949 and the conversion of ISO 50001 to Version 2018 was completed in 2020. For the reviews, both system conformity in different customer orders as well as the energy-relevant processes were verified.

After successful completion of the 2020 re-certification audit, preparations are underway for the re-certification for ISO 50001 which is due in 2021.

ENVIRONMENTAL AND ENERGY MANAGEMENT

Although the products and thus the processes and workflows required for their manufacture are becoming increasingly complex and multifaceted, SCHWEIZER makes efforts to use technologies and processes that limit the environmental impact through appropriate product and process developments. This is also part of our mission statement. The consistent application of environmental and hazard analyses to protect the environment, our employees and the business partners involved in product manufacture/use are our top priority.

The effectiveness of our systems is regularly reviewed by means of internal audits and was once again confirmed for 2020 by the certification organisation within the framework of ISO 14001 and ISO 50001 certifications.

ECONOMIC REPORT

Economy and sales markets

In the course of the first half of the year, the coronavirus pandemic has had a massive impact on social and economic life. In addition to the general uncertainties, this is not least due to the restrictive measures laid down by the governments of the countries concerned to curb infection rates. On the demand and supply side, growth in the global economy declined by -10 percent in the first six months of 2020 compared to the same period in the previous year and led to a global recession. The subsequent gradual easing, comprehensive and expansive monetary and fiscal policy measures by central banks and governments as well as stabilising factors such as unemployment and short-time work funds as well as stimulus packages contributed to a dynamic global recovery in the third quarter of 2020. The growth in global production amounted to +9 percent in the third quarter. The renewed rapidly rising infection numbers since October 2020 again resulted in a dampening of the upward trend in the national economies of industrialised countries as well as emerging economies, with the exception of China, which was not affected by a second wave of the pandemic.

For 2020, the decline in the global gross domestic product was -3.8 percent (2019: +3.0 percent) of which -5.1 percent (2019: +1.8 percent) was attributable to the advanced economies and -2.9 percent (2019: +4.4 percent) to the developing and emerging countries. China is likely the single largest economy in the world that recorded an increase in gross domestic product at +1.8 percent (2019: +6.1 percent).

In China, the level of economic output largely normalised again already since the first quarter. Since September, the growth rates of 7 percent were already higher than before the coronavirus crisis. The global, pandemic-related high demand for smart devices, computers and consumer electronic products resulted in strong growth in exports.

The US economy also experienced a sharp drop in economic activity in the first half of the year, which was associated with a high increase in unemployment. Due to the effective measures taken by the Federal Reserve and the government, a dynamic recovery in economic output was again seen in the second half of the year. Nevertheless, the gross domestic product for the year as a whole declined by -3.6 percent.

In the eurozone, the gross domestic product also declined by -7.2 percent (2019: +1.2 percent). In the first half of the year, the coronavirus crisis resulted in a deep recession that had a negative effect on the industrial and services sector equally and disrupted supply chains resulting in plant closures. The second wave of the coronavirus pandemic in autumn 2020 affected most European countries with varying intensity. In the UK, Brexit exacerbated the uncertainties even more. After the recovery in the third quarter, the fourth quarter again indicated a decline in economic activity. The intensity of the decline, however, is not comparable with the spring downturn during which the uncertainties and production restrictions were significantly greater. In addition, global trade in the second half of the year stabilised again and there were no recurring major plant closures.

The gross domestic product in Germany for the year as a whole declined by -4.9 percent (2019: +0.6 percent).

After a ten-year growth phase since the 2008/2009 financial crisis, the German economy entered a deep recession. While private consumption expenditure declined by -6.0 percent (2019: +1.6 percent) and investments in equipment by -12.5 percent (2019: +0.4 percent), construction investments in contrast increased by +1.5 percent (2019: +3.8 percent) and government consumption expenditure by +3.4 percent (2019: +2.5 percent). The latter prevented the German economy from experiencing an even stronger downturn. Net exports also contributed to the drop in gross domestic product with -1.1 percentage points. -9.9 percent less goods and services were exported. At the same time, imports decreased by -8.6 percent.

SECTOR ENVIRONMENT

Automotive industry

For the most important customer group – the automotive industry – which makes up around 74 percent of the sales of SCHWEIZER, 2020 led to significant declines in sales globally. The already weak development in passenger car sales figures in the previous year were again sharply impacted negatively by the coronavirus pandemic in 2020. Based on preliminary statistics, 77 million passenger cars (up to 6 tonnes) were sold in 2020 globally, which is equivalent to a decline of 13 million vehicles or around -14 percent compared to 2019. China accounted for the lowest decline at -5.6 percent. After the sharp collapse in February and March of the same year, the passenger car market recovered again in the second quarter already. In the second half of the year, the sales figures of passenger cars in China were significantly above that of the previous year. In the United States, sales declined by -16 percent which was relatively moderate as, despite the production

downtime in spring, some compensation for the losses of the second quarter were realised in the second half of the year as a result of increasing sales figures.

By contrast, the passenger car market in the European Union experienced an unprecedented downturn in 2020 due to the coronavirus pandemic. The sales decline in Europe amounted to -24 percent. OEM customers began closing their European plants in mid-March. New vehicle registrations decreased significantly due to the lockdown. In Europe, the lowest point of the decline was in April with a rate of -78 percent. In Spain, Italy and the UK, no new vehicles were registered in April. The fourth quarter was again impacted by the second lockdown. The effects were, however, significantly less than in spring with a decline of -8 percent in sales compared to the same quarter in 2019.

Ongoing market weakness – exacerbated by the coronavirus crisis – as well as the relocation of production capacities (including to China) resulted in lower production volumes compared to the previous year of -25 percent in Germany in 2020.

The sales performance of electric vehicles varied widely in the major global automotive markets. Regulatory framework conditions and subsidy programmes of varying duration and amount determined demand in the regional markets. In 2020, more than four times as many electric cars and plug-in hybrids were sold than in the previous year – this was the result of the latest Electromobility Report of the Center of Automotive Management (CAM). The largest market was China, followed by Germany, the sales figures of which overtook the number of units sold in the United States. The Chinese government, for instance, decided to extend the subsidy measures for electric vehicles which were actually supposed to end mid-2020. The market share of vehicles with electric drive and hybrid technology also increased in the EU. The stringent CO₂ thresholds for vehicles resulted in manufacturers bringing more electric vehicles onto the market. For consumers, the subsidies associated with the acquisition of battery electric vehicles (BEV) and plug-in hybrids (PHEV) played a significant role in the decision to buy. In 2020, the share of new vehicle registrations for BEV, PHEV and cars driven with fuel cells amounted to more than 8 percent measured by overall new vehicle registrations. Based on preliminary statistics, the number of German new vehicle registrations in 2020 amounted to 395,000 electric vehicles (BEV and PHEV), which increased the market share from 3.0 percent in 2019 to 13.5 percent. New vehicle registrations for all-electric cars (BEV) increased from 63,000 (2019) to around 194,000 units (+208 percent) in 2020, which is equivalent to a share in new vehicle registrations of 6.7 percent (2019: 1.75 percent).

Printed circuit board industry

In 2020, the coronavirus pandemic had the greatest negative effect on civil aviation as well as the automotive and transport sector in terms of economic development. The impact on the industrial sector was almost as great. The manufacturing sectors of mobile devices and PC technology, as well as entertainment electronics, which benefited from the crisis in individual markets and for certain products, were less impacted. 22 to 23 percent of the global and in particular Asian PCB production is used for mobile end devices such as smartphones and tablets and the development of 5G networks.

In the United States, 35 to 57 percent of PCBs manufactured are used in defence technology, while in Europe 60 to 65 percent of the units produced are used for automotive and industrial applications. Accordingly, the regional economy developed differently for PCB manufacturers.

Global production volumes for printed circuit boards in 2020 are expected to be around -1.9 percent lower than in 2019. With a drop of -4.9 percent, the German PCB market will have one of the weakest developments worldwide, for China as the largest PCB producer in the world, -1.1 percent is expected, for South Korea -5.8 percent and Taiwan -0.6 percent.

The market dominance of the PCB industry by Asian producers has strengthened again. With an expected production volume of USD 74.4 billion in 2020, the global market share of printed circuit board production from Asia increased slightly and amounts to around 93 percent. With a share of 56 percent, China was by far the most important production location for printed circuit boards. Taiwan is at second place with a share of 10 percent, putting South Korea in third place with a share of 9 percent, while Europe represented around 2.7 percent of the global PCB market (2019: 3.0 percent).

(Sources: Kiel Economic Outlook series no. 73, Federal Statistical Office (Destatis press release no. 081), Deutsche Bank, Research, Statista 2021, LBBW Fokusbranche Automobil, IHS, N.T.Information, Ltd., Report of the CAM Center of Automotive Management)

DEVELOPMENT OF EARNINGS (IFRS)

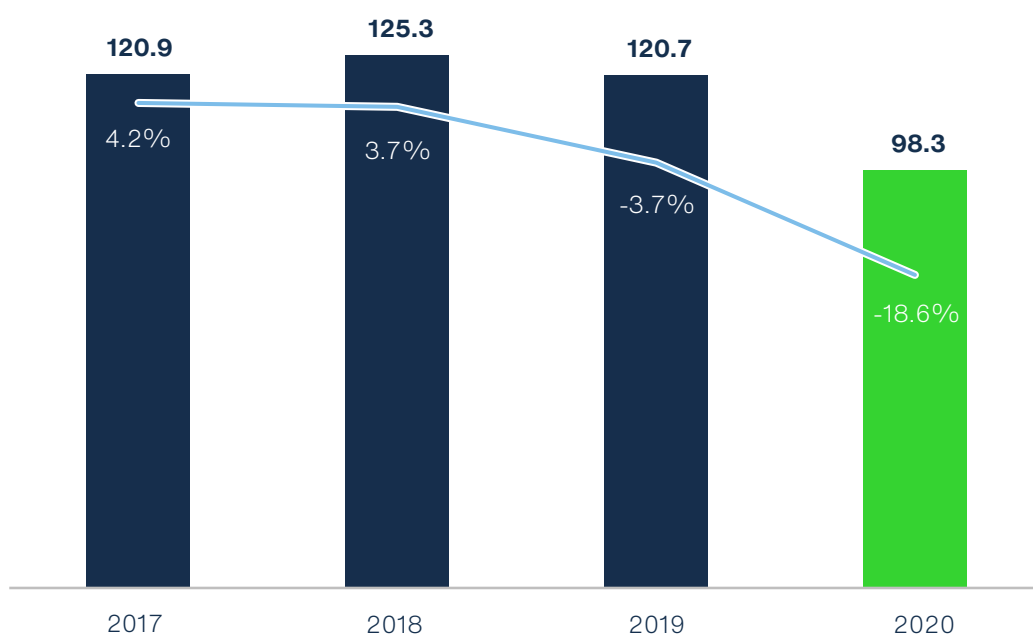
In the following section, we report on the Group's results of operations in accordance with International Financial Reporting Standards (IFRS).

Sales development and order backlogs

Group sales amounted to EUR 98.3 million. This is equivalent to a year-on-year decline of -18.6 percent.

Sales revenue

in EUR millions / change compared to previous year



In the first half of the year, the revenue shortfall was just -24.7 percent compared to the same period of the previous year. This development was in particular characterised by the revenue decline in the second quarter as a result of the outbreak of the coronavirus pandemic. The decline in particular affected the revenue with customers from the automotive environment, which purchased conservatively and at times discontinued their production operations.

In the second quarter alone, -42.4 percent lease sales were realised compared to the same quarter in the previous year. The shortfall in sales in the second half of the year amounted to -12.5 percent compared to the same period in 2019. As a result of an increasing dynamic in sales, in particular, due to the increase in inventory build-up of automotive customers in the months from September to November, a shortfall of -30.7 percent was recorded for the third quarter, and a rate of increase of +10.9 percent in the fourth quarter compared to the respectively corresponding quarters of the previous year. The fourth quarter of 2019 was, however, already impacted by an economic downturn and structural crisis in the automotive sector. Sales with non-automotive customers still increased moderately in the first half of 2019, while sales in the second half of the year with these target groups, in particular, industrial customers, declined significantly.

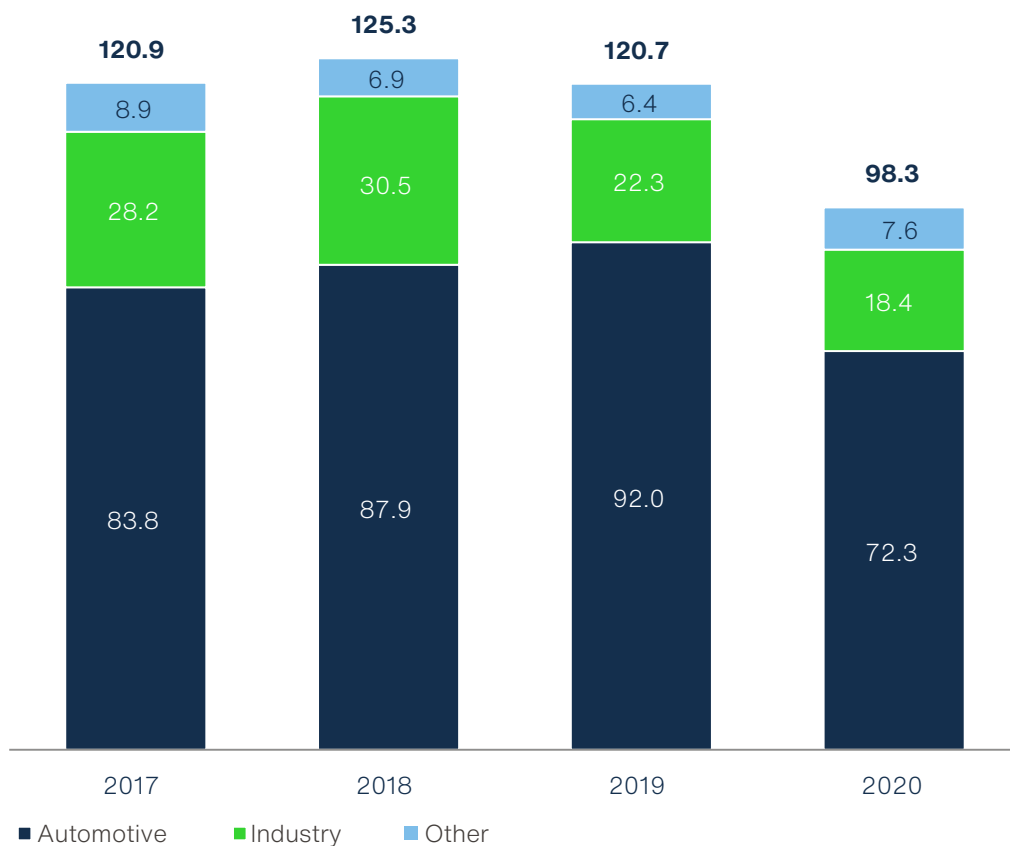
The decrease in annual revenue, compared to 2019, affected both sales with in-house production with a decrease of -18.0 percent as well as sales with products manufactured by WUS Kunshan or Meiko Electronics China and Vietnam. In total, EUR 30.2 million in sales (2019: EUR 37.7 million) with these commercial products was realised, which represents a decrease of -19.9 percent. As a result, the share of sales from merchandise remained almost unchanged at 30.7 percent (2019: 31.2 percent).

Sales of EUR 72.3 million were generated with automotive customers, which is equivalent to a decline of -21.4 percent compared to the same period last year. Sales of EUR 18.4 million were realised with industrial customers in the financial year. This corresponds to a decline of -17.6 percent compared to the previous year. This customer group, whose areas of application are primarily in detection, sensor technology and system controls, represents 18.7 percent of Group sales.

By contrast, other customers in the fields of communication, consumers and computers increased by +19.0 percent to EUR 7.6 million. This customer segment now corresponds to 7.8 percent (2019: 5.3 percent) of Group sales.

Sales by customer group

In EUR millions

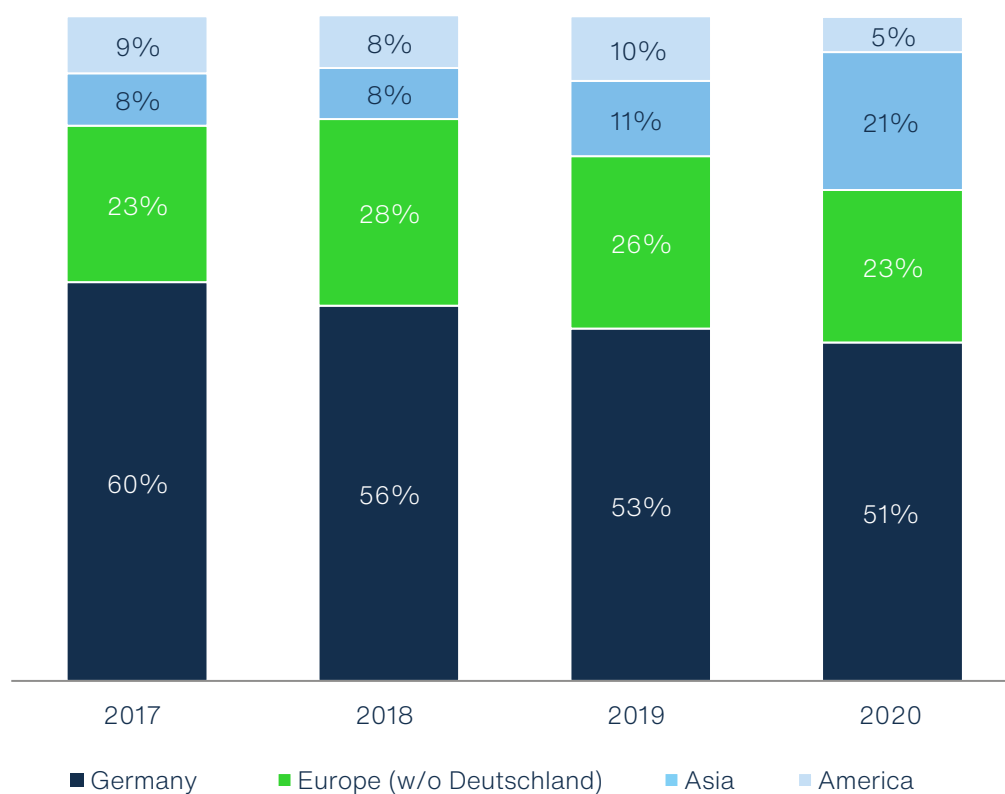


There were significant shifts in the sales regions to the benefit of the Asian markets, which was due to the more robust condition and recovery of these markets during the coronavirus pandemic. The share of exports increased from 47.1 percent to 49.2 percent in 2020.

Germany remained the most important sales region by far in 2020. Sales in Germany amounted to EUR 49.9 million (2019: EUR 63.8 million), which represents a share of 50.8 percent of Group sales. In the European markets, sales of EUR 22.5 million (2019: EUR 31.2 million) were achieved. The decline in Germany, Europe and America was partially made up for by the increase in sales in Asia/other countries of EUR +6.7 million to EUR 20.7 million. The share of sales from Asia thus amounted to 20.7 percent (2019: 11.3 percent).

Sales by region

In EUR millions



In EUR millions	2020	2019
Germany	49.9	63.8
Europe (excl. Germany)	22.5	31.2
Asia	20.3	13.6
America	5.2	11.7
Other	0.4	0.4
	98.3	120.7

In 2020, incoming orders increased by +4.6 percent compared to the previous year and amount to EUR 78.4 million (2019: EUR 74.9 million). The course of the first quarter was already characterised by cancellations or postponements of orders from our customers in the automotive sector. Nevertheless, cumulative incoming orders of EUR 22.3 million were slightly (+1.1 percent) above the level of the first quarter of 2019 (EUR 22.1 million), when an economic and structural slowdown in demand was already apparent in the previous year. In the second quarter of April, orders from our customers suddenly began to be withdrawn as a result of the full extent of the coronavirus pandemic in Germany and Europe and the associated uncertainties and contact restrictions in the market. Overall, in the second quarter, the total number of cancellations of orders exceeded the volume of new orders, resulting in an order loss of EUR -7.0 million. The volume of incoming orders in the first half of the year thus amounted to EUR 15.3 million. During the course of the global economic recovery, incoming orders in the third quarter exceeded the level of the first quarter by +4.7 percent. In the fourth quarter, orders in the amount of EUR 39.7 million were received, which is equivalent to an increase of +69.8 percent compared to the third quarter. The dynamic development in the fourth quarter made a substantial contribution to the growth in annual incoming orders.

At the end of the year under review, orders on hand totalled EUR 109.2 million (2019: EUR 126.7 million). Of this amount, EUR 80.5 million is attributable to orders for delivery in 2021. The remaining orders relate to subsequent years. The high share of 74 percent of short delivery times highlights an observable short-term demand by customers in the automotive and industrial sectors.

Operating margin and operating result

Gross profit on sales amounted to EUR +0.4 million (2019: EUR +12.6 million). The gross margin fell from +10.5 percent in the previous year to +0.4 percent. The costs of production of the plant constructed in Jintan (China) in the amount of EUR 15.8 million were included in the cost of sales for the first time during the financial year. However, these costs were not offset by any noteworthy sales in accordance with the planned start-up of distribution activities, with the result that a negative gross profit contribution resulted for the subsidiary in China of EUR -6.0 million in the financial year. Adjusted for the proceeds and costs of the plant in China, the gross margin amounted to EUR +6.4 million, which would correspond to a margin of +6.5 percent (2019: +10.3 percent). In order to counteract the reduced business volume and fall in margin income in particular due to the coronavirus pandemic, extensive cost-cutting measures were implemented in personnel and material costs of production and administration to compensate for under-utilisation and to reduce the fixed-cost threshold of the Schramberg plant. The cost-cutting programmes already effectively implemented in the previous year were continued in the financial year by means of short-time work and an extensive restructuring programme.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR -9.5 million (2019: EUR +0.1 million) and the EBITDA ratio fell to -9.7 percent (2019: +0.1 percent). The operating result (EBIT) totalled EUR -18.5 million (2019: EUR -6.5 million), down EUR -12.0 million on the same period last year. Depreciation increased by EUR +2.4 million to EUR 9.0 million. This increase is primarily a result from the start of depreciation of the completed and occupied buildings and the machinery capitalised after commissioning for the plant in China. The depreciation of the plant in China amounted to EUR 2.8 million in the financial year (2019: EUR 0.1 million). Grants from public authorities in the amount of EUR 44.8 million were deducted from the acquisition and

manufacturing costs of the property, plant and equipment of the plant in China. The acquisition and manufacturing costs reduced by this amount formed the basis for determining the scheduled depreciation.

Special restructuring expenses in the amount of EUR 2.6 million and a receivables default in the amount of EUR 0.3 million weighed on the EBITDA and EBIT of the financial year with a total of EUR 2.9 million, which was also impacted by the start-up losses of the plant in China with an EBITDA amount of EUR -8.3 million, or an EBIT amount of EUR -11.1 million. Adjusted for these two factors affecting earnings, EBITDA amounted to EUR +1.7 million and EBIT to EUR -4.5 million.

The costs from sales, administration and other operating expenses amounted to EUR 22.6 million, which corresponds to a reduction of EUR -0.3 million compared to the same period in the previous year. These functional costs included costs from the above-mentioned special expenses in the amount of EUR -2.3 million. Adjusted by this amount, the functional costs and other operating expenses decreased by EUR -2.6 million or -11.4 percent compared to the previous year. Other operating expenses amounted to EUR +3.7 million and were approximately at the level of the previous year (2019: EUR +3.7 million).

Financial result

The financial result amounted to EUR -2.3 million (2019: EUR -1.2 million). The cash interest payments for current and non-current financial liabilities amounted to EUR 3.3 million, of which EUR 1.4 million were added to the additions to fixed assets for the plant in China.

The increase is primarily a result of the scheduled take-up of long-term loans for the financing of the investments for the plant in China as well as the assumption of a loan due in 2022 of EUR 3.6 million from the special programme offered by KfW with a total facility of EUR 7.1 million.

Consolidated result and earnings per share

Consolidated net income declined by EUR -12.3 million to EUR -17.9 million compared to the same period of the previous year. Taxes on income and revenue increased the tax income compared to the previous year by EUR +0.9 million to EUR 3.0 million. Deferred taxes were created for the start-up losses for the production site in China in accordance with the expected usability of the tax loss carryforwards, which mainly led to an increase in tax income.

Earnings per share for financial year 2020 amounted to EUR -4.74 per share.

Dividend

SCHWEIZER intends to grow dynamically in the global market for power electronics and chip embedding applications in the future. In view of the net loss for the year and the high investment funds required for the further development of the high-technology plant in China, the Management Board proposes to the Supervisory Board to suspend dividend payments for the 2020 financial year and to invest the freed-up funds in investments for growth in China. With this strategy, the Executive Board is pursuing the goal of sustainably increasing the value of the company and thus also achieving higher shareholder value.

Development of the financial position (IFRS)

As at the balance sheet date, SCHWEIZER had liabilities to banks in the amount of EUR 84.9 million (2019: EUR 67.9 million). Long-term financing amounted to EUR 80.3 million, representing an increase of EUR +15.0 million compared with 2019. Loans amounting to EUR 16.1 million were taken up locally for the plant in China. Schweizer Electronic AG drew down a loan in the amount of EUR 3.6 million from a total facility of EUR 7.1 million from the special KfW programme. These loans are due in 2022.

The loans (senior loans) included in total non-current liabilities to banks of Schweizer Electronic AG for the equity capital relating to the plant in China amounted to EUR 30.4 million. These loans have a term of 10 years and a variable EURIBOR interest rate with a margin grid that depends on the current gearing ratio of Schweizer Electronic AG.

The working capital lines amounted to EUR 7.2 million at the end of 2020.

In contrast to the long-term credit lines, all short-term credit lines are unlimited in time and unsecured. No working capital lines are yet available for China. These are only expected to be provided after a certain observation period of the operational business developments by the local banks. Current financial liabilities amounted to EUR 4.6 million as of the balance sheet date (2019: EUR 2.6 million).

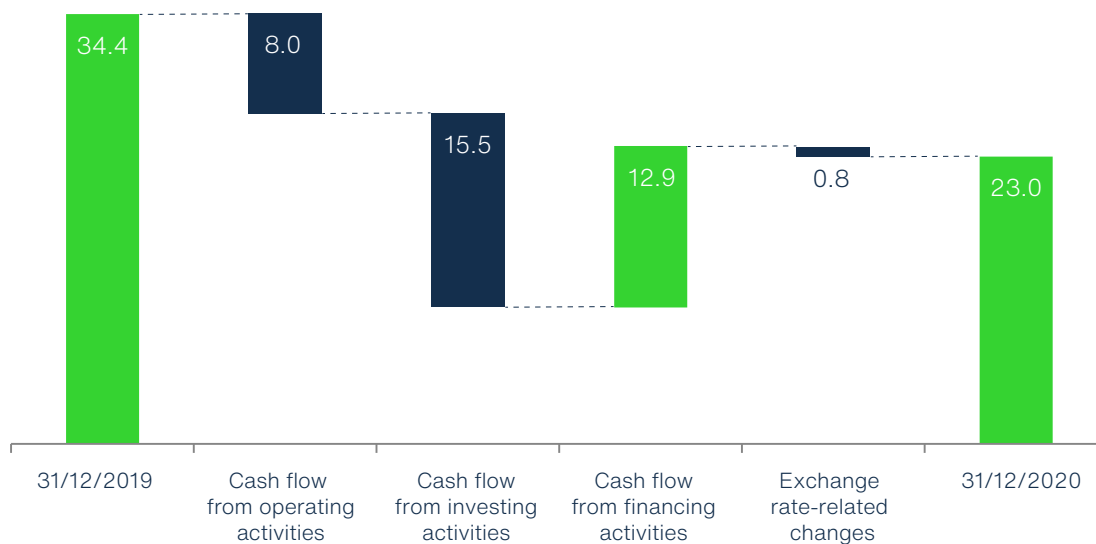
Development of liquidity

Liquid funds amounted to EUR 23.0 million. This represents a decrease of EUR -11.4 million compared with the previous year.

Cash flow from operating activities amounted to EUR -8.0 million in the first half of the year and decreased by EUR -13.3 million in comparison to the same period in the previous year. This is due in particular to the EUR -9.6 million decline in EBITDA compared to the previous year. The total cash investments in the financial year amounted to EUR -20.3 million for the acquisition of property, plant and equipment and intangible assets primarily for the production site in China. This investment sum was supported by grants from public authorities of EUR 4.0 million (2019: EUR 20.6 million). The cash flow from investing activities amounted to EUR -15.5 million. In addition, loans were taken up from the long-term loan commitments of the local consortium of principal banks in China in the amount of EUR 16.1 million and a loan in the amount of EUR 3.6 million from the KfW programme in Germany. This was offset by disbursements from repayments and interest payments of EUR -6.8 million, with the result that the cash flow from financing activities amounted to EUR +12.9 million.

Cash flow

(EUR million)



In EUR millions

	2020	2019
Cash flow from operating activities	-8.0	5.3
Cash flow from investing activities	-15.5	-42.0
Cash flow from financing activities	12.9	40.9

Development of net assets (IFRS)

Compared to the previous year, total assets decreased by EUR -32.2 million to EUR 196.7 million. This decline was essentially influenced by the offsetting of the Chinese government's grants from public authorities (incentives) of a total of EUR 44.8 million, of which EUR 20.6 million originates from the financial year, against the acquisition and manufacturing costs of the investments for our plant in China as a result of the initial capitalisation in the financial year. In the same period of the previous year, the investments for the shell construction, the building infrastructure and machinery were shown as assets under construction and the associated grants from public authorities as liabilities. As a result of the operational readiness of the assets and the start of the depreciation period, these grants were deducted from the acquisition and manufacturing costs. Planned investments amounted to EUR 22.5 million in the financial year, of which EUR 21.7 million was cash. Cash transactions are divided into disbursements from the acquisition of property, plant and equipment and intangible assets amounting to EUR 20.3 million and interest paid amounting to EUR 1.4 million, which accrued at this amount until the assets were put into operation and were capitalised as ancillary acquisition costs.

On the current assets side, other assets increased by EUR +20.0 million. This increase was primarily due to the increase in receivables from grants in China from government institutions that have not yet been paid. Inventories decreased by EUR -0.4 million, trade receivables dropped by EUR -1.2 million and liquid funds by EUR -11.4 million. Cash and cash equivalents amounted to EUR 23.0 million at the end of the year.

Equity decreased to EUR 34.3 million mainly as a result of the annual net loss (2019: EUR 55.2 million). In the financial year, Schweizer Electronic (Suzhou) Co., Ltd., China, was liquidated as a result of the integration of functions at Schweizer Electronic (Jiangsu) Co., Ltd. The impact of the amount of the de-consolidation on net assets was of minor significance. The equity ratio fell by -6.7 percentage points to 17.4 percent. Non-current financial liabilities increased by EUR +15.0 million as a result of the planned use of the credit lines granted by Chinese principal banks for working capital investments in China and the assumption of a loan from KfW's special programme in Germany. The net gearing ratio is 180.8 percent (2019: 60.7 percent).

Other non-current liabilities decreased by EUR -14.7 million, mainly due to grants from public authorities deducted from the acquisition costs of the plant in China and capitalised in the previous year. Current liabilities decreased by EUR -11.6 million to EUR 49.4 million. This decrease is mainly due to the trade payables reduced by EUR -9.9 million compared to the previous year, in particular in connection with the completed construction in China. The increase in other financial liabilities of EUR +2.1 million compared to the previous year is a result of the higher lease commitments in the financial year.

KEY FIGURES FOR CORPORATE MANAGEMENT

The company's financial control parameters relate to four categories:

- Economic efficiency
- Growth and investment
- Capital commitment
- Financing

The achievement of the category targets is measured on the basis of various key figures and compared against the targets set. The following comparison relates to the target achievement compared to the forecast published in the 2019 Annual Report published on 21 April 2020. Depending on the company's situation, it is possible and meaningful to adapt the objectives such that the respective defined strategy of the entire company can be achieved as effectively as possible.

1. Economic efficiency

SCHWEIZER assesses economic efficiency using the profitability ratios of EBITDA in EUR and the EBITDA ratio. The EBITDA ratio indicates EBITDA as a percentage of sales. EBITDA in EUR represents a profitability indicator within the income statement that also shows a high correlation to cash flow. For instance, it may be appropriate to tap additional sales potential with merchandise, although the corresponding margin may be below the average margins to date. This can, for example, increase the potential of internal and external financing for the company's investments and development services. The EBITDA ratio, on the other hand, measures the quality of sales in relation to profitability. In order to ensure a balance between volume and qualitative growth, both ratios are of equal importance at SCHWEIZER.

Due to the uncertainties of the coronavirus pandemic, SCHWEIZER has broken down the forecast for financial year 2020 according to a more optimistic scenario and a more pessimistic scenario. The range of the EBITDA ratio in the optimistic scenario was between -2 to -6 percent including the planned China project costs. An optimistic sales growth forecast of between -10 and -15 percent – in relation to the sales for financial year 2019, in the amount of EUR 120.7 million – resulted in a forecast EBITDA of between EUR -2 and -6 million. The range of the EBITDA ratio in the pessimistic scenario was between -4 to -8 percent including the planned China project costs. A pessimistic sales growth forecast of between -20 and -25 percent – in relation to the sales for financial year 2019, in the amount of EUR 120.7 million – resulted in a forecast EBITDA of between EUR -4 and -8 million. Due to the stable estimates during financial year 2020 and the expected restructuring expenses, the forecast was limited to one scenario in the 2020 half-yearly financial report. Compared to the more pessimistic scenario in April 2020, the forecast resulted in another increase in the range of negative EBITDA ratios to -8 and -12 percent for financial year 2020. This corresponds to an EBITDA of around EUR -7 million to EUR -11 million. The actual EBITDA reached was EUR -9.5 million. Adjusted for special items in the amount of EUR 2.9 million, which primarily resulted from restructuring costs, EBITDA would be at EUR -6.6 million.

2. Growth and investment

SCHWEIZER measures the "growth and investment" category on the basis of the key figures of growth ratio and investment ratio. The growth ratio shows the percentage change in sales compared to the previous period. After sales in the amount of EUR 120.7 million were realised in 2019, SCHWEIZER set a target range of between -10 and -15 percent for 2020 in the more optimistic scenario, which was equivalent to target sales of between EUR 100 million and EUR 110 million. In accordance with the more pessimistic scenario, the range of the rate of change for the forecast sales was between -20 and -25 percent, which is equivalent to target sales of between EUR 100 million and EUR 90 million. In the 2020 half-yearly financial report, the forecast was adjusted to -23 to -28 percent. This corresponded to sales of EUR 87 million to EUR 93 million.

Sales of EUR 98.3 million were in fact generated in the financial year, which represents a decline of -18.6 percent compared to the previous year.

The ratio of cash flow from investing activities (excluding divestments) to EBITDA in EUR represents the investment ratio. Due to the negative forecast for EBITDA, calculating the investment ratio for 2020 will not be appropriate. Group-wide, the expectation for total investments was in an amount of approximately EUR 20 million. The investments made in the financial year (excluding divestments) amounted to EUR 22.5 million.

3. Capital commitment

An important factor in liquidity management is the optimisation of capital commitment. The capital commitments are measured by the working capital. Working capital is the difference between current assets and current liabilities. This is calculated by deducting current liabilities from current assets (excluding liquid funds). There is growing pressure from customers to extend payment terms and to set up consignment warehouses. Longer payment terms combined with a higher sales volume will lead to an increase in receivables and thus in pre-financing requirements.

Another important factor is inventory management. As part of working capital management, the aim is to reduce inventories of raw materials, consumables and supplies, semi-finished goods and finished goods. The task of working capital management is to optimise supplier liabilities by managing payment terms and setting up consignment warehouses. SCHWEIZER prefers to consistently exploit potential cash discount income where possible for reasons of maximising profitability. This is an attractive alternative, especially given the current low-interest-rate phase combined with high liquidity holdings, even if it does not minimise working capital. SCHWEIZER had forecast a level of working capital in line with the change in sales for 2020. During the financial year, working capital amounted to EUR 18.4 million. Adjusted for receivables from repayable grants from government institutions in China, which were not yet due for recognition in the previous year, this would result in actual working capital of EUR -3.9 million. This represents an increase of EUR +9.4 million compared with the previous year. The decrease in trade payables, which had increased sharply in the previous year due to the building construction, was significant for the increase in working capital. As expected, the current assets adjusted for the receivables from government grants reduced by EUR -4.4 million, and is equivalent to -9.9 percent compared to the previous year.

4. Financing

In recent years, SCHWEIZER has concentrated on very stable balance sheet structures, high equity ratios and very low debt. The key figures used to measure the target category of "financing" are the equity ratio and net gearing ratio. In last year's annual report, a significant decrease in the equity ratio was forecast for 2020 in accordance with the scenarios described and again confirmed in the forecast in the half-yearly report. The equity ratio fell from -6.7 percent points to 17.4 percent in the financial year. The net gearing ratio is calculated as interest-bearing liabilities less liquidity holdings in relation to equity. A significant increase in the net gearing ratio was expected for 2020. The actual net gearing ratio amounted to 181 percent in the financial year (2019: 61 percent).

Goal attainment of the Schweizer Group

The following table shows the attainment of the targets in financial year 2020. The forecast originates from the 2019 Annual Report published on 21 April 2020.

	2019 actual	2020 target (April 2020 forecast)		2020 actual
		More optimistic scenario	More pessimistic scenario	
Sales / compared to PY	EUR 120.7 million / -3.7%	-10% to -15%	-20% to -25%	EUR 98.3 million / -18.6%
EBITDA ratio	0.1%	-2% to -6%	-4% to -8%	-9.7%
Working Capital	EUR -13.3 million	Equivalent to change in sales	Equivalent to change in sales	EUR 18.4 million adjusted EUR -3.9 million
Net gearing ratio	61%	Significant increase	Significant increase	181%
Equity ratio	24%	Significant decrease	Significant decrease	17.4%

SCHWEIZER ELECTRONIC AG

Explanations according to HGB

Schweizer Electronic AG, headquartered in Schramberg, is the parent company of the six companies of the SCHWEIZER Group. Besides the plant in China, operational since spring 2020, Schramberg is home to a production facility for printed circuit boards, research and development, central sales and the central administrative functions of the Group. The financial statements of Schweizer Electronic AG were produced in accordance with Sections 242ff. and Sections 264ff. of the HGB and according to the relevant provisions of the German Stock Corporation Act (AktG). The regulations regarding large corporations apply.

Development of earnings

Income statement according to HGB (condensed version)

	2020	2019
	EUR thousands	EUR thousands
Sales revenue	76,146	95,412
Cost of goods and services provided to generate sales	-69,057	-82,167
Gross profit	7,089	13,245
Distribution costs	-4,078	-4,708
General administration expenses	-10,202	-12,810
Other operating income	2,257	2,656
Other operating expenses	-2,564	-1,064
Income from holdings	-5	9
Other interest and similar income	7	20
Depreciation from financial assets	-111	0
Interest and similar expenditure	-1,535	-1,134
Taxes on income and revenue	-4	1,024
Earnings after tax/net loss for the year	-9,146	-2,761
Profit carried forward	3,251	6,012
Net loss (PY net profit)	-5,895	3,251

Schweizer Electronic AG achieved sales of EUR 76.1 million in the reporting year (2019: EUR 95.4 million), which represents a decrease of -20.2 percent. This decrease was characterised by the economic downturn in the second quarter due to the coronavirus pandemic.

In the second and third quarters in particular, there was a corresponding reluctance to award contracts by customers in the automotive sector as well as in the industrial sector relating to machinery and equipment manufacture. The reason for this was primarily the numerous disruptions in supply chains and the associated temporary plant closures.

The order book as of 31 December 2020 decreased by -14.3 percent to EUR 86.8 million compared to the previous year. Of this total stock, PCBs worth EUR 62.6 million are scheduled for delivery in 2021.

The slowdown in demand in the automotive and industrial sectors that was already apparent in the fourth quarter of the previous year continued in the first quarter of 2020, and was accelerated in particular in the second quarter of 2020, as a result of the coronavirus crisis with cancellations and postponements of orders and delivery schedules. At the end of the third quarter and especially in the fourth quarter of 2020, a dynamic recovery of incoming orders and sales set in again.

The gross margin fell by EUR -6.2 million to EUR 7.1 million, representing 9.3 percent of revenue (2019: 13.9 percent).

Distribution costs decreased by EUR -0.6 million to EUR 4.1 million (2019: EUR 4.7 million), administrative costs dropped by EUR -2.6 million to EUR 10.2 million (2019: EUR 12.8 million) as a result of cost savings, short-time work and a reduction in the employee base. In contrast, allocations to provisions for litigation risks and restructuring costs had an opposite effect in the functional areas.

The operating result / EBIT in 2020 was EUR -7.5 million (2019: EUR -2.7 million). The EBIT ratio thus amounted to -9.8 percent (2019: -2.8 percent). Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR -3.1 million (2019: EUR +1.6 million). This equates to an EBITDA ratio of -4.0 percent (2019: +1.6 percent).

Tax income decreased by EUR -1.0 million compared to the previous year. Income taxes in the previous year were influenced in particular by the capitalisation of deferred taxes on utilisable loss carryforwards and led to a positive tax result of EUR +1.0 million. The net loss for the year thus amounted to EUR -9.1 million (2019: EUR -2.8 million).

Development of net assets and financial position**Balance sheet under HGB (short version)**

Assets	31/12/2020	31/12/2019
	EUR thousands	EUR thousands
Fixed assets		
Intangible assets	682	895
Tangible assets	33,887	34,516
Financial assets	40,511	47,023
	75,080	82,434
Current assets		
Inventories	12,773	15,261
Receivables and other assets	17,825	19,127
Cash on hand, bank balances	3,515	7,262
	34,113	41,650
Prepayments and accrued income	202	156
Deferred tax assets	1,297	1,241
Total assets	110,693	125,481
Liabilities		
Equity	46,281	55,427
Provisions	13,960	15,490
Liabilities	50,452	54,565
Total liabilities	110,693	125,481

As at 31 December 2020, the net assets of Schweizer Electronic AG decreased by EUR -14.8 million to EUR 110.7 million.

Fixed assets declined by EUR -7.4 million to EUR 75.1 million compared to the same period in the previous year. The decrease mainly due to the capital reduction carried out at Schweizer Pte. Ltd., Singapore in the financial year, in the amount of EUR 6.0 million, which resulted in a corresponding reduction in the carrying amount of the investment at Schweizer Electronic AG.

Current assets decreased by EUR -7.5 million to EUR 34.1 million. In addition to the decline in liquid funds of EUR -3.7 million, this was also due to the reduction in inventories as well as receivables and other assets amounting to EUR -3.8 million as a result of the lower sales compared to the previous year.

As at the balance sheet date, equity amounted to EUR 46.3 million which was due to the annual net loss of EUR -9.1 million. The equity ratio thus amounted to 41.8 percent (2019: 44.2 percent).

Due to the close integration and its weighting within the Group, Schweizer Electronic AG's target attainment is reflected in the Group's target attainment. The development of the Group's business activity forecast in the previous year for this financial year is primarily a result of the development of the parent company's targets. The sales of the PCBs produced at the Schramberg site in the amount of EUR 68.4 million (2019: EUR 84.6 million) declined sharply at -19.1 percent. Sales revenue for the financial year is thus within the range forecast in the previous year of a decline in the amount of -10 percent to -25 percent. The EBITDA of Schweizer Electronic AG amounted to EUR -3.1 million, which equates to an EBITDA ratio of -4.0 percent (2019: +1.6 percent) and is thus within the range forecast in last year's status report of +2 percent to -4 percent. Net gearing increased by EUR +4.8 million to EUR 34.8 million. The main reason for this was the assumption of a loan in the amount of EUR 3.6 million from KfW's special programme. The significant decrease in the equity ratio and the large increase in the gearing ratio meets the expectations from the previous year.

Forecast report (HGB)

The estimates of the business development in the forecast report of the SCHWEIZER Group also serve as premises for the forecast of the key figures of Schweizer Electronic AG which has a significant influence on the performance of the Group.

Moderate growth is expected for the production site in Germany. In the financial year, extensive restructuring measures were implemented in Schramberg with the goal of lowering the break-even point of the site by -20 to -30 percent. An EBITDA ratio of +3 to +7 percent is thus forecast for 2021. Furthermore, it is expected that the gearing ratio will increase slightly and the equity ratio reduce moderately unless an equity capital measure is carried out.

FORECAST REPORT

The year 2021 will continue to be determined by the issues of dealing with the pandemic, international trade relations and restrictions with a focus on the development of the US-Chinese relations in a post-Trump era and the implementation of Brexit regulations.

CORONAVIRUS PANDEMIC

Even if the major uncertainties about the effects of the coronavirus pandemic have allayed slightly compared to the previous year, the vaccination programmes in most nations have started and significant progress on the treatment of the viral illness has been made; noticeable consequences on the macroeconomic situation from this topic are expected for 2021.

Increasing uncertainty about the mutations of the virus and about the effectiveness and availability of vaccinations as well as the resulting relief from lockdown measures and travel restrictions also harbour significant uncertainties for economic growth and the stabilisation of global supply chains. Highly differentiated recoveries in economies, depending on the respective occurrence of infection, continues to be expected. In our view, normalisation will occur the quickest in China, followed by other countries in the Asia/Pacific region. How quickly the situation in the United

States and Europe normalises is not yet foreseeable at the time of writing due to the still dynamic occurrence of infections, however, for our plans we expect a normalisation after herd immunity is reached beyond the end of 2021.

An internationally linked supply chain depends on all market participants and regions returning to a normal state. If one considers that developing countries will not be able to be supplied with sufficient vaccinations in the foreseeable future, a complete return to intact global supply chains before 2022 is not likely.

INTERNATIONAL TRADE

The future trade relations between the EU and the United States or China as well as the relationship with the United Kingdom after Brexit are other areas for concern.

Downside risks arise from the increasing protectionism and the associated risk of harmful foreign trade policies to the detriment of others. The coronavirus crisis has once again shown the risks that global dependencies harbour. Continental value-added chains are likely to partially replace global production in the long term. It can be expected that politicians will increasingly provide incentives in the future to be able to guarantee a crisis-proof basic supply at least at the continental level. Gaining control through spatial proximity, regulatory requirements such as mandatory controls under the Supply Chain Act (environmental standards and working conditions), reduction in CO₂ emissions due to reduced intercontinental transport flows as well as pushes by the United States or China to solidify their geopolitical supremacy in the American and Pacific sphere favour a strengthening of continental value-added chains. However, this emphasis on local supplies could result in movements fanned by protectionism, which would have a negative effect on global economic growth. Finally, new hurdles can also be expected in Europe in 2021 due to Brexit as from 1 January 2021. Many detailed regulations must still be worked out and smooth cross-border processes still need to be established.

GDP GROWTH FORECAST

The expectation for the macroeconomic development of the global economy is fundamentally positive, in particular due to the expected easing of the coronavirus crisis. However, growth could be curbed by the challenges described in the global supply chains.

After the deep recession in the global economy in 2020, growth of around +4.8 percent is expected again for 2021. The growth driver will, in turn, be China with an increase in gross domestic product of +7.5 percent. This would mean that China's growth in 2020 and 2021 will be around +10 percent on a cumulative basis. The other countries, that are expected to achieve above-average growth rates in 2021 are those that were affected particularly badly by the recession in 2020. For example, growth of +6.6 percent is forecast for France, after a shrinkage of -9.7 percent in 2020, still resulting in a negative development when taking 2020 and 2021 together.

For the euro area, which was affected by a comparatively strong recession in 2020, GDP growth of +5.0 percent is expected, thus higher than the United States for which an improvement of +4.0 percent is expected.

For Germany, an increase in GDP of +4.5 percent is forecast, which is below the EU average. However, it needs to be taken into account here that the GDP in Germany of approximately -5.4 percent was significantly more resilient in 2020 than the EU average which was at -7.4 percent.

A differentiated picture arises for the industries. While the medical, telecommunications and consumer markets clearly experienced an upturn in some cases due to the pandemic, the automotive and aviation sectors suffered the most. For the latter, it is expected that the time to normalisation to pre-COVID levels will be the longest. In October 2020, 5 percent of German automotive suppliers even expected to not reach this level at all again.

On this basis, a technical recovery in 2021 of around +13 percent is expected for passenger car sales. The growth driver will be America with +22.2 percent and Europe with growth of +14.8 percent. The increase in sales in China will be clearly below average at +5.4 percent. The current components shortage could have a dampening effect on the growth of automobile production. The manufacturers of semiconductors have run into major capacity problems to deliver the ordered quantities in time due to the high demand in the consumer sector and the sharp growth in the automobile sector. This has also resulted in short-time work at European automobile manufacturers.

(Sources: Deutsche Bank Research, N.T. Information Ltd., German Association of the Automotive Industry (VDA), Handelsblatt)

OUTLOOK FOR SCHWEIZER

For 2021, SCHWEIZER expects a significant recovery in its key figures. Our solutions focus on customers in order to meet their demanding challenges in connection with the technology trends of electric mobility, automated and networked driving and the new mobility concepts. The dynamic of SCHWEIZER's recovery will largely depend on two factors.

The first factor is the development in the new high-tech plant in Jintan (China). The technology qualifications to be completed in 2021, with a focus on HDI technology and the chip embedding technology for 48-volt systems as well as various important certifications such as IATF16949 for the automotive industry and the ISO environmental certifications, will be a watershed for the plant and smooth the way for the production of technology products in great demand. This will likewise open the door to greater internationalisation and an expansion in the customer base. On the other hand, the coronavirus pandemic could have a noticeable effect on the development of the plant in China in 2021. Situational lockdowns, continued quarantine obligations and thus virtually stalled intercontinental mobility will make it more difficult to establish a new production site.

The second important factor for the development of the company will be the stability of supply chains in the global context. A shortage of components in the long term may not only lead to limits in customer demand but also put pressure on the supply of parts for the printed circuit board industry. This could lead to an undersupply and result in pressure to increase prices.

In the previous year, we decided to present our forecast in two scenarios. The reason for this was the high level of uncertainty about the effects of the coronavirus pandemic at that point in time. For this forecast, we do not regard it as necessary to present different scenarios. Nevertheless, we feel we are forced to apply a larger forecast range than in normal times due to the still prevailing above-average uncertainties. This larger range is necessary due to the uncertainties of the pandemic and the highly dynamic development in the Jintan plant (China).

Sales forecast

For 2021, we expect a sales growth of around 20 to 30 percent, which equates to sales of around EUR 120 million to EUR 130 million. This means that we plan to significantly exceed the growth expectations of our most important customer groups – by gaining additional market share. SCHWEIZER will benefit from the new opportunities arising from the technological qualification of the plant in China. This will result in higher potential sales with existing customers due to the possibility of offering a wider product portfolio at competitive prices. Furthermore, intelligent interaction between the plants in Germany and China is creating the necessary conditions for also moving forward in new customer groups and regions.

We expect to gain market shares in all customer groups. In doing so, we forecast a below-average increase in the automotive segment and strong growth with customers in the non-automotive sector. The share of these customers is expected to be approximately 40 percent.

The majority of the increase in sales will be enabled by the start-up of the plant in China. In contrast, we expect moderate growth for the production site in Germany. The partner business with WUS and Meiko is only expected to decline slightly.

Earnings trend

For the Group, we forecast an EBITDA ratio of 0 to -6 percent in relation to sales for 2021. The expectation of this significant improvement compared to 2020 is linked to the full effectiveness of the restructuring measures at the Schramberg site and better coverage of fixed costs due to the start-up of the production of technology products in China.

In the financial year, extensive restructuring measures were implemented in Schramberg with the goal of lowering the break-even point of the site by -20 to -30 percent. We have not divested but moved our focus from a reduction in the fixed-cost basis to greater flexibility in the event of fluctuations in demand. With these measures, we were able to reduce the cost basis in the personnel and fixed-cost area to the upper single-digit millions. We successfully concluded these measures mostly by the end of 2020. This created the conditions necessary to be able to produce profitably even in a prolonged post-COVID crisis, without losing the option of returning to pre-crisis levels when demand increases in terms of production volume.

On the other hand, all the resource measures were taken in investments and personnel in Jintan (China) to be able to reach the objectives aimed for in 2021. These investments in growth were necessary to be able to meet the increasing demand for high-quality products and highly trained employees. As Jintan (China) is expected to grow strongly in the next few years as well, we intend to make further investments in personnel and production capacities in 2021. The profitability of the new plant is expected to benefit greatly from the technologically demanding product portfolio and the related margin improvement. Nevertheless, we do not expect positive earnings contributions from this plant before the end of 2021.

Investitionen

Despite the challenging overall situation, SCHWEIZER will continue with the investment programmes to prepare its plants for further growth and new technologies. We are planning an investment volume of EUR 17.5 million in the Group. Due to the expected EBITDA, it is also not appropriate to prospectively calculate an investment ratio.

As in the previous year, the investment focus will be on the development of capacities in the plant in China. The funds will be provided for the development of production capacity in the second phase. The objective is to double the capacity to approximately 2,400 square metres of PCBs per working day by the beginning of 2022. The funds required for this are less than that required for the previous phase as many infrastructure investments have already been aligned to a higher production capacity. Adaptations to the facilities could be carried out based on specific customer requirements. Cost optimisation and automation play a key role in the investments.

In Schramberg, we will focus on technological enhancements and the topic of digitalisation in the investment programme. There are indications of greater customer demand for highly complex products for the Schramberg site. In the production process, this requires a high level of flexibility as well as a great deal of plant expertise to be able to make complex products ready for series production in the shortest possible time at high quality.

Liquidity and financing

As in 2020, the securing of liquidity will play an important role in 2021. The combination of strong growth, continued large investments and the necessary maintenance of liquidity reserves continue to pose great challenges for cash management due to the still major uncertainties of the pandemic. When it comes to cash management, we will continue to follow the strategy of local financing structures. This was realised in China through the relevant project loan agreements by means of tailored non-recourse financing. The funds required for the plant investments will also be obtained from these credit lines in 2021. The amount of the credit line was tailored to the first two start-up phases. With the planned increase in volume, the working capital, within the meaning of customer receivables and inventories of raw materials, semi-finished products and finished products, will also increase significantly. As a result of the inflow of further grants from public authorities in China amounting to approximately EUR 6.7 million in 2021 as well as the operating cash flow from the increase in sales, liquid funds will be available for this purpose. In the future, the working capital requirements will also be covered by relevant credit line agreements.

At the Schramberg and Singapore sites, following the stabilisation of the business volume coupled with the realised reduction in the break-even level in 2021, we again expect positive free cash flow that will enable the servicing of all the interest and repayment obligations also in the future. No significant new long-term loans are planned to be taken up at Schramberg and Singapore in 2021. The possibility of leasing to finance investments will also be used in 2021 on a case-by-case basis. Adequate amounts of unutilised credit lines from working capital loans are available to compensate for temporary peaks in working capital requirements.

Furthermore, measures to strengthen the Group's equity capital position at the level of individual companies were reviewed.

Due to the planned assumption of new loans in China and an increase in working capital corresponding to sales growth, in particular due to the high level of sales growth in China, we expect a significant increase in the net gearing ratio in the Group in 2021. Disregarding possible equity capital measures, the equity capital ratio is expected to again reduce to 10 to 15 percent by the end of 2021 due to the expected losses in China.

OVERALL STATEMENT ON THE DEVELOPMENT

Based on the forecasts for the development of the global economy, the PCB market and SCHWEIZER's new structure of a German-Chinese PCB company, we expect an increase in Group sales of between 20 and 30 percent for 2021. In relation to sales, we forecast an EBITDA ratio of 0 to -6 percent. The expectation of this significant improvement compared to 2020 is linked to the full effectiveness of the restructuring measures at the Schramberg site and better coverage of fixed costs due to the start-up of the production of technology products in China.

Forecast for the SCHWEIZER Group

	2020 actual	2021 forecast
Sales / Growth ratio	EUR 98.3 million / -18.6%	20% to 30%
EBITDA ratio	-9.7%	0% to -6%
Working Capital	EUR 18.4 million	increase in accordance with business volume
Net gearing ratio	181%	Significant increase
Equity ratio	17.4%	10% to 15%

OPPORTUNITIES AND RISKS REPORT

For SCHWEIZER, as a supplier of technologically outstanding and safety-relevant products, the structured and transparent assessment of opportunities and risks is essential for our business activity and our corporate goal of achieving sustained company success. The opportunities to realise growth and the introduction of new technologies must always be weighed against the associated risks. Against this backdrop, our risk strategy is aligned, on the one hand, towards realising opportunities that arise, and on the other, towards actively reducing risks by means of countermeasures and, in particular, avoiding risks that threaten the very existence of the company. To this end, risk management is closely linked with corporate planning and the implementation of our corporate strategy. All Group companies are integrated in SCHWEIZER's risks and opportunities management system.

The structure of our risk policy is based on a number of different, complementary elements within a risk management and control system. As part of an internal reporting process, function-specific issues and related opportunities and risks are reported on to the Supervisory Board and the Executive Board. The Management Board provides regular written and oral reports to the Supervisory Board. The Management Board receives an annual risk report which is prepared on the basis of quality assurance measures using a risk scoring system.

In addition, for risk identification and evaluation, other information sources are also used, such as the weekly rolling liquidity plan and the regular management reports. Potential material risks and opportunities are discussed and the required measures are set at fortnightly meetings by the Management Board and the management staff. Risks are evaluated on the basis of all the information that the management has available. The internal control system with respect to the accounting system (ICS) is another element in this respect.

Particular attention was paid to risk management and reporting of impacts and measures to overcome the coronavirus pandemic in 2020. A task force with the essential functional areas was established to analyse, carefully monitor and mitigate the different effects of the coronavirus pandemic. In this way, the flow of information across departments was ensured and appropriate measures taken. The focus was and is mainly on the health and safety of employees, securing liquidity and business continuity.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH RESPECT TO 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 fundamental design of the control system aims to ensure effectiveness and include all the important legal units and key functions. The system monitors the principles and procedures on the basis of preventive and detective controls.

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 and consolidated 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 the Executive Board level;
- Preventive 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 consolidated financial statement with the status report, including a division of functions and pre-defined approval processes in relevant areas;
- Measures that ensure correct IT-supported processing of accounting-related facts and data integrity,
- Inclusion of external experts for complex accounting issues in the accounting process as well as a multi-stage assessment process between the finance and accounting departments and the Executive Board,
- 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.

Evaluation of effectiveness

The effectiveness of the internal control system governing the financial accounting process is systematically evaluated. Initially, an annual risk analysis is performed 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. In addition, risks that arise are systematically identified and suitable corrective measures initiated in the course of monthly reports to the Supervisory Board on the financial, earnings and net asset situation and process-related key figures.

At the end of the annual cycle, we check and confirm the effectiveness of the internal control system governing the financial accounting process. The Executive Board and 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.

RISK AND OPPORTUNITY MANAGEMENT SYSTEM

We divide opportunities and risks into four main categories: strategy, finance, operations and compliance.

Schweizer risk management system

Strategy	Finance	Operations	Compliance
Market and competition	Liquidity	Procurement	Patents / copyrights
Technology	Exchange rates / interest rates	Processes (incl. IT)	Personnel / employees
Customers		Legal risks	Insurance management
Investitionen			Regulatory risks

OVERALL ASSESSMENT

The Management Board assesses the corporate opportunity and risk profile for the categories of strategy, finance, operations and compliance once a year. The most important information sources are the SCHWEIZER risk management system and other internal and external analyses and reports. Finally, the Executive Board uses its own assessments to arrive at a final overall evaluation.

The following opportunity and risk assessment was determined based on the information currently available:

	Risk	Opportunity
Strategy	Medium	High
Finance	High	Medium
Operations	Medium	Medium
Compliance	Medium	Low

STRATEGY

Market and competition (risk: medium – opportunity: high)

As already explained in the forecast report, the further progression of the coronavirus pandemic and the measures taken to curb it are importance factors for the further economic development of the world, individual regions and individual industries.

With automotive customers accounting for 74 percent of sales in 2020, SCHWEIZER is heavily dependent on the development of this industry. In the past year, the global market for passenger car sales was significantly weaker than in 2019. The main reason for this was the start of the coronavirus pandemic in spring 2020 which led to lockdowns first in Asia and then also in Europe.

The growth forecasts for passenger car sales are significantly better for 2021 which is, however, due to the low starting base in 2020. Excluding the continuing uncertainties due to the coronavirus pandemic, SCHWEIZER expects a slow return to normality for 2021.

Should the weak passenger car sales trend continue or be exacerbated by an overall economic downturn, this would have an impact on the sales growth and profitability of SCHWEIZER.

This general risk of lower passenger car sales is countered by the transformation of the automotive industry to more hybrid and electric vehicles (more electronics per vehicle) and thus higher demand for printed circuit boards.

SCHWEIZER's high quality and technological expertise, as well as its local proximity to many of the world's largest Tier-1s, gives it the opportunity to be successful as a reliable partner in this market. SCHWEIZER sees opportunities for a good market positioning in the e-mobility sector thanks to its embedding technology in 48-volt applications, the expansion of global distribution activities with the development of global distribution teams and the implementation of distribution partnerships.

A further risk is the competitive situation in the automotive segment, which is becoming significantly fiercer in an international context. In particular, Asian PCB companies are forcefully trying to establish themselves in this customer segment, in order to profit from the medium-term growth opportunities and to better diversify their customer portfolios. SCHWEIZER meets this trend with its Asian partner network and the successful start-up of its own high-tech production facility in Jintan (China). The qualification of the new plant in China opens up new opportunities for SCHWEIZER as well as greater sales potential with existing customers, the provision of a broader product portfolio and thus the gaining of additional market shares.

Technology (risk: medium – opportunity: high)

The biggest risk for SCHWEIZER, however, continues to be the enormous cost and competitive pressure in the PCB and automotive industry in which projects with high margins can only be won with adequately high levels of differentiation (USPs or unique selling points). Especially in high-growth markets, alternative developments at the system level that try to bypass USPs to find more cost-effective solutions can therefore be expected.

A further challenge is in the transfer of technology to the plant in Jintan (China) that was started in 2020. In addition to new processes in the PCB itself, embedding technology includes far-reaching changes in the supply chain as well as in the handling, testing and quality and cleanliness requirements. These experiences, gained over many years in Schramberg, must be introduced to the new plant on a very tight schedule and reliably implemented in the production technology. Due to the coronavirus pandemic, it was not possible last year to second employees to Jintan (China) and, vice versa, it was also not possible to train new employees from Jintan (China) in Schramberg. We must therefore assume that this situation will continue past mid-2021, which will make the transfer activities significantly more difficult and cumbersome.

The opportunities in the technology segment continue to be assessed as high. The p² Pack embedding technology that is increasingly manifested in the market and can be developed and enhanced forms the basis for this. SCHWEIZER expects to win further customer projects in the 48-volt segment together with semiconductor partner Infineon, which will also be produced at the new production site in Jintan (China) from 2023. In addition to high production capacities, more cost-effective manufacturing processes are available there than at the parent plant in Schramberg. Even with a conservative market penetration of p² Pack embedding technology in the 48-volt starter generator market, high revenue can be realised which will ensure capacity utilisation at the plant in Jintan (China). The sales potential for the SiC-based high-voltage variant for 400/800 V wiring networks is estimated to be even higher. However, an estimate shows that with an ambitious change from combustion engines to electric motors, this may lead to a shortage of SiC semiconductors, meaning that alternative solutions (e.g. with IGBT or GaN semiconductors) may take effect. SCHWEIZER tries to counter this with the broadest development approach possible which, however, cannot be sustained in the long term due to the limited availability of resources; accordingly, there must be a focus on the most promising approaches.

Customers (risk: medium – opportunity: medium)

A share of sales of more than 74 percent in the automotive sector and a share of 60 percent of total sales with the five largest customers entails significant risks for SCHWEIZER should there be significant changes in their market, profitability or financial situation.

With the global positioning with the production sites in Germany and China, new customers can be generated more effectively in sales markets such as the industrial, medical and aviation sectors. With our technological expertise, flexibility and the quality standard of the parent plant in Germany, the chances of developing market share in these areas increase.

SCHWEIZER has been able to establish itself as a reliable technology partner for the European and, in the future, also Asian automotive suppliers. This opens up good opportunities to profit from the innovative talent of these customers. SCHWEIZER's most important customers are global leaders in their segments. The barriers to market entry are generally high for new competitors due to the high level of technological expertise and the required quality approach.

Investments (expansion investments) (risk: high – opportunity: high)

SCHWEIZER has embarked on a clear growth strategy. This growth will be made possible in particular with the construction of a new printed circuit board plant in China. The site in China will enable the company to implement key strategies that previously could not or cannot be achieved to a sufficient extent either by the Schramberg site or through the cooperation with Meiko and WUS. The additional production capacity available will enable us to provide customers with printed circuit boards in the volume segment as well. Furthermore, the lower production costs of the new site will also allow the company to develop product segments with higher price sensitivity for customers. Finally, a presence in the Asian-Chinese market is also a significant opportunity to enter the Chinese and Asian sales markets.

The extraordinarily great opportunities offered by such a plant are also countered by significant risks. In addition to the country risk, there are significant risks in new trade barriers between China and other countries, which could make planned exports to the USA or Europe considerably more difficult. In addition, there is the risk of the coronavirus pandemic continuing for a long time which could have a noticeable effect on the development of the new plant due to situational lockdowns, continued quarantine obligations and restrictions in intercontinental mobility. Furthermore, the construction of a large plant also means high financial burdens in the first few years, with the result that an economic slump, for example, could significantly delay the achievement of profitable full capacity utilisation of the plant.

FINANCE

Liquidity (risk: high – opportunity: medium)

With the implementation of the major investment in the new plant in China, debt has increased. The higher net gearing ratio makes SCHWEIZER more susceptible to an economic downturn. This risk was exacerbated for the automotive and industrial sectors by the global coronavirus pandemic.

In terms of operations, liquidity depends on business performance. There is a risk that the fixed costs relevant to liquidity will not be covered by the fluctuating cash inflows at matching maturities. For this case, Schweizer Electronic AG has taken up a special credit line from KfW.

To mitigate the risk, management has taken measures during the financial year to significantly reduce overhead costs in the long term and appropriately adjusted the investment expenditure for the German site.

Thanks to an appropriate investment strategy and a dividends policy based essentially on free cash flow, SCHWEIZER has the option of adjusting the net gearing of the respective economic financial and earnings position in the future.

Liquid funds can be accessed in the short term. In addition, current account credit lines of EUR 7.2 million are available to Schweizer Electronic AG that can be used temporarily.

A weekly liquidity forecast enables potential bottlenecks to be analysed early and appropriate counteracting measures to be implemented. In addition to the existing project financing for the investment in China, SCHWEIZER has sufficient further financing options, such as factoring, leasing, equity capital measures or bond issuance, available to it.

Major risks include the credit risk of major customers. In the event of an unexpected, material deterioration in creditworthiness, large-scale bad debts can arise. This aspect has taken on even more significance given the global coronavirus pandemic that broke out in 2020 and the economic consequences. The aim of differentiating additional customers from non-automotive segments will make credit risk management even more important in the future. Internal and external sources of information will be evaluated at regular intervals for the initial assessment of the credit line for new customers as well as for all existing customers. These analyses form the basis for internal credit limits. If internal credit limits are exceeded, production and supply orders will be suspended as a first step. If the credit limit cannot be lowered, e.g. by earlier payments, the escalation principle will be applied for a special discretionary approval by the Management Board or delegation to the finance department. If there are indications of a significant deterioration in creditworthiness, various measures such as advance payment and a delivery suspension will be implemented for existing customers, depending on the extent of the problem. In the case of new customers, orders with payment on credit are rejected if their credit rating is insufficient. The Executive Board regularly reviews whether credit insurance policies are necessary for the most important customers. The underwriting capacity by credit insurance companies is currently restricted due to the progression of the economy and the continuing uncertainties regarding the macroeconomic development.

Exchange rates / interest rates (risk: medium – opportunity: medium)

The exchange rates of the most important currencies against the EUR have been subject to significant fluctuations in recent years. At the end of 2020, the USD had depreciated by -9.3 percent compared to the beginning of 2020. The high was at USD/EUR 1.0638 and the low at USD/EUR 1.2348, which equates to a fluctuation range of 16 percent. In 2020, the appreciating EUR compensated for the price increases in the commodities markets relevant to SCHWEIZER to a certain extent. An appreciating trend in the USD would result in a higher buying price for commodity-related materials such as copper foils and laminates as the most important commodity markets are listed in USD. This could also lead to a corresponding increase in the purchase prices of printed circuit boards from the production facilities of our Asian partners on a EUR basis, some of which also purchase commodities on a USD basis. Adequate hedging strategies can mitigate increases as a result of unfavourable developments in the exchange rate. SCHWEIZER counters these risks mainly by means of adjusted selling prices when calculating quotations and in the form of the notification of price increases to major customers. Derivative financial instruments may be used to hedge risks arising from fluctuating commodity prices, in particular for gold and copper, in line with the assessment of price trends in the commodities market. The use of such financial instruments is subject to strict guidelines. As of the balance sheet date, there were no hedging transactions for commodities prices due to the assessment of market developments during the year.

The volatility and fluctuation margins of the gold price on the global market can lead to significant increases but also to reductions in the use of materials in a financial year. In 2020, the procurement volume for the use of gold salts in the production process was in line with the previous year and amounted to EUR 3.6 million at an average price of EUR 30.20 per gram (2019: EUR 27.71 per gram). A fluctuation margin of +/- 10 percent in relation to this price would result in a maximum increase or decrease of approx. EUR 360 thousand in the price of the raw material for the same procurement volume, with a direct effect on the income statement. This holds true for the assumption that the gold price would be purchased at the corresponding market price, which would be higher or lower on average.

On the other hand, there is the possibility that PCB importers, that procure from the USD currency area in the context of an appreciation scenario for the USD, will lose competitiveness in Europe, which would benefit Europe as a production location.

The hedging instruments used by SCHWEIZER take into account existing foreign currency balances and foreign currency receivables and payables as well as expected payment flows in foreign currencies.

In order to reduce currency risks and to secure the calculation basis for customer orders, natural hedging is carried out wherever possible, or derivative financial instruments may be used depending on the assessment of developments on the currency market. Currency risks are monitored and managed centrally. There were no cross-year hedging contracts as of the balance sheet date.

Although SCHWEIZER has a higher level of debt due to the financing of the major project in China, the risks from an increase in the general interest rate level are classified as low. On the one hand, a significant increase in the German and Chinese interest rate level is not to be expected in the short to medium term; on the other hand, SCHWEIZER is constantly reviewing the use of interest rate hedging instruments.

A further decline in the interest rate level would have a further negative impact on the result due to the required discount factor-related transfers from pension provisions. As a result of the expectation of the long-term development of the interest rate curve, no interest rate hedging transactions were carried out in the financial year.

OPERATIONS

Procurement (risk: high – opportunity: medium)

SCHWEIZER is also expecting risks in 2021 due to the coronavirus pandemic. Delays in the global supply chain, which affect both the delivery of materials and merchandise from our Asian partners, can have a negative impact on the development of sales and earnings. The logistics issues that were already evident early in 2020 with longer delivery times, small freight volumes for air/sea/train/truck transports coupled with massively increasing costs did not abate, contrary to the plans communicated by freight agents mid-2020. SCHWEIZER is also expecting massive additional expenses in 2021 in the area of logistics.

Besides the uncertainty in the global economic development, the change in the base raw materials plays a further key role in SCHWEIZER's planning. Important commodities such as gold, copper, palladium and aluminium that have a direct impact on the company's cost situation were characterised by sharp price increases in 2020 and are in addition very volatile.

The exit of the United Kingdom from the European Union on 31 December 2020 is relevant for SCHWEIZER on the procurement side and will therefore continue to be followed without change. SCHWEIZER considered the potential consequences from this at an early stage. After the analysis of our own supplier portfolio, qualifications were started and partly completed. In order to ensure the supply of the relevant items, a temporary adjustment was made to the company's own inventories and an increase in the inventories of the affected suppliers on the European mainland was implemented. The temporarily higher inventories have been reduced again.

The start of production at the plant in Jintan (China) had a positive effect in addition to the long-standing partnership with Meiko and WUS. Due to the close cooperation, SCHWEIZER is and was able to mutually supply materials and would be able to compensate for regional supply bottlenecks. The increase in the volume of the company's own production facility and the close alignment at the strategic and operational level will result in further synergies that will have a positive impact on costs and reduce the procurement risk for the entire Group.

Processes (incl. IT) (risk: medium – opportunity: medium)

The internal production planning and administration processes are substantially supported by IT systems at SCHWEIZER. Disruptions or loss of production resulting from the non-availability of IT structures would significantly limit the company's ability to operate. For this reason, SCHWEIZER has taken a variety of measures to reduce these risks, such as precautions in the event of a sudden loss of data or the robust and fail-safe design of business-critical systems. Further risks arise in the field of cyber security from cyber crime and unintended information outflow. In order to ensure the availability, integrity and confidentiality of our data and that of our customers, we follow recognised standards such as the ISO2700x family of standards.

SCHWEIZER sees opportunities above all in Industry 4.0 concepts and in the area of machine learning, in order to further automate the software and production landscape and to open up new efficiency potential.

Dangerous substances, such as chemicals, are used in SCHWEIZER's production processes. Any environmental damage could lead to significant financial consequences and production outages.

Legal risks (Risk: medium – Opportunity: low)

The increasing complexity of products paired with the ever greater speed of innovation increases the risk that recourse risks due to product problems (functionality, quality and delivery reliability) will occur. Furthermore, the danger of infringing industrial property rights also increases, which could entail legal disputes. Increased business activity on the international market (procurement and sales) brings with it an increasing risk of exposure to foreign jurisdictions.

In March 2017, a lawsuit was filed against one of our foreign subsidiaries. The lawsuit was dismissed by the court of first instance and the appeal court. The judgement of the appeal court is now in force.

In addition, one lawsuit was filed by former chairs of the Management Board against SCHWEIZER Electronic AG in connection with the extraordinary termination of their employment contracts. The success of the lawsuit would have a material impact on the net assets, financial position and results of operations of the company concerned if the payments decided by the courts were higher than the provision made for this.

COMPLIANCE

Patents / copyrights (risk: medium – opportunity: low)

The number of patents and property rights in the area of electronics and PCBs is constantly increasing. An unintentional infringement of property rights in a series product gives rise to the risk that products will no longer be permitted to be manufactured or that high payments will have to be made to the owner of the property right. In order to mitigate this risk, the internal Stage Gate process for new product development therefore includes an examination of a potential infringement of industrial property rights. Nonetheless, a conflict cannot always be ruled out because interpreting patents is often quite difficult.

SCHWEIZER has invested heavily in recent years in protecting its intellectual property. As a result, the likelihood of discovering or preventing infringements of industrial property rights in this regard is increased.

Personnel / employees (risk: medium – opportunity: medium)

Qualified employees are an essential building block for SCHWEIZER's success. Business development could be negatively affected by the loss of qualified employees. In addition, competition for highly qualified employees, specialists and talents remains high. We counter the loss of knowledge with timely succession planning and qualification. The company actively promotes further training measures. Appropriate competition clauses and confidentiality agreements are used to prevent existing know-how from being passed on to competitors.

With the establishment of its own production facility in Jintan (China), the opportunity for SCHWEIZER to recruit highly qualified employees with appropriate industry experience and management expertise will increase. The company's many years of experience and contacts with China support both the process of recruiting and the identification of employees with SCHWEIZER.

Insurance management (risk: medium – opportunity: low)

In addition to the internal organisational measures to avoid risks or counteract those that have occurred as quickly as possible, SCHWEIZER has a comprehensive insurance management system. As part of this, the company takes out insurance policies for material risks, where possible and reasonable. One point of focus of the insurance management system is the coverage of risks that, due to unforeseen events, could negatively impact on the production and business processes. This can, for example, be natural disasters or fires.

A second point of focus is the insurance of third-party damages caused by a lack of product quality or damages to third parties caused by the company, such as environmental damage.

Against the background of a general increase in cyber criminality, SCHWEIZER is in extensive contact with experts from the insurance company on avoiding loss and has included a relevant cyber insurance policy.

As a further point, insurance management includes the new plant in Jintan (China). To avoid risk, the same measures as in the parent plant are taken here.

As not all potential risks can be insured against or cannot reasonably be insured against, a residual risk does remain for SCHWEIZER, which is covered through internal compliance management and defined management processes, such as IT data security using firewalls and recovery processes.

Regulatory risks (risk: medium – opportunity: low)

The changing regulatory requirements, such as the prohibition of specific processes or materials could result in increased production costs. If confidentiality requirements are violated on the customer side or statutory provisions are violated, SCHWEIZER may face significant fines. SCHWEIZER has taken organisational measures to prevent the occurrence of these risks or to mitigate them and is continuously developing these measures. In principle, SCHWEIZER expects all the applicable laws and regulations to be complied with without restriction by all employees and business partners. Furthermore, a whistleblower system was introduced to prevent or minimise violations and the resulting risks. This is available to both internal and external persons for absolutely confidential notifications.

OVERALL ASSESSMENT

The medium-term effects from the coronavirus pandemic, the tendency to continental protectionism as well as disruptions to global supply chains with respect to our most important customer groups are currently the most important challenges for SCHWEIZER. Both opportunities as well as risks for the further progress of business arise from this.

Although the coronavirus pandemic has negatively impacted the expected growth rates of many sectors in electronics, a positive trend can be seen. Some sectors in electronics have even gained in importance due to the pandemic. Remote working, individual mobility and applications in the medical field will become ever more important in the future. The topic of digitalisation in all areas of business life and privately is gaining in importance and implementation speed due to the crisis. The partial replacement of personal contact with virtual meetings requires additional electronics and thus also PCBs.

The increasing stability in global supply chains in recent quarters has resulted in increased demand for secure supply models in the manner that SCHWEIZER can better cover it through its German-Chinese structure than a purely European or purely Asian manufacturer. This opens up additional business opportunities for SCHWEIZER.

On the other hand, the coronavirus pandemic has negatively influenced the growth expectations of SCHWEIZER's customer groups – in particular the automotive, aerospace and industrial goods sector. Likewise, the continental protectionism tendencies could lead to further challenges in the value-added chain, which could have a limiting effect on growth opportunities. Finally, there is the risk that the supply bottlenecks of important electronic components, such as semiconductors and

base materials, could have a limiting effect on the existing growth opportunities for some of our most important customer groups or trigger higher prices on the procurement side due to the shortage and thus have a negative effect on profitability, if these cannot be passed on to customers.

For the ramp-up of the plant in Jintan (China), continuing contact restrictions due to the pandemic harbour the risk of lower speed and quality of technology transfers and the development of new customer relationships. These factors could postpone the time of the break-even point and result in additional financing requirements in the meantime.

MATTERS RELEVANT TO ACQUISITIONS

(in accordance with Sections 289a (1) and 315a (1) of the German Commercial Code (HGB))

Composition of the subscribed capital

The company's share capital of EUR 9,664,053.86 is divided into 3,780,000 registered shares (no-par-value 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 Executive 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 ten percent of the voting rights

Mr Christoph Schweizer, resident in Schramberg, Germany, Mr LK Wu, resident in Kunshan, China, to whom the voting rights of WUS International Company Limited based in Tsuen Wan, New Territories, Hong Kong are attributable and WUS Printed Circuit Co, Ltd. based in Kaohsiung, Taiwan, to which the voting rights of WUS Group Holding Co., Ltd. based in Tortola, British Virgin Islands are attributable, each hold more than ten percent of the subscribed capital.

Shares conferring special control rights

There are no shares conferring special control rights.

Type of voting right controls in the case of profit-sharing programmes

There are no profit-sharing programmes or comparable arrangements whereby employees have participating interests in the capital without being able to directly exercise their control rights.

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

The regulations governing the nomination and withdrawal of Executive Board members, as set out in Sections 84 and 85 of the German Stock Corporation Act (Aktiengesetz; 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 Executive Board members as well as their withdrawal. The Supervisory Board is also responsible for appointing a member of the Executive Board as CEO. Deputy board members may be appointed.

The prerequisites for an amendment to the Articles of Association are regulated in Sections 179 to 181 AktG and in Section 17 (2) of the Articles of Association. The power to make amendments and additions to the Articles of Association which only affect the wording has been assigned to the Supervisory Board by the Annual General Meeting (cf. Section 12 of the Articles of Association).

Powers of the Executive Board to issue and buy back shares

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 2021 by up to a total of EUR 4,832,026.93 by issuing new, registered ordinary or preferred shares (no-par-value shares), once or several times, for contributions in cash and/or in kind (authorised capital). The authorisation encompasses the power to issue further preferred shares (with or without voting rights) in the case of the multiple issue of preferred shares, which have priority over or are equal to the preferred shares issued earlier, when distributing the profits or assets of the company. The new shares must, in principle, be offered to the shareholders to purchase. The Management Board is however authorised, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right under the conditions of the resolution of the Annual General Meeting of 1 July 2016.

The Management Board may only avail of the aforementioned authorisation to exclude the subscription right to such an extent overall that the pro-rata amount of the shares issued subject to the exclusion of the subscription right does not exceed 20 percent of the share capital (20 percent limit), neither on the date the resolution is passed on this authorisation nor at the time of its utilisation.

Insofar as use is made, during the term of the authorised capital until its use, of other authorisations to issue or to sell company shares or to issue rights that allow the purchase of company shares or make it obligatory, while the subscription right is excluded, this must be credited against the aforementioned 20 percent limit.

Convertible bonds, inter alia, conditional capital

The Management Board is authorised, subject to the consent of the Supervisory Board, until 30 June 2021, to issue bearer or registered convertible bonds, warrant bonds, participation rights, participation bonds or combinations of these instruments (jointly referred to as "bonds") with or without a restriction on maturity in a total nominal amount of up to EUR 35,000,000.00 and to grant the bearers and/or creditors of convertible or warrant bonds conversion or option rights to new, registered no-par-value shares of the company with a pro-rata amount of the share capital of up to EUR 4,832,026.93 overall. The issue can also be made against contributions in kind. The shareholders generally have a subscription right. However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude the subscription right under certain conditions.

Any issue of bonds for which the subscription right is excluded may only take place subject to the aforementioned authorisation, if the calculated share of the share capital attributable to the sum of new shares to be issued on the basis of such a bond does not exceed 20 percent of the share capital, neither on the effective date nor, if this value is less, at the time the authorisation is exercised. Shares that are issued or sold or that will be issued during the term of this authorisation on the basis of another authorisation, for which the subscription right is excluded are credited against this limit.

The share capital of the company is conditionally increased by up to EUR 4,832,026.93 through the issue of up to 1,890,000 new, registered no-par-value shares (conditional capital). The conditional capital increase is only implemented insofar as the bearers and/or creditors of conversion or option rights or those parties subject to a conversion obligation arising from bonds, which the company or a Group company issued on the basis of the authorisation resolution of the annual general meeting of 1 July 2016 through to 30 June 2021, utilise their conversion or option rights or those bearers/creditors of issued bonds subject to a conversion obligation fulfil their obligation to convert or if the company exercises an option to grant, in whole or in part, no-par-value shares in the company instead of the payment of the due monetary amount and insofar as no own shares or other forms of fulfilment are used to service these rights. New shares are issued at the conversion or option price to be determined in the bond/option conditions, in accordance with the aforementioned authorisation resolution. The new shares participate in profits from the start of the business year in which they come into being through the exercise of conversion or option rights, through the fulfilment of conversion obligations or through the exercise of put options. The Executive Board is authorised, with the consent of the Supervisory Board, to define the further details of the implementation of the conditional capital increase.

Authorisation to acquire own shares and their use

The company is authorised, up to 30 June 2021, to acquire treasury shares up to a total of 10 percent of the share capital of EUR 9,664,053.86 existing at the time the resolution was adopted or – if this value is less – the share capital existing at the time the authorisation is exercised. At no time may more than 10 percent of the relevant share capital of the company be attributable to the shares acquired on the basis of this authorisation together with other shares of the company which the company had already acquired or still owns or which are assigned to it in accordance with Sections 71 et seq. AktG. The authorisation may not be used by the company for the purposes of trading in own shares; otherwise the determination of the purpose of the acquisition is left to the discretion of the Executive Board. The Executive Board may choose to acquire shares via the stock market, via a public purchase offer aimed at all shareholders of the company or via a public invitation to the shareholders to submit offers to sell.

Further information can be found in the publicly available invitation to the 2016 annual general meeting 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 7.7 million provide for an extraordinary right of termination, if one or more people, who act jointly in the meaning of Section 2 (5) of the Wertpapiererwerbs- und Übernahmegesetz (German Securities and Takeover Act; WpÜG), at any time in the future purchase or hold, directly or indirectly, at least 50 percent of the voting rights.

Compensation agreements concluded by the company

In the event of premature termination of an Executive Board member's contract of employment as a result of a change of control, Executive Board members are entitled to a compensation and severance payment limited to three years' compensation. The calculation of the relevant annual remuneration is based on the average of the total remuneration for the last three financial years prior to their exit.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement pursuant to Section 289f and Section 315d HGB forms part of the combined status report and is available in the Annual Report under "Corporate governance statement" and on the Internet at: www.schweizer.ag/en/investor-relations/corporate-governance.html.

NON-FINANCIAL GROUP REPORT

The non-financial Group statement is available in the form of a non-financial Group report as a separate section in the Annual Report and on the Internet at: www.schweizer.ag/en/about-us/corporate-social-responsibility.html.

REMUNERATION REPORT

EXECUTIVE BOARD REMUNERATION SYSTEM

The remuneration system for the Management Board is determined by the Supervisory Board meeting at the proposal of the Personnel and Finance Committee and regularly reviewed. The remuneration of the members of the Management Board should be in compliance with the legal regulations and the recommendations of the GCGC and be based on the customary amount and structure of similar companies and the economic situation and future prospects of the company. The structure of the remuneration system also motivates the members of the Management Board to achieve significant strategic objectives– particular, to increase the value of the company and to strengthen its market position. The remuneration of the Executive Board comprises a fixed and a variable remuneration element. The latter is divided into a component geared towards the achievement of defined targets for the respective financial year (Medium & Short Term Incentive; "MSTI") as well as a component with a long-term incentive effect and a proportion of risk (Long Term Incentive; "LTI"). If one hundred percent of the target is achieved, the variable compensation component MSTI will amount to 30 percent of the gross fixed annual salary and the variable compensation component LTI to 40 percent of the gross fixed annual salary.

Components of the remuneration system

The fixed 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 remuneration component, which relates to the targets for a financial year (MSTI), is geared towards the attainment of the target parameters EBITDA and free cash flow. This remuneration component is paid following adoption of the annual financial statement by the Supervisory Board. The amount is determined by the level of target attainment and is capped at an amount of maximum 60 percent of the gross annual fixed salary (cap).

The second variable remuneration component (long-term incentive or LTI) is a remuneration component with a long-term incentive effect and risk element, which is rolled over in annual tranches each with a 4-year term (performance period). The amount of the long-term incentive is determined by the performance of the share price, the achievement of the return on capital employed (ROCE) target and a corporate factor determined by the Supervisory Board which takes the criterion of sustainability into account. The target amount is converted into virtual shares and paid out at the end of the respective performance period, i.e. after four years. The 2020 LTI tranche therefore runs until the end of 2023. In order to compensate for the disadvantages arising from the conversion of the previous contractual arrangements, a transitional arrangement (LTI-Ü) was agreed for the years 2019, 2020 and 2021. For these three years, the performance period of the LTI-Ü is one year, for each of which an intermediate ROCE target has been defined and agreed in the first 4-year tranche.

The amount of the LTI tranche is determined by the level of target attainment and is capped at a maximum amount of 80 percent of the gross fixed salary. Likewise, depending on the level of target attainment, a variable remuneration entitlement may not be payable at all.

At the proposal of the Personnel and Finance Committee, the Supervisory Board may, in exceptional cases, temporarily deviate from the components of the Management Board remuneration system if this is appropriate and necessary to maintain the incentive effect of the remuneration of the Management Board member in the interests of the long-term well-being of the company. Exceptional cases/developments may include, for example, exceptional and far-reaching changes in the economic situation (for example, due to a severe economic crisis), which render obsolete the initial target criteria and/or financial incentives of the remuneration system, insofar as these or their specific effects were not foreseeable. Against the background of the coronavirus pandemic, the Supervisory Board has made use of this option and instead of determining the annual target criteria and attainment of the Management Board members in office, granted a turnaround bonus.

Executive Board members receive retirement benefits in the form of old age, disability and survivors' benefits.

The members of the Schweizer Electronic AG Executive Board are covered by directors' and officers' liability insurance ("D&O") with an excess of 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).

Remuneration for the 2020 financial year

The remuneration of the entire Executive Board, including pension benefits, amounted to EUR 1.113 million in financial year 2020 (2019: EUR 1,437 thousand) (fixed) and EUR 235 thousand (2019: EUR 730 thousand) (variable).

The recognition of the Management Board remuneration for financial year 2020 is based on the applicable accounting regulations (DRS 17). In addition, the model tables recommended by the German Corporate Governance Code, version of 7 February 2017, form part of the remuneration report – irrespective of the fact that the recommendation to use the model tables has been omitted in the new version of the German Corporate Governance Code (with effect from 20 March 2020). For reasons of transparency, the model tables should be continued until the implementation of the remuneration report introduced by the implementation of the second Shareholders' Rights Directive (ARUG II) as defined in Section 162 AktG.

Remuneration of members of the Management Board for financial year 2020 according to DRS 17

The total remuneration of the Executive Board according to Section 285 Clause 1 No. 9a and Section 314 (1) No. 6a HGB (without pension costs) is distributed to the individual Executive Board members as follows:

in EUR thousands	Nicolas-Fabian Schweizer		Marc Bunz		Dr Rolf Merte	
	Chairman of the Management Board since 09/04/2020		Chief Financial Officer		Chairman of the Management Board until 06/03/2020	
	2020	2019	2020	2019	2020	2019
Fixed remuneration						
Fixed remuneration ¹⁾	259	280	250	270	132	360
Other remuneration ²⁾	126	29	116	19	9	23
Total fixed remuneration	385	309	366	289	141	383
Variable remuneration						
Remuneration with short and medium-term incentive effect (MSTI)	0	139	0	134	0	86
Remuneration with long-term incentive effect (LTI-Ü) ³⁾	0	106	0	102	0	136
Remuneration with long-term incentive effect (LTI)	21	0	21	0	0	0
Total variable remuneration	21	245	21	236	0	222
Total remuneration	406	554	387	525	141	605

¹⁾ Voluntary waiver of 30% of the contractually agreed fixed remuneration from April - June 2020

²⁾ This includes a turnaround bonus that does not depend on the performance of financial key figures in the amount of EUR 98 thousand (Nicolas-Fabian Schweizer) and EUR 95 thousand (Marc Bunz)

³⁾ As a result of the actual situation underlying the payment, a slightly reduced payment for financial year 2019 was made in 2020. Accordingly, the disclosure of the amount of the fund inflow for 2019 by this amount compared to the report as at 31 December 2019 was adjusted.

Dr Rolf Merte left the Schweizer Electronic AG Executive Board on 6 March 2020. According to the cancellation agreement, upon the departure of Dr Rolf Merte, the entitlements to the MSTI salary components for financial year 2020 are forfeited and no pro-rata LTI salary components for financial year 2020 were granted. For the residual claims from the prematurely terminated term of office, Dr Merte was paid an amount of EUR 700 thousand.

Pensions of Management Board members for financial year 2020

Management Board members Mr Nicolas-Fabian Schweizer and Mr Marc Bunz receive retirement benefits (old-age benefits, disability benefits and survivors' benefits) in accordance with a pension commitment. The pension commitment for pension payments refers to a pension that starts being paid out at 65 years of age and amounts to 67 or respectively 48 percent of the base salary. The commitment for occupational disability and surviving dependants' benefits relate to the occurrence of the underlying event (occupational disability and death). These benefits are outsourced to external retirement funds in the form of reinsurance-funded pension plans and are based on the company contributions contractually promised to the Executive Board members and paid to the pension fund. On leaving the company, the entitlement is reduced to the entitlement earned on leaving the company. The contributions to the provident funds are adjusted accordingly on retirement.

The system of pension commitments for Executive Board members was modified in 2018. Newly appointed and future Executive Board members receive a defined contribution plan within the meaning of the German Occupational Pensions Act. Contractually agreed contributions are paid to reinsured provident funds in the amount of a percentage of the base salary. The provident funds take out reinsurance policies for this purpose. The amounts of the pension entitlement at the beginning of the retirement pension correspond to the contractually agreed benefit amounts of the reinsurance policies. In the event of early retirement, the entitlement at the beginning of the retirement pension is reduced to the entitlement reached from the contributions paid to the provident fund up to then. The amount of the entitlement reached depends on the value of the reinsurance coverage at the time of retirement.

In the case of Dr Rolf Merte, this is a defined contribution plan with a retirement pension commencing at the age of 67 years. Contributions to provident funds amount to 20 percent of the base salary.

The following table lists the allocations paid by the company for 2020 to the pension fund and the annual pension entitlements already earned by the Executive Board members.

Pensions of the Executive Board members

in EUR thousands	Financial year	Annual pension entitlement earned as at 31 December	Allocations paid to pension funds
Nicolas-Fabian Schweizer	2020	63	189
	2019	57	189
Marc Bunz	2020	72	195
	2019	66	195
Dr Rolf Merte ¹⁾	2020	3²⁾	30
	2019	2 ²⁾	72
Total	2020	138	414
Total	2019	125	456

¹⁾ Appointed until 6 March 2020

²⁾ Defined contribution plan

Remuneration of members of the Management Board for financial year 2020 according to GCGC 2017 (voluntary disclosure)

The following disclosure of the remuneration granted and received for financial year 2020 takes into account the recommendations of the German Corporate Governance Code as amended on 7 February 2017. The sample tables recommended by the code are used to present the information. The benefit expense corresponds to the allocation to the pension funds.

Allowances granted in accordance with GCGC

The table below shows the allowances granted for financial years 2019 and 2020, including fringe benefits as well as the minimum and maximum remuneration achieved in financial year 2020.

In derogation of the disclosure under DRS 17, the table below of the disclosure under GCGC shows the value of the variable one-year and multi-year remuneration that is granted to Management Board members if 100 percent of the target is achieved.

Benefits granted	Nicolas-Fabian Schweizer Chairman of the Management Board from 09/04/2020				Marc Bunz Chief Financial Officer				Dr Rolf Merte Chairman of the Management Board until 06/03/2020			
	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)	2019
in EUR thousands												
Fixed remuneration	280	280	280	280	270	270	270	270	150	150	150	360
Ancillary benefits	28	28	28	29	22	22	22	19	9	9	9	23
Total	308	308	308	309	292	292	292	289	159	159	159	383
One-year variable remuneration ¹⁾	84	0	168	84	81	0	162	81	0	0	0	108
Multi-year variable remuneration												
LTI-Ü plan	112	0	224	112	108	0	216	108	0	0	0	144
Total	196	0	392	196	189	0	378	189	0	0	0	252
Pension expense	189	189	189	189	195	195	195	195	30	30	30	72
Total remuneration	693	497	889	694	676	487	865	673	189	189	189	707

¹⁾ Values refer to the Medium & Short-Term Incentive ("MSTI") remuneration components

Inflow under GCGC

The following table shows the total remuneration received by the individual members of the Executive Board for financial years 2019 and 2020 in accordance with the GCGC, broken down into their respective components:

Inflow	Nicolas-Fabian Schweizer Chairman of the Management Board from 09/04/2020		Marc Bunz Chief Financial Officer		Dr Rolf Merte Chairman of the Management Board until 06/03/2020	
in EUR thousands	2020	2019	2020	2019	2020	2019
Fixed remuneration ¹⁾	259	280	250	270	132	360
Fringe benefits ²⁾	126	29	116	19	9	23
Total	385	309	366	289	141	383
Annual variable remuneration	0	139	0	134	0	86
(of which for previous years)	0	72	0	70		
Multi-year variable remuneration						
LTI-Ü plan ³⁾	0	106	0	102	0	136
(of which for previous years)	0	2	0	3		
Total	0	245	0	236	0	222
Benefit expense	189	189	195	195	30	72
Total remuneration	574	743	561	720	171	677

¹⁾ Voluntary waiver of 30% of the contractually agreed fixed remuneration from April - June 2020

²⁾ This includes a turnaround bonus that does not depend on the performance of financial key figures in the amount of EUR 98 thousand (Nicolas-Fabian Schweizer) and EUR 95 thousand (Marc Bunz)

³⁾ As a result of the actual situation underlying the payment, a slightly reduced payment for financial year 2019 was made in 2020. Accordingly, the disclosure of the amount of the fund inflow for 2019 by this amount compared to the report as at 31 December 2019 was adjusted.

Benefits in the event of the premature termination of duties

In the event of a change of control, the acting members of the Executive Board have a special right of termination. If the service contract ends within three months of the change of control as a result of the permissible exercise of the special termination right, the Executive Board member is entitled to compensation payments in the amount of 100 percent of the average annual remuneration (consisting of the sum of the gross annual fixed salary, MSTI and LTI) earned over the last three financial years prior to retirement for the remaining term of the service contract. The compensation payments amount to a maximum of the value of two annual salaries. In addition, Executive Board members receive a severance payment of one year's compensation. Overall, compensation and severance payments are limited to a maximum of three years' remuneration.

SUPERVISORY BOARD REMUNERATION SYSTEM

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 annual remuneration component of EUR 15 thousand as well as a variable remuneration of EUR 300 for each EUR 0.01 by which the dividend declared at the Annual General Meeting exceeds a dividend of EUR 0.40 per share with full dividend entitlement distributed to the shareholders. The variable remuneration is limited to a maximum amount of EUR 18 thousand. The Chair receives twice and the Deputy Chair one and a half times this remuneration. Members of Supervisory Board committees also receive a fixed annual remuneration of EUR 15 thousand. The Chair of a committee is paid double and the Deputy Chair one and a half times this amount. The total remuneration of the Supervisory Board in 2020 amounted to EUR 180 thousand (2019: EUR 180 thousand), thereof EUR 180 thousand fixed (2019: EUR 180 thousand) and variable EUR 0 (2019: EUR 0).

Remuneration of the Supervisory Board (excluding VAT) for financial year 2020

in EUR thousands	Fixed remuneration	Remuneration for committee work	Variable remuneration ¹⁾	Total
Christoph Schweizer	30	30	-	60
(2019) ²⁾	15	15	-	30
Dr. Stephan Zizala	23	23	-	45
(2019)	23	23	-	45
Michael Kowalski	15	15	-	30
(2019) ³⁾	23	23	-	45
Chris Wu	15	-	-	15
(2019)	15	-	-	15
Petra Gaiselmann	15	-	-	15
(2019) ⁴⁾	8	-	-	8
Jürgen Kammerer	15	-	-	15
(2019) ⁴⁾	8	-	-	8
Karin Sonnenmoser				
(2019) ⁵⁾	8	8	-	15
Carsten Brudlo				
(2019) ⁶⁾	8	-	-	8
Siegbert Maier				
(2019) ⁶⁾	8	-	-	8
Total for 2020	113	68	-	180
(Total for 2019)	113	68	-	180

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

¹⁾ Based on the dividend proposal of EUR 0 (2019: EUR 0)

²⁾ Member of the Supervisory Board and the Personnel and Finance Committee since 28 June 2019

³⁾ Chairman of the Personnel and Finance Committee until 28 June 2019. Supervisory Board member and member of the Personnel and Finance Committee since 28 June 2019

⁴⁾ Member of the Supervisory Board since 28 June 2019

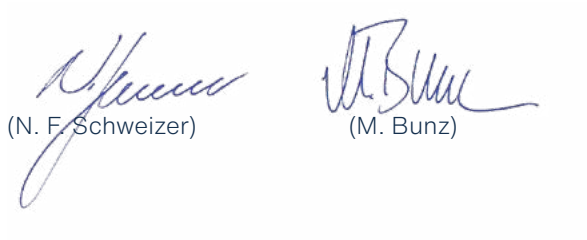
⁵⁾ Member of the Supervisory Board and the Personnel and Finance Committee until 28 June 2019

⁶⁾ Member of the Supervisory Board until 28 June 2019

Schramberg, 06 April 2021

Schweizer Electronic AG

The Executive Board



(N. F. Schweizer) (M. Bunz)

NON- FINACIAL REPORT

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NON-FINANCIAL REPORT

1. INTRODUCTION

As a family business in operation for more than 170 years, the principle of responsible and sustainable management has been the backbone of the company throughout its long history and spurred on the transformation processes that have taken place during this time.

With this non-financial report, we comply with our obligation (Section 289 b (1) HGB and Section 315 b HGB) to disclose the "non-financial information" specified in the CSR Guidelines Implementation Act. This publication was prepared on the basis of the standards of the Global Reporting Initiative (GRI) and the key figures identified as significant for SCHWEIZER.

The sustainability figures refer to SCHWEIZER's German production site, Schweizer Electronic AG, in Schramberg. SCHWEIZER's second production site, Schweizer Electronic (Jiangsu) Co., Ltd., in Jintan (China), was not yet open for normal operations in 2020 and is thus not yet included in the reporting. When building the new plant, a great deal of significance was placed on environmental issues. The most modern and reliable facilities and procedures are used and meet all the strict environmental conditions imposed by the Chinese authorities.

SUSTAINABILITY

Sustainability is a broad field that can encompass a range of aspects. We set out our commitment to sustainable action and the resulting fields of activity in our SCHWEIZER Management Manual (first edition 1996), which aims to turn the complexity surrounding the issue into something we can concretely address and to consistently integrate sustainability into our activities. This manual is updated and expanded on an ongoing basis to meet the latest requirements. The last update was carried out in February 2020.

MATERIAL ASPECTS AND STAKEHOLDERS

The management manual defines sustainable development in terms of quality, environment, energy and occupational safety in combination with other corporate goals as issues for the company's management team to address, and sets out goals, measures, schedules and specifications for its implementation. The business processes and topics described in the Manual – along with our organisational structure – result in the following relevant stakeholders and stakeholder groups for SCHWEIZER:

- Employees
- Customers
- Investors
- Suppliers
- Public authorities

The Management Manual contains a comprehensive analysis of stakeholders and fields of materiality. In addition, surveys were carried out among our stakeholder group of employees in 2020.

The following section of the non-financial statement focuses on environmental, employee and social issues, as well as measures for respecting human rights and combating corruption and bribery.

All information required for an understanding of the business processes, business results, the corporation's present situation and the effects of its activities on the aforementioned aspects is already part of the summarised status report or the corporate governance statement and is therefore not referred to again in this section of the annual report. This information can be understood via the Page GRI Index starting on.

2. MISSION STATEMENT

Our mission statement explains the reasoning behind our strategy and actions. It conveys the values and guiding themes that are the pillars of our success.

VISION

We are a global "best-in-class" technology company. Our products conserve resources to safeguard the future of our children. We are a leading manufacturer of high-quality printed circuit boards (PCBs) and recognised producer of energy-saving, environmentally friendly products and services.

MISSION

Our mission is to ensure the success of our customers – and thus also that of our company! The goals of our customers, their faith in us and our pleasure in constantly pushing the boundaries of what is possible – these are the key drivers behind our success. We are able to achieve this based on our long-term experience, state-of-the-art technology, production methods and processes, and excellent knowledge of our target markets. We focus on attractive and promising business opportunities. Our activities as a family business with a longstanding tradition are geared towards long-term, sustainable success. Our employees form the basis for this success.

VALUES

The following values are important to us and guide our behaviour: Quality, speed, creativity and openness. These values represent the foundation for our past, present and future.

AWARENESS OF QUALITY AND THE ENVIRONMENT

We are committed to reducing energy consumption, increasing energy efficiency, continuously improving our services and contributing to environmental protection. Our aim is to reduce environmental pollution, such as by recycling, and to thereby contribute to protecting our environment. Binding obligations arising from our activities are essential foundations for our actions as is compliance with relevant laws and regulations. We are therefore working openly with authorities and the public on environmental protection issues.

We stand for highest quality levels and operate with utmost care in all facets of our business. In addition, we have set ourselves a goal of zero-defects tolerance and continuously work on improving this even more. For this reason, we reduce rejects and are able to offer our customers the highest possible quality at the same time. This philosophy and approach ensure that we remain fit for the future and place us in the best possible position for any upcoming challenges.

The following guiding principles that determine our actions and are based on our values arise from our mission statement: We are customer-oriented, creative, globally coordinated, versatile, competent, cooperative, friendly, inviting, competitive and consciously responsible.

We have developed the Competency Framework for our employees. It sets out the guidelines for cooperation and management and is intended to help employees and managers orient themselves in their day-to-day work.

3. ENVIRONMENTAL ISSUES

Preventative quality assurance and environmental protection, supplemented with the careful use of energy, not only reduce product costs but also reduce pressure on the ecology. Our resolve to ensure continuous improvement as a significant building block of our approach contributes to this.

Careful planning, regular ongoing maintenance, audits and training prevent the environment from being damaged by unforeseen incidents. Therefore, large retention areas are available for hazardous liquids that prevent liquid from uncontrollably emanating from the buildings or from non-secure areas in the buildings. As a preventative measure, the population in a large radius of the vicinity was informed of unforeseeable events and measures taken to prevent such.

CERTIFICATION AUDITS UM ISO 14001 / EM ISO 50001

In the previous financial year, our environmental and energy management systems were again subject to a regular audit. Both systems passed the audits successfully. The relevant certificates therefore continue to be valid.

ENVIRONMENTAL ISSUES – CORE TOPICS AND INDICATORS

With respect to environmental issues, the following material core topics and performance indicators can be identified for Schweizer Electronic AG's line of business:

- Energy consumption
- CO₂ footprint
- Water consumption
- Waste
- Use of resources (raw materials)

At Schweizer Electronic AG, our employees are actively committed to environmental protection. This is particularly evident in energy management, the high level of readiness to sort waste, and the careful use of water. When measuring the relevant sustainability indicators, SCHWEIZER always refers to the production hour in each case in order to do justice to the increasing complexity of printed circuit boards.

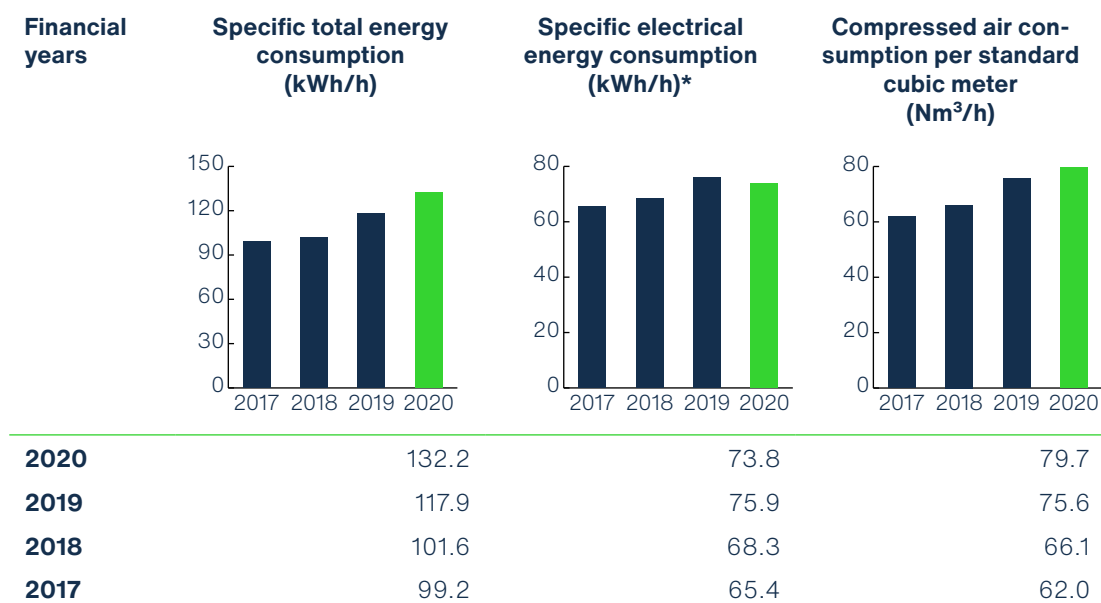
ENERGY CONSUMPTION AND MEASURES TO REDUCE ENERGY CONSUMPTION

Energy efficiency is a key market driver of our PCB business. Our PCBs help our customers in the automotive sector to increase the fuel efficiency of their vehicles and reduce CO₂ emissions. It is therefore logical that energy management plays a significant role at SCHWEIZER, given the products and services we offer. For a company as energy-intensive as SCHWEIZER, energy efficiency is of particular importance not only in terms of conserving resources, but also with regard to cost management.

The specific energy consumption is very much dependent on the company's production capacity utilisation. A relatively high energy baseload of air-conditioning and production facilities at lower process times make up an above average figure in the calculation. For this reason, the lower production capacity utilisation at the Schramberg site had a negative effect on energy efficiency in 2020.

In contrast to the significant key figures on the specific energy consumption per production hour (kWh/h) shown here, the absolute energy power consumption was primarily reduced by approximately 15 percent or 5 million kilowatt hours (kWh) in 2020 compared to the previous year mainly due to utilisation. The use of the combined heat and power plant which has been in operation since 2016, allowed us to produce 20.3 percent (2019: 18.7 percent) of our own electricity in the past financial year.

The key figures identified at Schweizer Electronic AG for reporting are the specific total energy consumption, the specific electrical energy consumption per production hour (kWh/h), and the compressed air consumption per standard cubic meter per production hour (Nm³/h). The target for 2020 was to not exceed 76 kWh/h in specific electrical energy consumption. The increase in the specific figures in the past financial year is due to fluctuations in the production capacity utilisation.



* Due to the high level of electric baseload in printed circuit board production, an adjustment to the key figures was carried out in 2020. The key figure for 2020 is only comparable to previous years to a limited extent. Without the adjustment, the figure would have amounted to 83.25 kWh/h.

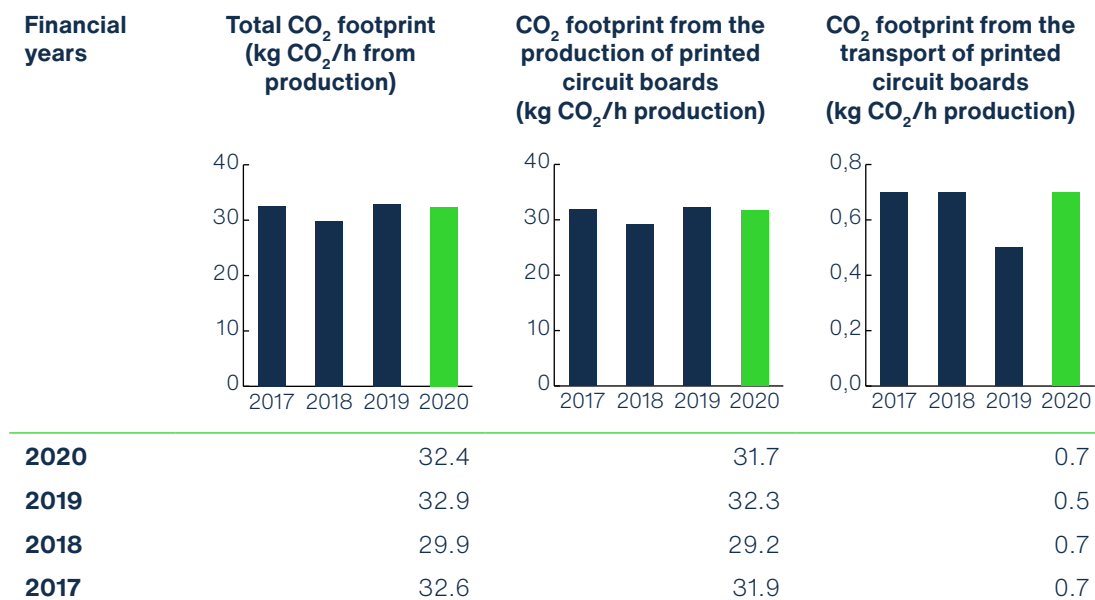
CARBON FOOTPRINT AND MEASURES TO REDUCE CO₂ EMISSIONS

The overall CO₂ footprint is calculated from the production CO₂ footprint and the transport CO₂ footprint. For production, the data from the supply plants for the Schramberg site are used. For transport, CO₂ consumption data from the Federal Environment Agency (UBA), which is recorded per tonne of goods and kilometres driven with the respective means of transport, is used. The CO₂ production footprint includes all indirect CO₂ emissions from electricity consumption and direct CO₂ emissions from gas combustion. The transport CO₂ footprint comprises the CO₂ emissions generated by transporting the finished printed circuit boards to customers.

As part of the ongoing energy-saving measures and the increasing production capacity utilisation, the CO₂ footprint for production per production hour has steadily dropped up to and including 2018. With the exception of 2019, this trend has continued. The reason for this is the higher share of renewable energies for purchased electricity. Since 2016, the company's combined heat and power plant (CHP) has been included in production CO₂ footprint calculations. In 2020, absolute CO₂ emissions were reduced by more than 3,300 tonnes compared to the previous year, which represents a reduction of 24 percent.

All figures shown for the CO₂ footprint refer to production and transport from the Schramberg plant. Sales of Schweizer Electronic AG directly carried out with our partner companies WUS and Meiko amounted to around 30 percent of total sales in 2020 (2019: approx. 30 percent) and are therefore not included in the recognition.

Overall, the transport CO₂ footprint accounts for only about one to three percent of the total CO₂ footprint.

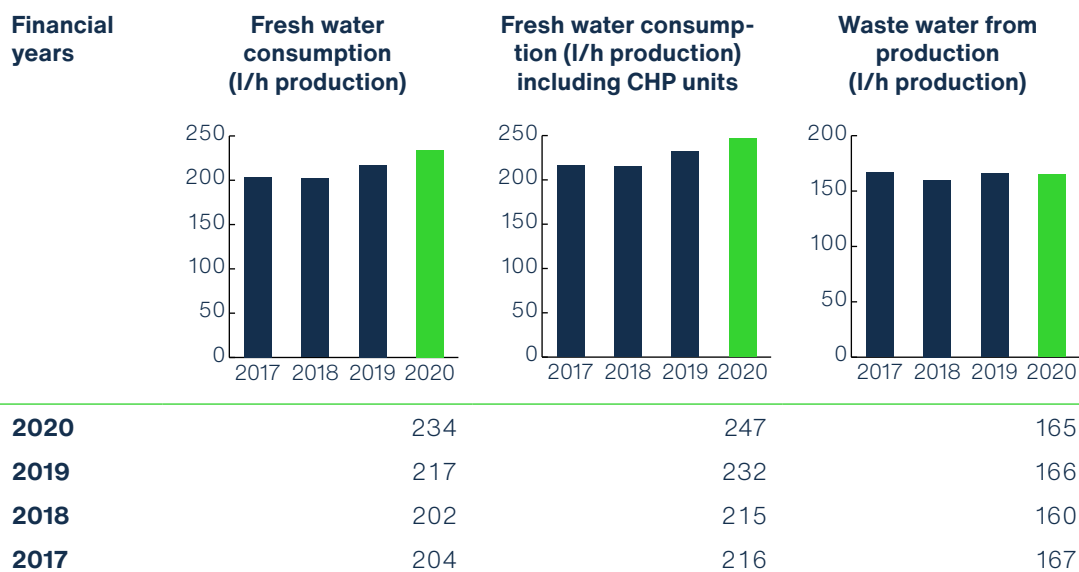


WATER

The production of a printed circuit board contains many water-intensive processes, meaning the consumption of fresh water and the generation of production-related effluents are important indicators for assessing Schweizer Electronic AG's impact on the environment. Therefore, one of our most important tasks in the field of environmental protection is to continuously optimise fresh water consumption and effluents produced during production. For example, excess water from the air-conditioning systems are recirculated to fresh water treatment and not fed to the sewage system. Furthermore, the consumption of treated drinking water is reduced due to the use of rainwater. Environmentally friendly aspects are always taken into consideration when planning and purchasing new plants.

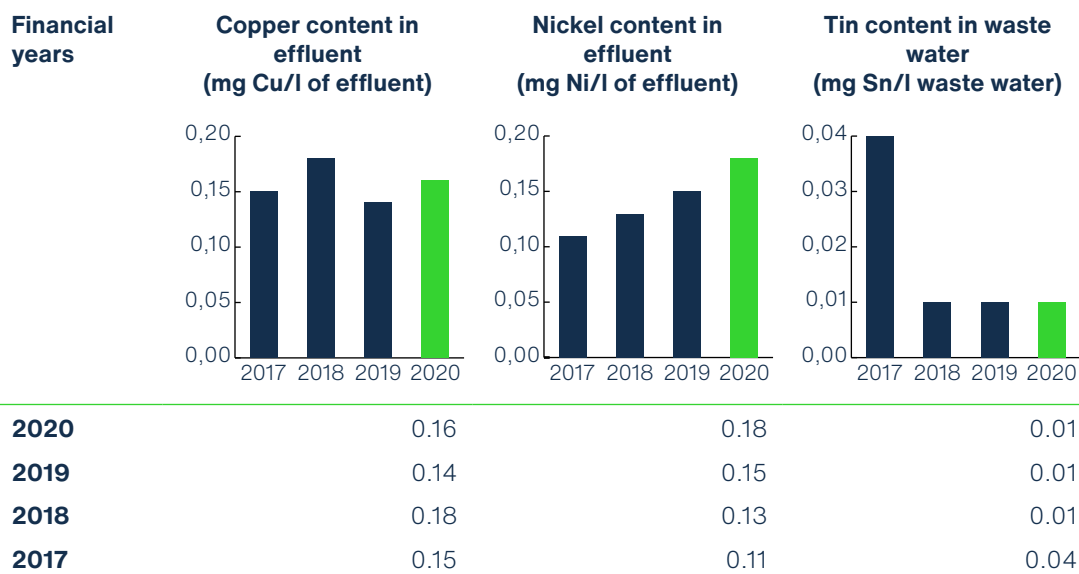
The lower production capacity utilisation also had a negative effect on the fresh water consumption key figures (l/h from production) analogously to the specific energy consumption. The reason for this was due to the basic consumption of fresh water which was not related to the production capacity utilisation.

We have identified fresh water consumption (including consumption by the CHP unit) and waste water from production as relevant key figures for reporting, in each case per hour of production. The target for 2020 was to drop below 180 l/h in terms of waste water from production. Fresh water consumption consists of the water supplied by the city, rainwater and recirculated water.



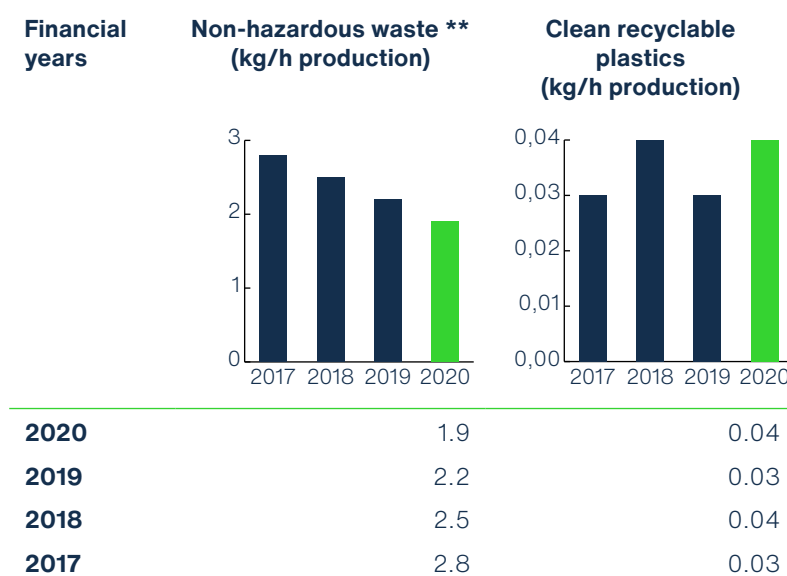
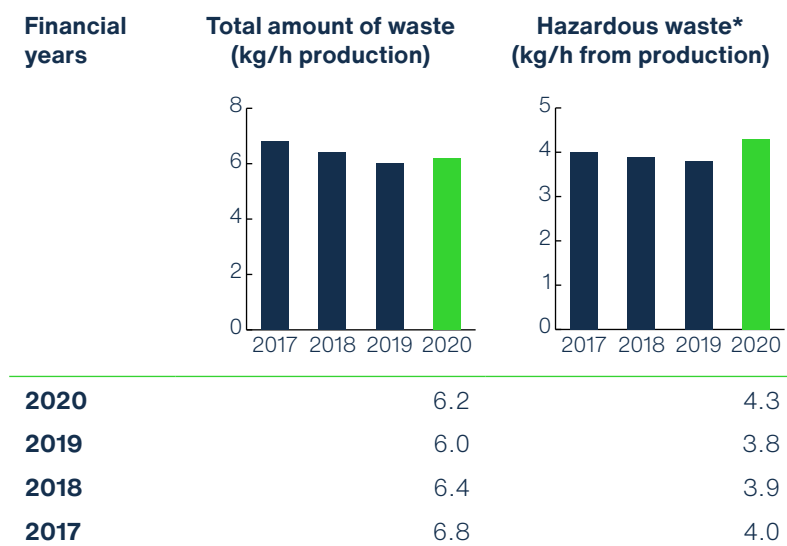
AMOUNT OF COPPER, NICKEL AND TIN IN WASTE WATER

For this report, copper and nickel are the two metals which are especially relevant when identifying metals in water. Both have a permissible limit value of 0.5 mg/l of effluent. For the sake of completeness, we also show the tin content. The limit value here is much higher at 2 mg/l of waste water.



WASTE

Since the first introduction of the environmental management system ISO 14001, the topics of waste and in particular the clean separation of waste is one of our focal points. The goal of consistent separation of the types of waste arising at the company, in addition to the correct disposal, is the way to achieve the best possible use of the waste. Our aim is to avoid waste wherever this is possible in terms of both quality and organisationally. This aim of high-quality disposal can be seen in the fact that more than 80 percent of our overall waste goes to recycling (recovery of metals and any acids or the manufacture of a new product that can be sold). Just under 5 percent can be used for energy recycling. The high share of hazardous waste (in 2020: 70 percent) is specific to the industry due to our in-house electroplating processes.



* in accordance with EU-wide official categorisation; increase in 2020: due to a change in the classification of waste previously not classified as hazardous now classified as hazardous waste.

** in accordance with EU-wide official categorisation; decrease in 2020: due to a change in the classification of waste previously not classified as hazardous now classified as hazardous waste.

RESOURCES

The supply of resources is a rather uncertain factor in the long term: while global demand is increasing, the rising scarcity of resources is leading to restrictions in availability and price hikes. Our mission obliges us to use resources sparingly. Furthermore, the economic factor is relevant for us both in terms of availability to ensure production and cost optimisation in procurement.

We are constantly striving to optimise and redefine our processes technologically to reduce the consumption of raw materials.

For the purposes of this report, we primarily define resources as the materials used in production, from base material laminates, a synthetic resin-impregnated fibre mat, a wide range of metals for the production of conductor paths and the refinement of surfaces, to the chemicals used in wet processes.

The procurement of raw materials / auxiliary materials is carried out according to firmly defined processes.

We generally expect our suppliers to use a QM system based on DIN EN ISO 9000ff and pursue further development towards IATF 16949 as well as have an environmental management system according to ISO 14001 and an energy management system according to ISO 50001/EMAS.

CONFLICT MATERIALS

As a company with a long history and a recognised manufacturer of energy and environmentally friendly products and services, Schweizer Electronic AG takes its corporate social responsibility very seriously. This is why we try to avoid procuring the conflict materials tin, tantalum, tungsten and gold (also known as 3TG) from conflict regions.

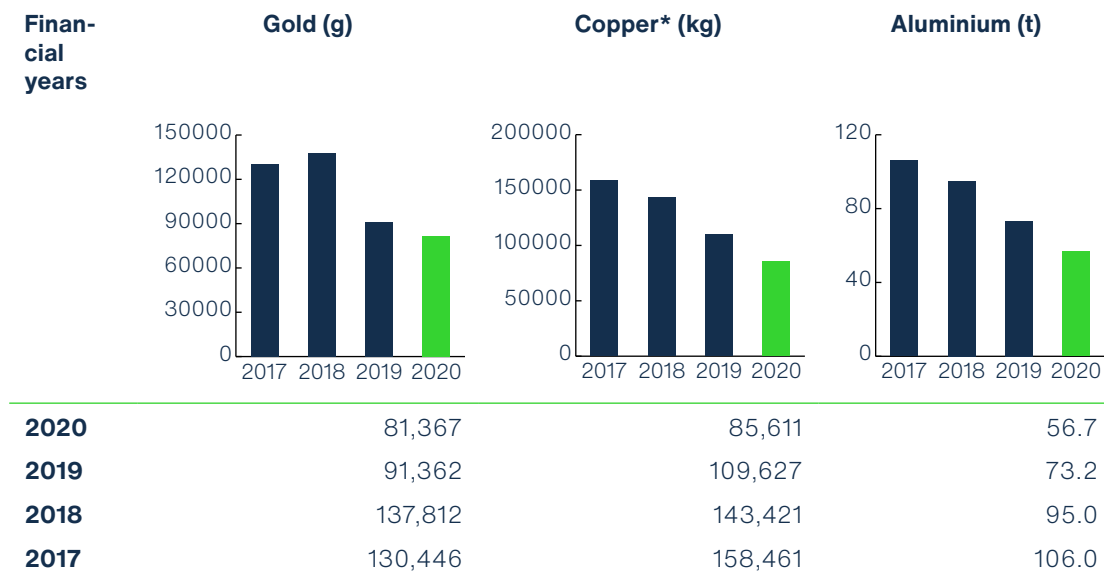
Conflict materials are mined and sold under poor conditions with the aim of supporting and financing armed conflict in the Democratic Republic of Congo and its neighbouring countries. In July 2010, the US government passed the Dodd-Frank Wall Street Reform and Consumer Protection Act to control and prevent the mining and trading of conflict materials. Section 1502 of the Dodd-Frank Act states that US listed companies must assess whether conflict materials are required for the manufacture or operation of their products.

Companies like Schweizer Electronic AG, which supplies to US listed companies, must also inform its customers when conflict materials are present in their products or supply chain.

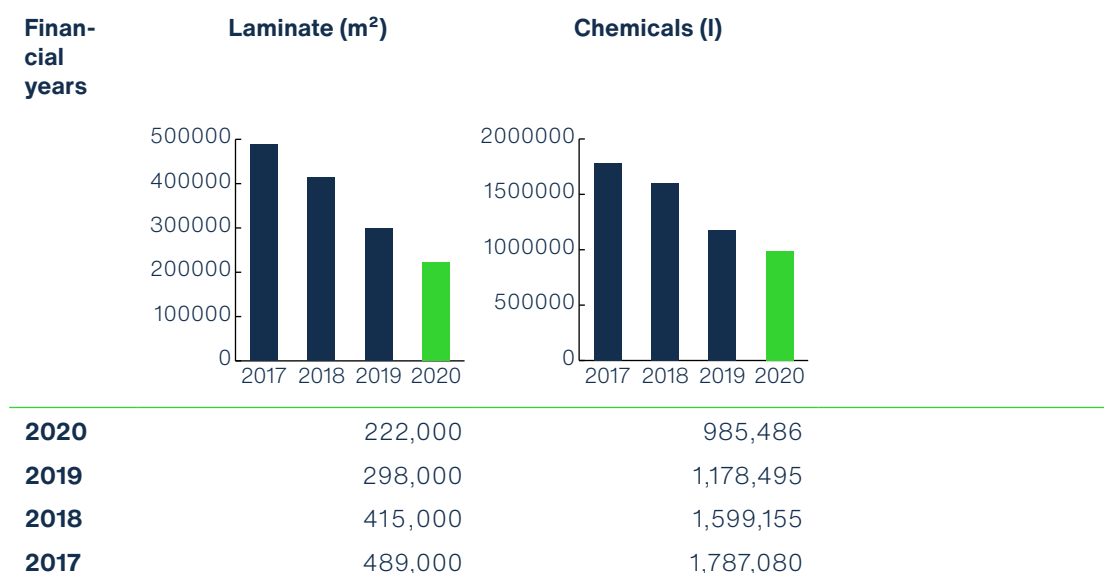
As SCHWEIZER shares the opinion of its customers, we do our best not to purchase raw materials from the Democratic Republic of Congo. This is why we work closely with our suppliers. We expect our suppliers to source their minerals from conflict-free smelters and check their own supply chain for conflict materials. To obtain all the due diligence information we need for our customers, we ask our suppliers to complete the Conflict Mineral Report Template (CMRT).

Due to the COVID-19 pandemic, the materials used declined sharply at the Schramberg plant in 2020. This was due to the lower production volume caused by substantial adjustments to customer orders in the first quarter.

MATERIALS USED BY WEIGHT



* the quantities for copper refer to copper anodes; other copper products (foil or laminates and/or chemicals) are included in the laminates and are not listed separately.



4. EMPLOYEE ISSUES

At SCHWEIZER, the primary focus is on people. Our employees are one of our largest and most important reference groups. This is why employee satisfaction, health and safety, training and further education are essential.

We are committed to our code of ethics and comply with all relevant legal provisions on avoiding discrimination. All employees benefit from equal opportunities and treatment, irrespective of origin, skin colour, gender, creed, sexual orientation, political opinion, social status or other differentiating factors. Employee involvement is a firm component of our corporate culture. The company's management places great value on the opinion of individuals and for this reason the door to the Executive Board and the HR management is, in principle, open to all employees. Anonymised employee surveys and the whistleblowing system are available as further feedback opportunities.

As of the end of the year, Schweizer Electronic AG employed 580 individuals in Germany. The annual average staff turnover rate was 2.96 percent. More than 39 percent of our employees have been with us for more than 25 years. In Asia, we employed 365 people as of the end of the year.

In the context of electric mobility, SCHWEIZER has joined the "green trend" and made charging stations for electric vehicles on the company's premises available. Furthermore, SCHWEIZER also offers its employees the opportunity of a bicycle leasing model for e-bikes.

OCCUPATIONAL HEALTH AND SAFETY

A works agreement was drawn up in the 2017 financial year to be able to determine and evaluate the individual workloads of employees even more effectively than before and to develop measures to improve health protection and ensure humane working environments. This includes conducting risk assessments, recording physical and mental stress, and regulating the assessment of working conditions and measures to be taken in the working environment.

Based on a survey of employees regarding physical and psychological stresses, individual workplace inspections are carried out, prioritised according to the areas that indicate the most hazards according to the employee survey.

Improvements in the structure of the work environment, such as by reducing physical stresses from manual handling of loads or reducing sound pollution at the workplace, were achieved at individual workplaces thanks to the measures proposed by the analytical team which were worked on together with employees and their managers. Effectiveness monitoring and regular iterations of employee surveys assist in securing effective occupational health and safety by means of a continuous improvement process.

In 2019, the seven-day shift system working hour model that includes weekend shifts, was replaced by other existing working hour models in most areas. With these measures, affected employees are now able to structure their weekends in a more family-friendly way.

The health of our employees enjoys the highest priority. A crisis team was therefore established immediately at the beginning of the COVID-19 pandemic. The "Corona Task Force" continuously analyses the current situation and the changes in legislation in order to introduce preventative protection measures. As a result, the employees are kept regularly informed of new developments and sources of danger. Zone concepts were created for the areas in order to minimise the risk of infection, instructions on the AHA-L rules were communicated and, already at the beginning of the pandemic, employees were equipped with medical masks free of charge. These measures were complemented with a rolling remote working concept (working from home) to reduce contacts with colleagues on a preventative basis. All the measures taken assist us in minimising the risk of infection and in overcoming the difficult situation successfully.

COMPANY INTEGRATION MANAGEMENT

In 2018, we introduced company integration management (CIM) and have executed it successfully since then. The objectives of this agreement are overcoming incapacity to work, avoiding future incapacity to work and retention of the workplace.

Securing and promoting employment is the higher-level objective of the development of measures in company integration management. These include measures relating to occupational health and safety, healthy structuring of the workplace, health promotion as well as measures for on-site rehabilitation and vocational further education and training. These measures are carried out in close collaboration with the company doctor.

COMPANY HEALTH MANAGEMENT

In autumn 2019, SCHWEIZER introduced its company health management in collaboration with health insurance schemes and external advice. The aim of the implemented company health management is to adapt and develop company structures and processes in the company to ensure that the work, organisation and conduct at the workplace can be structured in a healthy manner. The purpose of the company health management is to improve employees' health in the long term, strengthen human resources and reduce health risks. In addition, the aim is to increase motivation through good working conditions, raise work satisfaction and improve the working environment. For the company, this means fewer sick days, higher productivity and performance as well as improvements in the quality of products and services.

FLEXIBLE TRANSITION INTO RETIREMENT

Furthermore, an internal working group and the works council devised an in-house solution for partial retirement. This solution facilitates a smooth and flexible transition into retirement for the benefit of our employees. The duration of partial retirement is between a minimum of two to a maximum of six years.

TRAINING

SCHWEIZER employs an average of 21 trainees and dual students who are trained for the company's own requirements. An apprenticeship with us is regarded as the basis for a secure professional future. We believe it is important to employ specialists who have already familiarised themselves with our company during training.

The training programme at Schweizer Electronic AG covers both commercial and industrial professions. The company trains everybody from industrial clerks to industrial mechanics and mechatronics engineers to surface coaters. Depending on requirements, we also employ electronics technicians, IT specialists and dual students in the fields of business administration, industry and business informatics.

Schweizer Electronic AG stands for high-quality training. In addition to technical training in the departments and training workshops, our trainees and dual students are responsible for various projects such as events, company videos and trade fair exhibits. These independent projects promote motivation and independence in their everyday professional life. In addition, workshops, educational trips, team and communication training, training in driving safety and events are provided for the purpose of mutual exchange and to strengthen the community.

In 2019, the learning platform eCademy was integrated into the MLS (Mobile Learning in Smart Factories) digital learning platform in our training system and acts as an additional learning medium for our trainees as a part of training. This learning platform assists trainees in working on subjects from the vocational school classes, to repeat and supplement them, to close individual learning gaps and to thus prepare for their examinations in the best possible way. This learning platform has proven to be extremely useful in particular during the COVID-19 pandemic.

TRAINEE PROGRAMME

As part of the construction of a new plant in China, we started a trainee programme. Over a period of approximately one year, we trained employees at the Schramberg site. They then moved to our plant in China.

FURTHER EDUCATION AND TRAINING

SCHWEIZER offers both external and internal training measures as required. In addition to regular safety briefings, the internal training programme includes a range of courses on innovative technologies and work processes used at SCHWEIZER, including quality and energy management, PC training and seminars on labour and tax law. In addition to imparting knowledge, further education programmes are often primarily aimed at raising awareness, which is why we regard repeat participation as a good refresher in many cases.

PERFORMANCE REVIEWS AND BRIEFINGS ON OCCUPATIONAL SAFETY, ENVIRONMENTAL PROTECTION AND ENERGY MANAGEMENT

Employees' appraisals have been carried out using a new performance assessment system since 2018. The new system is an assessment instrument that is transparent and easy to understand for all employees. The performance appraisal determines the annual performance bonus that is paid as a variable remuneration component in addition to the basic salary and is entrenched in an annual appraisal meeting.

A works agreement on line manager assessments has been in place since 2019. Using this assessment, SCHWEIZER makes it possible for employees to give targeted feedback to their line manager.

Recurring briefings on occupational safety, environmental protection and energy management are also held annually. For newly hired staff, briefings take place on the first working day. The aim of the briefings is to provide employees with knowledge of occupational safety, environmental protection and energy management before starting work for the first time and to motivate them to act accordingly by regularly repeating this training.

The relevant indicators with regard to employment, occupational safety and health protection include the total number of employees hired, staff turnover, accidents at work and the resulting days of absence.

NUMBER OF OCCUPATIONAL AND COMMUTING ACCIDENTS AND RESULTING ABSENCES

Financial year	Number of accidents at work and on the way to work*	resulting days of absence
2020	4	42
2019	7	243
2018	22	286
2017	12	110

*These are accidents at work and on the way to and from work, which are subject to reporting requirements.

Of the total of four occupational and commuting accidents in 2020, a reportable incident related to one commuting accident. This sharp decrease must also be seen against the background of the greater use of working from home arrangements as well as short-time work. An analysis of the relatively high number of days of absence in 2019 revealed that the cause was primarily from accidents on the way to work and not from accidents at work.

NUMBER OF EMPLOYEES AND AVERAGE STAFF TURNOVER RATE*

Financial year	Staff as at 31/12	Average staff turnover rate
2020	580	2.96%
2019	688	6.43%
2018	773	3.20%
2017	783	3.96%

* Schramberg site

TOTAL NUMBER OF NEWLY HIRED EMPLOYEES*

Financial year	Total	male	female
2020	13	12	1
2019	17	11	6
2018	65	31	34
2017	76	45	31

* Schramberg site

On 31 December 2020, 18 women (2019: 17) and no men (2019: 1) were employed part-time at the Schramberg site.

5. SOCIAL ISSUES**CORPORATE SOCIAL RESPONSIBILITY**

For more than 170 years, we have been closely committed to the Schramberg site and are an important employer in the region. It is our concern to not only create and secure jobs, but to promote social, cultural and sporting activities in the city and surrounding region, and to ensure that the location is attractive and worth living in for present and future generations of employees and their families.

Schweizer Electronic AG is also involved in promoting sports at a local level. For years the company has been the main sponsor of the Tria Schramberg e.V. triathlon association and organises local sporting events together with the association. SCHWEIZER's employees also participate in these events. Furthermore our employees are encouraged and supported in participating in other sporting events in the region.

We have supported Forum Kunst in Rottweil since 2018 by providing financial support as part of a "benefactor" agreement. Forum Kunst was established in 1970 as an art association with the aim of promoting engagement with contemporary art. Since its establishment, care has been taken to establish a forum (not only) for regional artists but also to bring national and international artists to the region and to promote exchange in this way. At the same time, this increases the region's attractiveness as a place to live for employees and their families.

In addition, a variety of aid organisations and associations in the region were given donations and products from workshops for people with disabilities in years past. The local voluntary fire brigade was given funding for its anniversary in the last year. SCHWEIZER was, in this way, able to express its appreciation for the important contribution that the voluntary fire brigade makes to the region.

At the beginning of the COVID-19 pandemic in spring 2020, SCHWEIZER used the opportunity of donating, through the Rottweil district, FFP2/FFP3 masks from the company's own inventory to social institutions (hospitals, care homes, etc) in the district in order to alleviate the acute shortage of masks. In addition, the company allowed employees voluntarily involved with the German Red Cross (DRK), Federal Agency for Technical Relief (THW), the fire brigade or similar organisations time off to assist in the fight against COVID-19 if requested to do any voluntary work for the district administration. In an additional spontaneous campaign by the company, local dentists were supported with donations of masks.

6. RESPECT FOR HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION AND BRIBERY

Respect for human rights is a central component of our corporate management and is set out in detail in our Code of Ethics, our CSR policy and our Conflict Minerals Policy, which is communicated to every employee and supplier. For verification purposes, we expect our suppliers to return the completed Conflict Mineral Report Template (CMRT) to us.

We likewise attach great importance to the fight against corruption. We reject all forms of corruption. We therefore expect our employees and authorised representatives to report all suspected cases of corruption to the Executive Board. We have set out all details for the prevention of corruption in an extra guideline and made it available to our employees.

WHISTLEBLOWING SYSTEM AT SCHWEIZER

As we have a keen interest in ensuring that violations against laws, regulations and internal rules are reported in order to detect unlawful conduct in the company and to be able to clarify same, we introduced a whistleblowing system at SCHWEIZER in 2018 and concluded a works agreement in this regard. Reports from employees, former colleagues, customers and third parties at an early stage can assist in developing a preventive strategy in order to avert tangible and intangible losses as well as legal consequences and reputational damage to the company and its employees.

The whistleblower system opens up a confidential communication channel in which employees and other persons have the opportunity to report legal violations or violations of internal guidelines in connection with the company electronically to a central administrator. Special care is taken to ensure that participants' personality rights, informal right of self-determination and data privacy are preserved.

7. GRI CONTENT INDEX

The non-financial statement contains standard disclosures from the GRI Sustainability Reporting Guidelines.

GENERAL STANDARD DISCLOSURES

General standard disclosures	Brief description for the respective disclosure	Reference to the pages of the Non-Financial Report in the Annual Report	Notes
<u>Organisational profile</u>			
102-1	Name of organisation	Non-Financial report 2020 point 1	
102-2	Brands, products and services	Annual Report 2020 p. 32ff	
102-3	Company headquarters	Annual Report 2020 pp. 32, 118	
102-4	Overview of sites	Annual Report 2020 p. 32	
102-5	Ownership and legal form	Annual Report 2020 pp. 32, 118	
102-6	Markets	Annual Report 2020 p. 38ff	
102-7	Size of company	Annual Report 2020 p. 2	
102-10	Significant changes within the organisation and its supply chains	Annual Report 2020 p. 32	
102-11	Precautionary principle or precautionary approach	Annual Report 2020 p. 62ff	
<u>Strategy</u>			
102-14	Statement by the highest decision-making body	Non-Financial report 2020 point 2	
102-15	Significant effects, risks and opportunities	Annual Report 2020 p. 62ff	
<u>Ethics and integrity</u>			
102-16	Values, principles, standards and code of conduct	Non-Financial report 2020 point 2.	
102-17	Procedures regarding advice and concerns relating to ethics	Non-Financial report 2020 point 6	
<u>Governance</u>			
102-18	Governance structure	Annual Report 2020 p. 170f, 186ff	
<u>Inclusion of stakeholders</u>			
102-40	List of stakeholders	Non-Financial report 2020 point 1	
102-42	Determination and selection of stakeholders	Non-Financial report 2020 point 1	
102-43	Approach for the inclusion of stakeholders	Non-Financial report 2020 point 1	
102-44	Important topics and concerns	Non-Financial report 2020 point 1	

General standard disclosures	Brief description for the respective disclosure	Reference to the pages of the Non-Financial Report in the Annual Report	Notes
<u>Reporting process</u>			
102-45	Companies in the consolidated financial statements	Annual Report 2020 pp. 32, 172	
102-46	Procedure for determining the content of the report and topic limits	Non-Financial report 2020 point 1	
102-47	List of important topics	Non-Financial report 2020 point 1	
102-48	New presentation of information	None	
102-49	Change in reporting	None	
102-50	Reporting period	Annual Report 2020 (01/01 - 31/12/2020)	
102-51	Date of last report	Date published: 24/04/2020	
102-52	Reporting cycle	annual	
102-53	Contact for questions about the report	Elisabeth Trik (Investor Relations)	
102-54	Notes on reporting in accordance with GRI standards	The report was prepared on the basis of the GRI standard (2016)	
102-55	GRI content index	Based on the GRI standard (2016)	
102-56	Internal assurance	This sustainability report was not audited externally. The quality of the data was reviewed by the Supervisory Board.	

SPECIFIC STANDARD DISCLOSURES

General standard disclosures	Brief description for the respective disclosure	Reference to the pages of the Non-Financial Report in the Annual Report	Notes
<u>Anti-corruption</u>			
205-2	Communication and training on anti-corruption guidelines and procedures	Non-Financial report 2020 point 6	
205-3	Confirmed cases of corruption and measures taken	None	
<u>Materials</u>			
301-1	Materials used by weight or volume	Non-Financial report 2020 point 3	This is a quantitative list of the most important production materials. Due to its complexity, it is currently not possible to break it down into renewable and non-renewable materials. Packing materials are not included.
<u>Energy</u>			
302-1	Energy consumption within the organisation	Non-Financial report 2020 point 3	
302-3	Energy intensity	Non-Financial report 2020 point 3	The total energy consumption includes electricity and gas. The hour of production serves as the organisation-specific parameter for measuring the intensity. The information for SCHWEIZER indicates specific energy consumption.
302-4	Decrease in energy consumption	Non-Financial report 2020 point 3	
<u>Water</u>			
303-1	Water withdrawal by source	Non-Financial report 2020 point 3	The information is not in absolute values but per production hour.
<u>Emissions</u>			
305-x	Emissions	Non-Financial report 2020 point 3	The diagram contains the total CO ₂ footprint, which includes both direct CO ₂ emissions (gas combustion) and indirect CO ₂ emissions from electricity purchased from utility companies. An additional distinction is made between the CO ₂ footprint resulting from production, which also consists of direct emissions, and the CO ₂ footprint caused by transporting our goods (direct emissions only). Gas, petrol and electricity consumption were used to determine CO ₂ . No oil was used. Since the consumption values of the utility companies (electricity) are not supplied until the autumn of the following year, the value is determined using the previous year's values as an estimate. Information is shown per production hour.

General standard disclosures	Brief description for the respective disclosure	Reference to the pages of the Non-Financial Report in the Annual Report	Notes
<u>Effluents and waste</u>			
306-1	Volume of waste water discharge by quality and place of discharge	Non-Financial report 2020 point 3	The information is not shown in absolute values but in volume per production hour. The quality of the effluents is indicated in mass per volume based on selected residual metal impurities.
306-2	Waste by type and disposal method	Non-Financial report 2020 point 3	The figure includes the total amount of waste and the breakdown into hazardous and non-hazardous waste and clean recyclable plastics per hour of production.
<u>Employees</u>			
401-1	Total number of newly hired employees and staff turnover	Non-Financial report 2020 point 4	The number of employees and the total number of newly hired employees are stated in absolute figures. The fluctuation rate is expressed as a percentage and is not separated by gender.
<u>Occupational health and safety</u>			
403-2	Occupational accidents, lost days, fatalities	Non-Financial report 2020 point 4	A list is provided of accidents subject to reporting requirements at the Schramberg site and the resulting days of absence. There were no fatalities.
<u>Training and education</u>			
404-2	Competence management and training programmes	Non-Financial report 2020 point 4	
404-3	Regular Employee Performance Reviews	Non-Financial report 2020 point 4	It is not possible to list employees by gender or employee category.
<u>Diversity and equal opportunities</u>			
405-1	Diversity in controlling bodies and employees	Corporate governance statement 2020 p. 192ff Annual Report	
<u>Social evaluation of suppliers</u>			
414-2	Negative social effects in the supply chain and measures taken	Non-Financial report 2020 point 6	

CONSOLI- DATED FINACIAL STATE- MENTS

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CONSOLIDATED INCOME STATEMENT

	Note	2020 EUR thousands	2019 EUR thousands
Sales revenue	3.1	98,307	120,739
Cost of sales Cost of goods and services provided to generate sales		-97,938	-108,099
Gross profit		369	12,640
Distribution costs		-4,795	-5,543
Administration costs		-14,504	-15,792
Other operating income	3.2	3,661	3,679
Other operating expenses	3.3	-3,261	-1,505
Operating result		-18,530	-6,521
Financial income	3.4	43	73
Financial expenses	3.5	-2,378	-1,265
Earnings before taxes on income and revenue		-20,865	-7,713
Taxes on income and revenue	3.8	2,983	2,134
Consolidated result		-17,882	-5,579
Of which attributable to:			
Shareholders of the parent company		-17,877	-5,565
Non-controlling interests		-5	-15
Earnings per share	3.9		
Undiluted (=diluted) shareholding		3,770,713	3,769,912
Undiluted, based on the profit attributable to holders of ordinary shares of the parent company		-4.74	-1.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 EUR thousands	2019 EUR thousands
Consolidated result		-17,882	-5,579
Other income			
Other income to be reclassified to profit or loss in subsequent periods (after taxes):		-1,879	-446
Currency translation of foreign operations	4.9	-1,879	-446
Other income not to be reclassified to profit or loss in subsequent periods (after taxes):		-1,167	-1,743
Gains/(losses) on the revaluation of defined benefit pension plans and similar obligations	4.13	-1,494	-2,790
Gains/(losses) on assets measured at fair value recognised directly in equity	4.2	-280	193
Tax on profits	3.8	348	754
Other earnings after taxes		-3,046	-2,188
Overall result after taxes		-20,928	-7,768
Of which attributable to:			
Shareholders of the parent company		-20,957	-7,780
Non-controlling interests		29	12

CONSOLIDATED BALANCE SHEET

	Note	31/12/2020 EUR thousands	31/12/2019 EUR thousands
Assets			
Non-current assets		111,557	150,346
Tangible assets	4.1	99,365	138,468
Intangible assets	4.1	1,524	1,447
Other participating interests	4.2	12	636
Other financial assets	4.4	5	5
Other assets	4.4	0	5,316
Deferred tax assets	3.8	4,965	1,000
Right of use pursuant to IFRS 16	4.3	5,686	3,475
Current assets		85,121	78,504
Inventories	4.5	9,322	9,737
Trade receivables	4.6	19,795	20,962
Contract assets	4.7	8,315	9,168
Tax receivables	3.8	4	890
Other financial assets	4.4	1,476	186
Other assets	4.4	23,236	3,207
Cash and cash equivalents	4.8	22,973	34,353
Total assets		196,678	228,850
Equity and Liabilities			
Equity	4.9	34,274	55,202
Subscribed capital		9,664	9,664
Own shares		-24	-24
Capital reserves		21,795	21,795
Profit reserves		2,748	23,693
Equity attributable to shareholders of the parent company		34,183	55,128
Non-controlling interests		91	73
Non-current liabilities		112,984	112,672
Financial liabilities	4.11	80,333	65,295
Other financial liabilities	4.12	4,093	2,023
Provision for defined benefit pension plans	4.13	23,636	22,573
Trade payables	4.14	0	104
Liabilities from government grants	4.17	0	20,615
Other provisions	4.15	4,334	1,944
Deferred tax liabilities	3.8	588	117
Current liabilities		49,420	60,976
Financial liabilities	4.11	4,615	2,563
Other current financial liabilities	4.12	972	751
Provision for defined benefit pension plans	4.13	908	948
Trade payables	4.14	36,323	46,246
Other liabilities	4.14	3,588	3,771
Liabilities from taxes	3.8	179	42
Other provisions	4.15	2,835	6,655
Total liabilities		162,404	173,648
Total equity and liabilities		196,678	228,850

CONSOLIDATED CASH FLOW STATEMENT

	Note	2020 EUR thousands	2019 EUR thousands
Operating activities			
Profit before tax		-20,865	-7,713
Adjustments to reconcile earnings before taxes to net cash-flows:			
Financial income	3.4	-43	-73
Financial expenses	3.5	2,378	1,265
Amortisation and impairment of tangible and intangible assets	4.1	9,002	6,611
Other non-cash income/expenses		-282	-6
Gains (-) /losses (+) from the disposal of property, plant and equipment and other non-current assets	4.4	-4	-422
Changes in the provision for defined benefit pension plans (without changes recognised directly in equity)	4.13	-471	-243
Change in other provisions	4.15	-1,171	743
Payments received from government grants	4.17	1,003	0
Change in trade receivables and other assets	4.6 / 4.4	7,467	-5,295
Change in inventories	4.5	415	369
Change in trade and other payables	4.14	-6,038	8,690
Interest received	3.4	-26	33
Dividends received	3.4	4	9
Paid / refunded taxes on income and revenue	3.8	669	1,320
Cash flow from operating activities		-7,962	5,288
Investment activities			
Proceeds from sale of tangible assets		365	965
Payments to acquire tangible assets and intangible assets	4.1	-20,275	-63,543
Payments received from government grants	4.17	4,019	20,615
Proceeds from disposals of investments	4.2	344	0
Cash flow from investing activities		-15,548	-41,963
Financing activities			
Incoming payments from the take-up of loans	4.11	19,652	49,577
Payments for the repayment of loans	4.11	-2,563	-7,147
Payments for the repayment of lease liabilities	4.3	-871	-814
Interest paid	3.5	-3,319	-761
Dividend payments	4.9	0	0
Cash flow from financing activities		12,900	40,854
Net change in cash and cash equivalents		-10,611	4,179
Changes in cash and cash equivalents owing to exchange rates		-769	185
Cash and cash equivalents at 1 January		34,353	29,990
Cash and cash equivalents at 31 December		22,973	34,353

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EUR thousands	Note	Subscribed capital	Own shares	Capital reserve	Profit reserve
	no. 4.9				
As of 1 January 2019		9,664	-29	21,837	31,444
Adjustment in accordance with IFRS 16					10
As of 1 January 2019 - adjusted -		9,664	-29	21,837	31,454
Consolidated result					-5,565
Other income					-2,215
Overall result		0	0	0	-7,780
Change in minority interests					
Change in own shares			5		
Long-term incentives				-42	24
Dividend payout					
Allocation to reserves					
Other changes					-5
As of 31 December 2019		9,664	-24	21,795	23,693
As of 1 January 2020		9,664	-24	21,795	23,693
Consolidated result					-17,877
Other income					-3,068
Overall result		0	0	0	-20,945
Change in minority interests					
Change in own shares					
Long-term incentives					
Dividend payout					
Allocation to reserves					
Other changes					
As of 31 December 2020		9,664	-24	21,795	2,748

Included in profit reserves:							
	Profit/(Loss) on remeasuring defined benefit pension plans and comparable obligations	Change in the value of financial assets available for sales	Currency translation difference	Consolidated result (attributable to share- holders of SEAG)	Equity attributable to shareholders of the parent company	Minority interests	Equity
	-3,683	362	1,536	-14,159	62,916	62	62,978
					10		10
	-3,683	362	1,536	-14,159	62,926	62	62,988
				-5,565	-5,565	-15	-5,580
	-1,935	192	-473		-2,215	27	-2,188
	-1,935	192	-473	-5,565	-7,780	12	-7,768
					5		5
					-18		-18
			9		-5		-5
	-5,618	554	1,072	-19,724	55,128	74	55,202
	-5,618	554	1,072	-19,724	55,128	74	55,202
				-17,877	-17,877	-5	-17,882
	-886	-280	-1,902		-3,068	22	-3,046
	-886	-280	-1,902	-17,877	-20,945	17	-20,928
	-6,504	274	-830	-37,601	34,183	91	34,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENT

The SCHWEIZER Group, comprising Schweizer Electronic AG and its subsidiaries, is a global technology company active in the manufacture of high-quality PCBs and the provision of innovative solutions for automotive, industrial and aviation electronics. 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 which stand out thanks to their energy efficiency and consideration for the environment.

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

The consolidated financial statements of the SCHWEIZER Group for the financial year ending 31 December 2020 were prepared and approved for publication by the Executive Board on 06 April 2021.

The consolidated financial statements have been prepared in accordance with Section 315e of the German Commercial Code (HGB), International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as adopted by the European Parliament and Council Regulation No. 1606/2002 on the application of international accounting standards in the European Union. In addition, the supplementary provisions of Section 315e HGB were observed.

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

The consolidated financial statement was prepared essentially applying the historical cost principle, except for derivative financial instruments, and certain debt and equity instruments which have been measured at fair value. The income statement was produced according to the cost-of-sales method. Various items of the consolidated balance sheet and the consolidated income statement were summarised in the interests of a clearer representation and explained accordingly in the notes. The consolidated cash flow statement was prepared in accordance with the indirect method for cash flow from operating activities and in accordance with the direct method for cash flow from investment and financing activity.

ACCOUNTING PRINCIPLES APPLIED FOR THE FIRST TIME

The application of the following pronouncements of the International Accounting Standards Board (IASB) is mandatory for financial year 2020:

		Consequences for the consolidated financial state- ment
Framework concept	Amendments to the references to the framework in IFRS	None
IFRS 3	Amendments to IFRS 3: Definition of a business operation	None
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8: Definition of "significant"	None
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (Phase 1)	Insignificant

No significant effects arise for the consolidated financial statements of the SCHWEIZER Group from the initial application of these pronouncements.

ACCOUNTING PRINCIPLES THAT HAVE BEEN PUBLISHED BUT NOT YET APPLIED

The IASB pronouncements listed below have already been published but their application is not yet mandatory and their applicability, in some cases, still requires adoption into EU law ("endorsement"). The SCHWEIZER Group will not voluntarily apply this prematurely.

The SCHWEIZER Group is currently examining the effects of the amended accounting regulations on the consolidated financial statements. No significant effects are presently expected from the initial application.

Standards / Interpretations		Mandatory application ¹⁾	Adoption into EU law	Anticipated consequences for the consolidated financial statement
IFRS 17	<i>Insurance contracts and amendments to IFRS 17 including amendments to IFRS 17 (published on 25 June 2020)</i>	01 January 2023	No	None
IAS 1	Amendments to IAS 1 Disclosures on accounting policies and classification of non-current/current liabilities	01 January 2023	No	None
IFRS 3	Amendments to IFRS 3 Business combinations	01 January 2022	No	None
IAS 16	Amendments to IAS 16 Property, plant and equipment: Proceeds before intended use	01 January 2022	No	None
IAS 37	Amendments to IAS 37 Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract	01 January 2022	No	None
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements to the International Financial Reporting Standards, cycle 2018 to 2020	01 January 2022	No	None
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)	01 January 2021	Yes	Insignificant
IAS 8	Amendments to IAS 8: Definition of accounting-related estimates	01 January 2023	No	None
IFRS 16	Amendments to IFRS 16: Leases - COVID-19 related rent concessions	01 June 2020	Yes	None

¹⁾ Where adoption into EU law is still outstanding, the key criterion is the time it is enforced by the IASB.

2. SUMMARY OF MATERIAL ACCOUNTING PRINCIPLES

SCOPE OF CONSOLIDATION

The scope of consolidation includes all companies that are controlled by Schweizer Electronic AG. Control is said to exist when Schweizer Electronic AG has a power of disposition over the associated company, is exposed to risk due to, or is entitled to fluctuating returns from, its engagement in the associated company, and is also able to use its power of disposition over the associated company to influence these returns.

The consolidated financial statement is based on the financial statements of Schweizer Electronic AG and its subsidiaries. All financial statements are prepared as at the 31 December 2020 reporting date. The annual financial statements of the individual companies included in the consolidated financial statement have been prepared in accordance with uniform accounting and valuation methods.

Intra-Group profits and losses, sales, expenses and income and all receivables and liabilities between the consolidated companies are eliminated. Deferred tax assets are recognised on consolidation measures that affect profit and loss – insofar as these are tax-effective processes.

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

Number of fully consolidated companies	31 December 2019	Included for the first time in financial year 2020	Eliminated in financial year 2020	31 December 2020
National	1	0	0	1
International	5	0	1	4
Total	6	0	1	5

In financial year 2020, the Chinese company Schweizer Electronic (Suzhou) Co., Ltd. that had previously been a wholly-owned subsidiary of Schweizer Pte. Ltd., Singapore and part of the SCHWEIZER Group was liquidated. The former subsidiary was therefore excluded from the scope of consolidation as at 30 September 2020. This resulted in an amount of EUR 7 thousand which is included in financial income.

A complete overview of the participating interests of Schweizer Electronic AG is provided in the list of shareholdings in Section 7.6.

CURRENCY TRANSLATION

The consolidated financial statements are prepared in the functional currency of the parent company, the euro. The functional currency of the foreign subsidiaries is the respective national currency. For the preparation of the consolidated financial statement, the assets and liabilities of foreign subsidiaries whose functional currency is not EUR are translated at the exchange rate valid on the balance sheet date. Translation of items in income statements is done using the year's average exchange rate. The resultant currency translation differences are recognised directly in equity.

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

Exchange rates EUR	Year-end rate		Average rate	
	31/12/2020	31/12/2019	2020	2019
USD USA	1.2271	1.1234	1.1413	1.1196
CNY China	8.0225	7.8205	7.8708	7.7339
SGD Singapore	1.6218	1.5111	1.5736	1.5272

ACCOUNTING AND VALUATION PRINCIPLES

Intangible assets

The acquired intangible assets are in principle, measured at acquisition cost, reduced by scheduled depreciation and any impairments. When depreciating software on a straight-line basis, a useful life of three to eight years is used. There are no intangible assets with an indefinite useful life.

Tangible assets

Tangible assets are measured at acquisition or production costs, less scheduled depreciation and any impairments. The production costs of internally generated assets also include reasonable shares of required materials and production overheads in addition to the direct individual costs.

Costs of repairs and maintenance are generally recognised as expenses. Costs for implementing larger maintenance works are recognised in the carrying amount of the tangible asset, insofar as the recognition criteria are fulfilled.

Land and plants under construction are not subject to scheduled depreciation. The following useful lives serve as a basis for planned depreciation for the other assets of the tangible fixed assets:

- Buildings: 10 to 50 years
- Technical equipment and machines: 5 to 20 years
- Other plant, factory and office equipment: 3 to 20 years

Scheduled depreciation takes place in accordance with the linear method.

Leasing

At the inception of the lease, SCHWEIZER assesses whether the lease constitutes a lease in accordance with IFRS 16. This is the case if the agreement entitles the holder to control the use of an identified asset for a specified period in return for a fee. If these conditions are met, the SCHWEIZER Group capitalises a right of use in the leased asset and shows the commitment to lease payment as a liability.

The SCHWEIZER Group records rights of use at the date of provision (i.e. at the time when the underlying leased asset is ready for use). Rights of use are measured at cost less any accumulated depreciation and any accumulated impairment losses and are adjusted for any revaluation of lease liabilities. The cost of rights of use comprises the recognised lease obligations, the initial direct costs incurred and the lease payments made at or before the date on which the asset is made available for use, less any incentives received.

Rights of use are amortised on a straight-line basis over the shorter of the lease term and the expected useful life of the leases. If ownership of the leased asset is transferred to the Group at the end of the lease term, or if the costs include the exercise of a purchase option, depreciation is calculated on the basis of the expected useful life of the leased asset. This is particularly the case for former financing leases.

On the date of provision, the Group recognises the lease liability at the present value of the lease payments to be made over the term of the lease. Lease payments comprise fixed payments (including de facto fixed payments) less any lease incentives received, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the Group will actually exercise it and penalties for termination of the lease if the term of the lease takes into account that the Group will exercise the termination option. Variable lease payments that are not linked to an index or (interest) rate are expensed in the period in which the event or condition giving rise to the payment occurs (unless they are caused by the production of inventories).

In calculating the present value of the lease payments, the Group uses its incremental borrowing rate at the inception date of the lease as the interest rate underlying the lease cannot be readily determined. After the provision date, the amount of the lease liability is increased to reflect the increase in interest expense and decreased to reflect the lease payments made. In addition, the carrying amount of lease liabilities is reassessed if there are changes to the lease, changes to the term of the lease, changes to lease payments (for example, changes to future lease payments resulting from a change in the index or interest rate used to determine those payments) or a change in the assessment of a call option for the underlying asset.

The Group's lease liabilities are included in other financial liabilities.

The SCHWEIZER Group avails itself of the relief provided for leased assets of low value and short-term leases with a term of less than one year. With respect to motor vehicles, the SCHWEIZER Group makes use of the option to eliminate the separation of non-lease and lease components and accounts for the corresponding lease components and related non-lease components as one lease component.

SCHWEIZER determines the term of the lease on the basis of the non-terminable basic term of the lease and including the periods resulting from an option to renew the lease if it is sufficiently certain that the company will exercise this option, or the periods resulting from an option to terminate the lease if it is sufficiently certain that the company will not exercise this option. This means that discretion is exercised when considering all relevant factors.

After the provision date, SCHWEIZER reassesses the term of the lease if a significant event or change in circumstances occurs that is within its control and affects whether or not SCHWEIZER will exercise its option to renew or terminate the lease (e.g. planned restructuring of the location or its size).

The interest rate on which the lease is based is generally not readily determinable, with the result that the marginal borrowing rate is regularly used to value the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow, with comparable certainty, the funds it would need to finance an asset with a value comparable to its right of use in a similar economic environment for a similar term. The SCHWEIZER Group calculates the incremental borrowing rate using observable input factors (e.g. market interest rates), where available.

Impairment of non-current assets

For non-current assets, including intangible assets, property, plant and equipment and rights of use in leased assets, a review is performed yearly to determine whether there are indications of an impairment of the assets. If such indications are found to exist, an impairment test is performed. In this process, the recoverable amount of the affected asset is determined and then compared to its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. An asset is deemed to be impaired, if and insofar as the carrying amount exceeds the recoverable amount of the asset. In this case, the impairment loss is immediately recognised through profit or loss.

If an impairment recognised in previous years no longer exists or no longer exists to the same extent due to changes to the underlying estimates, the impairment loss is reversed through profit or loss. The reversal of the impairment loss is limited here to the carrying amount that would have resulted had the impairment not been recognised.

Financial instruments

The following accounting policies are applied to financial instruments since the 2018 financial year.

Financial instruments are recognised on the transaction date of the market-standard purchase or sale; this means on delivery of an asset. On initial recognition, financial instruments are recorded at their fair value. Transaction costs directly attributable to the acquisition or issue are included unless the financial instrument is measured at fair value through profit or loss. Subsequent measurement is based on the respective classification of the financial instruments.

IFRS 9 contains three categories for the classification and measurement of financial assets: measured at amortised cost, measured at fair value in other comprehensive income and recognised in profit or loss. Classification is based on the SCHWEIZER business model for managing financial assets (business model condition) and the contractual cash flows (cash flow condition).

Financial assets – measured at fair value through equity in other comprehensive income

This category includes the other investments of the SCHWEIZER Group. These investments represent strategic investments intended to be held for the long term and are not held for trading purposes. They are measured at fair value and changes in fair value are recognised in other comprehensive income.

In some cases, cost represents an appropriate estimate of fair value, for example when insufficient information is available to measure fair value. In addition, acquisition costs would also be an appropriate estimate of fair value if there were a wider range for the possible measurement and the acquisition costs corresponded to the best estimate within this range.

In the event of a disposal of the investments, the other result is not reclassified to the income statement.

Financial liabilities – measured at amortised cost

This category includes trade receivables, cash and cash equivalents, and other financial assets. They are measured at amortised cost, taking into account any impairment losses. For trade receivables and contract assets, the simplified impairment approach is applied, with the result that a risk provision is recognised in the amount of the expected defaults over the entire term, taking into account customer-specific probabilities of default. The general impairment approach is applied to

the other financial assets in this category. A risk provision for expected loan defaults is then determined in two steps. For financial instruments whose credit risk has not increased significantly since initial recognition, a risk provision for loan losses must be recognised in the amount of the loan defaults expected to occur within the next twelve months. If the credit risk, measured by the number of days past due, has increased significantly since initial recognition, a risk provision is created in the amount of the credit defaults expected over the remaining term. Gains or losses on these financial assets are recognised in profit or loss if they are impaired, modified or derecognised.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments

The SCHWEIZER Group uses derivative financial instruments on a case-by-case basis to counter currency risks and commodity price risks. The derivative financial instruments of the SCHWEIZER Group are allocated to the measurement category "at fair value through profit or loss". Changes in fair value are recognised in the income statement. There are no hedge accounting relationships in the SCHWEIZER Group. The SCHWEIZER Group reserves the option under IFRS 9 to continue to apply the hedge criteria of IAS 39 in future cases.

Determining fair values

The fair value is determined on the basis of input factors in three defined categories. The following valuation hierarchy is applied:

- Level 1: Use of listed (not corrected) prices for identical assets or liabilities in active markets accessible on the valuation date.
- Level 2: Fair value calculated using valuation methods based on observable input factors for similar assets and liabilities in active markets or for identical assets and liabilities in inactive markets.
- Level 3: Assets and liabilities measured using valuation methods based on developed, non-observable input factors, because insufficient observable market data is available to determine the fair value.

Inventories

Inventories are recognised at the lower of acquisition or production costs and the net realisable value. The average cost method is applied for the valuation of raw materials and supplies and goods purchased for resale. The production costs of unfinished and finished products are determined through the individual assignment of their individual production costs. Along with the directly attributable costs, the production costs also include appropriate shares of the attributable overheads, which also contain depreciation.

Contract assets

The contract assets are based on the period-related revenue recognition of customer-specific products that have no alternative use and for which an enforceable payment claim exists in the amount of the costs already incurred plus an appropriate profit margin. Contract assets are reclassified as trade receivables as soon as there is an unconditional right to receive the consideration. This point in time corresponds to the invoicing date to the customer.

For the impairment of contract assets, the simplified approach is applied, with the result that a risk provision is recognised for expected losses over the entire term of the contract.

Cash and cash equivalents

Cash, sight deposits and all financial resources with an original term of up to three months are disclosed as cash and cash equivalents.

Provision for defined benefit pension plans

The provision for defined benefit pension plans is calculated on the basis of actuarial advice according to the projected unit credit method, taking into account future salary and pension adjustments. The service costs and net interest expense on net debt from defined benefit plans are recognised in income. Revaluations of recognised net debt from defined benefit plans are included in other comprehensive income.

Deferred taxes

Deferred taxes are determined for temporary differences between the tax valuations of the assets and liabilities and the carrying amounts in the consolidated balance sheet, arising from consolidation measures that impact on profit and loss – insofar as these are tax-effective processes – and for existing tax loss carryforwards. The valuation is performed taking into consideration the relevant national tax rates of the taxable entities, which are valid at the time of realisation and already in force at the balance sheet date or which will be applicable in all probability.

Deferred tax assets are only recognised to the extent that it is probable that a future taxable profit will be available. Deferred tax assets and liabilities are netted, if these relate to the same tax creditor and period.

Other provisions

Other provisions take into account all recognisable risks and uncertain obligations towards third parties whose settlement is expected to lead to an outflow of funds which can be reliably estimated. They are recognised at their most likely amount and discounted if the discount amount is material. Rights of recourse are presented separately under other assets.

Obligations arising from partial retirement arrangements are classified as other long-term employee benefits in accordance with IAS 19 and accrued. The provisions are calculated on the basis of an actuarial report using the projected unit credit method applying the FIFO method (first in, first out), in which the portion earned from all top-ups is distributed in such a way that the top-ups to be paid out first are also fully financed first. The accumulation period for all top-ups ends uniformly at the end of the work phase. The present value is determined as the settlement amount for the fully financed benefits. For the group of employees who have a legal claim to the conclusion of a partial retirement contract, potential provisions were created assuming the probable utilisation of partial retirement by the employees. The fair value of the plan assets from the insolvency protection of the partial retirement obligations is deducted from the present value of the benefit obligations, so that the net liability is recognised in the provisions.

Liabilities

Liabilities are reported at the par value or higher repayment amount. Non-current liabilities are discounted if the discount amount is material.

Sales revenue

The following accounting policies were applied for revenue recognition in accordance with IFRS 15.

At SCHWEIZER, revenues are recognised when the respective performance obligation is fulfilled, i.e. when the power to dispose of the promised goods is transferred to the customer. The power of disposition is transferred either at a particular point in time (date-related) or during a period of time (period-based) in accordance with the contractual circumstances and requirements. Through the application of IFRS 15, revenue from the sale of products is mainly recognised on a period basis, as the criteria of IFRS 15 for period-related realisation – products without an alternative use option and the existence of a legal claim to payment for the service already rendered – are met in the majority of cases. Depending on the contractual circumstances, the power of disposition is transferred in relation to the date-related revenue recognition on delivery of the parts or on withdrawal from the consignment warehouse. Period-based revenue recognition starts as soon as there is a legal entitlement to payment of the services already rendered under IFRS 15.35c).

The transaction price represents the consideration that SCHWEIZER is expected to receive in exchange for the transfer of the promised goods or services to a customer. Revenue is recognised in the amount of the agreed price for the respective goods. In some cases, customers are granted bonuses, cash discounts, credit notes or rebates that represent variable consideration. These are recorded as a reduction in sales based on experience or sales revenue. In line with revenues, the costs of goods and products sold are recognised through profit or loss in the same period.

As warranty agreements exist in connection with the sold goods only with respect to the hedging of contractually agreed product specifications, these do not constitute a performance obligation. These will continue to be accounted for in accordance with IAS 37.

For SCHWEIZER, the period of time between the transfer of the power of disposition of the promised goods and payment is no more than one year, meaning that SCHWEIZER applies the practical remedy in accordance with IFRS 15.63 and does not adjust the consideration by a financing component.

The payment terms for service obligations under contracts with customers are usually between 30 and 90 days after invoicing. In most cases, the invoice is issued at the time of performance.

Grants from public authorities

Government grants are recognised at fair value if there is adequate certainty that the grants will be forthcoming and the company meets the associated conditions. Grants provided for an asset are initially recognised in the balance sheet as a liability and are offset from the acquisition and manufacturing cost at the time the asset is capable of operating. Profit-related grants are deducted from the relevant expenses.

Recognition of other income and expenses

Other income is recognised at fair value at the time the legal claim came into being. Operating expenses are recognised in profit or loss at the time the service is used or at the time they are caused. Interest income and interest expenses are recorded for the relevant period and other financial income is recognised at the time the legal claim came into being.

Share-based remuneration

The cash-settled share-based payment (LTI plan) is measured at fair value in accordance with IFRS 2. Vested entitlements under the LTI plan in the form of virtual shares are measured at each reporting date and on the settlement date on the basis of the relevant stock market prices. At measurement dates prior to payment of the remuneration entitlements, the measurement is also carried out using the Black/Scholes model and, if necessary, on the basis of assumptions regarding future levels of target achievement. The calculated value is recognised under personnel expenses in the income statement on a time-proportionate basis in accordance with the consideration provided during the vesting period. Provisions are created to the same extent. Fluctuations in value due to changes in the share price occurring after the grant date are reported under personnel expenses.

ASSUMPTIONS AND ESTIMATES

The uncertainties caused by the coronavirus pandemic also influence these consolidated financial statements. Estimates and discretionary decisions played an essential role in the preparation. Management makes various estimates and assumptions that affect the valuation of reported income, expenses, assets, liabilities and corresponding information, and the disclosure of contingent liabilities. All estimates and assumptions are made to the best of management's knowledge and beliefs in order to present a true and fair view of the net assets, financial position and results of operations. The assumptions and estimates are reviewed on an ongoing basis. Nonetheless, future events can deviate from the estimates made and have a significant influence on the net assets, financial position and results of operations.

In the following areas, the assumptions and estimates made are of particular importance:

- *Recognition and measurement of deferred tax assets*

The recognition of deferred tax assets from temporary differences and tax loss carryforwards, which are not offset by deferred tax liabilities from temporary differences, requires a significant estimate by management with respect to the planned taxable income (see also "Deferred taxes" and section 3.8).

- *Determination of the useful life of the fixed asset*

The estimate of the useful life of depreciable fixed assets is based on past experience (see also "Tangible assets" and "Intangible assets", as well as section 4.1).

- *Determination of the risk provision for receivables*

Schweizer Electronic AG regularly reviews the expected credit losses model of IFRS 9 in order to identify potential effects on the model and make any necessary adjustments. A review based on the current information situation did not reveal a need for adjustment as at 31 December 2020. The estimates and measurement of the recoverability of receivables are based on the respective credit risk determined from credit checks.

- *Calculation of the fair value of non-current assets*

Fair value less costs of disposal is calculated on the basis of the categories presented in the section "Calculation of fair values". A discounted cash flow method is used to calculate the value in use. The cash flows are derived from the finance plan for the next five years, excluding restructuring measures that the Group has not yet committed itself to and significant future investments that increase the profitability of the tested cash-generating unit. The recoverable amount depends on the discount rate applied in the discounted cash flow method used, the expected future cash inflows and the growth rate used for the purposes of extrapolation.

- *Valuation of the provision for defined benefit pension plans*

Costs related to defined benefit plans and the present value of pension obligations are calculated based on actuarial calculations. An actuarial valuation is based on various assumptions which may differ from actual developments in the future. These include determination of the discount rate, future salary increases, mortality rates and future pension increases. Given the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date (see "Provision for defined benefit pension plans" and section 4.13).

- *Measurement of the provision for litigation risks*

The recognition of provisions for risks arising from legal disputes requires a significant estimate by management. The risk is assessed and evaluated on the basis of the current status of the respective proceedings, the probability of success and legal assessments. This estimate is based on various assumptions that may differ from actual developments in the future. This includes the dynamics in the course of legal proceedings as well as the indeterminability of a future settlement or court judgement (see section 6.1 "Legal disputes").

- *Revenue recognition*

The period-related calculation of sales revenues is based on the input method. The cost of materials used to manufacture unfinished and finished products is used to determine sales revenues.

In a second step, a check is carried out to determine how high the order backlog is in the frozen zone, depending on the order date. The frozen zone is the period during which the customer cannot make any changes to the order or job and is obliged to accept the products.

In a further step, the percentage of completion is also taken into account for unfinished products, i.e. the percentage of completion of the materials. The sales price at which the materials are sold is then examined, which ultimately results in revenue in accordance with IFRS 15 or leads to contract assets. The cost of sales attributable to these revenues are deducted from inventories and included in the cost of sales (see "Sales" and Section 3.1).

SEGMENT INFORMATION

The SCHWEIZER Group comprises exclusively the Electronic segment. In this segment, the SCHWEIZER Group develops, produces and distributes high-quality printed circuit boards for the automotive, solar, aviation and general industries. Partnerships exist with Elekonta Marek GmbH & Co. KG, Gerlingen, Germany; Meiko Electronics Co. Ltd., Ayase, Japan; and WUS Printed Circuit (Kunshan) Co., Ltd., Kunshan, China.

We refer to Section 3.1 for information on the sales revenues by geographical region and on our main customers.

3. NOTES TO THE CONSOLIDATED INCOME STATEMENT

3.1 SALES REVENUE

Revenue from contracts with customers are broken down as follows:

Sales revenue for 2020 in EUR mil- lions	HDI	Multilayer	Metallised circuits	Non- metallised circuits	Other	Total
Germany	32.7	6.8	7.2	1.7	1.5	49.9
Europe (excl. Germany)	4.9	14.5	2.3	0.7	0.1	22.5
Asia	15.1	1.5	1.0	2.3	0.4	20.3
America	2.1	1.6	1.3	0.2	-	5.2
Other countries	-	0.0	0.4	0.0	-	0.4
	54.8	24.4	12.2	4.9	2.0	98.3

Sales revenue for 2019 in EUR mil- lions	HDI	Multilayer	Metallised circuits	Non- metallised circuits	Other	Total
Germany	43.0	9.4	8.3	1.8	1.3	63.8
Europe (excl. Germany)	8.6	19.0	2.8	0.8	0	31.2
America	9.5	0.8	1.9	0.3	-	12.5
Asia	7.2	2.2	1.0	1.9	0.6	12.9
Other countries	-	-	0.4	-	-	0.4
	68.3	31.4	14.4	4.8	1.9	120.7

The decrease in sales revenue during the financial year is in particular due to the decline in orders as a result of the coronavirus pandemic.

The above information on sales revenues is broken down by customer supply region.

The following table provides information on the balances of receivables and contract assets from contracts with customers:

Contract balances in EUR thousands	2020	2019
Trade receivables	19,795	20,962
Contract assets	8,315	9,168

In 2020, sales revenue from three customers accounted for approximately 50% of total revenue (2019: 52%). Sales revenue with these customers amounted to EUR 31.9 million (2019: EUR 39 million), EUR 8.8 million (2019: EUR 12 million) and EUR 8.4 million (2019: EUR 12 million). Therefore, only one customer accounts for more than 10% of total revenue. The total amount of the transaction price allocated to the unfulfilled period and date-related performance obligations at 31 December 2020 amounted to EUR 10.126 million (2019: EUR 2,119 thousand). These performance obligations were met in January and February 2021.

3.2 OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2020 EUR thousands	2019 EUR thousands
Waste revenues	802	1,122
Currency gains	1,310	1,040
Gains from non-current assets held for sale	0	450
Income from the reversal of provisions	321	105
Income from claims for damages	73	69
Income from subsidies	200	365
Other income	955	528
Total	3,661	3,679

3.3 OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2020 EUR thousands	2019 EUR thousands
Currency losses	1,004	855
Income from the addition of specific valuation allowances	292	63
Allocation to provision for product risks	54	219
Allocation to the provision for litigation risks	317	320
Other taxes	193	0
Restructuring expense to transfer company	745	0
Other expenses	656	48
Total	3,261	1,505

3.4 FINANCIAL INCOME

Financial income is made up as follows:

	2020 EUR thousands	2019 EUR thousands
Other interest and similar income	26	33
Dividend income	4	9
Other	13	31
Total	43	73

3.5 FINANCIAL EXPENSES

Financial expenses are made up as follows:

	2020 EUR thousands	2019 EUR thousands
Interest paid (gross)	3,319	1,160
Capitalised interest	-1,365	-399
Other interest and similar expenses	424	504
Total	2,378	1,265

The interest paid in the amount of EUR 2,315 thousand (2019: EUR 464 thousand) is attributable to the local investment loan for the Jintan site and EUR 855 thousand (2019: EUR 691 thousand) is attributable to other financial liabilities; of this amount EUR 34 thousand relates to the loan from KfW's COVID-19 assistance programme taken up during the financial year.

Other interest and similar expenses mainly consist of interest expenses for defined benefit obligations in the amount of EUR 222 thousand (2019: EUR 376 thousand).

3.6 PERSONNEL EXPENSES

Personnel expenses are comprised as follows:

	2020 EUR thousands	2019 EUR thousands
Personnel costs		
Wages and salaries	34,114	38,253
Social security costs	5,095	6,438
Pensions	841	665
Total	40,050	45,356

No payments for share-based remuneration were made in the current financial year (2019: EUR 5 thousand).

Due to the utilisation of short-time pay in Germany (EUR 1.1 million), salaries and wages dropped compared to the previous year. The reduction in social security costs relates to the refund of or exemption from social security contributions in Germany and China (EUR 1.3 million). Of this amount, EUR 0.8 million relates to grants from public authorities to Group companies in their role as employers (see Section 4.17).

3.7 RESEARCH AND DEVELOPMENT EXPENSES

The criteria of IAS 38 for the capitalisation of incurred development expenses were not met in the financial year, as was also the case in the previous year. The expenditure for research and development recognised as an expense amounted to EUR 2.7 million (2019: EUR 3.2 million).

3.8 TAXES ON INCOME AND EARNINGS

Domestic corporate income tax (plus solidarity surcharge), trade taxes and similar income-related taxes levied abroad are reported in this item.

This item also includes deferred taxes resulting from temporary differences between the tax base of assets and liabilities and their carrying amounts in the IFRS consolidated balance sheet or from the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be available.

Deferred taxes are calculated based on the tax rates applicable in each country.

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

	2020	2019
	EUR	EUR
	thousands	thousands
Current taxes related to the reporting period	185	-103
Taxes on income from other periods	49	8
Deferred taxes	-3,217	-2,039
of which deferred taxes from temporary differences EUR -455 thousand (2019: EUR -487 thousand).		
of which change due to tax losses not previously recognised / due to reversal of an earlier write-down of a deferred tax asset EUR -2,761 thousand (2019: EUR 0).		
Total taxes on income and revenue	-2,983	-2,134

Deferred taxes on transactions that are recognised directly in equity increased equity in the financial year by EUR 348 thousand (2019: EUR 754 thousand).

Reconciliation of expected and actual tax expense

The results of Schweizer Electronic AG in Germany are subject to corporate income tax (plus solidarity surcharge) and trade tax. Results assessed abroad are taxed at the tax rates applicable in the respective country. The tax rate of 29.13% on which the expected tax expense is based (2019: 28.00%) takes account of the company structure relevant for taxation.

Based on the consolidated annual result before income taxes and the expected income tax, the reconciliation to the actual income tax expense is as follows:

	2020 EUR thousands	2019 EUR thousands
Earnings before tax on profit	-20,865	-7,714
Expected income tax expense (-)/income (+)	6,077	2,160
Divergent tax rates	-230	121
Tax-free income	195	20
Non-tax-deductible expenses	-178	-94
Taxes from other periods	-49	-8
Effect from the adjustment of tax loss carryforwards of the previous year	-374	0
Effects from the use of loss carryforwards for which no deferred tax assets were previously recognised	43	0
Effects of non-recognition of deferred tax assets on loss carryforwards	-2,582	-47
Other	81	-18
Actual tax expense	2,983	2,134
Effective tax expense	14%	28%

Tax receivables

These items only include tax on profits; any other taxes are included in other payables or other receivables.

	2020 EUR thousands	2019 EUR thousands
Corporate income tax refund	2	583
Trade tax refund	2	300
Corporate income tax credit	0	7
Total receivables relating to taxes on income and revenue	4	890
Non-current	0	0
Current	4	890

Deferred taxes

Deferred taxes result from the following balance sheet items:

	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
	EUR thousands	EUR thousands	EUR thousands	EUR thousands
Tangible assets	505	5,727	212	5,875
Rights of use	17	722	0	755
Financial assets	0	0	0	45
Inventories	1,670	0	1,773	0
Receivables and other assets	2	28	0	39
Contract assets	0	2,271	0	2,414
Provisions for pensions and similar obligations	5,791	0	5,245	0
Other provisions	529	0	437	0
Liabilities	474	0	479	0
Tax loss carryforwards	4,137	0	1,864	0
	13,125	8,748	10,010	9,127
Netting	-8,160	-8,160	-9,010	-9,010
Recognition of deferred taxes	4,965	588	1,000	117

Deferred tax assets and deferred tax liabilities are offset when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes for the same taxable entity levied by the same taxation authority.

As at 31 December 2020, tax loss carryforwards amounted to EUR 24.553 million (2019: EUR 8,981 thousand). The loss carryforwards attributable to the German Schweizer Electronic AG in the amount of EUR 11,354 thousand can be carried forward for an unlimited period of time. The remaining loss carryforwards in the amount of EUR 13,200 thousand relate to abroad and are attributable to Schweizer Electronic (Jiangsu) Co., Ltd., China; these can be carried forward for a limited time of five years.

Deferred tax assets on losses carried forward are only capitalised for losses carried forward in the amount of EUR 15.679 million (2019: EUR 6.659 million). To this extent, the company plans to be able to offset the loss carryforwards against future taxable profits. For the new production site in Jintan, it is expected that positive income will be generated after the start of operations, in order to offset the loss carryforwards from start-up losses incurred. This estimate is based on the realisation that the COVID-19 pandemic is not a typically recurring event and that economic activity increased again in 2020 in China compared to the previous year. There is a great deal of opportunity in potential orders for the production site in China that started production in spring 2020 due to the business relationships already in existence with customers of the SCHWEIZER Group,

as well as the medium-term acquisition of new automotive customers in the Chinese market after completion of the relevant certifications. On the remaining loss carryforwards in the amount of EUR 8.874 million (2019: EUR 2.322 million), no deferred tax assets were created as they are not expected to be used.

Deferred income taxes arising from items directly recognised in other comprehensive income during the financial year relate to:

	2020	2019
	EUR thousands	EUR thousands
On gains (losses) resulting from actuarial gains and losses on the revaluation of defined benefit pension plans	418	754
and similar obligations	-70	0
Total deferred income tax	348	754

SCHWEIZER has decided that no previously undistributed profits of its subsidiaries will be distributed in the foreseeable future.

3.9 EARNINGS PER SHARE

When calculating the undiluted earnings per share, the earnings attributable to holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares in circulation during the year.

The following table shows the amounts on which the calculation of undiluted (= diluted) earnings per share is based:

	2020	2019
	EUR thousands	EUR thousands
Earnings attributable to holders of ordinary shares of the parent company	-17,877	-5,565

	2020	2019
Weighted average number of ordinary shares**	3,770,713	3,769,912

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

Earnings per share, based on the profit attributable to the holders of ordinary shares of the parent company, amounted to EUR -4.74 for the financial year (2019: EUR -1.48).

In the period between the balance sheet date and approval of the consolidated financial statement for publication, no (2019: 0) ordinary shares were transferred by way of share-based remuneration.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1 TANGIBLE AND INTANGIBLE ASSETS

The development of property, plant and equipment and intangible assets in financial years 2020 and 2019 is presented in the following overview:

Development of consolidated fixed assets and intangible assets in 2020

in EUR thousands	Acquisition and manufacturing costs						
	01/01/2020	Acquisitions	Grants from public authorities deducted from acquisition costs	Divestments	Transfer postings	Currency translation	31/12/2020
Tangible assets							
Land and buildings	38,527	5,675	-37,528	526	53,094	0	59,244
Technical equipment and machines	96,750	7,081	-7,066	1,586	27,673	0	122,851
Other plant, factory and office equipment	56,362	1,063	-161	500	1,031	-9	57,785
Advance payments and plants under construction	89,279	5,141	0	2,537	-81,805	-2,166	7,911
Total tangible assets	280,918	18,961	-44,755	5,150	-7	-2,175	247,791
Rights of use							
Rights of use in accordance with IFRS 16	4,643	3,171	0	29	3	-63	7,725
Intangible assets							
Industrial property rights and licences to such rights and assets	6,291	393	0	2	4	-14	6,671
Total	291,852	22,524	-44,755	5,182	0	-2,252	262,187

Accumulated depreciations					Carrying amounts	
01/01/2020	Scheduled depreciation	Divestments	Currency translation	31/12/2020	31/12/2020	31/12/2019
15,297	1,359	0	-11	16,645	42,599	23,231
78,524	4,417	1,227	-31	81,681	41,170	18,228
48,630	1,970	492	-9	50,100	7,685	7,731
0	0	0	0	0	7,911	89,279
142,450	7,746	1,719	-50	148,425	99,365	138,468
1,168	948	64	-13	2,039	5,686	3,475
4,844	308	2	-2	5,147	1,524	1,447
148,463	9,002	1,786	-65	155,612	106,575	143,390

Development of consolidated fixed assets and intangible assets in 2019

in EUR thousands	Acquisition and manufacturing costs							
	31/12/2018	IFRS 16 application effect	01/01/2019	Acquisitions	Divestments	Transfer postings	Currency translation	31/12/2019
Tangible assets								
Land and buildings	38,527	0	38,527	0	0	0	0	38,527
Technical equipment and machines	92,798	-2,500	90,298	3,090	1,021	4,382	0	96,750
Other plant, factory and office equipment	56,300	-329	55,971	331	62	120	3	56,362
Advance payments and plants under construction	7,228	0	7,228	87,619	60	-4,577	-933	89,279
Total tangible assets	194,853	-2,829	192,024	91,041	1,143	-74	-930	280,918
Rights of use								
Rights of use in accordance with IFRS 16	0	4,227	4,227	416	0	0	0	4,643
Intangible assets								
Industrial property rights and licences to such rights and assets	6,397	-744	5,653	571	0	74	-7	6,291
Total	201,250	654	201,904	92,028	1,143	0	-937	291,852

Accumulated depreciations						Carrying amounts		
31/12/2018	IFRS 16 application effect	01/01/2019	Scheduled depreciation	Divestments	Currency translation	31/12/2019	31/12/2019	31/12/2018
14,517	0	14,517	780	0	0	15,297	23,231	24,010
76,982	-411	76,571	2,952	999	0	78,524	18,228	15,818
46,798	-45	46,753	1,927	48	2	48,630	7,731	9,501
0	0	0	0	0	0	0	89,279	7,228
138,297	-455	137,841	5,658	1,047	2	142,450	138,468	56,558
0	460	460	708	0	0	1,168	3,475	0
4,604	-5	4,599	246	0	0	4,844	1,447	1,793
142,901	0	142,900	6,612	1,047	2	148,463	143,390	58,351

Additions to property, plant and equipment

Major changes in fixed assets relate to the new plant at the Jintan production site where the company's building and technical equipment, plant and machinery have been in use since 26 May 2020. Included here are the borrowing costs capitalised in the period in the amount totalling EUR 1,365 thousand (2019: EUR 399 thousand) for which a financing cost rate of 5.2% (2019: 5.2%) was applied. The planned depreciation of the aforementioned fixed assets occurred as a result of the operational status.

Grants from public authorities in the amount of approximately EUR 44.8 million (2019: EUR 0 thousand) were deducted from the acquisition and manufacturing costs at the time the asset was capable of operating and resulted in a relevant reduction of the acquisition and manufacturing costs presented on the balance sheet.

Reclassifications

Reclassifications from advance payments made and assets under construction result primarily from the commissioning of machinery and equipment at the Jintan production site.

Intangible assets

Intangible assets comprise exclusively acquired intangible assets, primarily software. Additions to intangible assets primarily include approximately EUR 250 thousand for the acquisition of production-related software at the Jintan site.

Depreciation

Scheduled depreciation of tangible assets is predominantly disclosed in the consolidated income statement under cost of sales. Given the coronavirus pandemic, there are no additional impairments from the current situation.

Collateral

Land and buildings with a carrying amount of EUR 22.5 million (2019: EUR 23.3 million) serve as senior collateral for three bank loans of the Group companies. Furthermore, there is a pledge transfer in place for the inventory at the Schramberg site with a carrying amount as at 31 December 2020 amounting to EUR 22.6 million (2019: EUR 25.8 million). With regard to the land use right with a carrying amount of EUR 700 thousand, there is a local mortgage (mortgage contract), which arose from the syndicated loan agreement concluded with Industrial and Commercial Bank of China Ltd., Jiangsu, China. Furthermore, a chattel mortgage for the building and machines is agreed in the loan agreement.

4.2 OTHER PARTICIPATING INTERESTS

The interest in Meiko Electronics Co. Ltd., Ayase, Japan, which is carried at the market value of the JPY-denominated shares, was sold in April 2020 (carrying amount as at 31 December 2019: EUR 624 thousand).

The shares were assigned to the valuation category "Assets measured at fair value directly in other comprehensive income". An impairment of EUR 271 thousand and a loss on disposal of EUR 9 thousand were recognised directly in other comprehensive income.

4.3 LEASES

The SCHWEIZER Group is a lessee of real estate, technical equipment, motor vehicles and other assets. Leases for motor vehicles generally have a term of 3 years. For technical equipment, the contract term is generally between 8 and 10 years. Real estate contracts generally have a term of between 2 and 4 years.

At present, the Group has no significant contractually agreed extension or termination options that have not already been exercised in 2020.

In 2020, additions in an amount of EUR 3,171 thousand were recognised in rights of use (2019: EUR 416 thousand). The following table shows the carrying amounts of the rights of use recognised in the balance sheet and the changes during the reporting period:

EUR thousands	Technical equipment	Real estate	Motor vehicles	Other assets	Total
As at 31 December 2019	1,830	851	551	243	3,475
Depreciation expense	438	62	381	67	948
As at 31 December 2020	3,761	749	808	368	5,686

The carrying amount of lease liabilities is EUR 5,034 thousand (2019: EUR 2,721 thousand). The maturity analysis of the lease liabilities is presented in Section 4.16.

The following amounts were recognised in the income statement in the reporting period:

	2020 EUR thousands	2019 EUR thousands
Depreciation expense for rights of use	948	708
Interest expenses for lease liabilities	93	58
Expenses for short-term leases (included in cost of sales)	0	2
Expense for leases via a low-value asset (included in administrative expenses)	38	82
Variable lease payments (included in cost of sales)	2	2
Total amount recognised in profit or loss	1,082	852

The Group's cash outflows for leases amounted to EUR 1,003 thousand in 2020. Future cash outflows for leases that have not yet commenced are currently not expected.

Two sale-and-leaseback transactions in connection with an AOI system and a vehicle were carried out in the current financial year which did not result in profit or loss. The resulting lease liability as at 31 December 2020 amounted to EUR 221 thousand and EUR 70 thousand. This did not have a significant impact on payment streams of the SCHWEIZER Group.

4.4 OTHER ASSETS

Other financial assets are comprised as follows:

	2020 EUR thousands	2019 EUR thousands
Vendors with debit balances	400	14
Financial receivable	906	0
Miscellaneous other financial assets	175	177
Total other financial assets	1,481	191
Non-current	5	5
Current	1,476	186

The increase in creditors with debit balances is primarily due to the sale of a machine to a supplier (part exchange).

Other assets are comprised as follows:

	2020 EUR thousands	2019 EUR thousands
Turnover tax claim from investments	1,150	6,178
Receivables from outstanding grants from public authorities	20,437	0
Miscellaneous other assets	1,649	2,345
Total other assets	23,236	8,523
Non-current	0	5,316
Current	23,236	3,207

Receivables from outstanding grants from public authorities comprise outstanding grants in the amount of EUR 22,387 thousand (see 4.17) less repayment obligations of EUR 1,918 thousand for amounts granted that are repayable after the refund of input tax claims.

The increase in other assets to EUR 23.236 million (2019: EUR 8,523 thousand) is primarily due to the recognition of receivables in connection with outstanding grants from public authorities at the Jintan site.

4.5 INVENTORIES

	2020	2019
	EUR	EUR
	thousands	thousands
Raw materials and supplies	5,254	4,752
Unfinished products	2,001	2,478
Finished products	2,067	2,507
Total inventories	9,322	9,737

Write-downs on inventories, which were recognised as expenses in the reporting period, amount to EUR 1.468 million (2019: EUR 1.373 million) and are reported under cost of sales. The carrying amount of inventories measured at net realisable value is EUR 4.961 million (2019: EUR 5,552 thousand).

There are no major restrictions on ownership or disposal in respect of the inventories reported in the balance sheet.

4.6 TRADE RECEIVABLES

	2020	2019
	EUR	EUR
	thousands	thousands
Trade receivables	19,795	20,962

Trade receivables are not interest-bearing and are usually payable in 30 to 90 days.

In EUR thousands	Gross carry- ing amount as at 31/12/2020	Risk provi- sion as at 31/12/2020	Average expected probability of default in %	Gross carry- ing amount as at 31/12/2019
Not due	18,642	25	0.13	17,558
Past due by 1-30 days	805	5	0.63	2,889
Past due by 31-60 days	226	1	0.44	348
Past due by 61-90 days	57	0	0	56
Past due by 91-120 days	2	0	0	35
Past due by 121-150 days	95	1	1.06	90
Total	19,827	32	0.002	20,977

As at 31 December 2020, individual valuation allowances existed in the amount of EUR 336 thousand. There were no noteworthy impacts due to the coronavirus pandemic during the financial year.

The development of valuation allowances on receivables is as follows:

	2020 EUR thousands	2019 EUR thousands
As at 1 January	91	52
Reversed	15	52
Addition to risk provision	47	15
Addition to individual value adjustment	260	76
As at 31 December	383	91

4.7 CONTRACT ASSETS

	2020 EUR thousands	2019 EUR thousands
Contract assets	8,315	9,168

An impairment loss of EUR 6 thousand was recognised for the contract assets (2019: EUR 6 thousand).

4.8 CASH AND CASH EQUIVALENTS

	2020 EUR thousands	2019 EUR thousands
Bank balances and cash on hand	22,973	33,364
Money market funds	0	989
As at 31 December	22,973	34,353

Bank balances earn interest at variable rates for on-call deposits.

As at 31 December 2020, the Group had committed credit lines of EUR 7,190 thousand (2019: EUR 9,190 thousand). In addition, there is a credit line in the amount of EUR 3,550 thousand from the KfW special programme. The credit lines relate to Schweizer Electronic AG. Schweizer Electronic AG has requested Commerzbank AG, Germany to transfer a credit facility of EUR 1 million to Commerzbank AG, Singapore branch. Schweizer Electronic AG has given a guarantee for this.

4.9 EQUITY

Schweizer Electronic AG

The share capital amounted to an unchanged EUR 9,664,054 as per 31 December 2020 and is divided into 3,780,000 nominal shares (no-par-value shares).

As at the balance sheet date, Schweizer Electronic AG held a total of 9,287 treasury no-par-value shares. This represents an amount of EUR 24 thousand or 0.25 percent of the share capital. The subscribed capital is shown net of the par value of the treasury shares.

Share performance

	Treasury shares in EUR	Treasury shares in units	Outstanding shares in units
As at 01 January 2019	28,849	11,284	3,768,716
Issuance of shares to the Executive Board and one member of the management team	5,105	1,997	1,997
As at 31 December 2019	23,743	9,287	3,770,713
Share issues	0	0	0
As at 31 December 2020	23,743	9,287	3,770,713

Authorised capital

By resolution of the Annual General Meeting of 1 July 2016 and its entry in the commercial register, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital until 30 June 2021 by up to EUR 4,832,026.93 in total, by issuing new, registered ordinary or preferred shares (no-par-value shares) in return for contributions in cash and/or in kind (authorised capital). This authorisation may be exercised in full or in parts, and on one or several occasions. A subscription right is to be granted to the shareholders in this process, which can be excluded, subject to the consent of the Supervisory Board and certain conditions being fulfilled.

Conditional capital

Furthermore, the Management Board is authorised by the resolution of the Annual General Meeting of 1 July 2016 and its entry in the commercial register, subject to the consent of the Supervisory Board and until 30 June 2021, to issue bearer or registered bonds (convertible bonds, warrant bonds, participation rights, participation bonds or combinations of these instruments) with or without a restriction on maturity up to EUR 35 million and to grant the bearers and/or creditors of convertible or warrant bonds conversion or option rights to new, registered no-par-value shares of the company with a pro-rata amount of the share capital of up to EUR 4,832,026.93 overall. The bonds may be issued in full or in parts, and on one or several occasions. A subscription right is to be granted to the shareholders in this process, which can be excluded, subject to the consent of the Supervisory Board and certain conditions being fulfilled.

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. Notifications of voting rights for financial year 2020 and later are also published on our website at www.schweizer.ag/en/investor-relations/corporate-governance.html.

Capital reserves

The capital reserve concerns premiums in relation to capital increases, share purchases and sales made at Schweizer Electronic AG and transferred own shares. Under the German Stock Corporation Act (Aktiengesetz), the capital reserve is not available for dividend payments.

Profit reserves

The profit reserves essentially include changeover effects from the first-time preparation of an IFRS consolidated financial statement, as well as undistributed profits and losses generated in previous years by Schweizer Electronic AG and the consolidated subsidiaries, and allocations due to share-based payment transactions settled with equity instruments.

In addition to differences from currency translation and changes in the fair value of assets measured at fair value with no effect on income, effects from the revaluation of pension obligations less offsetting deferred taxes are also reported here. The effect of the currency translation of foreign operations recognised in other comprehensive income, which is to be reclassified in the income statement in the subsequent periods, is comprised as follows:

	2020 EUR thousands	2019 EUR thousands
Currency translation of foreign operations		
Consolidation-related currency effects	-1,879	-446
Total	-1,879	-446

Dividends

As announced, no cash dividend was distributed to the shareholders of Schweizer Electronic AG in the 2020 financial year in respect of the 2019 financial year.

For the dividend payment of financial year 2020, the Management Board proposes that no dividends be distributed, as in the previous year.

4.10 INFORMATION ON CAPITAL MANAGEMENT

For purposes of capital management, equity includes subscribed capital as well as all other capital reserves attributable to the shareholders of the parent company. The primary objective of the Group's capital management is to maximise shareholder value.

The Group's capital structure is managed and adjusted depending on changes in economic conditions, as well as the agreed requirements. To maintain or adjust the capital structure, the Group may make adjustments to dividend payments to shareholders or make capital repayments to shareholders or issue new shares.

Firstly, the Group monitors its capital based on a debt ratio which corresponds to the ratio of debt to equity. SCHWEIZER focuses on the development of the net gearing ratio in this connection. Net debts are determined from the financial liabilities less cash and cash equivalents. SCHWEIZER continues to limit the net gearing ratio to a maximum of 150 percent. Secondly, the equity ratio, which corresponds to the ratio of equity to total capital, is used as a control parameter. As a target figure, the company observes a minimum ratio of 35% that should not be undershot where possible. A deviation from both stipulations is, however, permitted and is based on the actual situation (investment programme, interest rate levels, credit rating factors).

Net gearing ratio as a performance indicator	2020 EUR thousands	2019 EUR thousands
Financial liabilities	84,948	67,858
Less cash and cash equivalents	-22,973	-34,353
Net financial liabilities	61,975	33,505
Equity	34,274	55,202
Net gearing ratio	180.8%	60.7%
Equity ratio	17.4%	24.1%

Group equity amounted to EUR 34.3 million as of the balance sheet date (2019: EUR 55.2 million). SCHWEIZER's equity ratio reduced by 6.7 percentage point to 17.4% in financial year 2020 mainly due to the Group's loss (2019: 24.1%).

4.11 FINANCIAL LIABILITIES

Interest-bearing loans of EUR 84,948 thousand relate to fixed-interest bank loans with a nominal value of EUR 12,650 thousand (2019: EUR 9,100 thousand) and a carrying amount of EUR 7,869 thousand (2019: EUR 5,081 thousand) as well as variable-interest bank loans with a nominal value of EUR 98,818 thousand (2019: EUR 64,577 thousand) and a carrying amount of EUR 77,079 thousand (2019: EUR 62,777 thousand).

The bank loans involve long-term and short-term financial liabilities. The terms of the loans extend from 2021 to 2028. With the exception of a loan with a nominal value of EUR 3,000 thousand (carrying amount: EUR 3 million; 2019: EUR 3 million), there is collateral equivalent to the value of the loans in the form of mortgages of a total of EUR 20,804 thousand.

The repayments have been firmly agreed and it is not expected that cash flows will flow earlier or higher than agreed. The loan portfolio is reviewed on a weekly basis together with the regular short and medium-term financial planning for the SCHWEIZER Group. The loan exposure is adjusted where necessary.

4.12 OTHER FINANCIAL LIABILITIES

	2020 EUR thousands	2019 EUR thousands
Lease liabilities	5,034	2,721
Miscellaneous other financial liabilities	31	53
Total other financial liabilities	5,065	2,774
Non-current	4,093	2,023
Current	972	751

4.13 PROVISION FOR DEFINED BENEFIT PENSION PLANS

Pension obligations are commitments funded with provisions and are subject to the defined rules of the pension fund and legal requirements. These are benefit commitments that depend on the number of years worked and salary, and provide not only pension but also invalidity and survivors' benefits.

All defined benefit pension plans of the Group are exposed to typical actuarial risks, particularly interest rate risks. The past service costs and net interest on the net liabilities of defined benefit plans are reported in the profit and loss account as personnel expenses in the respective functional areas.

The carrying amount of the defined benefit obligations is determined according to the projected unit credit method using actuarial techniques. For the German companies, the following actuarial assumptions and the 2018 G guideline tables of Prof Dr Klaus Heubeck have been applied:

		2020	2019
Financial assumptions			
Discount rate as at 31 December	%	0.52	0.96
Future pay increases	%	-	-
Future pension increases, executive employees	%	2.50	2.50
Future pension increases, other	%	1.00	1.00
Demographic assumptions			
Age to be expected		GT 2018 G	GT 2018 G
Assumed retirement age, individual commitments	Years	60	60
Assumed retirement age, others	Years	Statutory	Statutory
Fluctuation p.a.	%	2.00	2.00

A salary trend based on future pay increases was not taken into account because, with one minor exception, the employment relationships have already ended.

The net obligations are reported in the balance sheet in the amount of EUR 24.5 million (2019: EUR 23.5 million) and are derived as follows:

	2020	2019
	EUR	EUR
	thousands	thousands
Changes in present value of defined benefit obligations		
Liability from defined benefit obligation as at 1 January	23,521	21,074
Expenses recognised in profit and loss		
Interest expense	222	376
Current service cost	227	209
Retirement benefits paid	-920	-928
Amounts for actuarial gains and losses included in other comprehensive income		
Changes in demographic assumptions	0	0
Changes in financial assumptions	1,583	2,768
Experience adjustments to gains (-)/losses (+)	-89	22
Liability from defined benefit obligation as at 31 December	24,544	23,521
Benefit commitment amounts recognised in the balance sheet		
Present value of defined benefit obligations	24,544	23,521
Provisions for pensions and similar obligations	24,544	23,521

The following amounts were recognised in the statement of comprehensive income:

	2020	2019
	EUR	EUR
	thousands	thousands
Effects, statement of comprehensive income		
Current service cost	227	209
Interest expense for defined benefit obligation	222	376
Amounts recognised in the income statement	449	585
Actuarial gains (-) and losses (+)		
from changes in demographic assumptions	0	0
from changes in financial assumptions	1,583	2,768
due to experience-based adjustments	-89	22
Amounts recognised in other comprehensive income	1,494	2,790
Total (amounts recognised in the statement of comprehensive income)	1,943	3,375

The following sensitivity analysis shows how the present value of the obligation would change in the event of a change in the actuarial assumptions. No correlations between the individual assumptions are considered here, i.e. when varying one assumption, the other assumptions remain constant. The projected unit credit method used to determine the carrying values was also used in the sensitivity analysis.

		2020	2019
		EUR thousands	EUR thousands
Sensitivity			
Discount rate	+0.5%	-1,786	-1,677
Discount rate	-0.5%	2,017	1,891

In subsequent years, the following maturities of undiscounted payments for pensions are expected:

	2020	2019
	EUR thousands	EUR thousands
Within the next 12 months (next business year)	908	948
between two and five years	3,788	3,811
between six and ten years	4,927	4,921

The weighted average maturity of the defined benefit pension plans at the end of the financial year is 15.5 years (2019: 15.3 years).

In the case of defined contribution plans for members of the Executive Board, no further obligations exist beyond remittance of the contributions to the provident fund. The contribution payments are recognised as a personnel expense and for the financial year amount to EUR 414 thousand (2019: EUR 456 thousand).

Contributions to statutory pension insurance in the 2020 financial year came to EUR 2.744 million (2019: EUR 2,948 thousand).

4.14 TRADE AND OTHER PAYABLES

The decrease in trade payables to EUR 36,323 thousand (2019: EUR 46,350 thousand) is mainly due to the reduction in open invoices at the balance sheet date in connection with the investment measures at the new Jintan production site in China.

Other liabilities are comprised as follows:

	2020	2019
	EUR	EUR
	thousands	thousands
Liabilities from salary and wage accounting	2,073	2,156
Liabilities from other taxes	1,154	1,324
Liabilities relating to social security	122	125
Miscellaneous other liabilities	239	166
Total other liabilities	3,588	3,771
Non-current	0	0
Current	3,588	3,771

4.15 OTHER PROVISIONS

Other provisions are broken down into the following types of provisions and developed as follows in financial year 2020:

EUR thousands	As at 01/01	Acquisitions	Utilised	Reversals	Interest effect	As at 31/12
Obligations vis-à-vis employees	2,632	531	1,886	6	1	1,272
Guarantees	230	284	230	0	0	284
Insurance premiums	11	0	8	0	0	3
Additional provisions	5,726	1,642	1,372	351	-35	5,610
Total	8,599	2,457	3,496	357	-34	7,169
Of which current	6,655					2,835
Of which non-current	1,944					4,334

The obligations vis-à-vis employees include costs for time credit entitlements, profit participations, outstanding holidays and other personnel expenses. In addition, the obligation to employees primarily includes provisions for anniversary obligations and partial retirement programmes for which total actuarial gains of EUR 259 thousand were recognised in other comprehensive income (2019: gains of EUR 100 thousand) and interest income in the amount of EUR 1 thousand (2019: EUR 5 thousand) in the income statement.

The total obligation from partial retirement agreements amounted to EUR 1.089 million as of the balance sheet date (2019: EUR 1,299 thousand). Reinsurance assets secured against insolvency were netted at EUR 636 thousand (2019: EUR 474 thousand).

Other provisions include provisions for litigation and product risks, year-end closing costs and outstanding cost invoices.

For the majority of the other provisions, with the exception of provision for litigation risks, an outflow of economic benefits is expected within the next 12 months.

4.16 ADDITIONAL INFORMATION CONCERNING FINANCIAL INSTRUMENTS

The following table shows the balance sheet item in accordance with the categorisations under IFRS 7. The carrying amounts are equivalent to the fair values, unless stated otherwise.

in EUR thousands	Categories according to IFRS 7	2020	2019
Assets			
Participating interests	at fair value through equity	12	636
Trade receivables	Amortised cost	19,795	20,962
Other non-derivative financial assets	Amortised cost	1,481	191
Cash and cash equivalents	Amortised cost	22,973	34,353
Liabilities			
Financial liabilities	Amortised cost	84,948	67,858
Fair value		84,330	66,444
Trade payables	Amortised cost	36,323	46,350
Leasing liabilities	Amortised cost	5,034	2,721
Other non-derivative financial liabilities	Amortised cost	31	53

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

	2020	2019
	EUR	EUR
	thousands	thousands
Financial assets measured at amortised cost	44,249	55,506
Financial assets measured at fair value through profit or loss (fair value P&L)	0	0
Financial assets (equity instruments) measured at fair value through other comprehensive income	12	636
(Fair Value OCI)		
Financial liabilities measured at amortised cost	121,302	114,261
Financial liabilities measured at fair value through profit or loss	0	0

Lease liabilities are not included in the financial liabilities measured at amortised cost as they do not fall within the area of application of IFRS 9. With regard to equity investments, the carrying amount corresponds to the fair value due to the measurement category.

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

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

Information on measuring the fair value

The following table shows the assets and liabilities measured at fair value as at the balance sheet date:

	31 December 2020			31 December 2019		
in EUR thousands	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative financial instruments with positive market value						
Other participating interests			12	624		12
Assets				624		

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

Net losses and gains on financial instruments by measurement category in accordance with IFRS 9 for financial year 2020

in EUR thousands	Fair value	Value adjustment	from interest	from dividends	Net result
Financial assets measured at amortised cost	0	-292	-4	0	-296
Financial assets measured at fair value through profit or loss (FVTPL)	0	0	0	0	0
Financial assets (equity instruments) measured at fair value through other comprehensive income (FVOCI)	-280	0	0	4	-276
Financial liabilities measured at amortised cost	0	0	-1,834	0	-1,834
Financial liabilities measured at fair value through profit or loss (FVTPL)	0	0	0	0	0
Total	-280	-292	-1,862	4	-2,430

Net losses and gains on financial instruments by measurement category in accordance with IFRS 9 for financial year 2019

in EUR thousands	Fair value	Value adjustment	from interest	from dividends	Net result
Financial assets measured at amortised cost	0	-42	-7	0	-49
Financial assets measured at fair value through profit or loss (FVTPL)	20	0	0	0	20
Financial assets (equity instruments) measured at fair value through other comprehensive income (FVOCI)	193	0	0	9	202
Financial liabilities measured at amortised cost	0	0	-732	0	-723
Financial liabilities measured at fair value through profit or loss (FVTPL)	11	0	0	0	11
Total	224	-42	-732	9	-539

Risks in relation to financial instruments

SCHWEIZER is exposed to risks from changes in exchange rates and interest rates and uses standard derivative instruments to a limited extent to hedge risks arising from operating and financing activities in line with the risk assessment. The use of these instruments is governed by Group directives within the risk management system which lay down limits based on the value of the underlying transactions, define approval procedures, prohibit the use of derivative instruments for speculative purposes, minimise credit risks and regulate internal reporting and the segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines and the correct processing and measurement of transactions while observing the segregation of duties. The risk management of financial instruments is also integrated into the Group-wide risk management system.

The risks which are hedged are chiefly as follows:

Interest rate risks:

No interest rate hedging transactions were to be recognised as of the balance sheet date. The presentation of the quantitative indication of risk in relation to the interest rate risk required by IFRS 7 is based on a sensitivity analysis. This method is used to determine the effects of hypothetical changes in market interest rates on interest income and expenses and on equity as of the reporting date. The sensitivity analysis is based on the following assumptions: Original variable-interest financial instruments are subject to interest rate risk and must therefore be included in the sensitivity analysis.

Currency risks:

Primary financial instruments are held essentially in the functional currency.

Exchange rate differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

If the euro had risen (fallen) against the US dollar by 10% as at 31 December 2020, earnings before tax would have increased by EUR 696 thousand (2019: EUR 230 thousand) or respectively fallen by EUR 851 thousand (2019: EUR 281 thousand). An increase (decrease) in the euro compared to the Singapore dollar of 10% would have resulted in a decrease (increase) of EUR 1 thousand in earnings before tax. The effects in the event of a change in the euro compared to the Chinese renminbi would not be significant.

In order to reduce currency risks and to secure the calculation basis for customer orders, natural hedge transactions are carried out on a case-by-case basis or derivative financial instruments may be used depending on the assessment of developments on the currency market. Currency risks are monitored and managed centrally. There were no cross-year hedging contracts as of the balance sheet date.

Liquidity risks:

Risks arising from cash flow fluctuations are detected early within the framework of the established liquidity planning system. In view of the good ratings of several banks, as well as the lines of credit granted by banks, the Group is able to access substantial liquid funds at any time.

Maturity analysis of liabilities

The financial liabilities have the following maturities:

2020	31/12/2020	Maturities				Total
		up to 3 months	3 – 12 months	1 – 5 years	more than 5 years	
	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands
Financial liabilities	84,948					
Repayment		891	3,396	73,911	6,750	84,948
Interest		798	2,400	7,508	392	11,098
Balance		1,689	5,796	81,419	7,142	96,046
Trade payables	36,323	32,219	4,104	0	0	36,323
Other financial liabilities	5,107	356	837	3,090	824	5,107
thereof lease liabilities	5,034	283	837	3,090	824	5,034
Total	126,378	34,264	10,737	84,509	7,966	137,476

2019	31/12/2019	Maturities				Total
		up to 3 months	3 – 12 months	1 – 5 years	more than 5 years	
	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands	EUR thousands
Financial liabilities	67,858					
Repayment		641	1,922	43,095	22,200	67,858
Interest		584	1,736	5,942	869	9,131
Balance		1,225	3,658	49,037	23,069	76,989
Trade payables	46,350	13,735	29,923	2,692	0	46,350
Other financial liabilities	2,774	240	511	1,614	409	2,774
thereof lease liabilities	2,271	188	511	1,614	409	2,721
Total	116,982	15,230	34,092	53,343	23,478	126,114

Counterparty risks:

Identifiable risks are taken into account through individual valuation allowances. There are no generalised individual valuation allowances. Otherwise, the carrying amount represents the maximum credit risk.

Counterparty default risks are taken into account using the expected credit loss model. This means that a risk deduction is made according to the probability of default and taken into account for the corresponding term of the assets. Schweizer Electronic AG regularly reviews the expected credit losses model under IFRS 9 in order to identify potential effects on the model and make any necessary adjustments. There were no significant increases in the default risk in the context of the coronavirus pandemic. A review based on the current information situation therefore did not reveal a need for adjustment as at 31 December 2020. There are no generalised individual valuation allowances. See also Section 1 of IFRS 9 "Financial Instruments". SCHWEIZER carries out active receivables management. All open receivables are classified as due or overdue on the basis of the relevant payment terms. The accounts receivable are divided into dunning levels and dunned according to the overdue date.

Collateral:

Collateral is provided to banks exclusively in the form of mortgages totalling EUR 21.8 million, of which EUR 20.8 million (2019: EUR 20.8 million) was secured as of the reporting date. Of the loans secured by mortgages, an additional EUR 10.2 million is secured by machinery.

4.17 GRANTS FROM PUBLIC AUTHORITIES

The grants from public authorities received in financial year 2020 were mainly attributable to funded investments for buildings and machinery made by Schweizer Electronic (Jiangsu) Co., Ltd., China.

In financial year 2020, the majority of investments made were completed and the first scheduled depreciation was carried out with the start of operating activities at the Jintan site. In connection with this, the grants provided for the investment at the time the assets were capable of operating were deducted from the acquisition and manufacturing costs.

	2020	2019
	EUR thousands	EUR thousands
Liabilities from grants from public authorities		
As at 1 January	20,615	0
Currency difference	519	
	20,096	
Received in the financial year	5,431	20,980
of which building shell construction	2,493	20,615
of which building interior / equipment and machinery	1,731	0
of which rent subsidies	191	238
of which personnel expense (COVID-19 pandemic related) Germany	451	0
of which personnel expense (COVID-19 pandemic related) China	365	0
of which research and development	200	127
Outstanding grants	22,387	0
of which building shell construction	16,559	0
of which building interior / equipment and machinery	5,796	0
of which personnel expense (COVID-19 pandemic related) Germany	32	0
Set-off of acquisition and manufacturing costs	-44,755	0
of which building shell construction	-37,528	0
of which building interior / equipment and machinery	-7,066	0
of which other plant, factory and office equipment	-161	0
Set-off of value added tax	-1,921	0
of which building shell construction	-1,921	0
Released through profit and loss	-1,239	-365
of which rent subsidies	-191	-238
of which personnel expense (COVID-19 pandemic related) Germany	-483	0
of which personnel expense (COVID-19 pandemic related) China	-365	0
of which research and development	-200	-127
As at 31 December	0	20,615
	2020	2019
	EUR thousands	EUR thousands
Receivables (+) / liabilities (-) from grants from public authorities	22,387	-20,615
Current	22,387	0
Non-current	0	-20,615

A subsidy in the mount of 100% of the gross price was agreed for the costs of the building shell construction work, which includes the repayment of the grant in the amount of the refunded input tax claims. In the financial year, grants in this respect amounted to CNY 20.0 million (gross) or

EUR 2.5 million (2019: CNY 161.2 million or EUR 20.6 million); refundable amounts attributable to input tax contained therein amounted to CNY 1.7 million or EUR 0.2 million (2019: CNY 13.8 million or EUR 1.7 million). For machines and other equipment, a subsidy of 20% of the respective gross purchase price was agreed, which does not include any repayment obligation. In the financial year, grants in this respect amounted to CNY 13.9 million (gross) or EUR 1.7 million (2019: EUR 0 million).

Overview of grants from public authorities for investments as at 31/12/2020	Investment incl. value added tax	Repayable input tax	Grant	Investment incl. value added tax	Repayable input tax	Grant
	CNY millions	CNY millions	CNY millions	EUR thousands	EUR thousands	EUR thousands
Funded construction work	326	27	299	40,638	3,411	37,227
Grant 2019	161	14	147	20,615	1,759	18,856
Currency difference				-519	-44	-475
Grant 2020	20	2	18	2,493	206	2,287
Outstanding grant	145	12	133	18,049	1,490	16,559 ¹⁾
Funded machinery/equipment	60	0	60	7,527	0	7,527
Grant 2019	0	0	0	0	0	0
Grant 2020	14	0	14	1,731	0	1,731
Outstanding grant	46	0	46	5,796	0	5,796 ¹⁾

¹⁾ Amounts based on the investment agreement and existing or expected input tax refund claims

Outstanding grants from public authorities not yet received in the amount of EUR 22.4 million were recognised in other assets.

In addition, the Administration Committee of Jincheng Science and Technology Industrial Park, Jintan, China, paid grants of CNY 1,500 thousand or EUR 191 thousand for the purpose of passing on these funds to employees for property acquisitions in the Jintan District or as rent subsidies. This expense-related incentive (individual subsidy) is granted annually over six years up to a total amount of CNY 9,000 thousand upon proof.

In 2020, the SCHWEIZER Group additionally acquired public expense subsidies from reimbursements of social security contributions of EUR 0.8 million. The grants from public authorities for reimbursements of social security contributions were granted in connection with government assistance due to the coronavirus pandemic. The grants reduce the personnel expense of the SCHWEIZER Group (see section 3.6).

As a result of the deduction of the grants from public authorities from the acquisition and manufacturing costs of the investments at the site in China, depreciation reduced by CNY 7.6 million or EUR 968 thousand is recognised in financial year 2020 with respect to the funded investments to the extent this would be the case without deducting the grants from public authorities from the acquisition and manufacturing costs (2019: EUR 0 thousand).

5. NOTES TO THE CASH FLOW STATEMENT

Cash flow from operating activities

Operating cash flow decreased by a total of EUR 13.3 million to EUR -8.0 million (2019: EUR 5.3 million). This resulted in a EUR 13.2 million reduction in earnings before taxes. The positive change is mainly due to the reduction in trade receivables of EUR 0.9 million and the reduction in other assets of EUR 8.8 million that includes a refund of input tax claims of Schweizer Electronic (Jiangsu) Co., Ltd, China in the amount of EUR 8.6 million and is due to the other financial obligations of EUR 1.3 million. In contrast, the reduction in trade payables and other liabilities contributed EUR 6.0 million to a reduction in operating cash flow.

Cash flow from investment activities

The cash flow from investing activities amounted to EUR -15.5 million in the financial year (2019: EUR -42.0 million). Cash investments in property, plant and equipment and intangible assets – particularly in connection with the new production site in China – amounted to (without taking capitalised interest of EUR 1.4 million into account (2019: EUR 1.3 million)) EUR 20.3 million (2019: EUR 63.5 million). The Group received EUR 4.0 million from the receipt of grants from public authorities in China (2019: EUR 20.6 million).

Cash flow from financing activities

The fund inflow resulted from the further availment of bank loans to finance the investments in the new production site in China amounting to EUR 16.1 million as well as the take-up of loans from the coronavirus assistance programme offered by KfW in the amount of EUR 3.5 million. In contrast, repayments on the current loan at Schweizer Electronic AG and on lease liabilities in the Group as well as interest payments impacted the cash flow from financing activities. The interest paid includes shares of EUR 1.4 million (2019: EUR 1.3 million) from the investment loan to Schweizer Electronic (Jiangsu) Co., Ltd., which were added to the acquisition and manufacturing costs of investments at the Jintan site (see section 3.5)

Change in liabilities from financing activities

In EUR thousands	As at 01/01/2020	Currency differenc- es	Cash flow from financ- ing activities	New leases	As at 31/12/2020
Financial loans	65,295	-770	15,808	0	80,333
Lease liabilities	2,023	0	-558	2,449	3,914
Non-current financial liabilities	67,318	-770	15,250	2,449	84,247
Financial loans	2,563	0	2,052	0	4,615
Lease liabilities	699	12	-313	722	1,120
Current financial liabilities	3,262	12	1,739	722	5,735
Total	70,580	-758	16,989	3,171	89,982

In EUR thousands	As at 01/01/2019	Currency differenc- es	Cash flow from financ- ing activities	New leases	As at 31/12/2019
Financial loans	18,281	0	47,014	0	65,295
Lease liabilities	2,279	21	-521	244	2,023
Non-current financial liabilities	20,560	21	46,493	244	67,318
Financial loans	7,147	0	-4,585	0	2,563
Lease liabilities	820	0	-293	172	699
Current financial liabilities	7,967	0	-4,878	172	3,262
Total	28,527	21	41,615	416	70,580

6. OTHER NOTES**6.1 CONTINGENT LIABILITIES****Guarantees and other commitments**

As at 31 December 2020, there were guaranteed amounts from cooperative shares of Schweizer Electronic AG in the amount of EUR 5 thousand (2019: EUR 5 thousand).

In connection with the financing of the new production unit Schweizer Electronic (Jiangsu) Co., Ltd., China, Schweizer Electronic AG already in 2018 provided an undertaking to the banking syndicate of the Industrial and Commercial Bank of China in the form of a letter of comfort to actively take measures to raise funds for the maintenance of normal debt servicing and operating financial requirements in the event of standstills in loan repayments or other liquidity bottlenecks

at Schweizer Electronic (Jiangsu) Co., Ltd. The letter of comfort will take effect from the first half of 2019, once the conditions of the loan agreement between the subsidiary and the Chinese bank consortium have been met.

With regard to the letter of comfort to a supplier of Schweizer Electronic Singapore Pte. Ltd. for financial year 2015, no liabilities existed as at 31 December 2020 (31 December 2019: EUR 0 thousand).

Schweizer Electronic AG continues to be committed to fulfilling the obligation arising from a local service contract between Schweizer Electronic Singapore Pte. Ltd. and the former CEO if the company is unable to fulfil it punctually and on time. This agreement is valid as long as financial obligations exist.

Furthermore, Schweizer Electronic AG undertakes to meet all the obligations of Schweizer Electronic Singapore Pte. Ltd., if the company is unable to fulfil them punctually and in good time.

There are no guarantees or other commitments at the level of the subsidiary.

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

Legal disputes

The lawsuit filed by Darcet Pte., Ltd., Singapore, against Swiss Energy Production Singapore Pte., Ltd. was heard by the Singapore court in the first half of 2019 and was dismissed in full on 21 May 2019. The judgement of the appeal court is now in force.

In addition, one lawsuit by the former chair of the Executive Board Dr Maren Schweizer against Schweizer Electronic AG in connection with the extraordinary termination of her employment contract is pending before the court. Negotiations for a possible out-of-court agreement are ongoing. Based on the interests that can be derived from this, an amount in the low single-digit millions is expected.

6.2 SHARE-BASED REMUNERATION

The company has granted the members of the Executive Board share-based, long-term cash compensation as part of a long-term incentive plan (LTI) since financial year 2019.

The first payment under the LTI plan will be made after financial year 2022 at the earliest, as the first four-year cycle begins with financial year 2019.

The amount paid out under the LTI plan is based on the performance of the Schweizer Electronic AG share price, the achievement of the return on capital employed (ROCE) target and a corporate factor determined by the Supervisory Board. Payment under the LTI plan is made only if an average target achievement rate of at least 80% with respect to ROCE is achieved over a four-year performance period.

The amount paid out is largely determined by the average price of the Schweizer Electronic AG share at the end of the performance period. The amount to be paid out is calculated by multiplying this share price by the number of virtual shares granted to the Executive Board member under the LTI plan. The number of virtual shares is calculated as follows: Depending on the level of target achievement, a certain amount (40% of the gross annual fixed salary in the case of 100% target achievement; limited to a maximum of 80% of the gross annual fixed salary) is converted into virtual shares based on an average starting price determined at the beginning of the performance period. This initial number of virtual shares is adjusted using the ROCE target achievement factor on average over the performance period and the company factor to produce a final number of virtual shares at the end of the performance period.

The entitlements earned under the LTI plan up to the end of the financial year are measured at a fair value of EUR 42 thousand as at the balance sheet date (2019: EUR 0 thousand). The following parameters were included in the determination:

Tranche	2020
Performance period	2020 to 2023
End of performance period	31/12/2023
Share price	EUR 11.75
Risk-free interest rate	-0.58%
Expected volatility of the share	46.55%
Expected corporate factor	100%
Expected ROCE target achievement rate	90%
Expense from the addition to the provision	TEUR 42

For the 2019 tranche (performance period of 2019 up to and including 2022), it is expected that the average target achievement rate at the end of the performance period with respect to ROCE will be less than 80% with the result that no provision for this tranche was created.

Payment under the LTI plan is made in the form of a cash payment at the end of the four-year performance period. Further information on the remuneration of the members of the Executive Board can be found in Section 6.3.

6.3 INFORMATION ON RELATED PARTY TRANSACTIONS

Related companies

Related companies that are controlled by Schweizer Electronic AG or managed jointly with another party are presented in Section 7.6. The business transactions between Schweizer Electronic AG and its subsidiaries were eliminated within the framework of consolidation.

Related persons

The related parties of the SCHWEIZER Group comprise the members of the Executive Board and the Supervisory Board of Schweizer Electronic AG (see section 7.5) and their close family members.

Remuneration for the members of the Management Board and the Supervisory Board is comprised as follows:

	2020	2019
	EUR	EUR
	thousands	thousands
Current benefits (without share-based remuneration)	1,239	2,064
Benefits after termination of employment	414	456
Share-based remuneration	42	5
Total	1,695	2,525

The pension provisions include a provision in the amount of EUR 6,235 thousand (2019: EUR 6,250 thousand) for the former members of the Management Board and their surviving dependants. The post-employment benefits also include the remuneration of a former member of the Management Board (currently member of the Supervisory Board) in the amount of EUR 179 thousand (2019: EUR 193 thousand).

The employees' representatives on the Supervisory Board, who are employed at SCHWEIZER, also received a salary for their activity as employees.

Further disclosures regarding the remunerations of the Management Board and the Supervisory Board are set out in the remuneration report.

Other relationships with related parties

Mr Chris Wu has been a member of the Supervisory Board since 7 July 2017. Mr Wu is the managing partner of WUS Printed Circuit (Kunshan) Co. Ltd., China, from which goods in the amount of EUR 5,107 thousand (2019: EUR 14,226 thousand) were purchased in financial year 2018. As of the reporting date, there were liabilities of EUR 861 thousand (2019: EUR 3,496 thousand). In addition, revenue of EUR 275 thousand (2019: EUR 336 thousand) was realised from transactions with the company in the financial year. Receivables amounted to EUR 236 thousand.

6.4 EVENTS AFTER THE BALANCE SHEET DATE

No events of particular significance that would have a major financial impact occurred after the balance sheet date.

7. ADDITIONAL INFORMATION IN ACCORDANCE WITH HGB

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

The Executive Board and the Supervisory Board of Schweizer Electronic AG have issued the declaration for 2020 stipulated in Section 161 AktG and have made this declaration available to shareholders on the company website *www.schweizer.ag*.

7.2 NUMBER OF EMPLOYEES

The average number of employees is:

	2020			2019		
	National	International	Total	National	International	Total
Wage-earning employees	399	172	571	444	44	488
Employees	214	58	271	239	45	284
Number of employees	612	230	842	683	89	772
Trainees	21	0	21	24	0	24
Number of employees (including trainees)	633	230	863	707	89	796

7.3 AUDIT AND CONSULTING FEES

The auditor's fee charged for the financial year amounts to EUR 397 thousand (of which EUR 55 thousand for the previous year) for audit services, EUR 11 thousand for other certification services, EUR 0 thousand for tax consulting services and EUR 96 thousand for other services (of which EUR 76 thousand for the previous year).

7.4 COMPANY EXECUTIVE BODIES AND THEIR MANDATES

Executive Board

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

Nicolas-Fabian Schweizer

Chairman of the Management Board (since 9 April 2020)

Responsible for Technology R&D, Business Development, Operations & Quality, Human Resources, Legal as well as Media & Communications (PR).

Activities and mandates within the Group:

- Director of Schweizer Pte. Ltd., Singapore
- Supervisor of Schweizer Electronic (Suzhou) Co., Ltd., China (until 30 September 2020)
- Supervisor of Schweizer Electronic (Jiangsu) Co., Ltd., China
- Member of the Executive Board of Unterstützungskasse Christoph Schweizer e.V.

Marc Bunz

Member of the Management Board (Deputy Chair since 9 April 2020)

Responsible for Sales & Marketing, Operations & Quality, Finance & Controlling, Global Supply Chain, Information Technologies and Investor Relations.

Activities and mandates within the Group:

- Managing Director of Schweizer Pte. Ltd., Singapore
- Director of Schweizer Electronic (Jiangsu) Co., Ltd., China
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore
- Member of the Executive Board of Unterstützungskasse Christoph Schweizer e.V.

Dr Rolf Merte

Chairman of the Management Board (appointed until 6 March 2020)

Responsible for Technology & Business Development, Sales & Marketing and Information Technologies.

Supervisory Board

The Supervisory Board consists of the following persons:

Christoph Schweizer

Chair

Member of the Finance Committee

Former Managing Director of Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH and Schweizer Air Service GmbH & Co.KG

Dr Stephan Zizala

Deputy Chair

Member of the Finance Committee

Vice President & General Manager, Business-Line High Power, Automotive Division of Infineon Technologies AG

Michael Kowalski

Member of the Finance Committee

Former consultant, senior adviser at mmc Mollenhauer Management Consulting AG, Wiesbaden

Chris (Chuan Pin) Wu

President of WUS Printed Circuit (Kunshan) Co., Ltd.

Other activities and mandates:

- Director, Biggering (BVI) Holdings Co., Ltd.
- Director, Happy Union Investment Co., Ltd.

Petra Gaiselmann *

Deputy Chairwoman of the Works Council, Schweizer Electronic AG, Schramberg

Jürgen Kammerer *

Mechanics process engineer, Schweizer Electronic AG, Schramberg

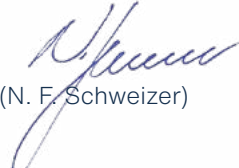
* Employee representative

7.5 SHAREHOLDINGS AS AT 31 DECEMBER 2020

Name	Headquarters	Equity share (in percent)
Fully consolidated subsidiaries		
Schweizer Pte. Ltd.	Singapore	100.0
Schweizer Electronic Singapore Pte. Ltd.	Singapore	100.0
Schweizer Energy Production Singapore Pte. Ltd.	Singapore	94.5
Unterstützungskasse Christoph Schweizer e.V. (provident fund)	Schramberg, Germany	100.0
Schweizer Electronic (Jiangsu) Co., Ltd.	Jiangsu, China	100.0
Other participating interests		
SCHRAMBERGER WOHNUNGSBAU GmbH	Schramberg, Germany	1.3

The Chinese company Schweizer Electronic (Suzhou) Co., Ltd., Suzhou/China, was liquidated in financial year 2020. Otherwise, there were no changes compared to the previous year.

Schramberg, 06 April 2021
Schweizer Electronic AG
The Executive Board



(N. F. Schweizer)



(M. Bunz)

INDEPENDENT AUDITOR'S REPORT

To Schweizer Electronic AG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP STATUS REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of Schweizer Electronic AG, Schramberg, and its subsidiaries (the Group), comprising the consolidated income statement, the consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2020, the consolidated balance sheet as of 31 December 2020, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2020 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the Group status report that was combined with the status report of Schweizer Electronic AG for the financial year from 1 January to 31 December 2020. In line with the German statutory regulations, we have not audited the corporate governance statement in accordance with Sections 289f/315d HGB [German Commercial Code], which is part of the Group status report, published on the Internet and referred to in the Group status report. We have also not included in our examination the information external to the Annual Report to which reference is made in the section "Takeover-relevant information" in the status report.

In our opinion based on the findings of our audit,

- the enclosed consolidated financial statements are in all material respects in compliance with IFRS as applicable in the EU and the supplementary provisions under commercial law pursuant to Section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2020 and its results of operations for the financial year from 1 January to 31 December 2020 in accordance with these requirements and
- the accompanying Group status report provides a suitable understanding of the Group's position. In all material aspects, this Group status report is consistent with the consolidated financial statements, complies with German law and suitably presents the opportunities and risks of future development. Our audit opinion on the Group status report does not extend to the content of the above-mentioned corporate governance statement.

In accordance with Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any objections against the correctness of the consolidated financial statements and the combined Group status report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated annual financial statements and the Group status report in accordance with Section 317 HGB, EU Auditor Regulation (No. 537/2014; hereinafter "EU-APrVO") and the generally accepted German accounting standards laid down by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer; IDW). Our responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor for the audit of the consolidated financial statements and Group status report" of our audit opinion. We are independent of the Group company in accordance with European and German commercial and professional legal regulations and have met our other German professional duties in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) Letter f) of the EU-APrVO (EU Regulation on the Preparation of Financial Statements) that we have not provided any prohibited non-audit services pursuant to Article 5 (1) of the EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and Group status report.

PARTICULARLY IMPORTANT AUDIT ISSUES IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly significant audit issues are those which, in our opinion and due discretion, were most significant to our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These issues have been considered in connection with our audit of the consolidated financial statements as a whole and in forming our opinion thereon; we do not express a separate opinion on these issues.

In the following, we describe what we consider to be particularly important audit issues:

1) Accounting for investments in fixed assets as well as grants from public authorities in China

Reasons for determinations as a particularly important audit issue

Substantial investments in fixed assets were made in financial year 2020 in connection with the strategic realignment of the Group and the development of a new production site in Jintan (China). The financing of this investment was primarily based on non-repayable grants from the local authorities. The agreement provides for subsidies for investments in land and buildings, technical equipment and machinery as well as other plant, factory and office equipment in addition to expenses for rent, staff and research and development. The allocation of the grants to individual assets is partly discretionary. The investments made as well as the grants from public authorities in particular impact the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and the notes to the consolidated financial statements.

Given their amount and their significance for the presentation of a fair view of the presentation of the net assets, financial position and results of operations of the Group and given the existing discretionary leeways of the legal representatives, the accounting for the investments in fixed assets and the associated grants from public authorities in China was particularly important audit issues.

Audit procedure

We have examined the processes set up by the legal representatives for accounting for the investments as well as the grants from public authorities. As part of our substantive audit procedures, we obtained, on a test basis, supporting documents on the amount and existence of the fixed assets. We examined whether the useful life estimates made by the legal representatives reflected the general and industry-standard expectations and whether they met the provisions of IAS 16.

We assessed the accounting recognition of the grants from public authorities by examining the contractual agreement between the Group company and the Chinese authorities using local auditors. For this purpose, we discussed the categorisation to profit-related grants and grants for investments as well as their allocation to individual fixed assets with the legal representatives. We verified the categorisation and allocation by means of supporting documents on a test basis. Furthermore, we assessed whether the accounting deduction of the grants from the carrying amounts of the subsidised fixed assets corresponded to the contractual provisions as well as the requirements under IAS 20.

We verified the amount of the grants received recognised in the cash flow statement on a test basis by means of payment receipts. We assessed the amount and existence of grants recognised as receivables but not yet received on a test basis by means of supporting documents and contractual provisions. We verified the disclosures in the notes to the consolidated financial statements on the public grants with the audit evidence requested and assessed these with reference to the requirements of IAS 20.

No objections arose from our audit procedures with regard to the accounting for investments in fixed assets as well as grants from public authorities in China.

Reference to related information

With regard to the procedure regarding the grants from public authorities, Schweizer Electronic AG provides a report in the notes to the consolidated financial statements, inter alia, in Section 2 and in Note 4.17.

2) Recognition and measurement of deferred taxesReasons for determinations as a particularly important audit issue

The Group conducts its business in countries with varying local tax laws. The recognition of deferred taxes on valuation differences and on loss carryforwards was a particularly important issue in the context of our audit, as it requires a high degree of discretionary decisions, estimates and assumptions by the legal representatives. This relates in particular to the recoverability of deferred tax assets on valuation differences and on loss carryforwards. The recoverability of deferred tax assets is based on the assessment of their usefulness based on future taxable income. In this respect, the legal representatives make estimates with regard to the economic development of the Group companies and the future use of existing loss carryforwards, which are subject to discretionary powers.

Audit procedure

We called in internal tax experts to assist in assessing deferred taxes. We dealt with the processes set up by the legal representatives, reviewed domestic tax values on the basis of tax assessments and the confirmation from the external tax consultant, took random samples to examine the identification, completeness and correct quantification of deviations between the recognition and measurement of assets and liabilities in accordance with tax regulations and IFRS accounting, and comprehended the calculation of deferred taxes and the application of the applicable tax rate.

As part of our audit procedures to assess the recoverability of deferred tax assets, we tested, on a sample basis, whether the tax planning was derived correctly from the corporate plans prepared by the legal representatives. In addition, we assessed the tax planning assumptions of the respective company from the perspective of the taxable income generated in the past.

Our audit procedures did not give rise to any objections to the recognition and measurement of deferred taxes.

Reference to related information

With regard to the procedure regarding deferred taxes, Schweizer Electronic AG provides a report in the notes to the consolidated financial statements, inter alia, in Section 2 and in Note 3.8.

Miscellaneous information

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration stipulated in Section 161 AktG on the German Corporate Governance Index, which forms part of the corporate governance statement. In all other respects, the legal representatives are responsible for the other information. The other information comprises the above-mentioned corporate governance statement. Furthermore, the other information comprises the non-financial report (Group) pursuant to Sections 289b and/or 315b HGB, a version of which we received as at the date of issue of this auditors' report. Furthermore, the other information includes further components provided for the Annual Report, a version of which we have received as at the date of issue of this auditors' report, in particular the responsibility statement, the corporate governance report, the Supervisory Board report and the remaining components of the Annual Report, in particular the sections "IFRS key figures", "Company" and "Information" but not the consolidated financial statements, not the disclosures in the Group status report included in the audit of the content and not our related auditors' report.

Based on the work performed by us, should we conclude that a materially false disclosure has been made in this other information, we are obligated to report on this matter. In this respect, we have nothing to report.

Our opinion on the consolidated financial statements and Group management report does not extend to miscellaneous information, and accordingly we do not express an audit opinion or any other form of conclusion on such information.

In connection with our audit, we have the responsibility to read the miscellaneous information and, in doing so, to assess whether the miscellaneous information

- is materially inconsistent with the consolidated financial statements, Group status report or the findings of our audit, or
- otherwise appears materially misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group status report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU, the additional requirements of German law pursuant to Section 315e (1) HGB in all material aspects, and for the presentation of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to permit the preparation of consolidated financial statements free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, where relevant, matters relating to the continuation of the company's activities. In addition, they are responsible for accounting on the basis of the going-concern accounting principle, unless there is the intention to liquidate the Group or to discontinue operations or there is no realistic alternative.

Moreover, the legal representatives are responsible for the preparation of the Group status report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a Group status report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the Group status report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group status report.

Responsibility of the auditor for the audit of the consolidated financial statements and Group status report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether intended or not, and whether the Group status report as a whole provides a suitable view of the Group's position and is in accordance, in all material respects, with the consolidated financial statements and the findings of our audit, complies with the requirements of the German legal regulations and suitably presents the opportunities and risks of future development, and to issue an audit report that includes our audit opinions on the consolidated financial statements and Group status report.

Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with section 317 HGB and the EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they would individually or collectively influence the economic decisions of recipients made on the basis of these consolidated financial statements and Group status report.

During the audit, we exercise due discretion and maintain a critical attitude. In addition,

- we identify and assess the risks of material misstatements, whether intentional or not, in the consolidated financial statements and Group status report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis for our audit opinion. The risk that material misrepresentations are not detected is higher in the case of violations than in the case of inaccuracies, since violations may involve fraudulent interaction, forgery, intentional incompleteness, misleading representations or the repeal of internal controls;
- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the precautions and measures relevant to the audit of the Group status report for planning audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives;
- we draw conclusions about the appropriateness of the going-concern accounting principle applied by the legal representatives and, based on the evidence obtained, whether there is a material uncertainty in connection with events or circumstances that could raise significant doubts about the Group's ability to continue its activities as a going concern. If we conclude that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and the status report in our audit report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances may, however, result in the Group no longer being able to continue its business activities;
- we assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying business transactions and events such that the consolidated financial statements

give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the additional requirements of German law pursuant to Section 315e (1) HGB;

- we obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the combined Group status report. We are responsible for the management, supervision and execution of the audit of the consolidated financial statements. We bear the sole responsibility for our audit opinions;
- we assess the consistency of the combined Group status report with the consolidated financial statements, its compliance with the law and the picture it conveys of the Group's position.
- we perform audit procedures on the forward-looking statements presented by the legal representatives in the Group status report. On the basis of sufficient suitable audit evidence, we follow up on the significant assumptions underlying the future-oriented statements made by the legal representatives and assess the appropriate derivation of the future-oriented statements from these assumptions. We do not express an independent opinion on these forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

We discuss with those responsible for monitoring, inter alia, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system, which we identify during our audit.

We make a statement to those responsible for the monitoring that we have complied with the relevant independence requirements and discuss with them all the relationships and other matters that can reasonably be expected to affect our independence and the safeguards taken to that end.

From the matters that we have discussed with those responsible for supervision, we determine those matters that were most significant in the audit of the consolidated financial statements for the current reporting period and which are therefore particularly important audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions exclude public disclosure of the facts.

Miscellaneous legal and other legal requirements

Note on the audit of the electronic reproductions of the consolidated financial statements and the Group status report prepared for the purposes of publication pursuant to Section 317 (3b) HGB

Audit opinion

Pursuant to Section 317 (3b) HGB, we have performed an audit to obtain reasonable certainty as to whether the reproductions of the consolidated financial statements and the Group status report prepared for the purposes of publication in the enclosed file [Schweizer Electronic AG Konzernabschluss 31.12.2020.zip] (hereinafter also referred to as ESEF documents) meet the requirements of Section 328 (1) HGB regarding the electronic reporting format (ESEF format) in all material respects. In line with the German statutory regulations, this audit only extends to the transfer of the information in the consolidated financial statements and the Group status report to the ESEF format and therefore not to the information contained in these reproductions and neither to other information contained in the above-mentioned file.

In our opinion, the reproductions contained in the above-mentioned attached file and the reproductions in the consolidated financial statements and the Group status report prepared for the purposes of publication meet the requirements of Section 328 (1) HGB regarding the electronic reporting format in all material respects. Beyond this audit opinion and our audit opinions contained in the aforementioned "Note on the audit of the consolidated financial statements and the Group status report" on the enclosed consolidated financial statements and the enclosed Group status report for the financial year from 1 January to 31 December 2020, we do not provide any opinion whatsoever regarding the information contained in these reproductions as well as the other information contained in the above-mentioned file.

Basis for the audit opinion

We performed our audit of the reproductions of the consolidated financial statements and Group status report contained in the above-mentioned file in line with Section 317 (3b) HGB taking into account the draft of the IDW audit standard: Audit of the electronic reproductions of financial statements and management reports prepared for the purposes of publication pursuant to Section 317 (3b) HGB (IDW EPS 410). Our responsibility is described in further detail in the section "Responsibility of the auditors of consolidated financial statements for the audit of ESEF documents". Our audit firm has applied the requirements of the quality control system of the IDW quality control standard: Requirements for quality control in audit firms (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company's legal representatives are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the Group status report pursuant to Section 328 (1) sentence 4 no. 1 HGB and for the mark-up of the consolidated financial statements pursuant to Section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's legal representatives are responsible for the internal controls they regard as necessary to enable the preparation of ESEF documents that are free of material – intentional or unintentional – violations of the provisions of Section 328 (1) HGB regarding the electronic reporting format.

The company's legal representatives are, in addition, responsible for submitting to the publishers of the Federal Gazette the ESEF documents together with the auditors' report, the enclosed audited consolidated financial statements and the audited Group status report as well as other documents requiring publication.

The Supervisory Board is responsible for monitoring the preparation of the ESEF documents as part of the accounting process.

Responsibility of the auditors of consolidated financial statements for the audit of ESEF documents

Our objective is to obtain reasonable certainty whether the ESEF documents are free of material – intentional or unintentional – violations of the requirements of Section 328 (1) HGB. During the audit, we exercise due discretion and maintain a critical attitude. In addition,

- we identify and assess the risks of material – intentional or unintentional – violations of the requirements of Section 328 (1) HGB and plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis for our audit opinion;
- we gain an understanding of the internal controls relevant to the audit of the ESEF documents for planning audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls;
- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815 in the version valid as at the reporting date regarding the technical specification for this file;
- we assess whether the ESEF documents enable an identical XHTML reproduction of the audited consolidated financial statements and the audited Group status report;
- we assess whether the mark-up of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete, machine-readable XBRL copy of the XHTML reproduction.

Other disclosures in accordance with Article 10 of the EU-APrVO

We were appointed as Group auditors by the Annual General Meeting held on 26 June 2020. We were appointed by the Supervisory Board on 02 October 2020. We have been the Group auditors of Schweizer Electronic AG without interruption since financial year 2015.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee under Article 11 of the EU-APrVO (audit report).

In addition to auditing the financial statements of the Group companies, we provided the following services that were not disclosed in the consolidated financial statements or in the Group status report:

- Statutory sector-specific audits;
- Audit services not required by law in relation to financial information.

Responsible auditor

The auditor responsible for the audit is Mr Andreas Nietzer.

Freiburg im Breisgau, 09 April 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft [Audit firm]

Nietzer	Mittelberger
Auditor	Auditor

DECLARATION BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group status report, that is combined with the status report of Schweizer Electronic AG, includes a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Schramberg, 06 April 2021

The Executive Board



Nicolas-Fabian Schweizer



Marc Bunz

CORPO- RATE GOVERN- ANCE

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CORPORATE GOVERNANCE STATEMENT AND CORPORATE GOVERNANCE REPORT

The principles of responsible and good corporate governance determine the activities of the management and control bodies of the SCHWEIZER Group and Schweizer Electronic AG. The corporate governance statement in accordance with Section 289f and Section 315d HGB forms part of the combined status report.

Schweizer Electronic AG is a listed company in accordance with German law and therefore has a dual management system, comprising the Executive Board and the Supervisory Board.

The Executive Board of Schweizer Electronic AG and the management of the Group subsidiaries lead the company in accordance with the statutory provisions, the Articles of Association and the procedural rules.

The Supervisory Board monitors, advises and supports the Executive Board in its activities. The procedural rules of both boards regulate aspects such as the collaboration between them. With the German Corporate Governance Code, a standard for the transparent control and management of companies was established, which is focused particularly on the interests of the shareholders.

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG

The declarations of compliance made by Schweizer Electronic AG have been made available to all interested parties on the company website www.schweizer.ag/en/investor-relations/corporate-governance.html.

The Executive Board and the Supervisory Board dealt with the recommendations and guidelines of the German Corporate Governance Code once again in the 2020 financial year.

WORDING OF THE DECLARATION OF COMPLIANCE (VERSION: DECEMBER 2020)

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 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 Executive Board and the Supervisory Board of Schweizer Electronic AG issued the last declaration of compliance in accordance with Section 161 AktG in December 2019. The following declaration relates to the period between May 2019 and 19 March 2020 and refers to the recommendations of the German Corporate Governance Code (“Code”) in the version of 07 February 2017, which was published in the Federal Gazette on 24 April 2017 (“2017 version”). For the period after 20 March 2020, the following declaration refers to the recommendations of the Code in the version of 16 December 2019, which was published in the Federal Gazette on 20 March 2020 (“2020 version”).

The Executive Board and the Supervisory Board of Schweizer Electronic AG declare that, since the last declaration of compliance was issued in December 2019, the recommendations of the Code were and are being complied with, with the following exceptions:

Code No. 4.2.1 (2017 version): Code No. 4.2.1 clause 1 (2017 version) recommends that the Executive Board should have a Chairman or Spokesperson. Due to the early departure of Dr Rolf Merte from the Executive Board, the position of Executive Board Chairman was temporarily vacant between 6 March 2020 and 9 April 2020. Code No. 4.2.1 (2017 version) was therefore not complied with in the period between 6 March 2020 and the expiry of the validity of the 2017 version.

Code No. 4.2.2 (2017 version): Code No. 4.2.2 (2), clause 3, (2017 version) recommends that, when determining the total remuneration of the individual members of the Executive Board, the Supervisory Board should consider the relationship of the Executive 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 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 Executive Board members does not exceed the customary remuneration without special reason. However, to the extent the Code specifies this review of vertical appropriateness of the remuneration awarded to the Executive Board required pursuant to the German Stock Corporation Act, and defines the comparative groups decisive for the comparison as well as the time period of the comparison, a deviation in this regard is declared. Nevertheless, the Personnel and Finance Committee regularly deals with the substance of the vertical remuneration comparison. The Supervisory Board considers the requirements of the recommendation to be too vague. In particular, the Supervisory Board does 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 is 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 Executive Board are sufficient to ensure appropriate remuneration for members of the Executive Board.

In the future, the Supervisory Board will decide on a system for the Executive Board remuneration within the statutory deadline in accordance with the newly added Section 87a AktG by ARUG II and submit it to the Annual General Meeting for approval.

Code No. 4.2.3 (2017 version): In Code No. 4.2.3 (2), clause 8, (2017 version), the 2017 Code 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 and does not comply with this recommendation. The current remuneration rules in the Executive 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 remuneration parameters. The Executive Board and Supervisory Board believe it is advisable and necessary to take reason-

able 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 (2017 version), which stipulates that when concluding contracts with members of the Executive 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 Executive Board do not contain such a regulation. The Executive 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 their remaining entitlement under the Executive 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 (2017 version) (calculation of the severance payment cap) is not complied with. Code No. 4.2.3, clause 5 (2017 version), 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). In the event of premature termination of their Executive Board activities as a result of a change of control, the members of the Executive Board have a contractual entitlement to a settlement and severance payment limited to three years' compensation, so that the recommendation in Code No. 4.2.3 clause 5 (2017 version) is in principle complied with. However, for calculating the decisive annual remuneration, the overall remuneration of the past financial year and also any expected overall remuneration for the current financial year is not used, as provided for in the Code. In fact, the calculation is based on the average of the overall remuneration of the last three financial years prior to exit. The Executive Board and Supervisory Board are of the view that measuring the severance payment cap based on the average of several years of compensation is more meaningful and more appropriate than using the overall remuneration of only the last and any current financial year. Given the aforementioned, a partial deviation from Code No. 4.2.3, para. 5 in conjunction with No. 4.2.3, para. 4 clause 3 is declared.

Code No. 5.1.2 (2017 version), B.5 2020 version: In the Code, it is recommended that an age limit be set for Executive Board members (Code No. 5.1.2 (2) clause 3 (2017 version), B.5 (2020 version)) and to disclose this in the corporate governance statement (in this regard only B.5 in the 2020 version). The company has not complied with and does not comply with this recommendation. The Executive Board and the Supervisory Board do not consider it advisable to make a standard specification of an age limit for members of the Executive Board. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.

Code No. 5.3.1, 5.3.2 and 5.3.3 (2017 version), D.2, D.3, D.4, D.5 (2020 version): The Supervisory Board has neither an audit committee as recommended in Code No. 5.3.2 (2017 version), D.3 clause 1 (2020 version) nor a nomination committee as recommended in Code No. 5.3.3 (2017 version), D.5 (2020 version). 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, clause 1 (2017 version), D.2 clause 1 (2020 version) (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 (2017 version), C.2 (2020 version): In Section 5.4.1, para. 2, sentence 1, alt. 1 and clause 2 (2017 version), it is recommended that, when stating the specific objectives to be achieved when constituting the board, the Supervisory Board should consider, inter alia, an appropriate age limit for members of the Supervisory Board (in this regard also C.2, 2020 version) and an appropriate control limit for the duration of a term of office on the Supervisory Board. The company has not complied with and does not comply with these recommendations. 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. Neither does the Supervisory Board consider the stipulation of a control limit for the duration of a term of office on the Supervisory Board to be constructive. The Supervisory Board members who would be affected by such a limit are precisely those who have in-depth knowledge of the company and many years of experience, from which the company profits. The decision as to whether a person's term of office should be extended therefore must always be taken on the merits of the individual case.

C.7 (2020 version): According to recommendation C.7 (1), 2020 version, more than half of shareholder representatives should be independent of the company and the Executive Board. This new recommendation is not complied with. In the estimation of the independence of its members from the company and the Executive Board, the shareholder side should take certain indicators into account that are regarded as reasons against the independence of shareholder representatives (C.7 (2), 2020 version). If several of the indicators mentioned in C.7 are met, the relevant Supervisory Board members can, however, nevertheless be seen as independent. Against this background, the shareholder representatives currently regard two shareholder representatives as not independent. One shareholder representative is a close family member of an Executive Board member; another shareholder representative has a significant relationship with the company by holding a responsible function of a third-party company.

C.10 (2020 version): As Mr Christoph Schweizer, as Chairman of the Supervisory Board and of the Personnel and Finance Committee dealing with the Executive Board remuneration, is not independent of the Executive Board and the company for the aforementioned reasons, a deviation from C.10 clause 1, version 2020 is also declared.

Code No. 5.4.1 (2017 version), C.13 (2020 version): In Code No. 5.4.1, paras. 6 to 8 (2017 version), C.13 (2020 version), it is recommended that when proposing candidates to the Annual General Meeting the Supervisory Board should disclose each candidate's personal and professional relationships with the company, with executive bodies of the company and with a 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 (2017 version), G.18 (2020 version): According to the recommendation in Code No. 5.4.6 (2), clause 2 (2017 version), G.18 clause 2 (2020 version), if a Supervisory Board members is promised performance-related compensation, it should be oriented toward the sustainable and long-term 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 financial year. The Executive 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.

Code No. 7.1.2 (2017 version), F.2 (2020 version): In Code No. 7.1.2 Clause 3, 1st subclause 2017 version, F.2, first subclause 2020 version, it is recommended that the consolidated financial statements and the Group status report should be made publicly accessible within 90 days of the end of the financial year.

The company has not complied with and does not comply with this recommendation. Compliance with a term of 90 days is not possible due to the time required to prepare consolidated financial statements and a Group management report. The consolidated financial statements and Group management report were and are, however, published by the statutory deadline.

Schramberg, December 2020
Schweizer Electronic AG

Executive Board

Supervisory Board

STRUCTURE OF THE COMPANY'S MANAGEMENT AND MONITORING

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of Schweizer Electronic AG exercise their rights as part of the company's Annual General Meeting held at least once a year. The Chair of the Supervisory Board presides over the Annual General Meeting. Each share represents one vote. All shareholders who are entered in the share register and have registered by the deadline are entitled to participate in the Annual General Meeting. The Annual General Meeting decides on all the tasks allocated to it by law, in particular with respect to the appropriation of profits, formal approval of the actions of the Executive Board and Supervisory Board, appointment of auditors, capital measures and changes to the Articles of Association. The company assists shareholders in exercising their rights at the Annual General Meeting. Furthermore, the Investor Relations department is available for the exchange of information between the company and shareholders throughout the year.

It is the goal of SCHWEIZER to make it as easy as possible for shareholders to participate in the Annual General Meeting. All the documents necessary for participation are therefore published online. The shareholders can register for the Annual General Meeting in writing or electronically, and they can issue authorisations by postal vote or online, for example, to the company's proxy holders. In 2020, shareholders could follow the Annual General Meeting, which was held virtually due to the COVID-19 pandemic, on the Internet.

EXECUTIVE BOARD

As a governing body of the Group, the Executive Board is committed to serving the company's interests and increasing its value in a sustainable manner. The Executive Board develops the strategic direction of the company, consults on and agrees same with the Supervisory Board and ensures implementation. The Executive Board ensures appropriate risk management and controlling in the company. The Executive Board leads the company under its own responsibility.

The Executive Board is responsible for preparing the interim announcements, the semi-annual financial report as well as the annual financial statements and summarised status report of Schweizer Electronic AG and the Group.

Furthermore, the Executive Board ensures that statutory provisions, official regulations and internal corporate guidelines are adhered to and acts to ensure that they are complied with through the Group companies (compliance). The Executive Board fosters a corporate culture in which reliability, honesty, credibility and integrity are the cornerstones of actions.

In the context of the established risk management system, the Executive Board not only ensures that existing legal regulations and company guidelines and principles are complied with, but also provides for an environment in which any risks are identified at an early stage and measures are taken, thereby guaranteeing lawful conduct and minimising risks. Directives on competition law, insider regulations, fair competition, foreign trade legislation, export controls and the avoidance of corruption are made available to employees and form part of the corporate processes. Besides the general conditions of purchase, the existing supplier guidelines and evaluations, as well as the Conflict Minerals Policy, form the basis for a responsible supply chain. The company has estab-

lished a whistleblower system in order to investigate violations fairly and appropriately. SCHWEIZER employees as well as external parties can report violations using this system. The whistleblower system ensures that absolute confidentiality is maintained when processing the information provided.

Periodic evaluations of specific compliance risks are carried out using checklists; the necessary measures are taken and verified by certification companies. Information on the implementation of the CSR Directive Implementation Act is available in the Non-Financial Statement as a separate section in the 2020 Annual Report and is available on the website at: www.schweizer.ag/en/about-us/corporate-social-responsibility.html.

The Executive Board informs the Supervisory Board regularly, promptly and comprehensively with regard to all relevant issues regarding strategy, planning, business development, risk situation, risk management and compliance.

COMPOSITION OF THE EXECUTIVE BOARD

The Executive Board comprised three members until 6 March 2020 and since Dr Rolf Merte's resignation has had two members. The Executive Board currently consists of Mr Nicolas-Fabian Schweizer (appointed until 30 June 2022) and Mr Marc Bunz (appointed until 31 March 2023). Further information regarding the first appointment, areas of responsibility and resumes of the Executive Board members can be found on the company's website at: www.schweizer.ag/en/about-us/executive-board.html.

TARGETS AND DIVERSITY FOR THE COMPOSITION OF THE EXECUTIVE BOARD

In its resolution dated 19 June 2017, the Supervisory Board determined the targets and diversity of Executive Board appointments. Besides technical suitability, experience and management quality, the criteria of diversity and an appropriate proportion of women must be taken into account in the selection of suitable Executive Board candidates. Further criteria of the target composition of the Executive Board are the purpose and size of the company. When evaluating potential candidates for appointment to vacant Executive Board positions, qualified women are to be included in the selection process and considered appropriately. Taking into account the points mentioned, the Supervisory Board has set a target of zero in the appointment of a woman to an Executive Board position. The target applies as from 1 July 2017 and is valid until 30 June 2022.

LONG-TERM SUCCESSION PLANNING FOR THE EXECUTIVE BOARD

In fulfilment of its task with respect to the appointment and dismissal of Executive Board members, the Supervisory Board decides on appointments to the Executive Board. With the support of the Executive Board the Supervisory Board, jointly with the Personnel and Finance Committee, carries out sustainable long-term succession planning for the Executive Board. In this planning, the requirements of the German Stock Corporation Act (Aktiengesetz), the German Corporate Governance Code and the procedural rules of the Supervisory Board are taken into account in addition to the criteria determined by the Supervisory Board for the composition of the Executive Board. Taking into account the specific qualification requirements and the criteria mentioned, an appointment profile is developed on the basis of which the Personnel and Finance Committee prepares a shortlist of available candidates (internal and external). Structured interviews are held with

these candidates. A recommendation is then made to the Supervisory Board for the passing of an appropriate resolution. If required, external consultants are called in to support the development of the requirements profile in the selection of candidates.

When considering the composition of the Executive Board, a balanced age structure is observed without a fixed age limit being set.

The remuneration report provides information on the essential features of the Executive Board remuneration system.

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

SUPERVISORY BOARD

Under the Articles of Association, the Supervisory Board of Schweizer Electronic AG is made up of six members, of whom 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) and the remaining four by the Annual General Meeting. Elections to the Supervisory Board are held as individual elections.

The Chair and Deputy Chair of the Supervisory Board are chosen from among the members of the Supervisory Board.

The Supervisory Board appoints the members of the Executive Board. It monitors and advises the Executive Board in the leadership of the company. The key decisions made by the Executive Board require the approval of the Supervisory Board. The Supervisory Board meets at least four times per year. The members of the Executive Board participate in Supervisory Board meetings unless the Chair of the Supervisory Board issues a directive to the contrary. However, the Supervisory Board should also meet regularly without the presence of the Executive Board. Due to the special circumstances of the COVID-19 pandemic, several meetings of the Supervisory Board and the Committee were held virtually or as face-to-face meetings with the option of participating virtually in financial year 2020.

The Supervisory Board adopts the financial statements, approves the consolidated financial statements and appoints the auditor. Further details on its way of working are explained in the Supervisory Board report.

The Supervisory Board reviews and assesses its activity regularly every year by means of a questionnaire. The last review was in summer 2020. The results were then discussed by the Supervisory Board in a meeting. No major deficits were found.

The members of the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. When passing resolutions, the Supervisory Board ensures that potential conflicts of interest are taken into account. Further details can be found in the Supervisory Board report.

Any further education and training measures required are carried out by the members of the Supervisory Board under their own responsibility and are supported by the company in doing so.

PERSONNEL AND FINANCE COMMITTEE

The Supervisory Board has a Personnel and Finance Committee. The committee chair regularly informs the Supervisory Board of the consultations and resolutions of the committee. The Personnel and Finance Committee comprises three shareholder representatives, the Chair of the Supervisory Board Mr Christoph Schweizer, and two other shareholder representatives Dr Stephan Zizala and Mr Michael Kowalski. Further information on the members of the Supervisory Board and the current Personnel and Finance Committee can be found in the notes to the annual financial statements and at: www.schweizer.ag/en/about-us/supervisory-board.html.

TARGETS FOR THE COMPOSITION, COMPETENCE PROFILE AND DIVERSIFICATION CONCEPT OF THE SUPERVISORY BOARD

In its meeting held on 19 June 2017, the Supervisory Board passed a resolution on its targets for its composition, diversity concept and competence profile. Accordingly, the Supervisory Board should have a composition such that it can perform its tasks set out by law and the Articles of Association in the best possible manner. This includes ensuring qualified control and consultation of the Executive Board by the Supervisory Board.

Competence profile of the Supervisory Board

The candidates proposed for election to the Supervisory Board should be in a position, based on their knowledge, skills and experiences, to carry out the tasks of a Supervisory Board member in an international company and to preserve the company's public reputation. In this respect, the independence, loyalty, mandate limitations, availability and professionalism of the persons proposed for election should be taken into account in particular.

The aim is to have all the knowledge and experience that are regarded as significant, given the activities and business fields of SCHWEIZER, on the Supervisory Board as a whole. Among other things, this includes knowledge and experience in the areas of general business management, general legal principles, experience in corporate strategy and management, technology, production and sales, finance (including accounting), personnel and law (including compliance and regulatory law). Should new appointments need to be made, care must be taken to determine which of the desired knowledge and skills should be strengthened.

Diversity concept and composition targets

The Supervisory Board of Schweizer Electronic AG has resolved the following composition given the purpose and size of the company and the proportion of international business activities:

- 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);
- no more than two seats on the Supervisory Board for persons having an advisory or executive role at customers, suppliers, lenders or other business partners of Schweizer Electronic AG; this is intended to limit potential conflicts of interest within the Supervisory Board;

- 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);
- a minimum of one seat on the Supervisory Board to be occupied by a woman.

This target applies as from 1 July 2017 and is expected to be reached by 30 June 2022.

When selecting members of the Supervisory Board, criteria such as professional and social competence, international experience and suitability in terms of character are primary considerations.

When considering the composition of the Supervisory Board, a balanced age structure is observed without a fixed age limit being set.

IMPLEMENTATION OF THE TARGETS FOR COMPOSITION, INCLUDING THE COMPETENCE PROFILE, AND DIVERSITY CONCEPT

The Supervisory Board, in its current composition, meets the targets set in 2017. The Supervisory Board as a whole has all the required technical and personnel qualifications and is familiar with the business fields of SCHWEIZER. The majority of Supervisory Board members hold international positions or have many years of international experience. The diversity of the Supervisory Board is appropriate. The target of having one woman on the Supervisory Board by 30 June 2022 has been met since the Annual General Meeting in 2017.

In addition, the Supervisory Board has an appropriate number of independent members in accordance with its target set on 19 June 2017. According to this target, the Supervisory Board should have at least three independent Supervisory Board members, of whom at least one independent member is a shareholder. At present, the Supervisory Board has two independent shareholder representatives with Mr Michael Kowalski and Dr Stephan Zizala. Mr Kowalski is regarded by the committee as independent due to his professionalism and experience despite his long-term Supervisory Board membership. Furthermore, the Supervisory Board categorises Dr Zizala as an independent shareholder representative on the Supervisory Board. Although Dr Zizala holds a responsible position in a company that is both a customer and supplier of SCHWEIZER, the business relationship with this company does not fall under the responsibility of Dr Zizala.

Members of the Supervisory Board and Supervisory Board member mandates

Name	Current profession	Date of birth	Member since	Ap-pointed until ¹⁾	Membership in statutory domestic or foreign controlling bodies of commercial enterprises (Version: 31/12/2020)
Christoph Schweizer (Chair) Chair of the Personnel and Finance Committee	Former Managing Director of Schweizer Verwaltungs- und Beteiligungsgesellschaft and Schweizer Air Service GmbH & Co.KG	30/08/1941	From 1999 to 2017 Since 06/2019	2022	-
Dr Stephan Zizala (Vice Chair) Members of the Personnel and Finance Committee	Vice President & General Manager, Business-Line High Power, Automotive Infineon Technologies AG, Neubiberg	24/11/1972	2016	2024	-
Michael Kowalski Members of the Personnel and Finance Committee	Former Interim Manager & Consultant	03/03/1951	1999	2021	-
Chris Wu	President of WUS Printed Circuit (Kunshan) Co., Ltd.	20/09/1971	2017	2024	Director, Biggering (BVI) Holdings Co., Ltd. Director, Happy Union Investment Co., Ltd.
Petra Gaiselmann ²⁾	Vice Chair of the Works Council at Schweizer Electronic AG	22/06/1971	2019	2024	-
Jürgen Kammerer ²⁾	Process Engineer for Mechanics at Schweizer Electronic AG	12/03/1966	2019	2024	-

¹⁾ The term of office ends at the end of the (respective) ordinary Annual General Meeting.

²⁾ Employee representative

The remuneration report provides information on the essential features of the Supervisory Board remuneration system.

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

TARGETS FOR AND IMPLEMENTATION OF THE PROPORTION OF WOMEN ON THE SUPERVISORY BOARD, EXECUTIVE BOARD AND AT MANAGEMENT LEVEL

The "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act" stipulates a minimum quota of 30 percent for women and men (known as the gender quota) on the supervisory boards of companies that are publicly listed and subject to parity co-determination. For companies such as Schweizer Electronic AG that are publicly listed or subject to codetermination (including under the One-Third Employee Representation Act [Drittelbeteiligungsgesetz]), an obligation has been introduced whereby they themselves must set targets for the proportion of women on the Supervisory Board and Executive Board and at the two highest management levels. The company has to observe a "no deterioration" rule.

For the period from 1 July 2017, for the proportion of women on the Supervisory Board, the Supervisory Board set a target that at least one seat on the Supervisory Board should be filled by a woman. At the time the new target was determined, there were no women on the Supervisory Board. The Supervisory Board has set a target of zero for the percentage of women on the Executive Board for the period from 1 July 2017. At the time the new target was determined, there were no women on the Executive Board.

For the period from 1 July 2017, the Executive Board has set a target that, for the proportion of women at the key management level below the Executive Board, at least one position should be filled by a woman. The legally stipulated second management level below the Executive Board is not defined as such at SCHWEIZER. For this reason, the target relates to the key management level. At the time the new targets were stipulated, the main management level below the Executive Board comprised employees who report directly to the Executive Board and comprised a total of eleven persons. When defining the new target figure, there were no women at this management level.

All targets that were to be reached by 30 June 2022 were reached by 31 December 2020.

ACCOUNTING AND FINANCIAL STATEMENT AUDIT

Since the 2015 financial year, consolidated financial statements have been prepared in accordance with IFRS guidelines. The annual financial statements of Schweizer Electronic AG are prepared in accordance with HGB guidelines. The consolidated financial statements and the annual financial statements are produced by the Executive Board, checked by the auditor and approved and adopted by the Supervisory Board. The consolidated financial statements and the annual financial statements are published within four months of the end of the financial year.

It has been agreed with the auditor, Ernst & Young GmbH – a Stuttgart-based audit firm – that the Chair of the Supervisory Board shall immediately be informed of key issues that arise 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 statements audit – reporting immediately to the Chair of the Supervisory Board. In addition, the Chair shall be informed if the auditor identifies facts that result in inaccuracy with respect to the Declaration of Compliance submitted by the Executive Board and the Supervisory Board in accordance with Section 161 AktG [German Stock Corporation Act]. The auditor participates personally in the Supervisory Board meetings at which the consolidated financial statements and the annual financial statements are approved and adopted.

TRANSPARENCY

SCHWEIZER attaches great importance to ensuring consistent, comprehensive and timely information. The business situation and the results are reported in the annual report, in earnings calls, in the interim reports and in the half-yearly financial report.

Information is also communicated via press releases and ad-hoc disclosures. All reports and disclosures are available at www.schweizer.ag/en/investor-relations.html. Furthermore, the Investor Relations and Communications departments are available to answer any questions throughout the year.

ACQUISITION AND SALE OF COMPANY SHARES

In accordance with Article 19 of Regulation (EU) No. 596/2014 on market abuse, members of the Executive Board and the Supervisory Board are statutorily obliged to disclose the acquisition or sale of shares of Schweizer Electronic AG or related derivatives or other associated financial instruments, where the value of the transactions made by the affected member or related persons reaches a total volume of EUR 5,000 (EUR 20,000 as from 2020) within one calendar year. The dealings reported to Schweizer Electronic AG during the last financial year were duly disclosed and can be viewed on the company's website at: www.schweizer.ag/en/investor-relations/corporate-governance/managers-transactions.html.

Schramberg, 12 April 2021

Executive Board

Supervisory Board

Nicolas-Fabian Schweizer

Chairman of the Executive Board

Christoph Schweizer

Chairman of the Supervisory Board

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FINANCIAL GLOSSARY

AKTG

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

INCOMING ORDERS

Total value of all orders (reduced by cancellations) received by the company from its customers in the corresponding accounting period.

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 and 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 operating results before financial result, taxes and depreciation.

EQUITY RATIO

Calculated as the ratio of total equity to 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.

FREE CASH FLOW

Calculated as the difference between the cash flow from operating activities and the cash flow from investing activities.

GENERAL STANDARD

One of the three levels of transparency that companies can choose to have listed on the regulated market. 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 RATIO

The ratio of investments made to generated EBITDA.

IFRS/IAS

Abbreviation for International Financial Reporting Standards. The internationally accepted accounting standards ensure the comparability of consolidated financial statements. The individual standards of the IFRS are referred to as IAS (International Accounting Standards), while the newer standards are referred to as IFRS.

ISIN

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

CASH FLOW STATEMENT

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

CONSOLIDATION

Within the consolidated financial statement, it is necessary to consolidate the shareholding relationships that exist between the Group companies. Here, the carrying amount of the participating interest is offset against the proportionate equity capital amounts of the subsidiaries.

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 programme. Variable remuneration component with a long-term incentive effect and risk character in the form of a “share matching” plan.

MSTI

Abbreviation for medium and short-term incentive. Variable remuneration component with a medium and short-term incentive effect.

NET GEARING

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

NET GEARING RATIO

(Interest-bearing liabilities after allowing for liquid assets and current financial assets) / equity capital.

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.

ROCE

Abbreviation for return on capital employed. The ratio of EBIT to long-term capital employed (consisting of equity and long-term debt).

PROVISIONS

Payments or depreciations 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.

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.

WKN

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

WORKING CAPITAL

The difference between current assets and current liabilities. This is calculated by deducting current liabilities from current assets (excluding cash and cash equivalents).

TECHNOLOGY GLOSSARY

EMBEDDING TECHNOLOGY

Technology for the integration of active and passive components in PCBs.

FR4 FLEX

3D PCB with a bending radius of up to 180°.

HIGH-FREQUENCY APPLICATION

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

KORRUND

The name of this research project stands for “Conforming multistatic radar configurations for all-round visibility in automated driving”.

POWER ELECTRONICS

The conduction of high currents and/or heat dissipation.

POWER SEMICONDUCTOR

Power semiconductors offer almost unlimited freedom in shaping the flow of electrical energy. Their advantage is that they can switch extremely fast – typically within a split second – between the “open” and “closed” states. Due to the rapid succession of on/off pulses, almost any form of energy flow can be simulated.

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 wide range of technological possibilities, which can be combined with each other, according to the modular principle.

NTI

NT Information Ltd. (Circuit board expert editor, Hayao Nakahara).

p² PACK TECHNOLOGY

Innovative technology for the manufacture of power modules.

SIC

SiC stands for silicon carbide.

SMART PVI BOX

The name stands for the BMBF funding project Smart Photovoltaic Inverter Box - Smart PVI Box.

LEGAL NOTICE

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In order to ensure better readability, gender-differentiated wording was not used. The relevant terms apply within the meaning of gender equality. The shortened form is only used for editorial purposes.

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

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