SCHWEIZER

ANNUAL REPORT 2021

FINANCIAL CALENDAR

Date	Publication/event
April 22, 2022	Annual financial report 2021
May 06, 2022	Announcement 1st quarter 2022
June 24, 2022	Annual General Meeting
August 05, 2022	Half-yearly financial report as at June 30, 2022
November 04, 2022	Announcement 3rd quarter 2022

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

KEY FIGURES

Overview of consolidated results (in million EUR)	2021	2020	Change in %
Revenues	122.7	98.3	+24.8
Order book	191.8	109.2	+75.6
Incoming orders	175.2	78.4	+123.5
EBITDA[1]	-8.5	-9.5	+11.3
EBITDA ratio (%)	-6.9	-9.7	+2.8pp
EBIT[2]	-19.8	-18.5	-6.9
EBIT ratio (%)	-16.1	-18.8	+2.7pp
Annual result	-26.2	-17.9	-46.4
EPS (EUR)	-6.95	-4.74	-46.4
Cash flow from operating activities	-14.8	-8.0	-86.3

	Dec 31, 2021	Dec 31, 2020	
Total assets	182.3	196.7	-7.3
Investments[3]	17.9	22.5	-20.4
Equity	9.7	34.3	-71.6
Equity ratio (%)	5.3	17.4	-12.1pp
Net gearing ratio (%)	822.5	180.8	>100
Working Capital	9.0	18.4	-51.3
Employee (at year end)[4]	1091	945	+15.4

[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
[4] Including temporary staff

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

"Innovation essentially needs two things: vision and courage. We have always proven that we keep pace with the times and that we do this in close cooperation with our customers. This is what sets us apart from our competitors. Live your visions and never give up."

CHRISTOPH SCHWEIZER
Chairman of the Supervisory Board

"More than PCBs – our guiding principle – also means taking social responsibility, across generations. It is not only our job, but also our duty to do our part to end climate change. We work on and for this every day."

NICOLAS-FABIAN SCHWEIZER
Chief Executive Officer

"Especially in today's world, the reliability and predictability of supply chains is a key element for the success of our customers. Through our German-Chinese production landscape, we make a robust supply chain possible for Europe and at the same time take advantage of a global production network."

MARC BUNZ
Chief Financial Officer

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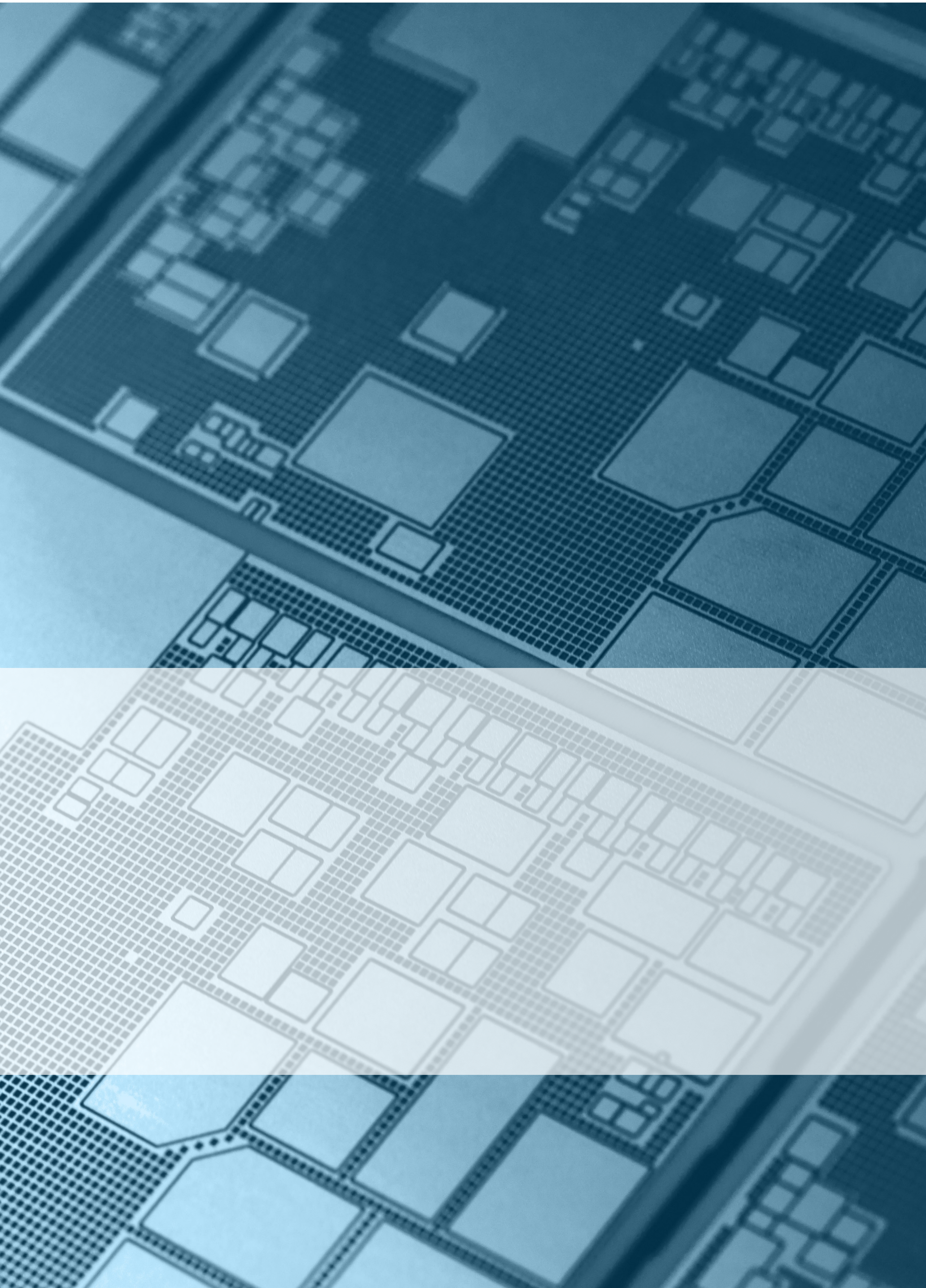
SCHWEIZER – MORE THAN PCBs

The intelligent answer to the challenges of today and tomorrow



ENABLING THE ALL-ELECTRIC SOCIETY

CORPORATE RESPONSIBILITY

As a company, we have a special responsibility towards our employees and owners – and towards our society and the environment as a whole, due to our ability to exert influence. Schweizer has lived up to this responsibility for more than 172 years.

In a globalised economic world where national borders are becoming ever more blurred, corporate responsibility is a global responsibility. This task and responsibility has changed over the years and it will continue to change with increasing momentum. We rise to this challenge as a company and make our significant contribution.

The biggest challenges we face today are, on the one hand, climate change and, on the other, a growing world population's legitimate pursuit of prosperity and security.

The past decades have made it clear that it is not possible to continue like this. Politicians and society have recognised that climate change must be halted and clear goals for this purpose have been formulated. The primary goal is to achieve CO_2 neutrality in all areas of society.

However, this is only possible if the consumption of fossil fuels is stopped and a full conversion to sustainable and affordable energy production is made. Climate protection requires complete decarbonisation.

In our opinion, the only promising answer to the pressing question of climate change is the transition to an

ALL-ELECTRIC SOCIETY

The all-electric society is a fully electric global society in which sufficient renewable and affordable energy is available – a world in which electrical energy from renewable sources is virtually unlimited and therefore affordable as the main form of energy.

The key to realising this world is comprehensive electrification, networking, automation and digitalisation in all economic and infrastructure sectors.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations defined 17 development goals, called the United Nations Sustainable Development Goals (SDGs), and, like us, sees a global form of society such as the all-electric society as the answer to this.

The goal embodied by SDG 7 – affordable and clean energy – aims to ensure that all people worldwide have access to affordable, reliable, sustainable and modern energy, in particular through a significant increase of renewable energy in the global energy mix, up to and including the complete replacement of fossil fuels. The global rate of increase in energy efficiency is also to be doubled by 2030 (source: SDG).

The potential of renewable energies is inexhaustible. In purely mathematical terms, the sun, wind, water, earth and biomass supply many times more energy than needed by the earth's population (source: calculations by the Federal Ministry for Economic Affairs and Climate Protection).

ENERGY INDEPENDENCE AND ENERGY SECURITY

Today's economy is a global economy that has provided global growth in prosperity and will continue to do so. However, it can no longer be completely disentangled, and this should not be the aim. Nevertheless, globalisation has both advantages and disadvantages.

While the benefits of a global economy prevail by far, action is needed to reduce the disadvantages to a minimum – for the future of our world.

The main starting points include energy independence and energy security. International energy dependencies restrict the self-determination and prosperity of individual countries and thus of the respective societies.

Besides the need for climate-neutral energy generation and the complete electrification of all economic and social sectors, the all-electric society provides another, indirect and necessary starting point.

The all-electric society with purely sustainable energy generation creates energy independence and energy security, which will enable the self-determination of every country and hence every society.

INNOVATION AND OPENNESS TO TECHNOLOGY

In order to exploit the potential of virtually infinitely available renewable energies and achieve the goal of an all-electric society, technology development and innovation in particular are the keys to success besides political, social and structural changes.

Today, the electronics industry and all its sub-areas are some of the most important industry segments for achieving the goals of the all-electric society and decarbonisation. Schweizer is part of this and has been assuming this responsibility for years, in particular by engaging in intensive research and development activities.

At the same time, Schweizer stands for openness to technology. Even if electrical energy must serve as the main form of energy in the future, this does not mean that other sustainable energy sources cannot be part of the solution. This requires technological diversity to meet the varied needs of all economic and infrastructure sectors. The solution is therefore "as well as" and not "either/or".

In the area of mobility, for example, battery electric drives must not be relied on as the only type of drive, but also hydrogen drives and classic combustion engines, which are operated with sustainably produced synthetic fuels, known as e-fuels. With its openness to technology Schweizer works for all technology segments that make a positive contribution.

SCHWEIZER AS PART OF THE SOLUTION

Schweizer now has one of the most comprehensive technology portfolios in our industry. At the same time, we have been focusing on the power and sensor electronics technology segments for 20 years. These are at the core of complete electrification, automation and digitisation.

Power electronics is the foundation and basic prerequisite for electrification and increased efficiency. Raising the efficiency of electrical components and applications is one of the key factors in achieving the goal of the all-electric society. This applies not only to Schweizer's largest customer segment, the mobility sector but also, for example, to building infrastructure, network infrastructure and industrial production.

In addition to numerous other fields of application, the field of sensor electronics technology is the key to automation, particularly in the mobility and industrial sectors. Networked and digitised sensor technology not only increases energy efficiency, but also conserves resources in various ways. For instance, fill level measurements contribute to direct savings in water consumption in the industrial and private sectors, to name just one of many examples.

Our printed circuit boards are used in inverters, for example, for own generation of electricity and can, in this way, control photovoltaic systems as well as optimise power consumption.

Through our technology solutions in the field of chip embedding for power MOSFETs, we support the electrification of vehicles. Our thick copper PCBs are used as control units in the automatic start-stop systems of automobiles. The direct advantages of these solutions are reduced carbon emissions, increased fuel efficiency and conservation of resources – an important step towards sustainable mobility.

Thanks to its unique technology portfolio and disruptive innovations – in particular the combination of PCB and semiconductor technology – SCHWEIZER has made a significant contribution to the electrification of society in recent years and will continue to do so.

MORE THAN PCBS

SCHWEIZER is a technology, innovation and quality leader in our industry.

SCHWEIZER bears and assumes corporate responsibility for its employees, owners and society.

SCHWEIZER is part of the solution on the path to a decarbonised all-electric society.

SCHWEIZER is **more than PCBs.**

LETTER FROM THE EXECUTIVE BOARD

Dear Shareholders,

The past year has once again challenged the company and our employees. In addition to the effects of the pandemic itself, which were manageable, albeit better than in the previous year, the year was characterised by major supply chain challenges and, in some cases, strong price increases in supply materials and energy costs. The global shortage of semiconductors in particular slowed down the dynamic expectations of an upturn in the global electronics industry. Despite all this, we were able to deal with these challenges and continue our growth path.

The restructuring of the Schramberg site, which began in 2020, was highly successful. After a loss-making year, we were able to achieve a remarkable turnaround and return the Schramberg site to profitability in 2021. In 2022, we will maintain the path we have taken and further increase the performance of the site, for example through extensive measures in the area of operational excellence and further technology investments in production facilities as well as in research and development.

At the beginning of the pandemic in May 2020, we started operations at our site in China. It has now reached the planned maturity level in order to accelerate the growth and internationalisation strategy. This is particularly evident in the successful qualifications of the site by many of our largest and most important automotive customers, a successful order intake for this industry segment with a long-term perspective, and the progress in upgrading and qualifying the Chinese site for our p² Pack semiconductor embedding technology.

Nevertheless, the travel restrictions in place made and continue to make work more difficult. It is only thanks to the creative and time-consuming measures taken by our teams in China and Germany that we were able to deal with these challenges.

Even though the general conditions have been different to what we expected in the past two years, we are still very satisfied with what we have achieved.

Some relief for the global economy would have been desirable, but 2022 is already demanding a lot from us.

The coronavirus outbreak in China in the first quarter and the resulting nationwide restrictions, including extensive lockdowns, are already leaving their mark. The availability of supply materials is becoming increasingly complex due to disrupted logistics chains and production restrictions at the Chinese manufacturers of supply materials. Reduced production volumes at our customers, for example in the automotive sector, have resulted in expectations of a very dynamic 2022 for us on the sales side.

In addition to the humanitarian disaster on European soil, there are also the global economic consequences of the war in Ukraine. Whether and when this problem and uncertainty will end cannot currently be predicted. What is certain, however, is that even when the war ends, the disruptions to the global economy will not be able to be immediately eliminated and overcome. This is particularly true for energy costs and energy security in Europe. We will prepare ourselves for these effects and consequences and take appropriate preventive measures.

Despite everything described above, the specificity and correctness of our strategy are even more evident today. As increasing and at times unpredictable changes are affecting the delivery capacities of our predominantly Asian competitors – a risk that our customers are now almost no longer able to control – the combination of two production sites in Europe and Asia has since become a kind of "insurance against supply chain risks" for our customers. Thanks to identical qualifications, the same quality standards as well as uniform systems and global service, Schweizer can guarantee customers a unique security of supply. This also ensures that we also make a significant contribution to strengthening Europe's regional independence. We will further expand this advantage and benefit and increase our commitment to sustainability in the future. The aim is to make our significant contribution to enabling the all-electric society and to take on even greater responsibility as a company.

We would like to extend our special thanks to all the more than 1,000 employees in Europe, Asia and the USA who, thanks to their untiring commitment, have once again shown that they can overcome major challenges together with us. We are deeply grateful for their loyalty, trust and diligence.

We would also like to thank our Supervisory Board, which provided us with clear supervision and comprehensive advice throughout the year.

We would like to thank you, dear shareholders, for your trust, loyalty and faith in the entire Schweizer Electronic AG team.

Yours sincerely,

Nicolas-Fabian Schweizer & Marc Bunz

Nicolas-Fabian Schweizer
Chief Executive Officer

Marc Bunz
Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Financial year 2021 was another year of difficult challenges for Schweizer Electronic AG. Although we learned to live with the COVID-19 pandemic and adapted our business processes as much as possible to the pandemic-related rules, our employees had to overcome a number of difficulties during the start-up of the new factory in Jintan without being able to travel there. Another major business challenge was the shortage of semiconductors. Our customers were therefore forced to decrease their production and therefore needed fewer printed circuit boards (PCBs).

In financial year 2021, we made significant progress in developing the profitability of our main plant in Schramberg. The acquisition of new customers in non-European countries, especially in China, did not progress as planned, as our experts were unable to support customers on site due to the coronavirus-related travel restrictions. In addition, the semiconductor shortage also reduced the need for PCBs in China. That is why, despite a tremendous effort, we are lagging behind our plan in terms of both sales development and profitability at our new plant in Jintan.

Despite considerable difficulties, our employees and the Executive Board have continued to drive our companies forward. We are well equipped for future growth with an innovative product portfolio and competitive production.

COOPERATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

Close communication between the Executive Board and the Supervisory Board also took place in the second reporting year that was influenced by the coronavirus pandemic and accompanied by major economic challenges. The Supervisory Board supported and advised the Executive Board on all strategic issues, and continuously reviewed and monitored its management. 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 economic situation in financial year 2021, information on the liquidity and order situation was regularly provided in the form of additional reports. A wide 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 regulatory requirements were presented in good time, reviewed and the necessary resolutions were passed. Where required, resolutions by the Supervisory Board were passed by circulation.

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.

MEETINGS AND RESOLUTIONS OF THE SUPERVISORY BOARD

In four regular meetings and one extraordinary meeting of the Supervisory Board in the 2021 financial year, the Supervisory Board dealt with all the issues relevant to the company and made corresponding decisions. In addition, four resolutions of the Supervisory Board were passed by circulation. When necessary, the Supervisory Board also met without the presence of the Executive Board. Due to the coronavirus-related contact and travel restrictions, increased use was made of the option to participate via video conference in the 2021 reporting year.

The Supervisory Board members participating in plenary meetings and meetings of the Personnel and Finance Committee (from 26 November 2021 Audit Committee):

	Supervisory Board plenary meeting			**Personnel and Finance Committee**		
	Meetings Number	**Number of participants**	**Participation in %**	**Meetings Number**	**Number of participants**	**Participation in %**
Christoph Schweizer Chair	5	5	100	2	2	100
Dr. Stephan Zizala Vice Chair	5	5	100	2	2	100
Dr. Stefan Krauss (from 25 June 2021)	3	3	100	1	1	100
Michael Kowalski (until 25 June 2021)	2	2	100	1	1	100
Chris Wu	5	5	100			
Petra Gaiselmann	5	5	100			
Jürgen Kammerer	5	5	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.

Other focal points during the reporting year were consultations and discussions with management on the issues relating to the coronavirus pandemic, supply chain problems, price increases on the procurement side, liquidity situation, development of incoming orders and their effects on the company.

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

Personnel and remuneration issues were also discussed openly and in detail by the Supervisory Board during the year under review. Among other things, Mr Nicolas-Fabian Schweizer's contract, which expires in June 2022, and his appointment as Chairman of the Executive Board were extended early until June 2027.

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 2020, as well as discussion and resolutions regarding same for financial year 2021. In addition, the Supervisory Board dealt with the first-time submission of the remuneration system for members of the Executive Board and the remuneration of the members of the Supervisory Board to the Annual General Meeting. Details on the remuneration of the Executive Board and Supervisory Board can be found in the remuneration report.

LEGAL DISPUTES

In the past financial year, the Supervisory Board dealt with a legal dispute that was still pending and consulted the Executive Board in this regard. The complaint filed by former CEO Dr Maren Schweizer in March 2017 was resolved in the year under review with a settlement.

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

APRIL MEETING (FINANCIAL STATEMENTS MEETING)

On 12 April 2021, 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 resolution regarding the variable remuneration components MSTI and LTI for financial year 2020 was passed.

The Supervisory Board dealt extensively with the accounting of Schweizer Electronic AG and the consolidated accounting for financial year 2020, 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 their 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 25 June 2021 was held after the company's second 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, its locations and the market environment.

AUGUST MEETING

The extraordinary Supervisory Board meeting held on 16 August 2021 focused on the economic development of the production facility in Jintan (China).

SEPTEMBER MEETING

At the meeting held on 28 September 2021, information and advice was provided on the course of business of the Group and the individual locations, the risk reporting of the Executive Board, the invitation to tender for the audit of the annual financial statements for financial year 2022 and current changes in the law.

NOVEMBER MEETING

In the meeting held on 26 November 2021, the Executive Board presented the regular issues related to the budget planning for 2022 as well as the outlook for 2023 and 2024. The Supervisory Board approved the budget for 2022 and took note of the planning for 2023 and 2024. Other items on the agenda were the establishment of an Audit Committee and the simultaneous replacement of the Personnel and Finance Committee as well as the associated amendments to the procedural rules. The plenary meeting also adopted the updated 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 2021. The results were then discussed by the Supervisory Board in a meeting. No major deficits were found.

SUPERVISORY BOARD COMMITTEES

To increase its efficiency, the Supervisory Board has set up a committee. The existing Personnel and Finance Committee was replaced by the newly established Audit Committee on 26 November 2021. Corresponding rules of procedure for the Audit Committee and amendments to the rules of procedure for the Supervisory Board were adopted. For a company of our size and orientation, we do not believe that it is either advisable or necessary to set up any further committees. 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 term of office of Mr Michael Kowalski ended upon the closure of the Annual General Meeting held on 25 June 2021. After many years on the Supervisory Board, Mr Kowalski did not make himself available for re-election. The Supervisory Board would like to thank him once again for his valuable contributions during his term of office as a member of the Supervisory Board, the Personnel and Finance Committee and as Chairman of the Supervisory Board. Dr Stefan Krauss, lawyer, was elected as the successor to Mr Kowalski as shareholder representative on the Supervisory Board.

KEY ISSUES FOR THE PERSONNEL AND FINANCE COMMITTEE (FROM 26 NOVEMBER 2021: AUDIT COMMITTEE)

At the meeting held on 26 March 2021, the members of the committee dealt with the individual and consolidated financial statements as at 31 December 2020. The financial statements, together with a separate non-financial statement, were explained by the Executive Board, reviewed by the members of the committee and corresponding recommendations were made to the Supervisory Board plenary meeting. The committee also discussed the corporate governance statement, the Supervisory Board's report to the Annual General Meeting and the agenda items of the Annual General Meeting. The focus of the meeting held on 28 September 2021 was the discussion and consultation with management about business developments, the planned sale of shares in the Chinese subsidiary and the effects on the company of the Financial Market Integrity Strengthening Act (FISG), which came into force in July 2021.

In addition to the meetings, the regular tasks of the committee include conducting annual target and review discussions with the Executive Board and preparatory consultations on the targets and their achievement.

CORPORATE GOVERNANCE

At its November 2021 meeting, the Supervisory Board adopted an updated declaration in accordance with Section 161 AktG (German Stock Corporation Act) on the recommendations of the German Corporate Governance Code. Further information on this and corporate governance in general can be found in the corporate governance statement, which is available both in the Annual Report as an independent section and on the company’s website.

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 reported by the members of the Executive Board and the Supervisory Board in financial year 2021. Three 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 2021. At the proposal of the Supervisory Board, Ernst & Young GmbH was appointed by the Annual General Meeting on 25 June 2021. 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 Stephan Busser signs as the German Public Auditor (since financial year 2021) and Mr Andreas Nietzer signs as the German Public Auditor responsible for the audit (since financial year 2020).

The audits of the annual financial statements, consolidated financial statements and the summarised status report did not give rise to any objections. The unqualified audit opinions were issued on 11 April 2022 based on these audits. The documents to be audited and the auditor’s audit reports were made available to every Supervisory Board member at the meeting on 11 April 2022 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 2021. 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 thanks 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, 11 April 2022

The Supervisory Board

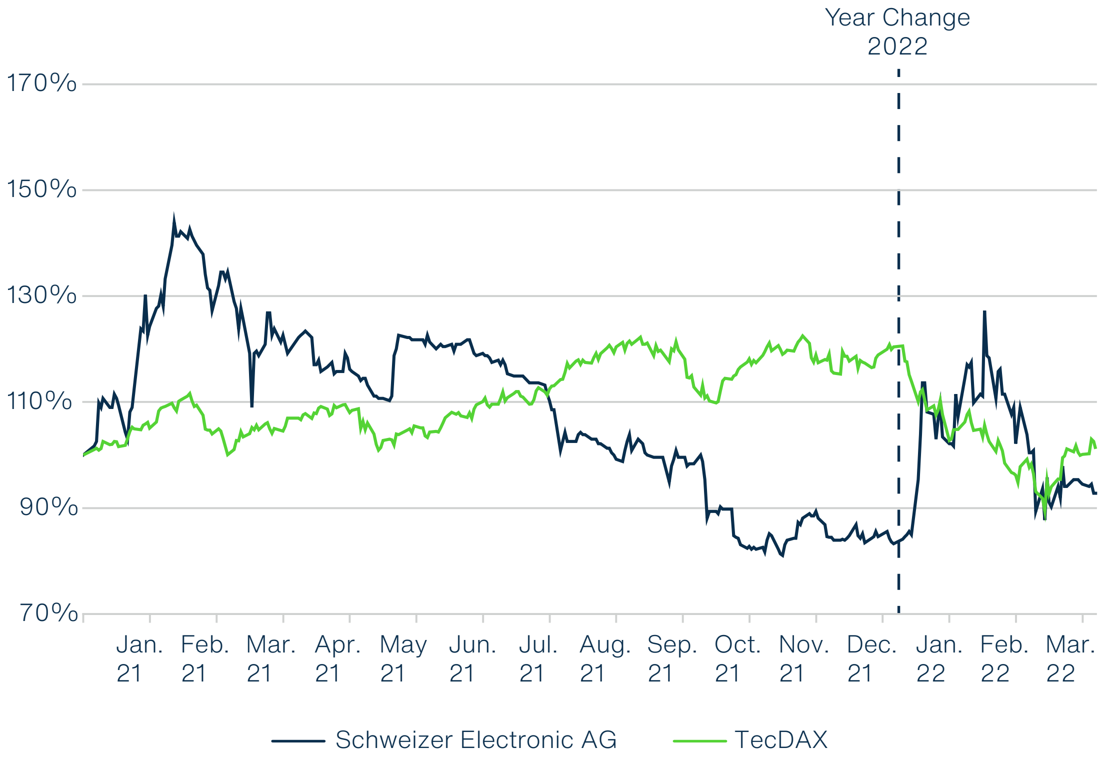
Christoph Schweizer
Chair

THE SHARE

THE STOCK MARKET YEAR 2021: BENIGN DESPITE THE ONGOING PANDEMIC, SUPPLY BOTTLENECKS AND INFLATION CONCERNS

The stock market year 2021 recorded an increase of almost 16 percent with the benchmark index, the DAX, in 2021. Closing at 15,884.86, it finished trading just below the 16,000-point mark. In the context of the recovery that started in December, investors relied on the fact that the effects of the coronavirus pandemic on the global economy would be kept to a minimum. They focused in particular on cyclical stocks from the automotive and aviation sectors as well as index heavyweights.

From January to April, the DAX reached one record high after the other – despite the supply bottlenecks that became known in the meantime. However, some industries such as vaccine manufacturers, laboratory equipment suppliers and logistics groups benefited from the pandemic. In mid-November, the DAX, which grew from 30 to 40 members in the year under review, reached a record high of 16,290 points – the highest ever. Overall, it remained in the range between 13,432.87 points (low on 29 January 2021) and 16,251.13 points on 17 November 2021 and thus exhibited a significantly lower fluctuation range than in the previous year. The other representatives of the DAX family recorded an increase of around 14 percent (MDAX), while the technology-heavy TecDAX increased by 21 percent. The SDAX with other small and mid caps rose by 11 percent.



Likewise noteworthy was the new issue volume on the German stock exchanges with a total of 20 IPOs (including four IPOs by SPACs), where the volume amounted to over EUR 9.5 billion. This is a level that was last achieved in 2018 with a similar figure of EUR 11.8 billion. The ECB's continued low interest rate policy, despite increased inflation data, also made it easy for investors. It was only with Omicron, the new virus mutant, that it became clear that the pandemic had not yet ended.

THE SCHWEIZER ELECTRONIC SHARE: WEAKER FROM THE SECOND HALF OF THE YEAR

At the beginning of the stock market year, the Schweizer Electronic share performed favourably and rose to EUR 16.90 on 9 February 2021. By mid-April, the stock had settled at a level of approx. EUR 13 to increase from there to EUR 14.40 with higher sales of 16,465 units on 19 May 2021.

Until the middle of the year, the stock was above the SDAX comparative index. Thereafter, however, it fell to below the EUR 10 mark in Q3 and Q4 and reached its lowest point of EUR 9.52 on 10 November 2021. Here, too, sales amounted to more than 20,000 units per day in some cases, which may suggest that there could have been reallocations among shareholders.

The share ended at EUR 9.78, almost an annual low, and thus a performance for 2021 of minus 18.16 percent, while the SDAX showed an increase of almost 11 percent.

DIVIDEND

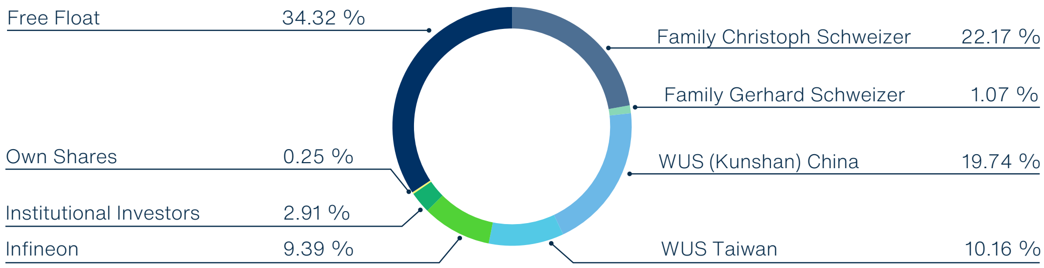
Given the strategic decision taken by the management to build a high-technology plant in China and the investments required for this, the Executive Board and the Supervisory Board propose the suspension of a dividend payment for the 2021 business year. In the medium term, management expects its strategic 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 2021, 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 *https://schweizer.ag/en/investor-relations.html*.

SHAREHOLDER STRUCTURE

The shareholder structure of Schweizer Electronic AG was as follows at the end of 2021:



SHARE DATA

	2021	2020
Year-end closing price*	9.78 EUR	11.75 EUR
Year high	16.90 EUR	18.30 EUR
Year low	9.52 EUR	8.55 EUR
Market capitalisation at the end of the financial year	37.0 Mio. EUR	44.4 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

:

PCB & EMBEDDING SOLUTIONS FOR THE FUTURE

SUMMA-RISED STATUS REPORT

CONTENTS

SUMMARISED STATUS REPORT OF THE SCHWEIZER GROUP AND OF SCHWEIZER ELECTRONIC AG AS AT 31 DECEMBER 2021

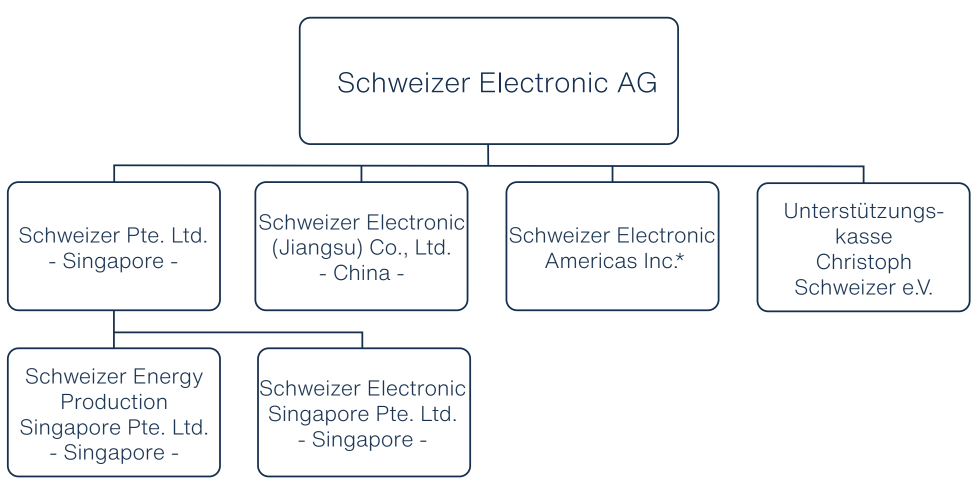
This report summarises the Group status report of the Schweizer Group ("Schweizer" or the "company"), comprising Schweizer Electronic AG and its consolidated subsidiaries, and the status report of Schweizer Electronic AG. It should be read in context with the audited consolidated financial statement 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



* Founded: June 2021 | Headquarters: Delaware, USA

BUSINESS MODEL

Schweizer is an international manufacturer of PCBs meeting 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 feature 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 new high-tech plant in Jintan (China), Schweizer has an additional production area of a total of 90,000 square metres for manufacturing power electronics and embedding applications available to it. 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 technologies

PCBs as a range of solutions

From simple 2-layer circuits to complex high-current, logic or radar structures, Schweizer offers an extensive range of technologies and solutions for the highest requirements. Proven standard processes can be quickly and flexibly implemented in response to customer requests. For complex problems, expert teams are available to customers who provide expert advice and work out specific solutions in customer projects, from the initial idea to large-scale production.

Technology areas

Standard PCBs

The area of standard PCBs includes, for example, simple multi-layer structures through to complex HDI circuits that cannot be realised with conventional multi-layer technology. For all these PCBs, additional impedance requirements can be met.

Innovative PCB technologies

The area of innovative PCB technologies includes solutions for high-current, high-frequency, high-temperature and miniaturisation applications. State-of-the-art PCB technologies make high-end solutions possible. The inlay board, for example, offers maximum heat dissipation and current carrying capacity. Radar PCBs detect speeds, distances and objects, and FR4-Flex bendable PCBs are suitable for particularly small installation areas. Thick copper PCBs with thicknesses up to 400 µm enable a current carrying capacity of several hundred amps. The CombiBoard combines the functionality of several PCBs without connectors and cables.

Semiconductor embedding and systems

Embedding solutions with integrated power semiconductors make it possible to produce extremely reliable high-performance modules with significantly better switching behaviour and optimised heating compared to SMT solutions. The Smart p² Pack embedding solutions also allow combination with logic wiring without additional connecting elements.

BUSINESS UNITS

RESEARCH AND DEVELOPMENT

Process technology

Overall, projects and new investments in process technology focus on the defined goals, such as Speed 2x, Cost Down -30%, Flow Factor <6. Further goals are the optimisation of process flows and paths, as well as the possibility of manufacturing in the 712 and 762 format. Traceability, IoT, Industry 4.0, shop floor visualisation, data collection and optimisation are integrated into all new systems, machines and processes.

p² Pack project: In process technology, the priority is to optimise p² Pack, with the main focus on further optimising the individual processes.

For the embedding of power electronic components, for the p² technology, a handling and placement system for the Jintan plant was ordered and qualified from our German supplier. The system at the Schramberg site was already approved for production in 2021.

Conductive pattern project (DES+DI): Conductive pattern line 3 was qualified and put into operation in the conductive pattern area. The resolution here is L/S 50/50. Inner layer thicknesses of 50 µm are also possible. The elimination of films and film creation contributes to cost savings.

Direct exposure soldermask project: The new direct exposure device is in the final approval stage, which means significantly higher resolutions, registration accuracy and smaller antipads, bars and undercuts are possible. After commissioning of the direct exposure device, the scaling of the benefits can be approved in-house, which further increases availability in the conductive pattern and soldermask and increases the accuracy for our customers.

HT paint soldermask project: The newly qualified high-temperature paint in the area of soldermaks will be approved shortly – temperatures of up to 160°C are thus possible. This is planned for the first quarter of 2022.

End cleaning project: The new end part cleaning / intermediate layer cleaning has been accepted, installed and is currently being qualified. The system is specially designed for a low particle load and low ionic contamination. The two end cleanings approved in this project are then used inline for the end cleaning of the trimming lines.

GAP filling project: The paste and the process flow for our QIT technology was defined in the project.

Mechanical projects: In the area of mechanics, new high-end milling, drilling and X-ray drilling machines were specified and ordered with the help of the Federal Government's "Promotion of investments to modernise production in the vehicle manufacturing and supply industry", which are expected to go into operation in April/July 2022. Automation via robots, laser markers, DMC/traceability, autom. Cpk determination, visualisation of statuses and all data are included.

In addition, costs in the area of mechanics, electroplating and surface finishing were further optimised through various measures.

Series development

Schweizer has driven the series development further in a focused way. In the field of sensor technology and high frequency, the focus in 2021 was on materials. Schweizer expanded its product portfolio in the area of High Speed Digital (HSD) by qualifying new materials. These materials combine excellent electrical properties with respect to signal integrity with the reliability requirements of the automotive industry. In addition, various materials and structures were tested for the 24-GHz technology, which are primarily used in the industrial segment in order to further strengthen this sector. We continue to have a close collaboration with our partner WUS In the area of radar and HF PCBs. Together, the use of alternative base materials was also tested and qualified for radar applications in the 77-GHz range, primarily driven by the expansion of waveguide technology. New additions are projects with the application area of interior monitoring in automobiles, mostly in the frequency range of 60-62 GHz. Another focal point in series development is the topic of power electronics. Besides projects relating to inlay and thick copper technology, the development of a new construction technology was started, which combines the advantages of inlay and thick copper technology. This technology provides a very high degree of design freedom with high thermal and electrical performance and is expected to be available to Schweizer customers in 2022. The project business with gold-plated PCBs has continued to be successful. These are used for the assembly of bare die chips and are used in particular in the area of sensors, such as LiDAR or camera applications.

The technology transfer from Schramberg to our site in Jintan (China) remained the main focus in series development. The transfer of FR4-Flex technology has now progressed accordingly, and customer samples could be delivered from Jintan. The transfer of the p² Pack embedding technology was prioritised. All the necessary process enhancements were carried out for this purpose, with the result that the cornerstone for the planned qualification of the embedding technology from Jintan was laid in 2022 in order to be able to ensure production readiness from 2023.

Innovation

2022 is the year of the production ramp-up of the new embedding technology p² Pack. Once all the qualification steps have been successfully completed, Schweizer will internally prepare for the next generation of this technology, the high-voltage p² Pack. The further development to 400/800-V high-voltage wiring networks is the logical continuation of the successful implementation in the low-voltage sector. Within the framework of the SiCmodul project, which was funded by the Federal Ministry of Education and Research and has now been completed, the advantages of this technology were also shown in this application by means of a demonstrator of a high-voltage drive inverter. The benefits lie in increased power density, the associated reduction in the necessary installation space and the reduction in switching losses in conjunction with highly efficient silicon carbide and SiC power semiconductors. Due to the highly compact topology of the switch cell in the p² Pack, low switching losses are achieved, which increases inverter efficiency and in turn increases the range of an electrically powered vehicle. It is also expected that the lower losses and the excellent cooling capability of the semiconductors will lead to an increase in the performance of the semiconductors with the same chip surface compared to conventionally installed chips.

Schweizer is already working with potential customers to set up demonstrators and samples for the high-voltage SiC p² Pack. The current allocation of semiconductor components, especially also SiC components, is currently challenging. Since embedding technology requires adapted surfaces for semi-conductors, the supply must be secured in collaboration with semiconductor manufacturers, automotive suppliers and automobile manufacturers via joint projects.

Like SiC, gallium nitride semiconductors are also known as wide bandgap semiconductors, which our customers expect to realise higher energy efficiency due to lower switching losses. These semiconductors were successfully installed in the p² Pack technology last year and made available to our customers as demonstrators. Applications for these semiconductors in the field of embedding also include fast-switching applications such as DC-DC converters, on-board chargers and drive inverters in the high-voltage segment.

The high-voltage segment with voltages >1000 V has not yet been the domain of the PCB industry, even if individual applications are already manufactured with PCBs. For this reason, the base materials must be specially selected and qualified for this application purpose. In addition to the good insulation properties, increased thermal conductivity is also important in order to efficiently dissipate the heating that occurs in semiconductors due to the power loss. Schweizer identified a total of three material combinations in 2021 and these are now being transferred to qualification.

The evaluation kit planned for 2021 for this technology has been delayed. Schweizer was also affected by the inadequate component availability, which resulted in long delivery times for the necessary components on the outer layer. The first delivery of the evaluation kits is now expected in mid-2022.

For autonomous driving, the performance of the main on-board computers in the automotive sector is constantly increasing, as the signals from all sensors are combined, calculated and evaluated here. The increasing computer speeds require ever greater switching frequency with high signal quality. The requirement for low-loss switching and the signal quality are generally familiar from server requirements. The use of such computer architectures in the automotive sector creates a new requirements profile for computers installed in vehicles and their PCBs: high clock rates, low-loss switching and, at the same time, the highest thermo-mechanical reliability. Over the past year, a broad material study identified new suitable base materials that meet this new requirements profile. These materials are now being qualified to provide customers with a new, highly reliable generation of PCBs.

Schweizer is participating in another EU-funded project "iRel 4.0", in which embedding technologies also play a central role. Embedded components should be used, for example, to detect damage to electronics at an early stage and detect incipient damage before failure. Schweizer is providing its p² Pack and μ² Pack technologies for this project. These can be used to install power electronic components as well as logic components in printed circuit boards. Potential applications in the field of aviation could lead to an increase in the reliability of electronic components.

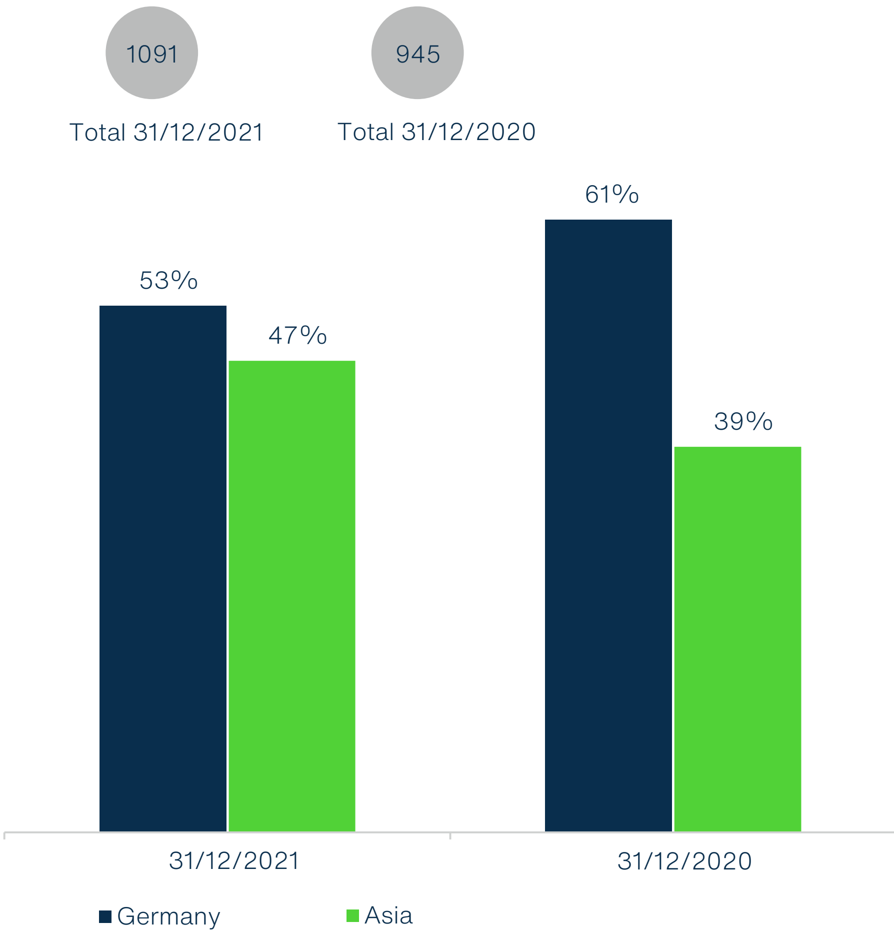
These activities will develop the basis for many applications in the areas of sustainable mobility, renewable energies and energy-efficient energy conversion.

Schweizer's research and development expenses recognised in the income statement amounted to a total of EUR 2.9 million in 2021. Of this amount, development costs of EUR 240 thousand were capitalised. These are depreciated at the start of series production. Schweizer's research and development department is located in Germany. 29 employees were assigned to this department. As at 31 December 2021, Schweizer employed 219 engineers and technicians.

Patents

The total number of patents granted increased to 58 patents as at 31 December 2021.

EMPLOYEES* / SITES



*Including temporary workers

Employees

Schweizer had 1,091 employees as at 31 December 2021. Due to the renewed increase in demand for supply from our customers, short-time work at the Schramberg site ended in February 2021. In addition, the further development of the site in Jintan (China) progressed and the number of employees has been increased. Schweizer Electronic Americas Inc. based in the USA is currently being established and has one employee.

MARKETING AND SALES

With a share of around 71 percent of turnover in 2021, the automotive industry remains the most significant customer group for the company. Schweizer has customer relationships with almost all major global Tier 1 companies and OEMs. Sales activities focus on the constant expansion of the network, especially in the growth markets of the APAC region and the USA. In addition to its own distribution team in China and the new distribution company founded in the USA in 2021, distribution partnerships have been implemented for the Asian (South Korea, Japan) and Israeli markets.

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. The Group's global positioning, with production plants in Germany and China, greatly increases our customers' security of supply, which is becoming ever more important.

The electrification of drive technology has advanced greatly in recent years. With the solutions for the 48-volt and hybrid as well as high-voltage applications for electric drives, SCHWEIZER has a wide range of power electronics on offer. Autonomous driving is one of the biggest future challenges facing the automotive industry. In addition to artificial intelligence, this development requires highly complex control units and solutions for environmental sensor technology. Solutions for this comprise mainly radar, camera and LiDAR applications. With its portfolio, SCHWEIZER offers PCB solutions for these applications.

SCHWEIZER has a wide range of experience in the high-frequency, high-temperature, high-voltage and miniaturisation application areas. These core competencies are needed in all market segments – from automotive to industrial, medical and aviation. A wide variety of options can be offered to customers thanks to the broad range of base materials for high-temperature and high-voltage applications.

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

In 2021, the company was re-certified according to ISO 14001. During the audits for IATF 16949, EN 9100, ISO 50001 and Nadcap AC 7119, both system conformity was verified against various customer orders as well as the production and business processes.

After successful completion of the 2020 re-certification audit, preparations are underway for the EN 9100 and ISO 50001 re-certifications due in 2022. Furthermore, the system will be adapted to the new audit catalogues of Nadcap AC 7119.

ENVIRONMENTAL AND ENERGY MANAGEMENT

Although the products and thus the processes and workflows required for production are becoming increasingly complex and multi-faceted, SCHWEIZER's higher-level goal is to limit the effects on the environment as far as possible through suitable 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 2021 by the certification organisation within the framework of ISO 14001 and ISO 50001 certifications.

ECONOMIC REPORT

ECONOMY AND SALES MARKETS

In the year under review, the global economy recovered from the previous year's global recession following the coronavirus pandemic, resulting in global gross domestic product rising at a rate of +5.7 percent (2020: -3.8 percent). The increasing prevalence of vaccines and the associated easing of restrictions made this upturn possible. However, the ongoing waves of infections and the associated regional restrictions led to noticeable disruptions in global supply chains in many areas of goods production and to bottlenecks in the supply of raw materials and primary products. In addition, greater inflationary pressure emerged, which increased significantly in the fourth quarter. Many commodities rose to a historically high price level. In the third quarter, the energy markets were characterised by a drastic increase in gas prices. As a result, the oil price also rose at the end of the year.

The pronounced weakness in world trade during the first half of the year was overcome in the last few months of the year. The easing of maritime transport disruptions, largely emanating from China in the first half of 2021, is likely to have played a role in this. However, the proportion of containerised cargo tied up in congestion at the end of the year was still significantly higher than before the coronavirus pandemic.

In the economies of industrialised countries, economic output expanded by +5.2 percent (2020: -5.1 percent). In particular, regional differences in upward trends were evident in the fourth quarter. Whereas the significant increase in production in the USA over the year as a whole intensified slightly and a recovery from the economic slump caused by the coronavirus wave in the summer months set in in Japan, economic growth in Europe was modest in the fourth quarter, mainly due to the sharp rise in the number of infections and the associated reintroduction of containment measures. In contrast, only industrial production developed very dynamically towards the end of the year, with a noticeable increase in vehicle production. This was severely restricted at the half-year due to supply bottlenecks.

A significant increase in economic output of +6.9 percent (2020: -2.9 percent) was observed in developing countries and emerging economies. In many countries, the upturn was initially slowed down by pandemic-related restrictions.

In China, the economy grew by +8.1 percent during 2021 (2020: +1.8 percent). However, the high growth is mainly due to a rapid recovery from last year's coronavirus pandemic crisis. Over the second and third quarters, macroeconomic production slowed more and more. In the third quarter in particular, bottlenecks in energy supply and extensive pandemic-related mobility restrictions as a result of the government's "zero Covid" policy had a dampening effect on domestic demand. Uncertainties about the debt situation in the real estate sector and the associated restrictions on lending also contributed to the slowdown in the economy. Economic activity increased again in the fourth quarter compared to the previous quarter after the energy crisis was overcome. Nevertheless, the growth rate in the fourth quarter only reached +4 percent compared to the same quarter of the previous year.

The US economy also recorded GDP growth of +5.7 percent (2020: -3.6 percent), which was the highest percentage increase since 1984. Support measures and fiscal stimuli drove the economic upswing in the first half of the year. In the third quarter, high coronavirus-related infection rates and increasing supply bottlenecks led to a temporary slowdown in the economy, with growth rising again to +1.7 percent in the fourth quarter compared to the previous quarter. The main growth drivers over the course of the year compared to the previous year were fixed asset investments, private consumption and foreign trade.

In the eurozone, gross domestic product rose by +5.3 percent (2020: -7.2 percent) and thus also exceeded the level of economic output before the coronavirus pandemic. After strong growth in the second and third quarters of over +2 percent respectively, total economic production in the fourth quarter increased only moderately. Recently, the effects from rising infection rates and ongoing supply problems in international supply chains have been reflected in a significant slowdown in economic momentum. Consumer price inflation rose steadily to +5.0 percent since the beginning of 2021 as energy prices increased.

Gross domestic product in Germany rose by +2.9 percent for the year as a whole (2020: -4.9 percent). While a decline was recorded in the first quarter of 2021 compared to the previous quarter, the second and third quarters were decisive for overall annual growth, with significant growth despite increasing supply and material bottlenecks. The fourth quarter, on the other hand, shrank again compared to the previous quarter. This development was largely due to subdued private consumer spending as a result of the restrictions imposed due to the fourth coronavirus wave. On the other hand, the fourth quarter saw an increase in government consumer spending and additional investment in equipment, primarily in machinery, equipment and vehicles. Economic performance in the fourth quarter of 2021 was thus -1.1 percent lower than in the fourth quarter of 2019, the quarter before the start of the coronavirus crisis. Compared to the previous year, investments in equipment rose the most in 2021 by +3.4 percent (2020: -12.5 percent) and government consumer spending by +3.1 percent (2020: +3.4 percent). Private consumer spending experienced only weak growth of +0.1 percent (2020: -6.0 percent), but recovered significantly compared to the low level of the previous year. Net exports also contributed +0.6 percentage points (2020: -1.1 percentage points) to the increase in gross domestic product. In 2021, +9.9 percent more goods and services were exported abroad (2020: -9.9 percent). At the same time, imports increased by +9.3 percent (2020: -8.6 percent). In the fourth quarter, exports and imports of services in particular recorded strong growth.

SECTOR ENVIRONMENT

Automotive industry

The most important customer group for Schweizer – the automotive industry – which accounts for around 71 percent of sales, was able to increase its vehicle sales figures in the double-digit range in the first half of 2021 as part of the dynamic global economic recovery compared to the first half of the previous year which had been influenced by the pandemic. The intensified supply bottlenecks in semiconductors in the second half of 2021 led to a significant decline in sales figures despite high demand from consumers. With global growth of +4.4 percent and 81.2 million vehicles of up to six tonnes sold, recovery was only moderate when compared with the pre-crisis year 2019. The semiconductor crisis resulted in global drops in production and sales, which added up to sales losses of around ten million vehicles in 2021. The regions of Europe and North America were affected the worst. During 2021, automotive manufacturers responded by prioritising higher-margin models, while the supplier industry did not obtain higher prices due to unit-based compensation. In Europe, growth was only +1.0 percent, while growth rates of +4.5 percent were recorded in China and sales growth of +3.5 percent in the USA, Canada and Mexico (NAFTA).

Compared to the pre-crisis year 2019, the declines in vehicles sold in Europe due to ongoing economic uncertainties from the infection figures amounted to -19 percent. In the USA, the decline amounted to -13 percent, particularly due to the semiconductor crisis and depleted dealer inventories in the second half of 2021. In China, on the other hand, the sales figures for 2021 were at the level of the pre-crisis year 2019.

Worldwide, 66.7 million new passenger vehicles were registered in 2021. In 2021, China again proved to be the world's largest market for this vehicle class with 21.1 million new registrations, followed by the second largest market, the USA, with 14.9 million and Europe with 11.8 million registrations.

Supported by funding measures and an improved charging infrastructure, the market penetration of battery electric vehicles (BEVs) continued to progress at the expense of combustion vehicles in 2021. The global market share of BEVs thus rose from 3 percent in the previous year to 6 percent in 2021. The strongest market share gain in China was from 1.0 percent to 2.7 percent, followed by Europe with 0.8 percent to 1.2 percent in 2021. In Germany, the market share of BEVs was above the market share of diesel vehicles since September 2021 for the first time.

Printed circuit board industry

The market dominance of the PCB industry by Asian producers has strengthened again. With an expected global production volume of USD 91.3 billion in 2021 (2020: USD 81.7 billion), corresponding to +11.7 percent, the global market share of printed circuit board production from Asia rose again slightly and amounted to almost 92.3 percent (2020: 91.8 percent). With a share of 62.6 percent, China was by far the most important production location for printed circuit boards. Taiwan came in second with 9.1 percent, followed by South Korea with 7.8 percent. Of the total trading volume, 3.7 percent is attributed to the American continent and 2.6 percent to the EMEA countries.

Worldwide, 2,450 PCB plants were engaged in production with the regional focus being on Asia, which had 1,990 production locations (81 percent of production locations worldwide).

The proportionate business volume for the PCBs used in automobiles was 10.1 percent (2020: 9.6 percent) and followed the trend of the rising market share of battery electric and plug-in hybrid vehicles. This also illustrates the importance of the automotive industry in the purchase of electronic components. The semiconductor supply problems in the automotive industry had a dampening effect on the sales figures of printed circuit boards, which in some cases increased inventories at the PCB manufacturers. To make matters worse, the PCB industry itself had to deal with supply bottlenecks, supply chain disruptions and, above all, significantly higher prices for laminates, metals, freight rates and energy supply, some of which rose in the upper double-digit range in the fourth quarter of 2021. Due to long-term supply contracts with customers, the price increases could not be passed on in full, with margins coming under pressure.

(Sources: Kiel Economic Outlook series no. 87 and no. 85, Federal Statistical Office (Destatis press release no. 074 dated 25 February 2022), Statista 2021, LBBW Fokusbranche Automobil, Data4PCB, NT Information, Ltd.)

DEVELOPMENT OF EARNINGS (IFRS)

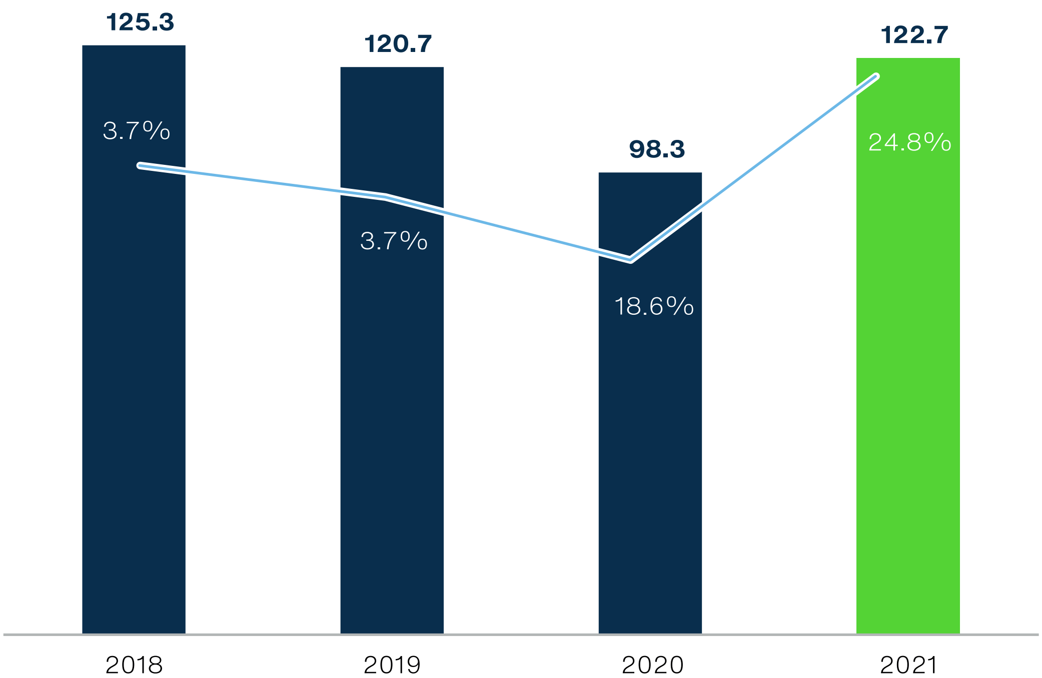
In the following section, we report on the Group's results of operations in accordance with International Financial Reporting Standards (IFRS).

Sales development and order book

Group sales amounted to EUR 122.7 million (2020: EUR 98.3 million). This is equivalent to an increase of +24.8 percent compared to the previous year.

Sales revenue

in EUR millions / change compared to previous year



At +30.9 percent compared to the same period in the previous year, the sales increase in the first half of the year was characterised by the strong recovery in industrial production compared to the previous year, in which in particular in the second quarter of 2020, a sharp slump in economic activities as a result of the coronavirus pandemic started to set in. At +19.5 percent, sales in the second half of the year also rose steeply compared to the same period in the previous year. Sales increased by +30.9 percent in the third quarter of the financial year and continued to grow significantly by +10.3 percent in the fourth quarter compared to the same quarters in the previous year. In the fourth quarter of 2020, the order trend increased again dynamically, in particular due to the higher inventory build-up by automotive customers. The upswing in business activities in the Chinese market of the subsidiary operating there contributed to Group sales growth of EUR +16.5 million, which is equivalent to +16.8 percentage points in the sales growth rate (2020: EUR +6.2 million).

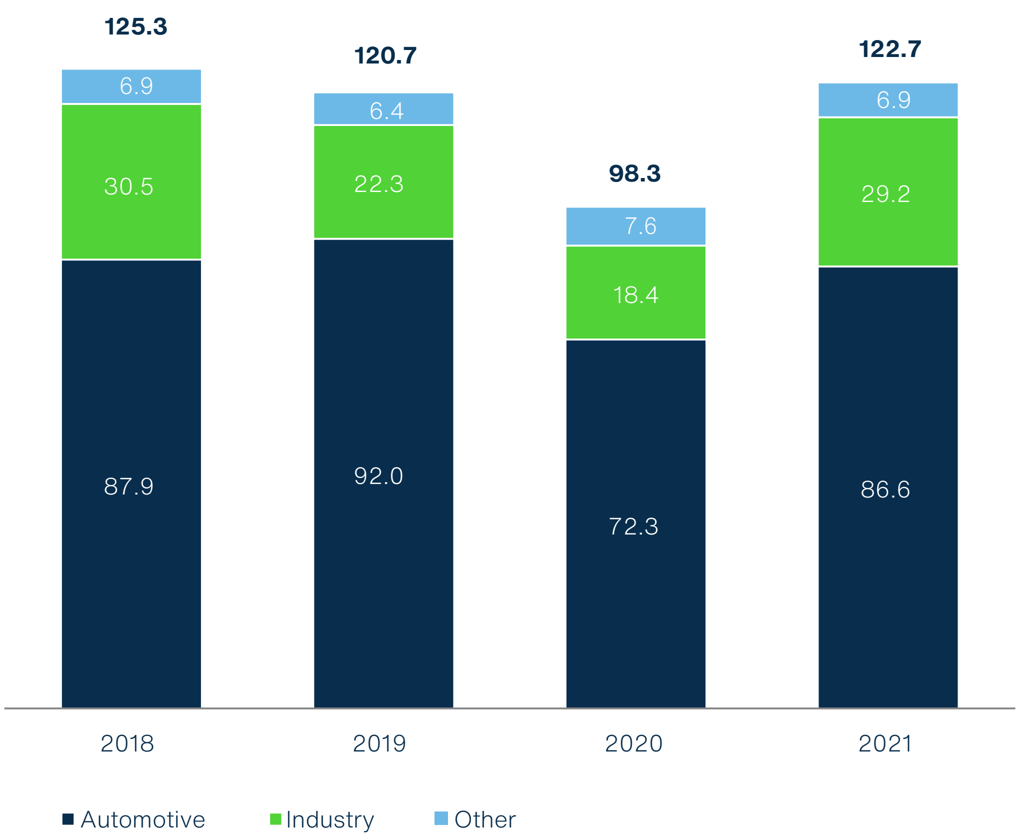
The increase in annual revenue, compared to 2020, affected both sales from in-house production with an increase of +30.3 percent as well as sales of products manufactured by WUS Kunshan or Meiko Electronics at the locations in China and Vietnam. In total, EUR 33.8 million in sales

(2020: EUR 30.2 million) was achieved with these commercial products, which is equivalent to an increase of +12.2 percent. The share of sales of merchandise fell to 27.6 percent compared to the previous year (2020: 30.7 percent).

Sales of EUR 86.6 million were generated with automotive customers, which is equivalent to an increase of +19.8 percent compared to the previous year. Sales with automotive customers amounted to 70.6 percent (2020: 73.5 percent). Sales of EUR 29.2 million were realised with industrial customers in the financial year. This corresponds to an increase of +58.7 percent compared to the previous year. This customer group, whose areas of application are primarily in detection, sensor technology and system controls, represents 23.8 percent of Group sales (2020: 18.7 percent). By contrast, other customers in the fields of communication, consumers and computers decreased by -10.1 percent to EUR 6.9 million. This customer segment represents 5.6 percent of Group sales (2020: 7.8 percent). The forecast increase in the proportion of customers in the non-automotive sector to 40 percent in the previous year was not achieved, realising a figure of 29.4 percent in the financial year.

Sales by customer group

in EUR millions

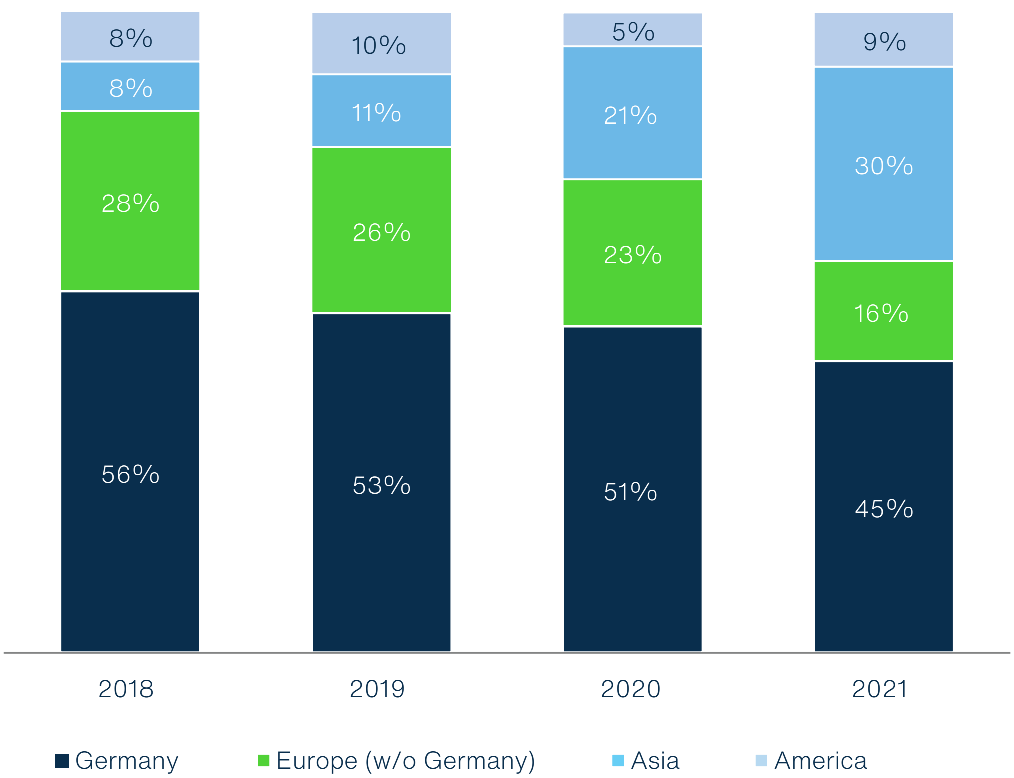


In terms of sales regions, there was a significant shift in favour of the Asian markets, which is due to the increased sales by the subsidiary in China, generally the more robust condition and recovery of these markets after the first waves of the coronavirus pandemic, as well as increased production shifts of Tier 1 customers.

With the exception of sales in Europe (excluding Germany), there were significant increases in turnover for all other sales regions compared with the previous year. While sales in the Europe region (excluding Germany) fell by -15.1 percent – in particular due to reasons relating to the increasing relocation of production of our customers to the Asia region – sales in Germany increased by +11.5 percent. The strongest growth was achieved in sales in Asian countries and in America at a rate of +82.3 percent and +100.8 percent respectively, and moderate sales growth in other export countries at +25.0 percent. Sales of 60.9 percent are attributable to Germany and Europe (2020: 73.6 percent), 30.2 percent to Asia (2020: 20.7 percent) and 8.9 percent to America/other countries (2020: 5.7 percent). Overall, the share of sales in the market regions excluding Germany increased from 49.2 percent in the previous year to 54.6 percent.

Sales by region

in %



in EUR millions	**2021**	**2020**
Germany	55.7	49.9
Europe (excl. Germany)	19.1	22.5
Asia	37.0	20.3
America	10.4	5.2
Other	0.5	0.4
	122.7	**98.3**

In 2021, incoming orders increased by +123.5 percent compared to the previous year and amounted to EUR 175.2 million (2020: EUR 78.4 million). This year, the book-to-bill ratio rose from 0.8 in the previous year to 1.4 this year. In the first half of the year, incoming orders increased six-fold compared to the same period in the previous year. In addition to higher demand, this sharp increase is also due to the cancellations or postponements of orders that occurred in the second quarter of the previous year as a result of the economic uncertainty caused by the coronavirus pandemic. The growth continued in the third quarter at +39.9 percent compared to the same quarter in the previous year. In the fourth quarter, growth was +17.4 percent compared to the fourth comparative quarter in 2020. The lower growth rate in the fourth quarter already showed subdued demand from customers as a result of the reduction in output in the automotive industry due to the shortage of raw materials and components.

At the end of the financial year, the order book amounted to EUR 191.8 million (31 December 2020: EUR 109.2 million). Of this, an order book of EUR 128.3 million is due for delivery in 2022 (31 December 2020: EUR 80.5 million for 2021). The order book for 2023 and subsequent years amounted to EUR 63.5 million as at the balance sheet date. The share of 66.9 percent of short-term delivery dates signals longer-term planning by customers in the automotive and industrial sectors compared to the previous year (31 December 2020: 73.7 percent).

Operating margin and operating result

Gross profit on sales amounted to EUR -4.9 million (2020: EUR +0.4 million), which is equivalent to a negative gross margin of -4.0 percent (2020: +0.4 percent). Compared to the previous year, the higher construction and start-up costs of the production of the plant in China increased the gross loss by EUR -11.7 million to EUR -18.1 million. In particular due to the sharp increase in costs for supply materials, which could only be partially passed on to customers, and the reject rates typical in the start-up phase, the sales generated did not yet generate any significant coverage of fixed costs. In addition, due to the strict quarantine conditions and the related travel restrictions in China, the Schramberg site's knowledge transfer on topics of complex production processes almost came to a standstill compared to the schedule, meaning that the plant in China had to cope with relatively high learning curve costs, particularly in material consumption. The Group's gross profit excluding China amounted to EUR +13.1 million, which led to an increase in gross profit of EUR +6.7 million compared to the previous year. In addition to the increase in sales, the cost reduction measures implemented in the previous year and the good capacity utilisation at the Schramberg site made a decisive contribution to this development. Due to the excellent capacity utilisation situation, no short-time work was necessary in production at the Schramberg site during the financial year. Other operating income increased by EUR +1.2 million year-on-year to EUR +4.8 million (2020: EUR +3.7 million). The major influences here were the inflow of non-investment-related grants from the authorities in China and additional revenues from the recycling of metals.

The functional costs of sales and administration as well as operating expenses fell overall by EUR -2.8 million, or -12.6 percent, compared to the previous year. Adjusted for special expenses of EUR -2.3 million from restructuring, which were reported under functional costs in the previous year, this would result in a cost reduction of EUR -0.5 million. In the first half of 2020, savings from short-time work had a major impact on production and administration.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR -8.5 million (2020: EUR -9.5 million). The EBITDA ratio improved compared to the previous year to -6.9 percent (2020: -9.7 percent). The Group excluding China achieved an EBITDA of EUR +9.1 million. This corresponds to an improvement in operating profit of EUR +7.4 million, excluding special expenses of EUR 2.9 million, which weighed on earnings in the previous year.

Earnings before interest and taxes (EBIT) amounted to EUR -19.8 million (2020: EUR -18.5 million), EUR -1.3 million lower than in the previous year. Depreciation amounted to EUR -11.4 million (2020: EUR -0.9 million). This increase is largely due to the fact that the entirety of the plant's operational systems and machines in China reached operational readiness primarily in the second half of 2020 with the associated start of depreciation only being triggered then. The Group excluding China achieved a positive EBIT contribution of EUR +2.4 million in the financial year. Excluding special expenses of EUR 2.9 million in the first half of the previous year, this increased by EUR +6.9 million.

Financial result

The financial result amounted to EUR -3.5 million (2020: EUR -2.3 million). The increase resulted primarily from the raising of loans from the lines of credit provided by the local banks for investments in China and from the raising of the second tranche of the special loan under the KfW Special Programme. The cash interest expense for current and non-current financial liabilities amounted to EUR -4.0 million.

Consolidated result and earnings per share

Consolidated net income declined by EUR -8.3 million to EUR -26.2 million compared to the previous year (2020: EUR -17.9 million). Under taxes on income, the tax expense amounted to EUR -2.9 million in the financial year (2020: EUR +3.0 million). The main influencing factors for Group taxes were the tax burden levied on the plant in China and a release of deferred taxes capitalised in the previous year. A tax expense resulted from the assessment of grants received for the acquisition of land in 2018 in China and grants for plant and machinery investments. Taxes of EUR 1.5 million were paid for this purpose, as no offsettable loss carryforwards were available at the time of assessment.

In addition, the reduction in deferred taxes resulted in a tax expense of EUR -2.0 million. Of this amount, EUR +2.3 million was attributable to the capitalised usable tax loss carryforwards of Schweizer Electronic AG.

Earnings per share for financial year 2021 amounted to EUR -6.95 (2020: EUR -4.74).

Dividend

Schweizer intends to grow dynamically in the global market for power electronics and chip embedding applications in the future. In view of the consolidated net loss for the year and the high investment funds required for the further development of the high-technology plant in China, the Executive Board proposes to the Supervisory Board to suspend dividend payments for the 2021 financial year.

Development of the financial position (IFRS)

As of the balance sheet date, liabilities to banks amounted to EUR 94.4 million (2020: EUR 84.9 million). Long-term financing amounted to EUR 81.1 million, representing an increase of EUR +0.8 million compared with 2020. Loans amounting to EUR 9.6 million were taken up locally for the plant in China. Schweizer Electronic AG drew down a loan in the amount of EUR 3.5 million from a total facility of EUR 7.1 million from the KfW Special Programme. The KfW loan funds are finally due at the end of the first half of 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 28.6 million. These loans have a term of eight to ten years and a variable EURIBOR interest rate with a margin grid that depends on the current gearing ratio of Schweizer Electronic AG.

In order to improve the equity capital of the plant in China, another equity measure of a similar size to the participation in Schweizer Electronic China in January 2022 is also planned for the future through a strategic investor. Please also see the following forecast report.

The working capital credit lines amounted to EUR 7.2 million at the end of 2021. As at the balance sheet date, there was no utilisation of the credit lines.

In contrast to the long-term credit lines, all short-term credit lines are unlimited in time and unsecured. China did not yet have any working capital credit lines available as at 31 December 2021. Current financial liabilities amounted to EUR 13.2 million as at the balance sheet date (2020: EUR 4.6 million). These include loans value-dated at 31 December 2021 in the amount of EUR 7.1 million from the KfW special loan, which will be due at the end of June 2022. Furthermore, part of the other non-current financial liabilities of the previous year will fall due in 2022, which led to a reclassification to current liabilities in the amount of the scheduled repayments. During the financial year, sale-and-leaseback financing of a large-scale plant at the Schramberg site and various assignments of receivables were used as financing instruments.

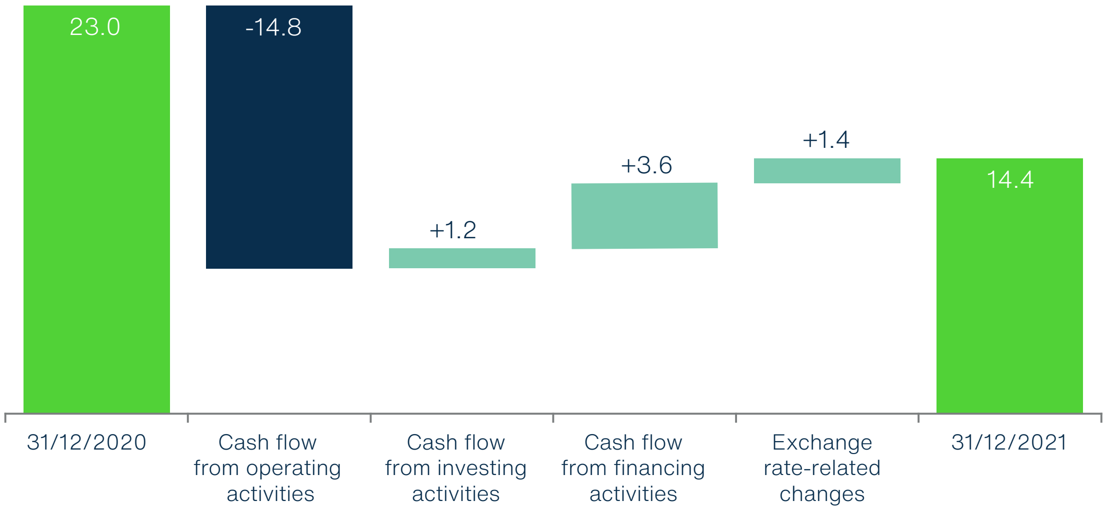
Development of liquidity

Liquid funds amounted to EUR 14.4 million as at the balance sheet date. This represents a decrease of EUR -8.6 million compared with the previous year.

Cash flow from operating activities amounted to EUR -14.8 million in the financial year and decreased by EUR -6.9 million compared to the previous year (2020: EUR -8.0 million). In addition to the EBITDA, which was EUR +1.1 million higher, the additional capital commitment due to working capital of EUR -7.1 million, in particular due to the build-up of inventories, also had an impact. During the year, receivables assignment transactions were carried out with a bank. Cash flow from operating activities includes an effect of EUR +6.1 million resulting from this as at the reporting date. These cash-relevant investments mainly concerned the cash acquisition of property, plant and equipment and intangible assets for the production site in China of EUR -24.0 million. This was partially offset by income from the sale of property, plant and equipment by way of a sale-and-leaseback transaction in the amount of EUR +4.9 million. Based on investments in the previous year and in the financial year, grants from public authorities of EUR +20.3 million (2020: EUR +4.0 million) were received. Overall, cash flow from investing activities was netted off at EUR +1.2 million. In the first half of the financial year, remaining funds of EUR 3.5 million were drawn from the KfW Special Programme and further funds of EUR 9.6 million were drawn from the long-term loan commitments of the local consortium of domestic banks in China. This was offset by disbursements from repayments and interest payments of EUR 9.3 million, resulting in cash flow from financing activities of EUR +3.6 million (2020: EUR +12.9 million). In total, the exchange rate-adjusted change in cash and cash equivalents amounted to EUR -8.6 million (2020: EUR -11.4 million).

Cash flow

(in EUR millions)



in EUR millions	2021	2020
Cash flow from operating activities	-14.8	-8.0
Cash flow from investing activities	1.2	-15.5
Cash flow from financing activities	3.6	12.9

Development of net assets (IFRS)

Compared to the previous year, total assets decreased by EUR -14.4 million to EUR 182.3 million.

Non-current assets increased by EUR +5.6 million to EUR 117.1 million. The main reason for this was the increase in right-of-use assets in accordance with IFRS 16 by EUR +5.5 million primarily as a result of the lease financing of a large plant at the Schramberg site. The carrying amount of property, plant and equipment and intangible assets increased by EUR +0.7 million to EUR 101.6 million (2020: EUR 100.9 million).

The planned investments to expand production at the China location amounted to EUR 9.4 million. EUR 8.5 million was invested at the Schramberg site. Overall, the investments of the Schweizer Group amounted to EUR 17.9 million (2020: EUR 22.5 million).

Current assets decreased by EUR -20.0 million to EUR 65.2 million compared to the end of the year (2020: EUR 85.1 million).

This was due to the decline in other assets from EUR -15.9 million to EUR 7.3 million, the decrease in trade receivables of EUR -2.8 million to EUR 17.0 million and the EUR -8.6 million reduction in cash and cash equivalents. The decline in other assets resulted primarily from the grants received from the state authorities in China in the first half of the year. By contrast, inventories increased by EUR +8.8 million to EUR 18.1 million. Liquid funds amounted to EUR 14.4 million at the end of the first half of the financial year (31 December 2020: EUR 23.0 million).

Equity decreased to EUR 9.7 million mainly due to the negative consolidated net income (31 December 2020: EUR 34.3 million). Other income had a positive effect with a contribution of EUR +1.9 million. The equity ratio fell by -12.1 percentage points to 5.3 percent.

Non-current and current financial liabilities increased by EUR +9.4 million to EUR 94.4 million. Non-current financial liabilities increased by EUR +0.8 million to EUR 81.1 million, while current financial liabilities increased by EUR +8.6 million. Of this increase, EUR 7.1 million was attributable to the KfW special loan, which is due in 2022. Net gearing as a ratio of net bank debt to equity is approximately 823 percent (31 December 2020: approx. 181 percent). Trade payables decreased by EUR -4.0 million to EUR 32.3 million (31 December 2020: EUR 36.3 million). This decrease is mainly due to the lower trade payables compared to the previous year, in particular in connection with the completed construction in China. Current other financial liabilities increased by EUR +1.1 million to EUR 2.0 million.

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 disclosed in the 2020 Annual Report published on 23 April 2021 or its adjustment published on 23 July 2021.

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 quantitative and qualitative growth, both ratios are of equal importance at Schweizer.

In the 2020 Annual Report, Schweizer forecast an EBITDA ratio of 0 to -6 percent for the 2021 financial year. This forecast was based, on the one hand, on the expected significant improvement in business prospects compared to 2020, the full effectiveness of the restructuring measures at the Schramberg location and improved overhead cost coverage through the production ramp-up of technology products at the location in China. In the interim consolidated financial statements as at 30 June 2021, the expectation for the EBITDA ratio was corrected to -5 to -10 percent. The key factor for updating the previous assessment was the unfavourable developments that emerged during the year. In particular, these included the sharp rise in commodity prices with low sales margins as well as the strict travel restrictions as a result of the Chinese government's "zero Covid" strategy. The latter hampered the technology transfer and qualification schedule and resulted in start-up losses of the plant in China that were significantly higher than planned.

The forecast originally published on 23 April 2021 with an EBITDA ratio of 0 to -6 percent was based on an EBITDA range between EUR 0 and -7.7 million. The correction of the forecast as at 23 July 2021 corresponded to a range between EUR -5.9 and -12.8 million. The EBITDA actually achieved in the financial year was EUR -8.5 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. For 2021, Schweizer set itself a growth target between +20 and +30 percent, which was roughly equivalent to a target turnover between EUR 120 and 130 million.

Sales of EUR 122.7 million were in fact generated in the financial year, which represents an increase of +24.8 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 the EBITDA, calculating the investment ratio for 2021 was not appropriate. The Group-wide expectation for total investments in 2021 was EUR 17.5 million. The investments made in the financial year (excluding divestments) amounted to EUR 17.9 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. The calculation is made 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 an increase in working capital in line with the change in sales in its Annual Report last year. During the financial year, working capital amounted to EUR 9.0 million. Compared to the previous year, in which adjusted working capital amounted to EUR -4.8 million as a result of accrued receivables from grants from state institutions in China, there was an increase of EUR +13.8 million. The main reasons for the increase in working capital were the expected increase in inventories by EUR +8.8 million and the decrease in trade payables by EUR -4.0 million, which in the previous year still included liabilities from the completed construction of the building. As expected, current assets for the financial year increased by EUR +11.8 million or +30.4 percent, compared to the previous year's adjusted current assets. Without adjusting the value for state grants from Chinese institutions in 2020, current assets would have decreased by EUR -11.4 million or -18.4 percent.

4. Financing

In recent years, before the direct investment in China, 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 the 2020 Annual Report, a significant reduction in the equity ratio to a range between 10 and 15 percent was forecast for 2021. In the interim consolidated financial statements for the first half of 2021, this expectation was confirmed with reference to the audit of capital measures to improve equity capital. The equity ratio fell from -12.1 percentage points to 5.3 percent in the financial year. The completion of the planned capital measures to improve equity capital through a direct investment by another investor in the Chinese subsidiary was postponed to January 2022. Assuming this capital transaction would have still taken place in 2021, the equity ratio would have been 10.5 percent.

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 2021. The actual net gearing ratio as at 31 December 2021 was 823 percent (2020: 181 percent).

The following table shows the attainment of the targets in financial year 2021.

Target attainment by the Schweizer Group

	2020 actual	2021 target		2021 actual
		Forecast in Annual Report of 23 April 2021	Forecast adjustment on 23 July 2021	
Sales / compared to PY	EUR 98.3 million / -18.6%	+20% to +30%	-	EUR 122.7 million / +24.8%
EBITDA ratio	-9.7%	-6% to 0%	-10% to -5%	-6.9%
Working capital	EUR -18.4 million; adjusted: EUR -3.9 million	increase in accordance with business volume	-	EUR 9.0 million
Net gearing ratio	181%	Significant increase	-	823%
Equity ratio	17.4%	10% to 15%	-	5.3%

SCHWEIZER ELECTRONIC AG

Disclosures according to HGB

Schweizer Electronic AG, headquartered in Schramberg, Germany, is the parent company of the seven 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 German Commercial Code (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)

	2021 EUR thousands	2020 EUR thousands
Sales revenue	90,559	76,146
Cost of goods and services provided to generate sales	-75,703	-69,057
Gross profit	**14,856**	**7,089**
Distribution costs	-4,051	-4,078
General administration expenses	-10,319	-10,202
Other operating income	3,043	2,257
Other operating expenses	-1,514	-2,564
Income from holdings	0	-5
Other interest and similar income	10	7
Depreciation from financial assets	0	-111
Interest and similar expenditure	-1,484	-1,535
Taxes on income and revenue	+2.296	-4
Earnings after tax/net loss for the year	**2,837**	**-9,146**
Loss carried forward (PY: profit carried forward)	-5,895	3,251
Net loss	**-3,057**	**-5,895**

Schweizer Electronic AG achieved sales of EUR 90.6 million in the reporting year (2020: EUR 76.1 million), which corresponds to an increase of +18.9 percent. This exceeded the moderate sales growth forecast in the previous year. This increase was influenced by the macroeconomic recovery from the economic slump in 2020 as a result of the coronavirus pandemic, which had already started in the fourth quarter of 2020 and continued in the financial year. The highly dynamic demand was also reflected in an increase in incoming orders in the financial year compared to the previous year of +155.0 percent to EUR 134.9 million.

The order book as at 31 December 2021 increased by +57.2 percent to EUR 136.4 million compared with the previous year. Of this total, PCBs worth EUR 90.6 million are scheduled for delivery in 2022.

The gross margin increased by EUR +7.8 million to EUR 14.9 million, representing 16.4 percent of revenue (2020: 9.3 percent).

At EUR 4.1 million, distribution costs were the same as in the previous year (2020: EUR 4.1 million). Administrative costs rose moderately by EUR +0.1 million to EUR 10.3 million (2020: EUR 10.2 million).

The operating result / EBIT in the financial year amounted to EUR +2.0 million (2020: EUR -7.5 million). The EBIT ratio was +2.2 percent (2020: -9.8 percent). Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR +6.6 million (2020: EUR -3.1 million). This corresponds to an EBITDA ratio of +7.3 percent (2020: -4.0 percent), which slightly exceeded the previous year's forecast of +3 to +7 percent.

The capitalisation of usable tax loss carryforwards resulted in tax income of EUR +2.3 million. The annual net profit thus amounted to EUR +2.8 million (2020: annual net loss of EUR -9.1 million).

Development of net assets and financial position

Balance sheet in accordance with HGB (condensed version)

Assets	**31/12/2021**	**31/12/2020**
	EUR thousands	**EUR thousands**
Fixed assets		
Intangible assets	801	682
Property, plant and equipment	26,447	33,887
Financial assets	40,886	40,511
	68,134	**75,080**
Current assets		
Inventories	16,525	12,773
Receivables and other assets	15,988	17,825
Cash on hand, bank balances	7,668	3,515
	40,181	**34,113**
Prepayments and accrued income	316	202
Deferred tax assets	3,641	1,297
Total assets	**112,272**	**110,693**
Liabilities		
Equity	49,119	46,281
Provisions	13,797	13,960
Liabilities	49,357	50,452
Total liabilities	**112,272**	**110,693**

As at 31 December 2021, the net assets of Schweizer Electronic AG increased by EUR +1.6 million to EUR 112.3 million.

Fixed assets declined by EUR -6.9 million to EUR 68.1 million compared to the previous year. A large-scale plant with a selling price of EUR 4.9 million was sold to a bank in the financial year through sale-and-leaseback financing.

Current assets increased by EUR +6.1 million to EUR 40.1 million. This was largely due to an increase in liquid funds of EUR +4.2 million and the build-up of inventories of EUR +3.8 million. On the other hand, receivables and other assets decreased by EUR -1.8 million. On 20 December of the financial year, a portion of the receivables amounting to EUR 6.6 million were sold to a bank without recourse. Of these assigned receivables, receivables of EUR 0.4 million were not yet due. Through sale-and-leaseback financing and assignment of receivables, the company received liquid funds of EUR 33.7 million during the year. The liquidity effect as at the reporting date was EUR 10.2 million. The increase in deferred tax assets amounted to EUR +2.3 million.

Equity increased by EUR +2.8 million to EUR 49.1 million as at the balance sheet date as a result of net profit for the year. The equity ratio thus amounted to 43.8 percent (31 December 2020: 41.8 percent) and increased counter to the decrease forecast in the previous year.

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 with PCBs produced at the Schramberg site in the amount of EUR 79.4 million (2020: EUR 68.4 million) increased by +16.1 percent. The EBITDA improved by EUR +9.7 million year-on-year and reached a ratio of +7.3 percent of revenue (2020: -4.0 percent). As a result, the earnings development was above planned expectations. Net gearing dropped by EUR -4.0 million to EUR 30.8 million. The second tranche of the KfW special loan of EUR 3.5 million was taken out in the financial year. This was offset by scheduled repayments of non-current loans of EUR 3.4 million. The forecast slight decrease in the gearing ratio materialised.

Forecast report (HGB)

The estimates of business development in the forecast report of the Schweizer Group also serve as premises for the forecast of Schweizer Electronic AG's key figures.

For the production site in Germany, sales growth of between +10 and +20 percent is expected for 2022. The EBITDA ratio is forecast to be between +5 and +7 percent of sales. Furthermore, it is expected that the net gearing ratio will decrease slightly and the equity ratio will increase moderately.

FORECAST REPORT

MARKET ENVIRONMENT

In recent months, the forecasting institutes have in some cases significantly reduced their growth expectations for 2022. The growth forecasts for Germany, which continues to be the most important market for Schweizer, were still between +3.5 and +4.0 percent at the turn of 2021/2022. In view of the consequences of the war in Ukraine, the Kiel Institute for the World Economy (IFW) once again reduced this to 2.1 percent in March 2022.

Expectations for the eurozone are similar, with growth of around +2.8 percent. This means that both Germany and Europe are below the expected global economic growth rate of +3.5 percent. The IFW expects the highest growth rates to be realised in India at +9.2 percent and in East Asia at +5.2 percent. For China and the United States, countries that will play an increasingly important role for Schweizer in the sales markets, growth of +4.8 percent and +3.1 percent respectively is expected to be around the level of the global economy.

Overall, growth is expected to slow somewhat compared to 2021.

The main issues influencing the growth parameters are the ongoing problems in international supply chains, the coronavirus infection wave and political crises, in particular the Russia-Ukraine conflict. These factors are weighing on the economy for longer than expected. For Germany, the combination of negative factors could even lead to a contraction of the economy in the first quarter. It remains to be seen when a sustainable recovery of the economic situation will occur. There are positive signals in component supplies. How sustainable these will be still remains to be seen at the time of writing. The restrictions from the current coronavirus wave will presumably be largely eliminated towards the end of the first quarter of 2022. There is still the question of how the pandemic will develop in the autumn and whether new virus variants will gain the upper hand. A specific situation applies to China. The component supply situation is developing positively there. However, the development of the coronavirus pandemic in China results in a high level of uncertainty. The strict "zero Covid" strategy in this country has been very successful to date. It is questionable whether this can also be successfully achieved in the long term for the more contagious virus variants. If the coronavirus were to spread strongly in China, economic growth there would undoubtedly be negatively affected. This also affects the interconnected international supply chains. The Russia-Ukraine conflict may impact parts of the European technology value chain, triggering additional risks for transport routes and an even greater increase in raw material and energy prices.

While the global economy is expected to return to pre-crisis levels in 2022, the forecasts for the automotive industry are more pessimistic. Automotive production was already disproportionately strongly affected by the semiconductor crisis in 2021. It is expected that the existing demand for vehicles will also not be satisfied in 2022 due to the shortage of semiconductors. However, this effect should gradually weaken, so that demand for automobiles could largely be covered in the fourth quarter of 2022. Worldwide, sales of vehicles (up to 6 tonnes) are expected to increase by +6.0 percent to approximately 86 million units. This would represent an improvement compared to the previous year, which recorded growth of only +4.4 percent. Nevertheless, this is significantly below the sales figures of 2018, when around 95 million vehicles were sold. In particular, the second half of 2021 was severely affected by semiconductor bottlenecks.

The more optimistic development in 2022 is based on the gradual elimination of semiconductor bottlenecks and a normalisation of international supply chains. In Europe, an above-average increase in passenger car sales of +6.5 percent is expected. This means that the pre-crisis level in Europe may still not be achieved by far. North America and Asia (excluding China) are also expected to grow faster than the global average. With an increase of +4.3 percent, the Chinese automotive market will only realise below-average growth. However, it must be taken into account that China has already exceeded the pre-crisis level again with expected sales of 26.6 million vehicles in 2021.

The technological trends for the automotive industry are expected to continue in 2022. The coronavirus pandemic has even intensified the trend towards electromobility. Battery-powered vehicles are expected to achieve the second-highest market share in Germany after petrol-powered vehicles. Autonomous driving and networking are developing dynamically. For automotive electronics, annual growth of +6.7 percent is expected by 2030. The most important market for battery-powered vehicles is China with an expected volume of 5 million units in 2022, followed by Europe with 2 million and the USA with 0.8 million electric vehicles. This means that the market for battery electric vehicles is growing significantly faster than the overall market at +70 percent.

Global sales of automotive electronics are expected to reach USD 417 billion by 2030 – almost doubling compared with 2020. The number of sensors and control units in each vehicle is increasing significantly. Hybrid and electric vehicles are pushing the use of high-voltage components. Both are areas in which Schweizer offers an extensive product portfolio.

The PCB industry will also benefit from the increasing importance of electronics. After electronics applications outside the automotive sector in particular benefited from the pandemic in the previous year – namely the gaming industry and mobile communications – we expect that suppliers of PCBs for the automotive industry will also participate more significantly in the upturn from 2022.

On this basis, we expect an increase in global PCB demand for the automotive industry of around +10 to +12 percent for 2022. By 2026, we expect average annual growth of +7 percent in PCBs for the automotive industry. This is higher than the average expected annual growth rate of +6 percent for the global PCB market. From a technological point of view, this would result in above-average growth in multi-layer and HDI technologies.

MATERIAL PRICES AND MATERIAL AVAILABILITY

Manufacturing companies faced major challenges on the procurement market for commodities, materials and energy in 2021. This also applied to the PCB industry. Availability, delivery times, transport capacities and raw material costs became major challenges. At the time of reporting, delivery times are showing a tendency to normalise, which is an indicator of a gradual convergence of demand and supply. Material prices continue to remain at a high level. This is also due to the continued very high transport costs from Asia. For 2022, we continue to see a tendency towards stabilisation at a high level for our most important materials, although we expect to see a slight relaxation in prices in the second half of the year. However, this will depend heavily on the further development of commodity prices, in particular for copper, aluminium and gold. In Germany in particular, energy costs are also expected to rise in 2022.

Overall, we expect the summary purchase price situation to develop neutrally in 2022. A slightly positive development in the prices of supplier materials is expected to be largely neutralised by the increase in energy costs. The latest developments in the Ukraine conflict could also lead to further increases in energy prices.

(Sources: as at Dec/Jan based on Ifo, IWH, IFW, RWI, Federal Government | IFW Kiel, March 2022 |LBBW, Jan 2022)

OUTLOOK FOR SCHWEIZER

We expect positive momentum for our business volume also in 2022. This expectation is driven by the progressive ramp-up of the plant in China and increased capacity utilisation at the Schramberg plant. Profitability will be clearly determined by development at the Chinese plant, in line with 2021. On the balance sheet, our focus is on strengthening the equity capital base, especially at our Chinese subsidiary. The continued growth will also mean that the financing of the higher working capital will play a key role.

Sales forecast

We expect growth to be stronger than the overall market in 2022. Taking into account the opportunities and risks known at this time, we forecast further sales growth of between +10 and +20 percent for this period, which corresponds to between approximately EUR 135 to 150 million. The additional global uncertainties caused by the Ukraine crisis were also taken into account here. Due to the dynamism of this crisis, we cannot yet precisely quantify the impact it will have on our PCB sales. However, we expect additional disruptions to the supply chain, especially for the European automotive industry. For example, Ukraine plays an important role in wiring networks, which can lead to production downtimes for automotive manufacturers if local production facilities are closed. Furthermore, the significantly higher fuel prices could lead to a slowdown in demand for automobiles.

This could result in a reluctance to purchase capital goods due to the greater uncertainties.

We expect that all global regions will contribute to SCHWEIZER's sales growth. Due to the newly established sales structure in North America, we expect positive impetus from the mobility and non-mobility sectors, particularly in the USA and Canada. Market shares are also expected to increase further in Europe. This is based in particular on the start-up of series production of embedding technology and the wide range of competitive PCB technologies from the plant in China, including for the European market. As in the previous year, we expect the biggest sales increase in the Asian market in 2022. Here, our plant in China will be able to make a significant contribution to securing an increasing share of the local Asian supply chain.

Earnings trend

For 2022, we expect consolidated net income to improve compared with 2021. We are assuming an EBITDA ratio of -4 to +1 percent in terms of sales. A materialisation of the forecast sales increase would have a disproportionately positive effect on reductions in overhead costs at both locations.

For the Schramberg site, we expect a major step towards pre-coronavirus levels. The trend towards complex PCBs continues unabated. Schramberg, Europe's largest PCB plant, is also gaining strategic importance globally and is helping to secure the European electronics supply chain. We do not expect any noticeable change or improvement in the price of input factors for the Schramberg plant in 2022. The pressure on the commodity markets remains high, so that there is still no clear relief in sight for the most important industrial metals. We anticipate that the current tensions with Russia, a major supplier of certain commodities, will have an additional negative impact on this. We expect rising energy costs and persistently high logistics costs to continue to weigh on margins in 2022. On the other hand, the measures to increase efficiency at the Schramberg site, which began in 2019, have a positive effect, and we therefore expect the negative influencing factors listed to be largely neutralised.

The economic development of the location in China will also have a significant impact on the Group’s profitability in 2022. For the Chinese subsidiary, 2022 will be a bridge year between the ramp-up year 2021 and 2023, which will be characterised by the high-volume production of premium PCB technologies, particularly for export to Europe and the USA. The focus will be on further developing production processes, such as embedding technology, which will also go into series production in China in 2023 and 2024. This development phase envisages significantly increasing production volumes, accompanied by high expenses for preparing the processes for high-tech production. Furthermore, there is uncertainty as to how the continuation of the Chinese "zero Covid" strategy will affect people's freedom of movement and the movement of goods in the future, should further coronavirus variants emerge. This combination of factors is expected to result in a negative EBITDA in 2022 of between EUR -9 million and EUR -12 million for the Chinese unit for the Group.

Investments

Investments are expected to focus on capacity expansion and technology investments at the site in China. We will also concentrate our activities on digitisation, the use of artificial intelligence as well as the expansion of automation in production at both locations. These aims will be implemented in the Group with an investment volume of EUR 10 to 15 million for 2022.

The initial focus at the site in China will be the implementation of a further investment phase for capacity building. By the end of 2022, production capacity enabling a sales volume that secures the EBIT break-even point of the site is expected to be available. Processes that have become bottleneck areas due to the increasing depth of technology are being expanded for this purpose. The second and equally important focus of the investments in China is the site's ability to produce Schweizer chip embedding technology.

The Schramberg site will focus heavily on the topic of digitisation and the use of artificial intelligence in critical manufacturing processes. Areas that have become bottlenecks due to the increasing product complexity will be targeted for capacity expansions.

Liquidity and financing

At the Schramberg site, we expect a positive development of liquidity in 2022 based on the performance of the operating business. The continuing challenging situation on the procurement markets with the simultaneous strongly fluctuating purchasing behaviour of customers due to the ongoing chip shortage, in particular in the European automotive industry, is also likely to lead to greater fluctuations in working capital. Significant increases in material stocks could occur during the year. We expect to see this effect more in the first half of 2022. In the second half of the year, the situation is likely to normalise again, especially assuming normalising procurement markets and relief on the semiconductor market. Schweizer has sufficient credit and factoring lines available to bridge the fluctuations. The repayment obligation for loans will be particularly high at the Schramberg site in the forecast year. Sufficient use can be made of financial instruments such as leasing, current account and factoring lines as well as intercompany financial loans from the Singapore subsidiary for this purpose. In addition to the scheduled repayments of long-term loans of EUR 3.2 million, the repayment of the finally due coronavirus KfW loan of EUR 7.1 million will weigh on cash flow in particular.

As in 2021, the Chinese subsidiary is expected to record a negative operating cash flow for 2022. The expected improvement in profitability will be negatively impacted by a significant increase in working capital, triggered by the increase in business volume. The operational cash flow will be financed by existing liquidity and additional equity as well as further inflows of local loans. The investments are mainly financed with the funds available from local project loans. As already announced in January 2022, our anchor shareholder WUS Printed Circuit (Kunshan) Co., Ltd. holds a 13-percent stake in the Chinese subsidiary and for this purpose paid a purchase price of CNY 75 million (approx. EUR 10.5 million). Management is working on finding more funds to strengthen the equity and liquidity of the site in China during 2022. Furthermore, on 30 March 2022, WUS Printed Circuit (Kunshan) Co., Ltd. (WUS), Schweizer Electronic AG and Schweizer Electronics (Jiangsu) Co., Ltd (SEC) signed a letter of intent, according to which WUS intends to acquire further shares in SEC for a purchase price not exceeding CNY 100 million (approx. EUR 14.1 million).

At the end of 2022, we expect an increase in working capital, which is slightly above the planned sales growth. This expectation takes into account the uncertainties in the supply chain described above.

The amount of new debt raised by the Group will be significantly reduced compared to 2021, which means that we expect the net gearing ratio to stabilise compared to 2021. The equity ratio is expected to be between +6 and +11 percent. This forecast includes another equity measure on a similar scale to the investment made by WUS Kunshan in January 2022.

OVERALL STATEMENT ON THE DEVELOPMENT

Due to its strategic positioning, we expect Schweizer to continue to grow at an above-average rate in 2022 and to gain new market shares. Uncertainties lie in the ongoing shortage of components, a continued high inflation rate and the development of raw material and energy prices, which will be exacerbated by the current Ukraine crisis. Schweizer expects a record year in terms of sales and an improvement in earnings, however the profit zone will not be able to be reached yet in 2022. On this basis, we see sales growth of +10 to +20 percent for the Group with an EBITDA ratio of -4 to +1 percent. The challenges posed by the location in China will continue to weigh on equity capital, which will require further capital measures to stabilise the equity ratio between +6 and +11 percent.

Forecast for the Schweizer Group

	2021 actual	**2022 forecast**
Sales / Growth ratio	EUR 122.7 million / +24.8%	+10% to +20%
EBITDA ratio	-6.9%	-4% to +1%
Working capital	EUR 9.0 million	Somewhat disproportionate to sales
Net gearing ratio	823%	Stable
Equity ratio	5.3%	6% to 11%

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.

In terms of risk management, the Schweizer Group distinguishes between the operational level of opportunity and risk management in the individual Group companies involved in the business and the risk and opportunity recording and assessment at Group level as corporate risk management.

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 Executive Board provides regular written and oral reports to the Supervisory Board.

Reporting to the Executive Board takes the form of an annual risk report which, in addition to the individual risk status and risk-limiting measures, includes the determination of the risk-bearing capacity, the assessment of risks and opportunities and the aggregated overall risk.

In addition, for risk identification, evaluation and controlling, other sources of information 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 Executive 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.

In 2021, risk management continued to take into account the effects and measures to overcome the coronavirus pandemic. A task force with the essential functional areas was established in 2020 to analyse, carefully monitor and mitigate the continuing effects of the coronavirus pandemic on operations. 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 (ICS) is on the financial accounting process with the aim of monitoring the correctness 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 statements and the consolidated financial statements.

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

The risks relevant for the SCHWEIZER Group are categorised as follows:

Strategic Risks	Financial Risks	Operation Risks	Compliance Risks
Market and competition, Technology, Expansion investments	Liquidity supply, Raw materials, Primary products	Procurement, IT processes	Infringement of patents and copyrights Cyber crime, espionage and data misuse

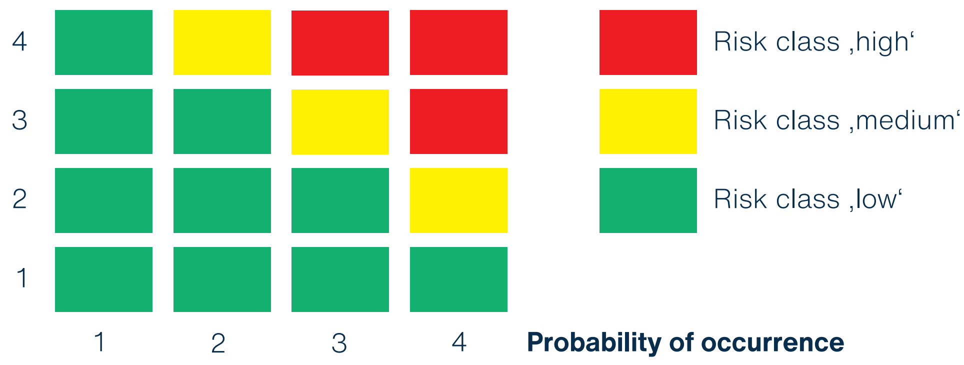
OVERALL ASSESSMENT

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

All risks and opportunities relevant to the SCHWEIZER Group are evaluated uniformly from a quantitative and qualitative perspective using the dimensions of impact (relevance) and probability of occurrence. The loss amount in EUR weighted with the probability of occurrence defines the calculable upper limit of the maximum loss of an individual risk in the risk aggregation to be carried out to determine the overall risk of the Group.

This results in the following risk classification matrix:

Degree of impact (relevance)



Relevance

1	< EUR 1 million	tolerable impact on business objective
2	< EUR 6 million	significant impact on business objective
3	< EUR 10 million	major impact on business objective
4	> EUR 10 million	catastrophic, existential threat

Probability of occurrence

1	< 10%	every 10 years or more	very unlikely
2	< 33%	every 3 years	less likely
3	< 50%	every 2 years	likely
4	> 90%	annual	certain or almost certain

The loss amount in EUR weighted with the probability of occurrence defines the calculable upper limit of the maximum loss of an individual risk in the risk aggregation to be carried out to determine the overall risk of the Group. The maximum risk-bearing capacity threshold resulting from the annual risk-bearing capacity analysis is compared with the overall risk from the risk aggregation. This clarifies how likely the Group's determined risk-bearing capacity is sufficient to cover the overall risk.

The following describes the risks that can have a significant to substantial impact on the consolidated result and equity and are assigned to the risk classes "high" and "medium".

STRATEGIC RISKS

Market and competition / customers (risk: high – opportunity: high)

The further development of the coronavirus pandemic and the development of the supply chain problems are important factors for the further global economic development of the individual regions and sectors.

By gaining further market shares in the non-mobility sector, Schweizer has succeeded in establishing a broader customer base for sales. Nevertheless, Schweizer is highly dependent on the development of this sector with a 71-percent share of sales from automotive customers in 2021. Despite the improvement in global passenger car sales in 2021, the level of 2019 has not yet been reached. In addition to a major chip shortage, the main cause of this is the massive disruptions in the supply chains caused by the coronavirus, including blocked ports and reduced freight capacities.

Although growth forecasts for passenger car sales are better for 2022, this is due to the weaker years 2020 and 2021 being the starting point. Due to the global challenges, passenger car sales in 2022 at pre-coronavirus levels seem unlikely. As a result of the global chip shortage,Schweizer expects to see only a slight improvement in this market for 2022.

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.

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 counters this trend with its Asian partner network and the successful construction of its own high-tech production facility in Jintan (China). The successful qualifications of the new plant in China opens up new opportunities for Schweizer as well as greater sales potential with new and existing customers, the provision of a broader product portfolio and thus the gaining of additional market shares.

This general risk of lower passenger car sales is countered by the transformation of the automotive industry to more hybrid and electric vehicles (meaning 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 very good market position in the e-mobility sector through its embedding technology in the 48-volt applications sector. The acquisition of major projects in recent years confirms this. The high-voltage embedding sector is another milestone in this development.

A share of sales of 71 percent in the automotive sector and a share of 56 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.

The establishment of a new sales office in the USA improves the chances of being present for customers in the focus markets of automotive, industry, medical and aviation.

Furthermore, the global positioning with production facilities in Germany and China makes it easier to generate new customers in sales markets. With our technological expertise, flexibility and the quality standard of the parent plant in Germany and the transfer of these to the Chinese production facilities, the chances of developing market share in these areas increases.

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.

Technology (risk: medium – opportunity: high)
The market environment for printed circuit board production continues to be characterised by high competitive pressure. Standard products are mainly manufactured in low-cost countries, in particular in China.

Due to the start-up of the new plant in Jintan, risks regarding the timeline and production yields cannot be ruled out even in the ramp-up of the technologies still to be transferred. The impact of the coronavirus pandemic and the associated inability to send staff from Germany to China to support the transfer, as well as the inability to train staff from China in Germany, also contribute to the risks.

The availability of suitable power semiconductors and improved base materials, some of which are required for the new technology, is currently low, which poses a risk to their market launch.

Other risks can be seen in alternative technologies for drive inverters, known as power modules based on ceramic substrates. In the area of these power modules, there has also been a strong innovation boost, as the market for drive inverters is growing strongly and is therefore very attractive for many suppliers and other technologies. As a result, the achievable prices for drive inverters come under greater pressure.

The opportunities in the technology segment continue to be assessed as high. Schweizer has developed a broad technology portfolio primarily in the field of power electronics, which attracts much attention from our customers in the areas of electromobility, alternative energy generation and low-loss energy conversion. The major change in the automotive industry towards the electrification of vehicles therefore presents great opportunities for Schweizer.

With the newly introduced p² Pack technology, Schweizer is in the position of realising new products from our customers and has already won projects in the automotive sector for the 48-volt wiring network. With other interested customers under pressure to realise further carbon reductions, Schweizer is well on the way to gaining additional volume in this technology. Further opportunities are offered in the area of automotive high-voltage 400-V and 800-V wiring networks. With the help of the p² Pack, the efficiency of drive inverters of battery electric vehicles (BEVs), can be increased which, in turn, increases the range of these vehicles. SCHWEIZER was able to impressively demonstrate the suitability of this technology in a publicly funded project. The first demonstrators are currently being built for prospective customers. SCHWEIZER also expects a successful introduction of the p² Pack technology in this market segment.

Due to the construction of the new site in Jintan (China), SCHWEIZER has not only a high production capacity, but also more cost-effective production processes than at the main plant in Schramberg.

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.

FINANCIAL RISKS

Liquidity supply (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 further exacerbated by the global coronavirus pandemic for the automotive and industrial sectors and the resulting supply bottlenecks in raw materials and primary products.

In terms of operations, liquidity depends on business performance. There is a risk that existing or future payment obligations may not be met due to insufficient availability of funds or that unfavourable financing conditions must be accepted in the event of bottlenecks. At the China plant, the start-up phase is burdening the Group's financial and earnings position. Measures have been defined to cover the financial needs in China through targeted equity measures and working capital credit line commitments. In January 2022, WUS Printed Circuit (Kunshan) Co., Ltd. based in China, participated in a capital increase at the subsidiary in China, whereby additional equity of EUR 10.5 million flowed to the Group. Schweizer Electronic AG drew down a special credit line from KfW in the previous year and in the financial year for the crisis year 2020. The loan of EUR 7.1 million will become finally due in 2022.

In order to reduce the risk, management monitored strict compliance with cost budgets during the financial year, which were agreed with a view to sustainable and significant cost reduction. In addition, only investments and one-off costs for special projects with a high level of cost efficiency were approved.

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 based on ratings.

Liquid funds and overdrafts of Schweizer Electronic AG can be accessed at short notice. The committed overall sum of the lines of credit amounts to EUR 7.2 million.

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 diversified financing options, such as factoring, leasing, equity capital measures or further instruments of debt financing suitable for medium-sized businesses 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 Executive 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.

Raw materials, primary products (risk: medium – opportunity: medium)
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 at the balance sheet date, there were six derivative transactions for commodity price hedging due to the assessment of the market development during the year. The commodity hedges involve commodity swap derivatives (gold and palladium swaps), whereby a fixed price is paid for gold or palladium and the bank pays variable amounts. The total nominal amount is USD 2,741 thousand.

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 2021, the procurement volume for the use of gold salts in the production process was in line with the previous year and amounted to EUR 4.7 million at an average price of EUR 33.49 per gram (2020: EUR 30.20 per gram).

A fluctuation margin of +/- 10 percent in relation to this price would result in a maximum increase or decrease of approximately EUR 467 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.

OPERATING RISKS

Procurement (risk: medium – opportunity: medium)

For Schweizer, there is also a risk that certain raw materials and production materials may not be available in 2022. Delays in the global supply chain, which affect both the delivery of raw materials and merchandise from our Asian partners, can have a negative impact on the development of sales and earnings. The continuing global logistics problems lead to longer, sometimes incalculable transit times, especially for imports. The related cost increases for sea/air freight and for truck and rail transport will also be reflected in 2022.

Although Schweizer relies on a multiple-choice strategy, there are dependencies on a single source of supply in individual product groups. If, however, a supplier is unable to meet its delivery obligations for any reason (for example due to insolvency, damage to production facilities due to natural disasters or due to the far-reaching effects of the coronavirus pandemic), Schweizer may not be able to procure the products required for the manufacture of its own products from other suppliers in the short term in the required quantities.

On the procurement side, the shortage of components has a direct or indirect impact on almost all product groups due to lack of availability, longer delivery times and price increases.

Opportunities could arise from falling prices for the main raw materials used, such as gold, palladium, copper and aluminium. The start of production at our own production plant in Jintan (China) has had a positive effect. Due to the close cooperation, Schweizer is able to mutually supply materials and is 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 supllies and costs and reduce the procurement risk for the entire Group.

IT processes (risk: medium – opportunity: medium)

Business and production processes, as well as internal and external communication at Schweizer, depend to a large extent on functioning IT systems and related IT infrastructure. These are potentially exposed to various risks. In addition to general disruptions or downtimes, which can be triggered by a variety of causes, the generally observable dynamics in the area of cyber attacks and cyber crime are particularly significant risks. This includes, above all, attempts by unauthorised third parties to gain access to confidential information or data, to take control of systems, to publish data or to render large parts of IT systems, including data backups, unusable, such as through encryption.

Although Schweizer has taken appropriate technical and organisational measures to mitigate these risks, impairments, failures of IT systems, cyber attacks or similar events could significantly restrict the company's operation or even interrupt IT processes in the longer term. The measures taken include precautions in the event of a sudden loss of data, robust and fail-safe design of business-critical systems, appropriate protective measures against cyber attacks and the expansion of training measures above all for increasing awareness within the workforce of the threat from cyber attacks. 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.

If the measures are not sufficient to effectively limit the aforementioned risks, Schweizer could incur considerable losses and disadvantages due to downtimes or the knowledge and use of its information by third parties.

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.

COMPLIANCE RISKS

Infringement of patents and 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.

Cyber crime, espionage and data misuse (risk: medium – opportunity: low)

Further risks arise from the increasing complexity of the organisational and technical networking of sites and systems. Despite extensive defence mechanisms, a manufacturing industrial company cannot fully protect itself against the risks of cyber crime. The financial consequences are difficult to calculate. To avoid loss, the departments are in regular contact with experts from the insurance company. Appropriate cyber insurance policies have been taken out.

OVERALL ASSESSMENT

The medium-term effects from the coronavirus pandemic, the acts of war in Ukraine and the 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.

The coronavirus pandemic has accelerated the transition to digital work and communication processes. 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 continuing instability in global supply chains has resulted in increased demand for secure supply models such as Schweizer's, which is better equipped to meet demand 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 and the war in Ukraine are dampening the growth expectations of Schweizer's customer groups – especially the automotive, aviation and capital goods industries. 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, for 2022 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 also 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 can postpone the time of the break-even point and meanwhile lead to an additional financing requirement for the Chinese subsidiary.

MATTERS RELEVANT TO ACQUISITIONS

(in accordance with Sections 289a (1) and 315a (1) 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). All company shares carry the same rights and obligations as set out in the law 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 holdings 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 Executive Board is authorised, with the consent of the Supervisory Board, to increase the company’s share capital until 24 June 2026 by up to a total of EUR 4,832,026.93 by issuing new, registered ordinary or preference 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 Executive 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 25 June 2021.

The Executive 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 Executive Board is authorised, subject to the consent of the Supervisory Board, until 24 June 2026, 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 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 shall only be 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 25 June 2021 through to 24 June 2026, exercise 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. The new shares shall be issued at the conversion or option price to be determined in each case in accordance with the aforementioned authorisation resolution in the terms and conditions of the bonds/options. 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 use thereof

The company is authorised, until 24 June 2026, to acquire its own 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 Annual General Meeting 2021 at: *https://schweizer.ag/investoren-und-medien/hauptversammlung/archiv*

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 9.9 million provide for an extraordinary right of termination if one or more people, acting jointly within 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: *https://schweizer.ag/de/investorrelations/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: *https://schweizer.ag/de/ueberuns/corporate-social-responsibility.html*.

Schramberg, 8 April 2022

Schweizer Electronic AG

The Executive Board

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

NON-FINANCIAL REPORT

CONTENTS

NON-FINANCIAL REPORT

1. INTRODUCTION

In recent years, the topic of sustainability has come even more publicly to the fore in our society. Disasters attributed to climate change or the coronavirus pandemic have highlighted the global social and economic impact of our actions. Around the world, politicians and business have responded to this development and formulated climate protection targets and regulations.

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

SCHWEIZER is an individual manufacturer of printed circuit boards (PCBs) for every requirement in a wide variety of industries and markets. Our 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 worldwide rely on SCHWEIZER's innovative strength, decades of experience and the excellent product and service quality of its PCB and embedding solutions. In addition, SCHWEIZER's PCB technologies are characterised by energy-saving and environmentally-friendly properties. The Group has state-of-the-art production sites in Schramberg in the Black Forest (Germany) and in Jintan (China).

With this non-financial report, we comply with our obligation (Section 289 b (1) HGB (German Commercial Code) 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 specific content of the GRI standard applied can be found in the index information at the end of the non-financial report. In accordance with the EU Taxonomy Regulation and the supplementary delegated acts, we report on its application for the first time in this non-financial report. The EU Taxonomy Regulation comprises rules and disclosures for economic activities in relation to a total of six environmental objectives. At present, information on two environmental objectives is to be reported on – climate change mitigation and adaptation. Further details can be found in Section 7.

The key figures stated in Section 3 refer to Schweizer Electronic AG's production site in Schramberg. In 2020 and 2021, SCHWEIZER's second production site, Schweizer Electronic (Jiangsu) Co., Ltd., in Jintan (China), was not yet in regular operation on a continuing basis. Parts of the key figures identified as material would therefore not yet be meaningful or not very meaningful for this site. In order to ensure comprehensive reporting of the Group key figures, a uniform data collection system is currently being established.

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.

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

All the information required for an understanding of the business processes, business results, Schweizer'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 GRI Index starting on page 107.

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 conduct: 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. When building the new plant in Jintan (China), 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.

Careful planning, regular ongoing maintenance, audits and training prevent the environment from being damaged by unforeseen incidents. For instance, 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 EM ISO 14001 / EM ISO 50001

As a values-driven company, it is important to us to ensure our high standards in environmental and energy management and to subject our actions to an external audit. The quality of our systems is reflected in the successful tests and certifications in accordance with DIN EN ISO 50001:2018 and ISO 14001:2015.

ENVIRONMENTAL ISSUES – CORE TOPICS AND INDICATORS

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

- Energy consumption
- CO_2 footprint
- Water consumption
- Waste
- Use and consumption of resources (raw materials)

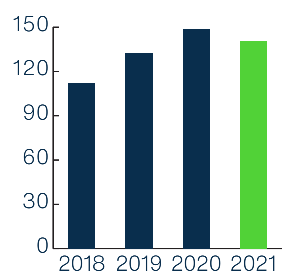
At SCHWEIZER, our employees are committed to environmental protection. This is particularly evident in energy management, the high level of readiness to sort waste, and the careful use of water. When measuring the relevant sustainability indicators, the company always refers to the production hour in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

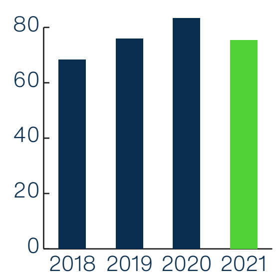
ENERGY CONSUMPTION AND MEASURES TO REDUCE ENERGY CONSUMPTION

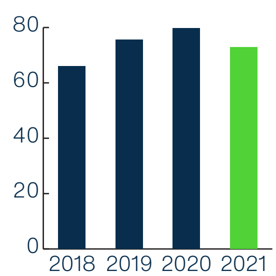
Energy efficiency is a key market driver of our PCB business. Our PCBs help our customers in the automotive sector to increase the fuel efficiency of their vehicles and reduce CO_2 emissions. It is therefore logical that energy management plays a significant role at Schweizer, given the products and 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. For example, in 2021, the share of hybrid or electric vehicles in the overall fleet of company cars increased by 28.2 percent, after an increase of 18.9 percent in 2020. The issue of electromobility in the company's own fleet will also be the subject of targeted promotion in the future.

The specific electrical energy consumption is dependent on the company's production capacity utilisation. With shorter process times, the relatively high energy base loads of production facilities and air conditioning systems have a disproportionate effect on energy efficiency indicators. This effect was particularly evident in the lower production capacity utilisation at the Schramberg site in 2020. This is an effect that has improved again in the past financial year due to the improved capacity utilisation and/or increased process times and the efficiency measures implemented.

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 (Nm^3/h).







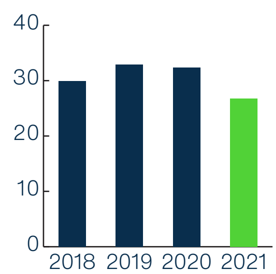
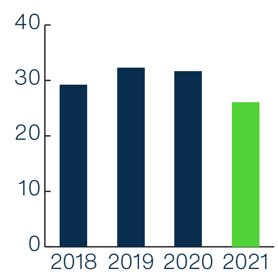
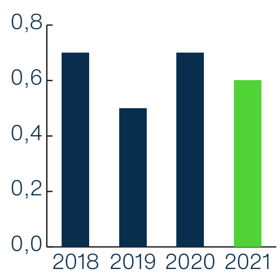
Financial years	**Specific total energy consumption (kWh/h)**	**Specific electrical energy consumption (kWh/h)**	**Compressed air consumption per standard cubic meter (Nm^3/h)**
2021	140.4	75.5	72.9
2020	149.0	83.3	79.7
2019	132.1	75.9	75.6
2018	112.4	68.3	66.1

CARBON FOOTPRINT AND MEASURES TO REDUCE CO_2 EMISSIONS

The overall CO_2 footprint is calculated from the production CO_2 footprint and the transport CO_2 footprint. For production, the data from the supply plants for the Schramberg site are used. For transport, CO_2 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 CO_2 production footprint includes all indirect CO_2 emissions from electricity consumption and direct CO_2 emissions from gas combustion. The transport CO_2 footprint comprises the CO_2 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 CO_2 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 CO_2 footprint calculations. In 2021, absolute CO_2 emissions were reduced by more than 500 tonnes compared to the previous year, which represents a reduction of just under 5 percent.

All figures shown for the CO_2 footprint refer to production and transport from the Schramberg plant. Sales of Schweizer Electronic AG directly realised with its partner companies WUS and Meiko amounted to around 26 percent of total revenue in 2021 (2020: approx. 30 percent) and are not included in the disclosure. Overall, the transport CO_2 footprint accounts for only about one to three percent of the total CO_2 footprint.

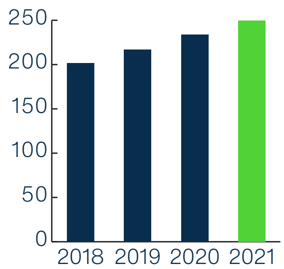
Financial years	Total carbon footprint (kg CO_2/h production)	Carbon footprint from the production of printed circuit boards (kg CO_2/h production)	Carbon footprint from the transport of printed circuit boards (kg CO_2/h production)
			
2021	26.8	26.1	0.6
2020	32.4	31.7	0.7
2019	32.9	32.3	0.5
2018	29.9	29.2	0.7

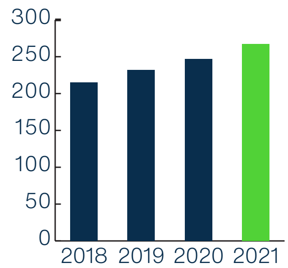
WATER

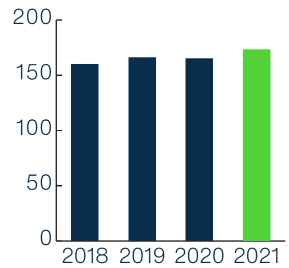
The production of a printed circuit board contains many water-intensive processes, meaning the consumption of fresh water and the generation of production-related effluents are important indicators for assessing SCHWEIZER's impact on the environment. Therefore, one of our most important tasks in the field of environmental protection is to continuously optimise fresh water consumption and effluents produced during production. For example, at the Schramberg site, excess water from the air-conditioning systems are recirculated to fresh water treatment and not fed to the sewage system. By using rainwater, the company saves between 10 and 15 thousand cubic metres of drinking water per year. In addition, the use of large rainwater storage tanks, which collect the drain water from the roof surfaces, relieves the drain system in the event of heavy rain. It is a given for us to consider environmentally friendly aspects when planning and purchasing new systems.

We have identified fresh water consumption (including consumption by the CHP unit) and waste water from production as relevant key figures for reporting on the Schramberg site, in each case in relation to hour of production. The target for 2021 was to fall below 180 l/h in terms of waste water from production at the site. Fresh water consumption consists of the water supplied by the city, rainwater and recirculated water from the air conditioning system.

Analogous to the specific energy consumption, our fresh water consumption is not only dependent on the consumption due to production, but also on usage independent of the capacity utilisation. This consumption, which is independent of the process times, is caused, for example, by air conditioning systems or by maintenance work that is carried out independently of the capacity utilisation. In addition, there is the dismantling and commissioning of wet pipe systems carried out in 2021, which require water and generate waste water without goods being produced. Part of the increase in volume is due to this fact. Since operations have been partially suspended on weekends since 2020, the volume percentage that cannot be influenced has increased, particularly in the case of fresh water and waste water from production.



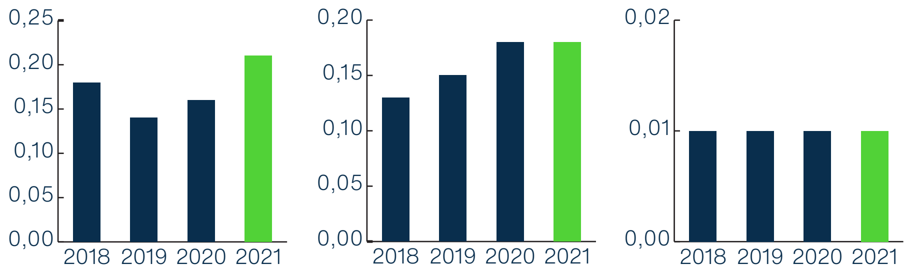




Financial years	**Fresh water consumption (l/h production)**	**Fresh water consumption (l/h production) including CHP units**	**Waste water from production (l/h production)**
2021	250	267	173
2020	234	247	165
2019	217	232	166
2018	202	215	160

AMOUNT OF COPPER, NICKEL AND TIN IN WASTE WATER

The relevant metal content in the water for the Schramberg site includes copper and nickel in particular. 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.

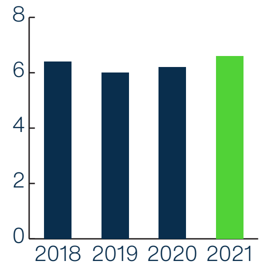


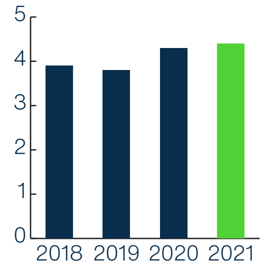
Financial years	Copper content in effluent (mg Cu/l of effluent)	Nickel content in effluent (mg Ni/l of effluent)	Tin content in effluent (mg Sn/l of effluent)
2021	0.21	0.18	0.01
2020	0.16	0.18	0.01
2019	0.14	0.15	0.01
2018	0.18	0.13	0.01

WASTE

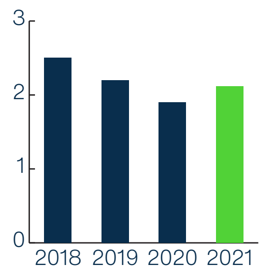
Since the first introduction of the environmental management system ISO 14001, the topics of waste and in particular the clean separation of waste is one of our focal points. The goal of consistent separation of the types of waste arising at the company, in addition to the correct disposal, is the way 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 is evident from the fact that more than 80 percent of our overall waste at the Schramberg site is recycled (e.g. in the recovery of metals and, if necessary, acids or the production of preliminary products for new goods). The share of feed-in to energy recovery was increased to 9 percent (2020: just under 5 percent). The high share of hazardous waste (in 2021: around 60 percent of waste generated) is usual in the manufacture of printed circuit boards and is regarded as rather low in the past financial year due to the special effect of system disassemblies. This in particular had an impact on non-hazardous waste, less so on hazardous waste.

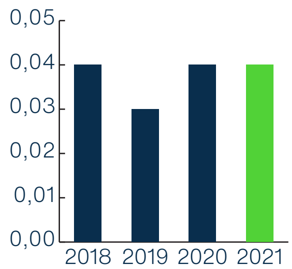
The increase in the share of specific hazardous waste in recent years can partly be explained by the fact that one waste category had to be removed from the non-hazardous waste classification and assigned to hazardous waste.





Financial years	**Total amount of waste (kg/h production)**	**Hazardous waste* (kg/h production)**
2021	6.6	4.4
2020	6.2	4.3
2019	6.0	3.8
2018	6.4	3.9





Financial years	**Non-hazardous waste** (kg/h production)**	**Clean recyclable plastics (kg/h production)**
2021	2.1	0.04
2020	1.9	0.04
2019	2.2	0.03
2018	2.5	0.04

* 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 classified as non-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.

In 2021, we accorded even greater importance to the topic of energy than in the past. New alternative procurement models for electricity and gas will in future help to ensure flexibility in procurement, optimal pricing and security of supply.

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.

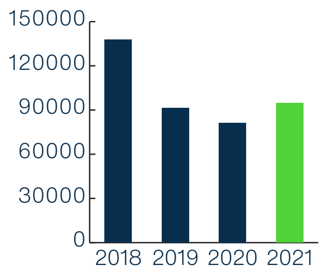
Companies like Schweizer, which supplies to US-listed companies, must also inform its customers when conflict materials are present in their products or supply chain.

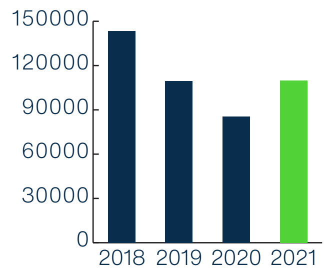
As Schweizer shares the opinion of its customers, we do our best not to purchase raw materials from the Democratic Republic of Congo. This is why we work closely with our suppliers. We expect our suppliers to source their minerals from conflict-free smelters and check their own supply chain for conflict 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).

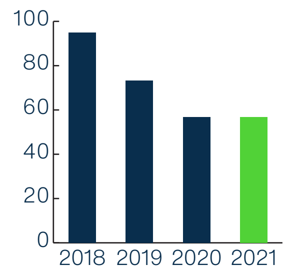
After the materials used declined sharply in 2020 in line with the production volume due to the coronavirus pandemic, there was a noticeable recovery in customer demand in 2021 and thus also very strong demand for materials from all product groups on the procurement side. Delivery times increased from month to month. In some product groups (e.g. semiconductors and selected copper products), the delivery time was more than one year. In some areas, orders had to be placed up to two years in advance in order to secure deliveries.

MATERIALS USED BY WEIGHT

Financial years	Gold (g)	Copper*(kg)	Aluminium (t)



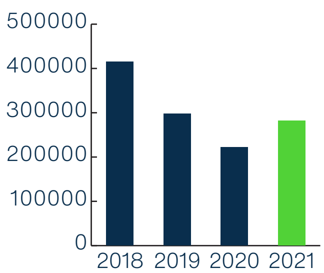


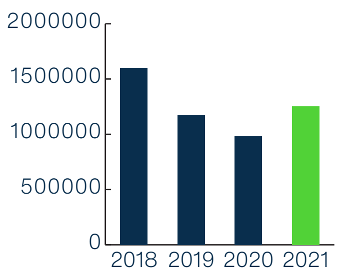


Financial years	Gold (g)	Copper*(kg)	Aluminium (t)
2021	94,679	109,822	65.9
2020	81,367	85,611	56.7
2019	91,362	109,627	73.2
2018	137,812	143,421	95.0

* 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.

Financial years	Laminates (m^2)	Chemicals (l)





Financial years	Laminates (m^2)	Chemicals (l)
2021	282,000	1,253,521
2020	222,000	985,486
2019	298,000	1,178,495
2018	415,000	1,599,155

4. EMPLOYEE ISSUES

At Schweizer, the primary focus is on people. All employees act as one team and together form the foundation for our success, even during the coronavirus pandemic. Accordingly, in times of the global coronavirus pandemic, in addition to **employee satisfaction** and **education and training**, the focus has been particularly on the topic of **health and safety for our employees**.

In its Code of Ethics, Schweizer undertakes to comply with all the relevant legal provisions to prevent discrimination. All employees benefit from equal opportunities and equal 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 transparency and 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.

The number of employees in the Schweizer Group amounted to 1,091 at the end of the year (of which 574 in Germany). The annual average staff turnover rate* in Germany was 3.23 percent (2020: 2.96 percent). More than 36 percent of our employees in Germany have been with us for more than 25 years. Schweizer employed 516 people in Asia at the end of the year. The subsidiary, which was founded in the USA in 2021, is currently being set up and had one employee as of the reporting date. The share of temporary workers at the Chinese plant was 23 percent. This relatively high share of temporary workers has already been reduced compared to the previous year (25 percent) and is currently still due to the circumstance of the development phase. Schweizer strives to continuously reduce the share of temporary employees. The staff turnover rate at the Chinese site was 25 percent in 2021 (2020: 22 percent), which is typical for the Chinese labour market.

* Staff turnover rate: resignations/average number of employees (excluding temporary workers).

Due to the ongoing coronavirus pandemic, it is important for Schweizer to protect its employees. For this purpose, **occupational health and safety and protective measures** and zone concepts have been further developed by the in-house Corona Task Force in order to significantly reduce direct contact between employees and minimise the risk of infection. Employees have been continuously informed about the current regulations in the form of digital information and notices. Among other things, a rolling shift system in the area of office activities was implemented in particular for the pandemic in order to minimise contact between people and thus make a major contribution to fight the pandemic. In addition, vaccinations have been organised and carried out by Schweizer with the involvement of the company doctor at the site. Similarly, Group-wide preventive measures against the coronavirus pandemic and vaccination offerings were also implemented through the corresponding medical/official contact points. It is important to Schweizer to give its employees the best possible protection, also in order to fulfil its responsibility towards its employees' families and its customers.

Schweizer has implemented an employee app (SWAPP) as an information and communication platform globally. The reason for this was that employees had asked for more timely information and communication. This medium has made an important contribution to the rapid dissemination of information on coronavirus updates, but also to the **promotion of employee satisfaction and the support of intercultural cooperation**, in particular with the plant in Jintan (China).

The app has provided greater transparency. Thanks to an automated translation function in the app, it has become easier to communicate with colleagues around the world. The SWAPP app can be used by any employee and contains important news and interviews in order to obtain information, but also to actively discuss ideas. This was another important step towards digitisation for the development of intercultural communication and the promotion of a sustainable, global culture within the company. In terms of e-mobility, Schweizer has adopted the "green trend" and also gives employees the opportunity to use e-charging stations in the company. Moreover, the company offers a bicycle leasing model for e-bikes as well as normal bicycles. This programme met with a very positive response and is an important element of employer attractiveness as well as an offer to employees to take part in **company health management** campaigns. Through campaigns such as "CITY CYCLING – cycling for a good climate", Schweizer intends to raise awareness of climate protection and create offers to promote the health of its employees. Company integration management, as an important component of company health management, has been actively continued. Despite the restrictions imposed by the pandemic, initiatives regarding the reintegration of employees were supported and assisted by occupational medicine with the support of the company doctor – even remotely, in some cases. In this context, Schweizer also has the opportunity to offer the model of partial retirement to employees who are about to retire. With company health management, the objective 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.

At Schweizer, **training** is an important component of succession planning, as well as ensuring that additional requirements for the future are covered. On average, there are 16 trainees in training per year. In 2021, Schweizer decided to offer additional apprenticeships, as the demand for junior staff and skilled workers is increasing and plays a key role at Schweizer. We train with the aim of deploying our trainees in the respective departments, employing them in the long term and developing them further within the company.

The training programme at Schweizer Electronic AG covers both commercial and technical professions. The company trains industrial administrators as well as specialists in warehouse logistics, mechatronics technicians and surface coaters. Depending on requirements, apprenticeships for electronics technicians, IT specialists and dual students in the fields of business administration, industry and business informatics are offered.

Schweizer Electronic AG stands for high-quality training. In addition to technical training in the departments and training workshops, our trainees and dual students take responsibility for various projects. These very much promote motivation and independence in their everyday professional life. In China, on the other hand, there is no known equivalent training as in Germany. Schweizer has decided to offer a trainee programme for one year. Through "Training on the Job", the new trainees get to know various departments and subject areas and thus have the opportunity to develop themselves further. The trainee programme also includes an assignment at the German site in Schramberg, which could not be implemented due to the pandemic. It is aimed at specialists and young professionals from the Chinese subsidiary.

In addition to training for newcomers to the profession, the focus for experienced employees is on **internal and external further training**. Again limited by the pandemic, the focus was on mandatory training, management training and specific specialist training, including on the topic of digitisation and processes. At the Chinese site, management training and awareness-raising training regarding standardisations were offered.

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 appraised 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, to inform them of key figures by means of regular, repeated briefing and to motivate them to act accordingly before they commence their work.

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 AT THE SCHRAMBERG SITE

Financial year	Number of occupational and commuting accidents*	resulting days of absence
2021	8	97
2020	4	42
2019	7	243
2018	22	286

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

Of a total of eight occupational and commuting accidents in 2021, two were reportable commuting accidents. 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 (31 December)
in persons

		2021			2020		
		Men	**Women**	**Total**	**Men**	**Women**	**Total**
in Germany							
Category	Employees	146	58	204	143	62	205
	Blue collar	253	117	370	251	124	375
	Full-time	398	160	558	394	168	562
	Part-time	1	15	16	0	18	18
		399	**175**	**574**	**394**	**186**	**580**
in Jintan*							
Category	Employees	118	53	171	104	45	149
	Blue collar	229	117	346	154	62	216
	Full-time	347	170	517	258	105	365
	Part-time	0	0	0	0	0	0
		347	**170**	**517**	**258**	**107**	**365**
Group		**746**	**345**	**1091**	**652**	**293**	**945**

* including 2 Singapore employees, 1 US employee

Diversity among employees
in percent

		2021		2020	
Group		**Employees**	**Blue collar**	**Employees**	**Blue collar**
Gender	Women	29%	33%	30%	31%
	Men	71%	67%	70%	69%
Age group	< 30 years	12%	34%	15%	32%
	30–50 years	58%	37%	52%	33%
	> 50 years	30%	29%	33%	35%
of which in Germany					
Gender	Women	28%	32%	30%	33%
	Men	72%	68%	70%	67%
Age group	< 30 years	7%	11%	7%	11%
	30–50 years	40%	33%	39%	34%
	> 50 years	53%	56%	54%	55%
of which in Jintan*					
Gender	Women	30%	34%	29%	29%
	Men	70%	66%	71%	71%
Age group	< 30 years	17%	59%	27%	69%
	30–50 years	79%	41%	69%	31%
	> 50 years	4%	0%	4%	0%

* including 2 Singapore employees, 1 US employee

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. Due to the coronavirus pandemic, the activities in respect of sport, art and culture, however, were very limited.

Nevertheless, SCHWEIZER wanted to support Forum Kunst in Rottweil 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.

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. EU TAXONOMY

Within the framework of the EU Action Plan on Sustainable Finance, the redirection of capital flows into sustainable investments is an essential objective. Against this background, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter referred to as the Taxonomy Regulation) which, as a uniform and legally binding classification system, establishes which economic activities in the EU are considered "ecologically sustainable". The results of this classification must be reported on an annual basis on a company-specific basis.

Article 9 of the Taxonomy Regulation states the following six environmental objectives:
a) Climate change mitigation;
b) Climate change adaptation;
c) The sustainable use and protection of water and marine resources;
d) The transition to a circular economy;
e) Pollution prevention and control;
f) The protection and restoration of biodiversity and ecosystems.

The EU has currently published guidelines on sustainable economic activities as defined in the EU taxonomy for two environmental objectives (climate change mitigation and climate change adaptation).

With regard to the classification of an economic activity as "ecologically sustainable" as defined in the EU taxonomy, a distinction must be made between taxonomy eligibility and taxonomy compliance. In the first step, it must be checked whether economic activity is described in the Delegated Act and whether it is therefore eligible under the taxonomy. Only taxonomy-eligible economic activities can be considered "ecologically sustainable" if certain criteria are met. Accordingly, in the second step it must be evaluated whether the mentioned technical screening criteria are fulfilled and whether the minimum social protection is complied with in order to be classified as taxonomy-compliant and therefore appropriately described as an enabling activity or a transitional activity.

For the 2021 reporting year, only the shares of taxonomy-eligible and non-taxonomy-eligible economic activities in revenue as well as capital expenditure (CapEx) and operating expenses (OpEx) must be disclosed.

The amounts used to calculate the revenue, CapEx and OpEx key figures are based on the figures reported in the consolidated financial statements. All fully consolidated and proportionately consolidated Group companies are included in this consideration.

Based on Section 289b (1) in conjunction with Section 315b HGB and Article 8 of the Taxonomy Regulation, SCHWEIZER is obliged to apply the provisions of the Taxonomy Regulation. In accordance with Section 315e (1) HGB, the consolidated financial statements of Schweizer Electronic AG were prepared in accordance with IFRS as at 31 December 2021. The IFRS consolidated financial statements thus serve as the basis for determining the following figures.

KEY FIGURES

Revenue key figure

The revenue key figure is calculated as the ratio of the sales revenue from taxonomy-eligible economic activities of a financial year to the total sales revenue of this financial year.

The total revenue of EUR 122.7 million for the 2021 financial year form the denominator of the revenue key figure and can be found in the Group's income statement (see p. 114).

Schweizer's revenue reported in the consolidated income statement is examined across all Group companies to determine whether it was generated from taxonomy-eligible economic activities in accordance with Annex I (Substantial contribution to climate change mitigation) and Annex II (Substantial contribution to climate change adaptation) of Delegated Regulation 2021/2139 of the Taxonomy Regulation. A detailed analysis of the items included in revenue is used to allocate the respective revenue to the taxonomy-eligible economic activities. The total revenue of EUR 0 thousand* of taxonomy-eligible economic activities for the 2021 financial year is the numerator.

Revenue key figure	Absolute in EUR thousands
Taxonomy-eligible activities	0*
Non-taxonomy-eligible activities	122,657
Total	122,657
Share of taxonomy-eligible activities	0%

*For Schweizer, no relevant economic activities could be identified in the Delegated Acts in the current version of the Regulation. As a result, no taxonomy-eligible revenue was determined. Irrespective of the classification according to the specifications of the Delegated Acts, our products are used in the area of sustainable mobility, renewable energy and energy-efficient energy conversion and thus contribute to sustainable topic areas.

CapEx key figure

According to the Taxonomy Regulation Art. 8 Annex I 1.1.2.2, the CapEx key figure represents the share of capital expenditure that is either related to a taxonomy-eligible activity, linked to a credible plan to expand or achieve an ecologically sustainable economic activity, or is related to the purchase of products and services from a taxonomy-eligible economic activity.

Capital expenditure is based on additions to property, plant and equipment and intangible assets as well as rights of use under IFRS 16 before depreciation and amortisation and any revaluations for the financial year in question and without changes in fair value. The total capital expenditure in accordance with the Taxonomy Regulation Art. 8 Annex I 1.1.2.1 amounts to EUR 17,931 thousand (see the respective information on p. 144 of the consolidated statement of changes in fixed assets).

Based on the project description of the additions, an analysis is carried out with regard to taxonomy eligibility and a comparison is made with Annex I (Substantial contribution to climate change mitigation) and Annex II (Substantial contribution to climate change adaptation) of Delegated Regulation 2021/2139 of the Taxonomy Regulation. The sum of the additions reflecting a taxonomy-eligible investment is the numerator of the CapEx key figure of EUR 214 thousand in connection with the purchase of taxonomy-eligible services and products in the areas of fleet and waste water management.

CapEx key figure	Absolute in EUR thousands
Taxonomy-eligible activities	214
Non-taxonomy-eligible activities	17,716
Total	17,930
Share of taxonomy-eligible activities	1%

OpEx key figure

The OpEx key figure indicates the share of operating expenses within the meaning of the EU Taxonomy associated with taxonomy-eligible economic activities, with a CapEx plan described above or with the purchase of products from taxonomy-eligible economic activities.

The basis for determining the key figure is the sum of the expenses for direct, non-capitalised research and development expenses, building renovation measures, short-term leasing as well as maintenance and repair. The total operating expenses pursuant to the Taxonomy Regulation Art. 8 Annex I 1.1.3.1 amounts to EUR 6,786 thousand.

The numerator of the OpEx key figure in accordance with the Taxonomy Regulation Art. 8 Annex I 1.1.3.2. is determined by analysing the assets related to the expenditure recorded on the above accounts for their taxonomy eligibility. Therefore, EUR 149 thousand is classified as taxonomy-eligible for energy efficiency measures.

OpEx key figure	Absolute in EUR thousands
Taxonomy-eligible activities	149
Non-taxonomy-eligible activities	6,637
Total	6,786
Share of taxonomy-eligible activities	2%

When determining the above-mentioned key figures, various review steps, including documenting the data generation and ensuring reconciliation with other financial information, avoids any double counting of economic activities.

From financial year 2022, further analyses will be necessary to meet certain criteria in relation to the identified economic activities. In addition to the screening with regard to the conformity criteria, these analyses will also include an assessment of whether the taxonomy-eligible economic activities make a significant contribution to an environmental objective defined by the

Taxonomy Regulation and whether no other environmental objective is significantly negatively affected. Furthermore, the fulfilment of minimum social standards must be ensured in accordance with the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, ILO Core Labour Standards and the International Bill of Human Rights.

8. 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
Organisational profile			
102-1	Name of organisation	Annual Report 2021 p. 32ff	
102-2	Brands, products and services	Annual Report 2021 p. 33ff	
102-3	Company headquarters	Annual Report 2021 pp. 32, 120	
102-4	Overview of sites	Annual Report 2021 p. 32	
102-5	Ownership and legal form	Annual Report 2021 pp. 32, 120	
102-6	Markets	Annual Report 2021 p. 40ff	
102-7	Size of company	Annual Report 2021 p. 2, 44ff	
102-10	Significant changes within the organisation and its supply chains	Annual Report 2021 p. 32ff	
102-11	Precautionary principle or precautionary approach	Annual Report 2021 p. 66ff	
Strategy			
102-14	Statement by the highest decision-making body	Non-Financial report 2021 point 1 and 2	
102-15	Significant effects, risks and opportunities	Annual Report 2021 p. 66ff	
Ethics and integrity			
102-16	Values, principles, standards and code of conduct	Non-Financial report 2021 point 2.	
102-17	Procedures regarding advice and concerns relating to ethics	Non-Financial report 2021 point 6	
Governance			
102-18	Governance structure	Annual Report 2021 p. 170f, 194ff	
Inclusion of stakeholders			
102-40	List of stakeholders	Non-Financial report 2021 point 1	
102-42	Determination and selection of stakeholders	Non-Financial report 2021 point 1	
102-43	Approach for the inclusion of stakeholders	Non-Financial report 2021 point 1	
102-44	Important topics and concerns	Non-Financial report 2021 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
Reporting process			
102-45	Companies in the consolidated financial statements	Annual Report 2021 pp. 33, 123, 180	
102-46	Procedure for determining the content of the report and topic limits	Non-Financial report 2021 point 1	
102-47	List of important topics	Non-Financial report 2021 point 1	
102-48	New presentation of information	None	
102-49	Change in reporting	None	
102-50	Reporting period	Annual Report 2021 (01/01 - 31/12/2021)	
102-51	Date of last report	Date published: 22/04/2021	
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 audit	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
Anti-corruption			
205-2	Communication and training on anti-corruption guidelines and procedures	Non-Financial report 2021 point 6	
205-3	Confirmed cases of corruption and measures taken	None	
Materials			
301-1	Materials used by weight or volume	Non-Financial report 2021 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.
Energy			
302-1	Energy consumption within the organisation	Non-Financial report 2021 point 3	
302-3	Energy intensity	Non-Financial report 2021 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 2021 point 3	
Water			
303-1	Water withdrawal by source	Non-Financial report 2021 point 3	The information is not in absolute values but per production hour.
Emissions			
305-x	Emissions	Non-Financial report 2021 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
Effluents and waste			
306-1	Volume of waste water discharge by quality and place of discharge	Non-Financial report 2021 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 2021 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.
Employees			
401-1	Total number of newly hired employees and staff turnover	Non-Financial report 2021 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.
Occupational health and safety			
403-2	Occupational accidents, lost days, fatalities	Non-Financial report 2021 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.
Training and education			
404-2	Competence management and training programmes	Non-Financial report 2021 point 4	
Diversity and equal opportunities			
405-1	Diversity in controlling bodies and employees	Corporate governance statement 2021 p. 192ff Annual Report	
Social evaluation of suppliers			
414-2	Negative social effects in the supply chain and measures taken	Non-Financial report 2021 point 6	

NEW CUSTOMERS

32%

CUSTOMER DISTRIBUTION BY COUNTRY

34

INCREASE IN NEW PARTS

90%

SALES GROWTH

25%

CONSOLI-
DATED
FINANCIAL
STATE-
MENTS

CONTENTS

CONSOLIDATED INCOME STATEMENT

	Note	2021 EUR thousand	2020 EUR thousand
Sales revenue	3.1	122,657	98,307
Cost of sales | Cost of goods and services provided to generate sales		-127,586	-97,938
Gross profit		**-4,929**	**369**
Distribution costs		-5,056	-4,795
Administration costs		-13,575	-14,504
Other operating income	3.2	4,840	3,661
Other operating expenses	3.3	-1,088	-3,261
Operating result		**-19,808**	**-18,530**
Financial income	3.4	526	43
Financial expenses	3.5	-3,990	-2,378
Earnings before taxes on income and revenue		**-23,272**	**-20,865**
Taxes on income and revenue	3.8	-2,916	2,983
Consolidated result		**-26,188**	**-17,882**
Of which attributable to:			
Shareholders of the parent company		-26,188	-17,877
Non-controlling interests		0	-5
Earnings per share	3.9		
Undiluted (=diluted) shareholding		3,770,713	3,770,713
Undiluted, based on the profit attributable to holders of ordinary shares of the parent company		-6.95	-4.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2021 EUR thousand	2020 EUR thousand
Consolidated result		**-26,188**	**-17,882**
Other income			
Other income to be reclassified to profit or loss in subsequent periods (after taxes):		**482**	**-1,879**
Currency translation of foreign operations	4.8	482	-1,879
Other income not to be reclassified to profit or loss in subsequent periods (after taxes):		**863**	**-1,167**
Gains/(losses) on the revaluation of defined benefit pension plans	4.12	1,223	-1,494
and similar obligations		0	259
Gains/(losses) on assets measured at fair value recognised directly in equity		0	-280
Tax on profits	3.8	-360	348
Other earnings after taxes		**1,345**	**-3,046**
Overall result after taxes		**-24,843**	**-20,928**
Of which attributable to:			
Shareholders of the parent company		-24,843	-20,945
Non-controlling interests		0	17

CONSOLIDATED BALANCE SHEET

	Note	31/12/2021 EUR thousand	31/12/2020 EUR thousand
Assets			
Non-current assets		**117,139**	**111,557**
Tangible assets	4.1	99,875	99,365
Intangible assets	4.1	1,739	1,524
Other participating interests		12	12
Other financial assets	4.3	5	5
Other assets	4.3	702	0
Deferred tax assets	3.8	3,641	4,965
Right of use pursuant to IFRS 16	4.2	11,165	5,686
Current assets		**65,163**	**85,121**
Inventories	4.4	18,137	9,322
Trade receivables	4.5	16,980	19,795
Contract assets	4.6	7,474	8,315
Tax receivables	3.8	5	4
Other financial assets	4.3	830	1,476
Other assets	4.3	7,315	23,236
Cash and cash equivalents	4.7	14,422	22,973
Total assets		**182,302**	**196,678**
Equity and Liabilities			
Equity	4.8	**9,721**	**34,274**
Subscribed capital		9,664	9,664
Own shares		-24	-24
Capital reserves		21,779	21,795
Profit reserves		-21,698	2,748
Equity attributable to shareholders of the parent company		9,721	34,183
Non-controlling interests		0	91
Non-current liabilities		**116,423**	**112,984**
Financial liabilities	4.10	81,127	80,333
Other financial liabilities	4.11	8,579	4,093
Provision for defined benefit pension plans	4.12	21,514	23,636
Trade payables	4.13	89	0
Liabilities from government grants	4.16	578	0
Other provisions	4.14	3,749	4,334
Deferred tax liabilities	3.8	787	588
Total liabilities		**56,158**	**49,420**
Financial liabilities	4.10	13,248	4,615
Other current financial liabilities	4.11	2,049	972
Provision for defined benefit pension plans	4.12	943	908
Trade payables	4.13	32,224	36,323
Other liabilities	4.13	4,503	3,588
Liabilities from taxes	3.8	201	179
Other provisions	4.14	2,990	2,835
Total liabilities		172,581	162,404
Total equity and liabilities		**182,302**	**196,678**

CONSOLIDATED CASH FLOW STATEMENT

	Note	2021 EUR thousand	2020 EUR thousand
Operating activities			
Profit before tax		**-23,272**	**-20,865**
Adjustments to reconcile earnings before taxes to net cash-flows:			
Financial income	3.4	-526	-43
Financial expenses	3.5	3,990	2,378
Amortisation and impairment of tangible and intangible assets	4.1	11,353	9,002
Other non-cash income/expenses		-67	-282
Gains (-)/losses (+) from the disposal of property, plant and equipment and other non-current assets	4.3	0	-4
Changes in the provision for defined benefit pension plans (without changes recognised directly in equity)	4.12	-526	-471
Change in other provisions	4.14	-430	-1,171
Payments received from government grants	4.16	1,452	1,003
Change in trade receivables and other assets	4.5/ 4.3	-841	7,467
Change in inventories	4.4	-8,192	415
Change in trade and other payables	4.13	3,754	-6,038
Interest received	3.4	-48	-26
Dividends received	3.4	0	4
Paid / refunded taxes on income and revenue	3.8	-1,481	669
Cash flow from operating activities		**-14,834**	**-7,962**
Investment activities			
Proceeds from sale of tangible assets	4.1	4,881	365
Payments to acquire tangible assets and intangible assets	4.1	-24,020	-20,275
Payments received from government grants	4.16	20,333	4,019
Proceeds from disposals of investments	4.2	0	344
Cash flow from investing activities		**1,193**	**-15,548**
Financing activities			
Acquisition of non-controlling interests	7.5	-99	0
Incoming payments from the take-up of loans	4.10	13,067	19,652
Payments for the repayment of loans	4.10	-3,639	-2,563
Payments for the repayment of lease liabilities	4.2	-1,842	-871
Interest paid	3.5	-3,865	-3,319
Dividend payments	4.9	0	0
Cash flow from financing activities		**3,620**	**12,900**
Net change in cash and cash equivalents		-10,020	-10,611
Changes in cash and cash equivalents owing to exchange rates		1,469	-769
Cash and cash equivalents at 1 January		**22,973**	**34,353**
Cash and cash equivalents at 31 December		**14,422**	**22,973**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousand	Note	Subscribed capital	Own shares	Capital reserve	Profit reserve
	Nr. 4.8				
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**
As of 1 January 2021		**9,664**	**-24**	**21,795**	**2,748**
Consolidated result					-26,188
Other income					1,345
Overall result		**0**	**0**	**0**	**-24,844**
Non-controlling interests from business combinations					398
Change in own shares					
Long-term incentives				-16	
Dividend payout					
Allocation to reserves					
Other changes					
As of 31 December 2021		**9,664**	**-24**	**21,779**	**-21,698**

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
	-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**
	-6,504	**274**	**-830**	**-37,601**	**34,183**	**91**	**34,274**
				-26,188	-26,188		-26,188
	863		482		1,345		1,345
	863	**0**	**482**	**-26,188**	**-24,843**	**0**	**-24,843**
					398	-91	307
					-16		-16
	-5,641	**274**	**-348**	**-63,789**	**9,721**	**0**	**9,721**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

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 (hereinafter 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 2021 were prepared and approved for publication by the Executive Board on 8 April 2022.

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) relevant to the Schweizer Group is mandatory for financial year 2021:

		Effects on the consolidated financial statements
IFRS 4	Amendments to IFRS 4 Extension of the temporary exemption from applying IFRS 9	None
IFRS 16	Amendments to IFRS 16 COVID-19-related rent concessions beyond 30 June 2020	No significant effects
IFRS 9, IAS 39 and IFRS 7	Reference interest rates reform – phase 2	No significant effects, as the existing contract is based on the already reformed European reference interest rate, the EURIBOR

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

Accounting principles 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.

No significant effects are presently expected from the initial application.

Standards/Interpretations		Mandatory application[1]	Adoption into EU law	Anticipated effects on the consolidated financial statements
IFRS 16	Amendments to IFRS 16: Leases - COVID-19-related rent concessions	1 April 2021	Yes	No significant effects
IFRS 3	Amendments to IFRS 3 Business combinations	1 January 2022	Yes	No significant effects
IAS 16	Amendments to IAS 16 Property, plant and equipment: Proceeds before intended use	1 January 2022	Yes	No significant effects
IAS 37	Amendments to IAS 37 Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract	1 January 2022	Yes	No significant effects
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements to the International Financial Reporting Standards, cycle 2018 to 2020	1 January 2022	Yes	No significant effects
IAS 1	Amendments to IAS 1 Disclosures on accounting policies and classification of non-current/ current liabilities	1 January 2023	No	No significant effects
IAS 1	Amendments to IAS 1 Presentation of financial statements: Disclosures on accounting policies	1 January 2023	Yes	No significant effects
IAS 8	Amendments to IAS 8 Definition of accounting estimates	1 January 2023	Yes	No significant effects
IAS 12	Amendments to IAS 12 Income taxes: deferred taxes on assets and liabilities arising from a joint transaction	1 January 2023	No	No significant effects
IFRS 17	Insurance contracts and amendments to IFRS 17 including amendments to IFRS 17 (published on 25 June 2020)	1 January 2023	Yes	None
IFRS 17	Amendments to IFRS 17 Insurance contracts: initial application of IFRS 17 and IFRS 9 – comparative disclosures (published on 9 December 2021)	1 January 2023	No	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 reporting date, 31 December 2021. 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 taxes are recognised on consolidation measures that affect profit and loss insofar as these are tax-related processes.

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

	Number of fully consolidated companies		
	National	**International**	**Total**
31 December 2019	**1**	**5**	**6**
Included for the first time in financial year 2020	-	-	-
Eliminated in financial year 2020	-	1	1
31 December 2020	**1**	**4**	**5**
Included for the first time in financial year 2021	-	1	1
Eliminated in financial year 2021	-	-	-
31 December 2021	**1**	**5**	**6**

A complete overview of the participating interests of Schweizer Electronic AG is provided in the list of shareholdings in Section 7.5.

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.

Foreign currency transactions are translated into euros in the separate financial statements at the time of the transaction at the applicable spot rate. Assets and liabilities denominated in foreign currency are in principle converted using the average spot exchange rate applicable as at the balance sheet date. The effects are recognised in the income statement under other operating expenses or other operating income.

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

Exchange rates	**Year-end rate**		**Average rate**	
EUR	**31/12/2021**	**31/12/2020**	**2021**	**2020**
USD USA	1.1326	1.2271	1.1835	1.1413
CNY China	7.1947	8.0225	7.6340	7.8708
SGD Singapore	1.5279	1.6218	1.5897	1.5736

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.

Internally generated intangible assets are capitalised at their production cost if it is probable that the use of the asset will result in a future economic advantage and the cost can be reliably determined. If the capitalisation criteria are not met, the expenses are recognised immediately in profit or loss in the year in which they arise. At Schweizer, capitalised development costs concern a technology that will be used in future PCBs and for which future customer orders have already been placed.

Capitalised costs comprise all directly attributable direct and overhead costs. The asset is depreciated on a straight-line basis over a useful life of six years from the future start of series production.

The useful lives and depreciation methods are reviewed regularly.

Property, plant and equipment

The property, plant and equipment item is 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 carrying out major maintenance work are capitalised if the recognition criteria are met.

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.

Leases

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.

As lessee, the Schweizer Group records right-of-use assets 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.

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 if the interest rate the lease is based on 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 right-of-use assets from lease agreements, a review is performed at every closing date to determine whether there are indications of an impairment of the assets. If such indications are found to exist, an impairment test is performed. Irrespective of whether there is any indication of impairment, an impairment test is performed annually on intangible assets that are not yet ready for use and on goodwill acquired. 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

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

Strategic investments of the Schweizer Group are recorded in this category. These investments represent 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 other participating interests, 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, regardless of their term, the simplified approach is applied for determining value adjustments in accordance with IFRS 9. Accordingly, the expected loss over the entire term is always recognised as risk provisioning. The expected loss ratios are determined on the basis of customer-specific probabilities of default, taking into account external credit reports (where available). Receivables are generally derecognised only if a receivable is deemed uncollectible. Factors for uncollectibility include the conclusion of insolvency proceedings or the rejection of insolvency proceedings due to a lack of assets. Impairment losses are recognised under other operating expenses.

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. The determination of changes in default risk since initial recognition is based on credit ratings. If the credit risk has increased significantly since initial recognition, based on credit information or information on impending payment defaults, a risk provision in the amount of the expected credit defaults is formed. 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.

As at the balance sheet date, the Schweizer Group only held commodity derivatives for which purchase price agreements exist, which are not influenced by the IBOR Reform.

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 adjusted) 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 that are readily convertible to a fixed amount of cash and which are subject to an insignificant risk of changes in value are disclosed as cash and cash equivalents.

Risk provisions are created based on current market data and internal risk assessments as well as external credit reports. No material impairment issues in accordance with IFRS 9 were identified.

Provision for defined benefit pension plans

The provision for defined benefit pension plans is calculated on the basis of actuarial opinions in accordance with the projected unit credit method, taking into account future 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, from consolidation measures that impact on profit and loss – insofar as these are tax-related 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

At Schweizer, revenue is 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.

Revenue from the sale of products is mainly recognised on a time-period basis, as there is no alternative use for the products and there is a legal claim to payment for the service already provided.

In the other cases, the transfer of power of disposal takes place at the time of delivery of the parts or upon removal from the consignment warehouse.

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 delivery.

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; the contra is booked under equity (capital reserve). Fluctuations in value due to changes in the share price occurring after the grant date are reported under personnel expenses.

Assumptions and estimates

Estimates and discretionary decisions played an essential role in the preparation of these consolidated financial statements. 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 "Property, plant and equipment" and "Intangible assets", as well as section 4.1).

- *Recognition and measurement of internally generated intangible assets*
  The recognition of internally generated intangible assets requires an assessment by management with regard to the probability of the useful economic life of the technology concerned. The estimated useful life is based on the expected product life cycle (see the "Intangible assets" section and section 4.1). As long as capitalised development costs are not amortised on a scheduled basis, internally generated intangible assets are subject to an impairment test at least once a year.

- *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 2021. The estimates and measurement of the recoverability of receivables are based on the respective credit risk determined from credit checks. There were no noteworthy impacts due to the coronavirus pandemic during the financial year.

- *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 4.12).

- *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.

- *Realisation of sales revenue*

  The period-related calculation of sales revenue 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).

The material uncertainties associated with the coronavirus pandemic have been taken into account in the discretionary decisions and estimates, where relevant, and are presented in the respective sections of the Notes. As in the previous year, there were no material adjustments to the carrying amounts of the reported assets and liabilities in financial year 2021. For grants from public authorities in connection with the coronavirus pandemic, see section 4.16 and for loans taken out during the financial year from KfW's coronavirus aid programme, see section 4.10.

SEGMENT INFORMATION

The Schweizer Group comprises exclusively the electronic business 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.

Please see section 3.1 for information on sales revenue 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 2021 in EUR millions	HDI	Multi-layer	Metallised circuits	Non-metallised circuits	Other	Total
Germany	32.2	10.3	10.1	1.5	1.6	55.7
Europe (excl. Germany)	6.8	8.7	2.8	0.8	-	19.1
Asia	18.4	12.7	1.0	4.7	0.2	37.0
America	4.3	2.7	3.2	0.2	-	10.4
Other countries	-	0.1	0.4	-	-	0.5
	61.7	**34.5**	**17.5**	**7.2**	**1.8**	**122.7**

Sales revenue for 2020 in EUR millions	HDI	Multi-layer	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	-	-	0.4	-	-	0.4
	54.8	**24.4**	**12.2**	**4.9**	**2.0**	**98.3**

The above information on sales revenue 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	2021 EUR thousands	2020 EUR thousands
Trade receivables	16,980	19,795
Contract assets	7,474	8,315

In 2021, sales revenue from three customers accounted for approximately 45% of total revenue (2020: 50%). Sales revenue from these customers amounted to EUR 34.3 million (2020: EUR 31.9 million), EUR 11.2 million (2020: EUR 8.8 million) and EUR 9.9 million (2020: EUR 8.4 million). Therefore, only one customer accounts for more than 25% of total revenue.

The total amount of the transaction price allocated to the unfulfilled period and date-related performance obligations at 31 December 2021 amounted to EUR 1,628 thousand (2020: EUR 10,126 thousand). These performance obligations were met in January and February 2022.

3.2 OTHER OPERATING INCOME

Other operating income is comprised as follows:

	2021 EUR thousands	2020 EUR thousands
Proceeds from the recycling of gold waste	1,401	802
Currency gains	1,304	1,310
Income from the reversal of provisions	336	321
Income from claims for damages	0	73
Income from the reversal of specific valuation allowances	29	0
Income from subsidies	1,476	200
Other income	294	955
Total	**4,840**	**3,661**

3.3 OTHER OPERATING EXPENSES

Other operating expenses are composed as follows:

	2021 EUR thousands	2020 EUR thousands
Currency losses	380	1,004
Expenses from valuation allowances on receivables	40	292
Allocation to provision for product risks	4	54
Allocation to the provision for litigation risks	0	317
Other taxes	0	193
Restructuring expense to transfer companies	0	745
Other expenses	664	656
Total	**1,088**	**3,261**

3.4 FINANCIAL INCOME

Financial income is made up as follows:

	2021 EUR thousands	2020 EUR thousands
Other interest and similar income	52	26
Dividend income	0	4
Other	474	13
Total	**526**	**43**

Other financial income includes interest income from changes in provisions of EUR 474 thousand.

3.5 FINANCIAL EXPENSES

Financial expenses are made up as follows:

	2021 EUR thousands	2020 EUR thousands
Interest paid (gross)	3,865	3,319
Capitalised interest	0	-1,365
Other interest and similar expenses	125	424
Total	**3,990**	**2,378**

The interest paid of EUR 2,465 thousand (2020: EUR 2,315 thousand) was attributable to the local investment loan for the Jintan site and EUR 896 thousand (2020: EUR 855 thousand) to other financial liabilities; of this, EUR 136 thousand (2020: EUR 34 thousand) was attributable to loans from KfW's coronavirus aid programme that were disbursed in full in the financial year. They also include interest expenses for lease obligations in the amount of EUR 331 thousand (2020: EUR 93 thousand).

Other interest and similar expenses mainly consist of changes in provisions of EUR 125 thousand (2020: EUR 387 thousand).

3.6 PERSONNEL EXPENSES

Personnel expenses are made up as follows:

	2021 EUR thousands	2020 EUR thousands
Personnel costs		
Wages and salaries	38,301	34,114
Social security costs	6,850	5,095
Pensions	708	841
Total	**45,859**	**40,050**

In the reporting year and in the previous year, the utilisation of short-time allowances reduced wages and salaries. In this context, the Schweizer Group received social security contributions of EUR 8 thousand (2020: EUR 1.3 million).

3.7 RESEARCH AND DEVELOPMENT EXPENSES

The criteria of IAS 38 for the capitalisation of development expenses incurred were met for the first time in the financial year. In this context, EUR 240 thousand was capitalised as internally generated intangible assets. The expenditure for research and development recognised as an expense amounted to EUR 2.7 million (2020: EUR 2.7 million).

3.8 TAXES ON INCOME

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 taxable profit will be available in the future.

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

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

	2021 EUR thousands	2020 EUR thousands
Current taxes related to the reporting period	243	185
Taxes on income from other periods	1,317	49
Deferred taxes	1,356	-3,217
of which deferred taxes from temporary differences EUR -202 thousand (2020: EUR -455 thousand)		
of which change due to previously unrecognised tax losses of EUR -2,303 thousand (2020: EUR -2,761 thousand)		
of which change due to a reversal of tax losses already taken into account EUR 3,861 thousand (2020: EUR 0 thousand).		
Total taxes on income	**2,916**	**-2,983**

Deferred taxes on transactions recognised in other comprehensive income in equity result from defined benefit pension plans and reduced equity in the financial year by EUR 360 thousand (2020: increasing equity by EUR 348 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% (2020: 29.13%) on which the expected tax expense is based takes the company structure relevant for taxation into account.

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:

	2021 EUR thousands	2020 EUR thousands
Earnings before tax on profit	**-23,272**	**-20,865**
Expected income tax expense (-) / income (+)	6,778	6,077
Divergent tax rates	-778	-230
Tax-free income	33	195
Non-tax-deductible expenses	-859	-178
Taxes from other periods	-1,317	-49
Effect from the adjustment of tax loss carryforwards of the previous year	-1,311	-374
Effects from the use of loss carryforwards for which no deferred tax assets were previously recognised	0	43
Effects of non-recognition of deferred tax assets on loss carryforwards	-5,805	-2,582
of which Schweizer Electronic AG	-	-2,582
of which Schweizer Electronic (Jiangsu) Co., Ltd.	-5,795	-
of which Schweizer Electronic Americas Inc.	-10	-
Other	344	81
Actual tax expense	**-2,916**	**2,983**
Effective tax expense	13%	14%

Tax receivables

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

	2021 EUR thousands	2020 EUR thousands
Corporate income tax refund	5	2
Trade tax refund	0	2
Total receivables relating to taxes on income	**5**	**4**
Non-current	0	0
Current	5	4

Deferred taxes

Deferred taxes result from the following balance sheet items:

	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	31/12/2021	31/12/2021	31/12/2020	31/12/2020
	EUR thousands	EUR thousands	EUR thousands	EUR thousands
Property, plant and equipment	128	5,370	505	5,727
Intangible assets	0	70	0	0
Rights of use	1	1,770	17	722
Inventories	954	0	1,670	0
Receivables and other assets	135	168	2	28
Contract assets	0	1,308	0	2,271
Provisions for pensions and similar obligations	5,221	0	5,791	0
Other provisions	412	37	529	0
Liabilities	1,588	0	474	0
Tax loss carryforwards	3,140	0	4,137	0
	11,577	**8,723**	**13,125**	**8,748**
Netting	-7,936	-7,936	-8,160	-8,160
Recognition of deferred taxes	**3,641**	**787**	**4,965**	**588**

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 2021, tax loss carryforwards amounted to EUR 49,297 thousand (2020: EUR 26,054 thousand).

The loss carryforwards attributable to the German Schweizer Electronic AG of EUR 10,625 thousand (2020: EUR 11,354 thousand) can be carried forward indefinitely. Deferred tax assets of EUR 2,303 thousand were capitalised on previously unrecognised loss carryforwards in the financial year, as the company plans to offset these against future taxable profits. This assessment is based on the recognition that the restructuring measures were successfully implemented at the Schramberg site in 2020 in the course of the coronavirus pandemic and made themselves felt for the first time in the 2021 financial year. We also expect a positive and sustainable effect on the earnings situation for the coming financial years. Assuming that the overall economic recovery after the coronavirus pandemic will continue and that the influence of the Russia-Ukraine conflict will continue to have an insignificant effect on the order situation, it is expected that the losses carried forward from 2019 and 2020 will be offset in 2022 to 2024.

The remaining loss carryforwards of EUR 38,672 thousand (2020: EUR 14,700 thousand) relate to the international companies and are attributable to Schweizer Electronics Americas Inc. (EUR 47 thousand) and Schweizer Electronic (Jiangsu) Co., Ltd., China (EUR 38,625 thousand); these can be carried forward for a limited time of five years.

In financial year 2021, an external tax audit of Schweizer Electronic (Jiangsu) Co., Ltd., China, was carried out in which no violations of local tax law were identified; however, the local tax authority assessed the purchase price reduction for the land use right in 2018, which was not based on a monetary benefit, as a taxable inflow to taxable income in 2018, which caused an unplanned additional tax payment of EUR 1,315 thousand. With regard to the grants for the building investment, the tax authority took the view that the grants in the respective year of the cash inflow must be added to the taxable income, which contradicts the regulation in the underlying investment agreement. Contrary to this view, the inflows from 2019 and 2020 were not added to the taxable income of the corresponding years. A determination of the timing of the taxation was not carried out by the tax authority. If a deviation from the date of taxation in 2026 agreed in the investment treaty arises, there will be uncertainty in the tax planning for the usability of tax loss carryforwards from the start-up losses. This uncertainty significantly influenced the assumptions and estimates and led to a waiver of the recognition of deferred taxes of EUR 5,795 thousand on tax loss carryforwards for 2021 in the amount of EUR 23,179 thousand and a release of deferred taxes already capitalised of EUR 3,861 thousand on loss carryforwards from previous years in the amount of EUR 15,446 thousand.

As at the balance sheet date, there were remaining loss carryforwards of EUR 38,672 thousand (2020: EUR 8,902 thousand), on which no deferred tax assets were created, as their use is not probable.

Schweizer has decided that the previously undistributed profits of its subsidiaries will not 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:

	2021 EUR thousands	2020 EUR thousands
Earnings attributable to holders of ordinary shares of the parent company	**-26,188**	**-17,877**

	2021	2020
Weighted average number of ordinary shares**	**3,770,713**	**3,770,713**

** 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 -6.95 for the financial year (2020: EUR -4.74).

In the period between the balance sheet date and approval of the consolidated financial statement for publication, no (2020: 0) ordinary shares from share-based remuneration were transferred.

4. NOTES TO THE CONSOLIDATED BALANCE SHEET

4.1 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The development of property, plant and equipment and intangible assets in financial years 2021 and 2020 is presented in the following overview:

Development of consolidated fixed assets and intangible assets in 2021

	Acquisition and manufacturing costs						
In EUR thousands	**01/01/2021**	**Additions**	**Grants from public authorities deducted from acquisition costs**	**Divestments**	**Transfer postings**	**Currency translation**	**31/12/2021**
Tangible assets							
Land and buildings	59,244	2,089				2,510	63,843
Technical equipment and machinery	122,851	2,580		8,341	1,550	3,201	121,841
Other plant, factory and office equipment	57,785	891		113	62	275	58,900
Advance payments and plants under construction	7,911	5,280	-813	5,753	-1,715	350	5,260
Total tangible assets	247,791	10,840	-813	14,207	-103	6,336	249,844
Right of use assets							
Right of use assets in accordance with IFRS 16	7,725	6,755	0	0	0	543	15,023
Intangible assets							
Industrial property rights and licences to such rights and assets	6,671	95			103	113	6,982
Internally generated intangible assets		240					240
Total intangible assets	6,671	335	0	0	103	113	7,222
Total	**262,187**	**17,930**	**-813**	**14,207**	**0**	**6,992**	**272,089**

Accumulated depreciation						Carrying amounts	
01/01/2021	**Scheduled depreciation**	**Divestments**	**Transfer postings**	**Currency translation**	**31/12/2021**	**31/12/2021**	**31/12/2020**
16,645	1,809			131	18,586	45,257	42,599
81,681	5,636	8,180	-151	351	79,338	42,503	41,170
50,100	2,010	113		47	52,045	6,855	7,685
						5,260	7,911
148,426	9,455	8,293	-151	529	149,969	99,875	99,365
2,039	1,579		151	89	3,858	11,165	5,686
5,147	320			16	5,483	1,499	1,524
						240	
5,147	320	0	0	16	5,483	1,739	1,524
155,612	**11,353**	**8,293**	**0**	**634**	**159,309**	**112,779**	**106,575**

Development of consolidated fixed assets and intangible assets in 2020

	Acquisition and manufacturing costs						
In EUR thousands	**01/01/2020**	**Additions**	**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		59,244
Technical equipment and machinery	96,750	7,081	-7,066	1,586	27,673		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		2,537	-81,805	-2,166	7,911
Total tangible assets	280,918	18,961	-44,755	5,150	-7	-2,175	247,791
Right of use assets							
Right of use assets in accordance with IFRS 16	4,643	3,171		29	3	-63	7,725
Intangible assets							
Industrial property rights and licences to such rights and assets	6,291	393		2	4	-14	6,671
Total	**291,852**	**22,524**	**-44,755**	**5,182**	**0**	**-2,252**	**262,187**

Accumulated depreciation					Carrying amounts	
01/01/2020	**Scheduled depreciation**	**Divestments**	**Currency translation**	**31/12/2020**	**31/12/2020**	**31/12/2019**
15,297	1,359		-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
					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**

Additions and disposals of property, plant and equipment

The significant changes in the fixed assets of the Schweizer Group relate to additions of EUR 17.9 million, due to further investments relating to the Jintan production site of EUR 9.4 million and to Schramberg of EUR 8.5 million. In the course of a sale-and-leaseback transaction in Schramberg, the purchased conductive pattern line was sold for EUR 4.8 million and is therefore included in the disposals. In addition, old stocks of technical assets with historical acquisition costs of EUR 8.3 million and a residual book value of 0 were scrapped. Funding of EUR 813 thousand was received for modernisation investments started at the Schramberg site to be completed next year. Other government subsidies were not deducted from the acquisition costs in the reporting year. Moreover, no interest expenses were recognised.

Reclassifications

As in the previous year, reclassifications from advance payments made and assets under construction mainly relate to the completion of facilities at the Jintan production site.

Intangible assets

In the reporting year, intangible assets for the first time comprise acquired intangible assets and internally generated assets. Additions mainly consist of capitalised development costs of EUR 240 thousand at the Schramberg site.

Depreciation

Scheduled depreciation of property, plant and equipment 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.

4.2 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 2021.

In 2021, additions in an amount of EUR 6,755 thousand were recognised under right-of-use assets (2020: EUR 3,171 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:

In EUR thousands	Technical equipment	Real estate	Motor vehicles	Other assets	Total
As at 31 December 2019	**1,830**	**851**	**551**	**244**	**3,476**
Additions and disposals	2,369	-40	638	191	3,158
Depreciation expense	438	62	381	67	948
As at 31 December 2020	**3,761**	**749**	**808**	**368**	**5,686**
Acquisitions	6,613	-	142	-	6,755
Divestments	-	-	-	-	-
Depreciation expense	1,237	60	371	60	1,730
Currency translation	352	30	31	39	452
As at 31 December 2021	**9,489**	**719**	**610**	**347**	**11,165**

In the current financial year, a sale-and-leaseback transaction was carried out in connection with the acquisition of a new conductive pattern line, from which no profit or loss resulted. The addition of the right-of use asset is included under technical equipment. The resulting lease liability amounted to EUR 4,076 thousand as at 31 December 2021. This did not have a significant impact on the Schweizer Group's cash flow.

The carrying amount of the lease liabilities is EUR 10,492 thousand (2020: EUR 5,034 thousand). The maturity analysis of the lease liabilities is presented in section 4.15.

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

	2021 EUR thousands	2020 EUR thousands
Depreciation expense for rights of use	1,730	948
Interest expenses for lease liabilities	331	93
Expense for leases via a low-value asset (included in administrative expenses)	33	38
Variable lease payments (included in cost of sales)	0	2
Total amount recognised in profit or loss	**2,094**	**1,082**

The Group's cash outflows for leases amounted to EUR 1,842 thousand in 2021 (2020: EUR 1,003 thousand). Future cash outflows for leases that have not yet commenced are currently not expected.

4.3 OTHER ASSETS

Other financial assets are comprised as follows:

	2021 EUR thousands	2020 EUR thousands
Vendors with debit balances	110	400
Financial receivable	524	906
Miscellaneous other financial assets	201	175
Total other financial assets	**835**	**1,481**
Non-current	5	5
Current	830	1,476

Other assets are comprised as follows:

	2021 EUR thousands	2020 EUR thousands
Turnover tax claim from investments	1,274	1,150
Receivables from outstanding grants from public authorities	4,506	20,437
Prepayments and accrued income	1,054	202
Receivables from tax refunds	354	302
Miscellaneous other assets	830	1,145
Total other assets	**8,017**	**23,236**
Non-current	702	0
Current	7,315	23,236

The decrease in other assets to EUR 8,017 thousand (2020: EUR 23,236 thousand) resulted primarily from the inflow of outstanding grants from public authorities at the Jintan site, which were recognised as receivables in the previous year.

The increase in accruals and deferrals is due to the payment of anticipated price reductions to a major customer (upfront payment) of EUR 890 thousand, which is reversed as a reduction in sales upon transfer of the related expected sales. The tax refund amounts are based on the refund claims from energy tax of EUR 121 thousand (2020: EUR 188 thousand) and from electricity tax of EUR 233 thousand (2020: EUR 114 thousand).

4.4 INVENTORIES

	2021 EUR thousands	2020 EUR thousands
Raw materials and supplies	9,263	5,254
Unfinished products	3,950	2,001
Finished products	4,924	2,067
Total inventories	**18,137**	**9,322**

Write-downs on inventories, which were recognised as expenses in the reporting period, amount to EUR 1,299 thousand (2020: EUR 1,468 thousand) and are reported under cost of sales. The carrying amount of inventories measured at net realisable value is EUR 1,299 thousand (2020: EUR 4,961 thousand).

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

4.5 TRADE RECEIVABLES

	2021 EUR thousands	2020 EUR thousands
Trade receivables	**16,980**	**19,795**

The decrease in receivables results from a measure to optimise working capital from the area of receivables management. Trade receivables are not interest-bearing and are usually payable in 30 to 90 days.

In EUR thousands	Gross carrying amount as at 31/12/2021	Risk provision as at 31/12/2021	Average expected probability of default in %	Gross carrying amount as at 31/12/2020
Not due	14,908	18.0	0.001	18,642
Past due by 1-30 days	1,067	5	0.005	805
Past due by 31-60 days	492	1	0.002	226
Past due by 61-90 days	126	0	0	57
Past due by 91-120 days	113	0	0	2
Past due by 121-150 days	300	2	0.007	95
Total	**17,006**	**26**	**0.002**	**19,827**

As at 31 December 2021, individual valuation allowances amounted to EUR 283 thousand. The estimates and measurement of the recoverability of receivables are based on the respective credit risk determined from credit checks. There were no noteworthy impacts due to the coronavirus pandemic during the financial year.

The development of valuation allowances on receivables is as follows:

	2021 EUR thousands	2020 EUR thousands
As at 1 January	**383**	**91**
Reversed	76	15
Addition to risk provision	26	47
Addition to individual value adjustment	23	260
As at 31 December	**356**	**383**

4.6 CONTRACT ASSETS

	2021 EUR thousands	2020 EUR thousands
Contract assets	**7,474**	**8,315**

An impairment loss of EUR 1 thousand was recognised for contract assets (2020: EUR 6 thousand).

4.7 CASH AND CASH EQUIVALENTS

	2021 EUR thousands	2020 EUR thousands
Bank balances and cash on hand	14,422	22,973
As at 31 December	**14,422**	**22,973**

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

As of 31 December 2021, the Group had firmly committed credit lines of EUR 7,190 thousand (2020: EUR 7,190 thousand). The credit lines relate to Schweizer Electronic AG. It has transferred a credit line of EUR 1 million to Schweizer Electronic Singapore Pte, Ltd. Schweizer Electronic AG has given a guarantee for this.

4.8 EQUITY

Schweizer Electronic AG

The share capital amounted to an unchanged EUR 9,664,054 as per 31 December 2021 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% 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 1 January 2020	**23,743**	**9,287**	**3,770,713**
Share issues	0	0	0
As at 31 December 2020	**23,743**	**9,287**	**3,770,713**
Share issues	0	0	0
As at 31 December 2021	**23,743**	**9,287**	**3,770,713**

Authorised capital

By resolution of the Annual General Meeting of 25 June 2021 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 24 June 2026 by up to EUR 4,832,026.93 in total, by issuing new, registered ordinary or preference 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 Executive Board is authorised by the resolution passed by the Annual General Meeting of 25 June 2021 and its entry in the commercial register, subject to the consent of the Supervisory Board and until 24 June 2026, 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 2021 and later are also published on our website at *https://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 by Schweizer Electronic AG.

Profit reserves

The profit reserves essentially include changeover effects from the first-time preparation of IFRS consolidated financial statements, as well as undistributed profits and losses generated in previous years by Schweizer Electronic AG and the included subsidiaries.

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.

The acquisition of non-controlling interests in Schweizer Energy Production Singapore Pte. Ltd. leads to the reversal of the difference between the acquisition costs of the shares and the corresponding proportionate equity, as well as the elimination of the minority disclosure of EUR 398 thousand and is recognised in retained earnings.

	2021 EUR thousands	2020 EUR thousands
Currency translation of foreign operations		
Consolidation-related currency effects	482	-1,879
Total	**482**	**-1,879**

Dividends

As announced, no cash dividend was distributed to the shareholders of Schweizer Electronic AG in the 2021 financial year in respect of the 2020 financial year.

Schweizer Electronic AG will not pay any dividends also for the 2021 financial year.

4.9 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.

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. The net gearing ratio is calculated as interest-bearing liabilities less liquidity holdings in relation to equity.

Net gearing ratio as a performance indicator	2021 EUR thousands	2020 EUR thousands
Financial liabilities	94,375	84,948
Less cash and cash equivalents	-14,422	-22,973
Net financial liabilities	**79,953**	**61,975**
Equity	9,721	34,274
Net gearing ratio	822.5%	180.8%
Equity ratio	5.3%	17.4%

Group equity amounted to EUR 9.7 million as of the balance sheet date (2020: EUR 34.3 million). SCHWEIZER's equity ratio reduced by 12.1 percentage point to 5.3% in financial year 2021 mainly due to the Group's negative result (2020: 17.4%).

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.

4.10 FINANCIAL LIABILITIES

The interest-bearing loans of EUR 94,375 thousand (2020: EUR 84,948 thousand) relate to fixed-interest bank loans with a nominal value of EUR 13,100 thousand (2020: EUR 12,650 thousand) and a carrying amount of EUR 9,850 thousand (2020: EUR 7,869 thousand) as well as variable-interest bank loans with a nominal value of EUR 106,275 thousand (2020: EUR 98,818 thousand) and a carrying amount of EUR 84,525 thousand (2020: EUR 77,079 thousand).

The bank loans involve non-current and current financial liabilities. The term of the loans ends in 2028.

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.

The Group has the following material loans:

As part of the coronavirus aid programme, a nominal KfW entrepreneur loan of EUR 7.1 million was agreed in June 2020. As at the reporting date, the loan amounted to EUR 7.1 million (2020: EUR 3.5 million) with an annual interest rate of 2.0%. The loan has a term of two years and is not subject to repayment during this period. The loan is secured by a liability waiver of 80% under a KfW federal guarantee.

For a nominal loan of EUR 25 million, the balance as at the reporting date was EUR 19.6 million (2020: EUR 21.4 million). The term began in 2018 and ends in 2025. The firmly agreed repayments from 2019 onwards amount to EUR 1.8 million annually and end in December 2025; loans that have not yet been repaid at that point are due at maturity.

For a further nominal loan of EUR 9 million, the balance as at the reporting date was EUR 9 million (2020: EUR 9 million). The term began in 2018 and ends in 2028. The firmly agreed repayments from 2023 amount to EUR 750 thousand annually and end in December 2028; loans that have not yet been repaid at that point are due at maturity.

A variable interest rate of zero or positive 3-month EURIBOR plus a margin premium between 1% and 2.25% depending on the net debt is agreed for both loans; in the financial year the interest rate was 2.25%. Furthermore, these loans and another loan with a carrying amount of EUR 750 thousand (2020: EUR 1,125 thousand) are collateralised with land charges of up to EUR 20.8 million. In addition, EUR 8.6 million (2020: EUR 10.2 million) is provided as collateral via an assignment of goods for inventory with a carrying amount of EUR 19.1 million (2020: EUR 22.5 million) at the Schramberg site.

For the syndicated investment loan of December 2018 relating to Schweizer Electronic (Jiangsu) Co., Ltd. of a nominal amount of EUR 72.3 million (CNY 520 million), the loans taken up amounted to EUR 55.9 million (CNY 402.4 million) as at the reporting date and comprise EUR 43.8 million (CNY 315.5 million) with an annual interest rate of 5.39% and EUR 12.1 million (USD 13.6 million) with an annual interest rate of 4.35% to 4.50% (variable depending on the 6-month LIBOR). The term of the loan ends in 2027. The pledge of the land use right with a carrying amount of EUR 763 thousand (2020: EUR 700 thousand) serves as collateral under mortgage law.

In 2021, the repayments for the investment loan of Schweizer Electronic (Jiangsu) Co., Ltd. were agreed according to the share of the respective drawdown from the nominal amount. This results in variable repayments until the loan is drawn down in full.

4.11 OTHER FINANCIAL LIABILITIES

	2021 **EUR thousands**	**2020** **EUR thousands**
Lease liabilities	10,492	5,034
Derivatives with negative market value	79	0
Miscellaneous other financial liabilities	57	31
Total other financial liabilities	**10,628**	**5,065**
Non-current	8,579	4,093
Current	2,049	972

4.12 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:

		2021	2020
Financial assumptions			
Discount rate as at 31 December	%	1.00	0.52
Future pay increases	%	-	-
Future pension increases, executive employees	%	2.50	2.50
Future pension increases, other	%	2.00	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.	%	3.23	2.00

A salary trend based on future salary increases was not taken into account because all employment relationships have ended.

The net obligations are reported in the balance sheet in the amount of EUR 22.5 million (2020: EUR 24.5 million) and are derived as follows:

	2021 EUR thousands	2020 EUR thousands
Changes in present value of defined benefit obligations		
Liability from defined benefit obligation as at 1 January	**24,544**	**23,521**
Expenses recognised in profit and loss		
Interest expense	125	222
Current service cost	236	227
Retirement benefits paid	-887	-920
Amounts for actuarial gains and losses included in other comprehensive income		
Changes in demographic assumptions	0	0
Changes in financial assumptions	-1,561	1,583
Experience adjustments to gains (-)/losses (+)	0	-89
Liability from defined benefit obligation as at 31 December	**22,457**	**24,544**
Benefit commitment amounts recognised in the balance sheet		
Present value of defined benefit obligations	22,457	24,544
Provisions for pensions and similar obligations	**22,457**	**24,544**

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

	2021 EUR thousands	2020 EUR thousands
Effects on the statement of comprehensive income		
Current service cost	236	227
Interest expense for defined benefit obligation	125	222
Amounts recognised in the income statement	**361**	**449**
Actuarial gains (-) and losses (+)		
from changes in demographic assumptions	0	0
from changes in financial assumptions	-1,561	1,583
due to experience-based adjustments	0	-89
Amounts recognised in other comprehensive income	**-1,561**	**1,494**
Total (amounts recognised in the statement of comprehensive income)	**-1,200**	**1,943**

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.

		2021 EUR thousands	2020 EUR thousands
Sensitivity			
Discount rate	+0.5%	-1,528	-1,786
Discount rate	-0.5%	1,715	2,017
Pension increases	+0.5%	1,528	1,786
Pension increases	-0.5%	-1,715	-2,017

In subsequent years, the following maturities of non-discounted payments for pensions are expected:

	2021 EUR thousands	2020 EUR thousands
Within the next 12 months (next financial year)	943	908
between two and five years	3,890	3,788
between six and ten years	4,937	4,927

The weighted average maturity of the defined benefit pension plans at the end of the financial year is 14.5 years (2020: 15.5 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 congruently funded provident fund. The contribution payments are recognised as a personnel expense and for the financial year amount to EUR 466 thousand (2020: EUR 414 thousand).

Contributions to statutory pension insurance in the 2021 financial year came to EUR 2,354 thousand (2020: EUR 2,744 thousand).

4.13 TRADE AND OTHER PAYABLES

The decrease in trade payables to EUR 32,313 thousand (2020: EUR 36,323 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:

	2021 EUR thousands	2020 EUR thousands
Liabilities from salary and wage accounting	2,395	2,073
Liabilities from other taxes	1,287	1,154
Liabilities relating to social security	46	122
Upfront liability	608	0
Miscellaneous other liabilities	745	239
Total other liabilities	**5,081**	**3,588**
Non-current	578	0
Current	4,503	3,588

The upfront liability is based on a deferred payment receipt for anticipated price discounts from a supplier (upfront payment) of EUR 608 thousand. The reversal takes place in the same way as the sales generated.

4.14 OTHER PROVISIONS

Other provisions are broken down into the following types of provisions and developed as follows in financial year 2021:

In EUR thousands	As at 1 January	Additions	Utilised	Reversals	Interest effect	As at 31 December
Obligations vis-à-vis employees	1,272	909	774	17	-1	1,389
Guarantees	284	244	240	0	0	288
Insurance premiums	3	0	3	0	0	0
Additional provisions	5,610	1,090	1,230	407	-1	5,062
Total	**7,169**	**2,279**	**2,247**	**424**	**-2**	**6,739**
Of which current	2,835					2,990
Of which non-current	4,334					3,749

The obligations vis-à-vis employees include costs for time credit entitlements, profit participations, outstanding leave, anniversary and partial retirement obligations and other personnel expenses.

The total obligation from partial retirement agreements amounted to EUR 837 thousand as of the balance sheet date (2020: EUR 1,089 thousand). Reinsurance assets secured against insolvency were netted at EUR 535 thousand (2020: EUR 636 thousand).

The legal dispute with former Chairwoman of the Executive Board Dr Maren Schweizer against Schweizer Electronic AG in connection with the extraordinary termination of her employment relationship was resolved in the financial year by means of a court settlement, which includes a pro-rata compensation payment of up to a total amount of EUR 3,200 thousand and the waiver of reciprocal claims. After discounting, EUR 2,875 thousand of this amount is included in other provisions. In addition, these mainly include provisions for product risks in the amount of EUR 288 thousand (2020: EUR 284 thousand), annual financial statement costs in the amount of EUR 348 thousand (2020: EUR 249 thousand) and outstanding cost invoices in the amount of EUR 351 thousand (2020: EUR 128 thousand).

For the majority of the other provisions, with the exception of provisions for compensation payments, retirement and anniversaries, an outflow of economic benefits is expected within the next 12 months.

4.15 ADDITIONAL INFORMATION CONCERNING FINANCIAL INSTRUMENTS

2021 In EUR thousands	fair value	1st level	2nd level	3rd level	at amortised cost	not within the scope of IFRS 7	Carrying amount
Assets							
Participating interests	**12**	**-**	**-**	**12**	**-**	**-**	**12**
at fair value through equity	-	-	-	-	-	-	-
Amortised cost	12	-	-	12	-	-	12
Trade receivables	**16,980**	**-**	**-**	**-**	**16,980**	**-**	**16,980**
Amortised cost	16,980	-	-	-	16,980	-	16,980
Other derivative financial assets	**24**	**-**	**24**	**-**	**-**	**-**	**24**
at fair value through equity	24	-	24	-	-	-	24
Amortised cost	-	-	-	-	-	-	-
Other non-derivative financial assets	**835**	**-**	**-**	**-**	**835**	**-**	**835**
at fair value through equity	-	-	-	-	-	-	-
Amortised cost	835	-	-	-	835	-	835
Cash and cash equivalents	**14,422**	**-**	**-**	**-**	**14,422**	**-**	**14,422**
Amortised cost	14,422	-	-	-	14,422	-	14,422
Liabilities							
Financial liabilities	**94,375**	**-**	**-**	**-**	**94,375**	**-**	**94,375**
Amortised cost	94,375	-	-	-	94,375	-	94,375
Trade payables	**32,313**	**-**	**-**	**-**	**32,313**	**-**	**32,313**
Amortised cost	32,313	-	-	-	32,313	-	32,313
Other derivative financial liabilities	**79**	**-**	**79**	**-**	**-**	**-**	**79**
at fair value through equity	79	-	79	-	-	-	79
Amortised cost	-	-	-	-	-	-	-
Other non-derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lease liabilities	**10,492**	**-**	**-**	**-**	**10,492**	**-**	**10,492**

2020

In EUR thousands	fair value	1st level	2nd level	3rd level	at amortised cost	not within the scope of IFRS 7	Carrying amount
Assets							
Participating interests	**12**	**-**	**-**	**12**	**-**	**-**	**12**
at fair value through equity	-	-	-	-	-	-	
Amortised cost	12	-	-	12	-	-	12
Trade receivables	**19,795**	**-**	**-**	**-**	**19,795**	**-**	**19,795**
Amortised cost	19,795	-	-	-	19,795	-	19,795
Other derivative financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
at fair value through equity	-	-	-	-	-	-	-
Amortised cost	-	-	-	-	-	-	-
Other non-derivative financial assets	**1,481**	**-**	**-**	**-**	**1,481**	**-**	**1,481**
at fair value through equity	-	-	-	-	-	-	-
Amortised cost	1,481	-	-	-	1,481	-	1,481
Cash and cash equivalents	**22,973**	**-**	**-**	**-**	**22,973**	**-**	**22,973**
Amortised cost	22,973				22,973		22,973
Liabilities							
Financial liabilities	**84,948**	**-**	**-**	**-**	**84,948**	**-**	**84,948**
Amortised cost	84,948	-	-	-	84,948	-	84,948
Trade payables	**36,323**	**-**	**-**	**-**	**36,323**	**-**	**36,323**
Amortised cost	36,323	-	-	-	36,323	-	36,323
Other derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
at fair value through equity	-	-	-	-	-	-	-
Amortised cost	-	-	-	-	-	-	-
Other non-derivative financial liabilities	**31**	**-**	**-**	**-**	**31**	**-**	**31**
Lease liabilities	**5,034**	**-**	**-**	**-**	**5,034**	**-**	**5,034**

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.

As at 31 December 2021, the derivative financial instruments comprised commodity hedges. The commodity hedges involve commodity derivatives (gold and palladium swaps), with a fixed price being paid for gold and the bank paying variable amounts. Measurement of the derivatives was based on Level 2 input factors using values from active markets for identical assets.

Net losses and gains on financial instruments by measurement category in accordance with IFRS 9 for financial year 2021

In EUR thousands	Fair value	Value adjustment	from interest	from dividends	Net result
Financial assets measured at amortised cost	-	-38	13	-	-25
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-
Financial assets (equity instruments) measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	-
Financial liabilities measured at amortised cost	-	-	-3,708	-	-3,708
Financial liabilities measured at fair value through profit or loss (FVTPL)	-	-83	-	-	-83
Total	**0**	**-121**	**-3,695**	**0**	**-3,816**

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		-292	-4		-296
Financial assets measured at fair value through profit or loss (FVTPL)	-	-	-	-	-
Financial assets (equity instruments) measured at fair value through other comprehensive income (FVOCI)	-280	-	-	4	-276
Financial liabilities measured at amortised cost	-	-	-1,834	-	-1,834
Financial liabilities measured at fair value through profit or loss (FVTPL)	-	-	-	-	-
Total	**-280**	**-292**	**-1,862**	**4**	**-2,430**

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 primarily 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: The variable-interest financial instruments are subject to interest rate risk and must therefore be included in the sensitivity analysis. If the interest rate of the variable-rate loan had increased (decreased) by 1 percent during the financial year, earnings before tax on profit would have increased (or decreased) by EUR 587 thousand respectively (2020: EUR 573 thousand respectively).

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 percent as at 31 December 2021, earnings before tax on profit would have increased by EUR 930 thousand (2020: EUR 696 thousand) or decreased by EUR 1,141 thousand (2020: EUR 851 thousand). An increase (decrease) in the euro compared to the Singapore dollar of 10 percent would have resulted in a decrease (increase) of EUR 14 thousand or EUR 2 thousand in earnings before tax on profit. An increase (decrease) in the euro against the Chinese renminbi of 10 percent would result in a profit of EUR 5,451 thousand or a loss of EUR 606 thousand.

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. Due to the credit lines granted by banks, the Group has the possibility of accessing sufficient liquid funds.

Maturity analysis of liabilities

The financial liabilities have the following maturities:

2021	31/12 EUR thousands	up to 3 months EUR thousands	3 to 12 months EUR thousands	1 to 5 years EUR thousands	more than 5 years EUR thousands	Total EUR thousands
Financial liabilities	**94,375**					
Repayment		929	12,319	73,302	7,825	94,375
Interest		910	2,617	6,774	275	10,576
Balance		**1,839**	**14,936**	**80,076**	**8,100**	**104,951**
Trade payables	**32,313**	**29,900**	**2,323**	**89**	**0**	**32,313**
Other financial liabilities	**10,628**	**658**	**1,390**	**5,462**	**3,118**	**10,628**
thereof lease liabilities						
Repayment		601	1,311	5,462	3,117	10,492
Interest		92	264	681	157	1,192
Total	**137,316**	**32,489**	**18,913**	**86,308**	**11,375**	**149,085**

2020						
Financial liabilities	**84,948**					
Repayment		891	3,723	73,583	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
Repayment		283	837	3,090	824	5,034
Interest		40	118	316	103	576
Total[1]	**126,378**	**34,264**	**10,737**	**84,509**	**7,966**	**137,476**

[1] In the previous year, there was no presentation of the interest portion in cash outflows from leasing, therefore it is not included in the total.

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 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 2021. There are no generalised individual valuation allowances. Schweizer carries out active receivables management. All open receivables are classified as due or overdue on the basis of the relevant payment terms (see section 4.5). The accounts receivable are divided into dunning levels and dunned according to the overdue date.

4.16 GRANTS FROM PUBLIC AUTHORITIES

The grants from public authorities received in financial year 2021 were mainly attributable to funded investments for buildings and machinery made by Schweizer Electronic (Jiangsu) Co., Ltd., China.

Liabilities from grants from public authorities	2021 EUR thousands	2020 EUR thousands
As at 1 January	**22,387**	**20,615**
Currency difference	-2,572	519
	24,959	**20,096**
Received in the financial year	**21,848**	**5,431**
of which building shell construction	14,983	2,493
of which repaid value added tax from grants for buildings in shell construction	-2,139	0
of which building interior / equipment and machinery	6,675	1,731
of which rent subsidies	0	191
of which investment grants	813	0
of which personnel expense (COVID-19 pandemic-related) Germany	40	451
of which personnel expense (COVID-19 pandemic-related) China	5	365
of which research and development	24	200
of which project subsidy	1,310	0
of which other subsidies	137	0
Outstanding grants	**4,506**	**22,387**
of which building shell construction	4,718	16,559
of which building interior / equipment and machinery	-2.121[1]	5,796
of which personnel expense (COVID-19 pandemic-related) Germany	0	32
Set-off of acquisition and manufacturing costs	**-813**	**-44,755**
of which building shell construction	0	-37,528
of which building interior / equipment and machinery	0	-7,066
of which other plant, factory and office equipment	0	-161
of which other equipment and machinery	-813	0
Set-off of value added tax	**902**	**-1,921**
of which building shell construction	-1,237	-1,921
of which building shell construction	2,139	0
Released through profit and loss	**-1,484**	**-1,239**
of which rent subsidies	0	-191
of which personnel expense (COVID-19 pandemic-related) Germany	-8	-483
of which personnel expense (COVID-19 pandemic-related) China	-5	-365
of which research and development	-24	-200
of which project subsidy	-1,310	0
of which other subsidies	-137	0
As at 31 December	**0**	**0**

	2021 EUR thousands	2020 EUR thousands
Receivables (+) / liabilities (-) from grants from public authorities	**4,506**	**22,387**
Current	4,506	22,387
Non-current	0	0

[1] Reimbursement higher than in the previous year; final recognition still outstanding

A subsidy in the amount of 100 percent of the gross price was agreed for the costs of the building shell, which includes the repayment of the grant in the amount of the refunded input tax claims.

For machinery and other equipment, a subsidy of 20 percent of the respective gross purchase price was agreed, which does not include any repayment obligation.

Overview of grants from public authorities for investments as at 31/12/2021	Investment incl. value added tax	Repayable input tax	Grant
	EUR thousands	EUR thousands	EUR thousands
Benefiting building shell	**40,638**	**3,411**	**37,227**
Grant 2019	20,615	1,759	18,856
Currency difference	-519	-44	-475
Grant 2020	**2,493**	**206**	**2,287**
Outstanding grant	18,049	1,490	16.559[1)]
Currency difference	-2,077	-171	-1,905
Grant 2021	**14,983**	**1,237**	**13,746**
Returned input tax	-2,139	-2,139	0
Benefiting machinery/equipment	**7,527**	**0**	**7,527**
Grant 2019	0	0	0
Grant 2020	**1,731**	**0**	**1,731**
Outstanding grant	5,796	0	5,796[1)]
Currency difference compared to previous year	-667	0	-667
Grant 2021	**6,675**	**0**	**6,675**
Outstanding grant	-212	0	-212[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 4.5 million (2020: EUR 22.4 million) were recognised in other assets.

In 2021, the Schweizer Group also received public expense subsidies in connection with government support due to the coronavirus pandemic in the amount of EUR 28 thousand (2020: EUR 1.3 million).

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 6.0 million or EUR 785 thousand is recognised in financial year 2021 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 (2020: EUR 968 thousand).

5. NOTES TO THE CASH FLOW STATEMENT

CASH FLOW FROM OPERATING ACTIVITIES

Operating cash flow decreased by a total of EUR -6.9 million to EUR -14.8 million (2020: EUR -8.0 million). The starting point is earnings before taxes, which were EUR 2.4 million lower than in the previous year.

The negative change is primarily due to the increase in inventories of EUR +8.2 million and trade receivables and other assets of EUR +0.8 million, as well as an income tax payment in China of EUR +1.5 million. The change in trade receivables and other assets includes an effect of EUR +6.1 million from receivable assignment transactions.

In contrast, the increase in trade payables and other liabilities of EUR +3.6 million and an operating grant from the Chinese public sector of EUR +1.3 million contributed to an increase in operating cash flow.

CASH FLOW FROM INVESTING ACTIVITIES

The cash flow from investing activities amounted to EUR 1.1 million in the reporting year (2020: EUR -15.5 million). Cash investments in property, plant and equipment and intangible assets – particularly in connection with the new production site in China – amounted to EUR 24.0 million (2020: EUR 20.3 million). As grants from public authorities, the Group received EUR 20.3 million (2020: EUR 4.0 million).

CASH FLOW FROM FINANCING ACTIVITIES

The EUR 4.7 million year-on-year cash inflow resulted from the further utilisation of bank loans to finance investments at the new production site in China (2020: EUR 16.1 million) and from the disbursement of the remaining volume of the loans from KfW's coronavirus aid programme applied for in 2020 in the amount of EUR 3.6 million (2020: EUR 3.5 million); furthermore, exchange rate effects of EUR 4.8 million arising from translation into the Group currency are included in the cash inflow. 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.

Change in liabilities from financing activities

In EUR thousands	Balance at 01/01/2021	Currency differences	Cash flow from financing activities	New leases	Balance at 31/12/2021
Financial liabilities	84,948	4,832	4,595	0	94,375
Lease liabilities	5,034	525	-1,842	6,755	10,492
Liabilities from financing activities	**89,982**	**5,357**	**2,753**	**6,755**	**104,867**
Non-current	84,247				89,713
Current	5,735				15,154

In EUR thousands	Balance at 01/01/2020	Currency differences	Cash flow from financing activities	New leases	Balance at 31/12/2021
Financial liabilities	67,858	-770	17,860	0	84,948
Lease liabilities	2,722	12	-871	3,171	5,034
Liabilities from financing activities	**70,580**	**-758**	**16,989**	**3,171**	**89,982**
Non-current	67,318				84,247
Current	3,262				5,735

6. OTHER NOTES:

6.1 CONTINGENT LIABILITIES

Guarantees and other commitments

As at 31 December 2021, there are guaranteed amounts from cooperative shares of Schweizer Electronic AG in the amount of EUR 5 thousand (2020: 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 2021 (31 December 2020: EUR 0 thousand).

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.

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 percent 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 percent of the gross annual fixed salary in the case of 100-percent target achievement; limited to a maximum of 80 percent 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 0 thousand as at the balance sheet date (2020: EUR 42 thousand). The following parameters were included in the determination:

Tranche	2021	2020
Performance period	2021 to 2024	2020 to 2023
End of performance period	31/12/2024	31/12/2023
Share price	EUR 10.53	EUR 11.75
Risk-free interest rate	-0.77%	-0.58%
Expected volatility of the share	61.99%	46.55%
Expected corporate factor	100%	100%
Expected ROCE target achievement rate	0%	90%
Expense from the addition to the provision	EUR 0 thousand	EUR 42 thousand

For the 2019 tranche (performance period 2019 up to and including 2022), the average level of ROCE target achievement at the end of the performance period was less than 80 percent as expected; a provision for this tranche had not been 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 controlled by Schweizer Electronic AG are presented in section 7.5. The business transactions between Schweizer Electronic AG and its subsidiaries were eliminated within the framework of consolidation. Related companies are also pension plans managed at Schweizer as congruently funded pension funds for the Executive Board (see section 4.12).

Related persons

The related persons of the Schweizer Group comprise the members of the Executive Board and the Supervisory Board of Schweizer Electronic AG (see section 7.4) and their close family members.

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

	2021 EUR thousands	2020 EUR thousands
Current benefits (without share-based remuneration)	1,002	1,239
Benefits after termination of employment	466	414
Share-based remuneration	0	42
Total	**1,468**	**1,695**

The total remuneration of the Executive Board in accordance with Section 314 (1) no. 6a HGB amounted to EUR 1,002 thousand in the financial year (2020: EUR 1,239 thousand). This includes short-term benefits of EUR 149 thousand and the fair value of the share-based remuneration at the time they were granted in the amount of EUR 0 thousand (2020: EUR 42 thousand), but does not include contributions for post-employment benefits. Short-term benefits include benefits to a member of the Supervisory Board (former member of the Executive Board) in the amount of EUR 193 thousand (2020: EUR 179 thousand).

In the 2021 financial year, former members of the Executive Board and their surviving dependants were granted post-employment benefits of EUR 593 thousand (2020: EUR 417 thousand). Provisions for this group of persons amount to EUR 5,694 thousand for pensions (2020: EUR 6,235 thousand), EUR 839 thousand for the allocation to the pension fund (2020: EUR 912 thousand) and EUR 2,875 thousand for a compensatory payment (2020: EUR 3,002 thousand).

The total remuneration of the Supervisory Board in accordance with Section 314 (1) no. 6a HGB comprised short-term benefits of EUR 180 thousand in the financial year (2020: EUR 180 thousand). The employees' representatives on the Supervisory Board, who are employed at Schweizer, received a salary for their activity as employees.

Further disclosures regarding the remunerations of the Executive 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 23,484 thousand (2020: EUR 5,107 thousand) were purchased in financial year 2021. As of the balance sheet date, there were liabilities of EUR 12,963 thousand (2020: EUR 861 thousand) to this company. In addition, revenue of EUR 9,806 thousand (2020: EUR 275 thousand) was generated from transactions with the company in the financial year. Receivables amount to EUR 1,648 thousand (2020: EUR 236 thousand).

Dr Stefan Krauss has been a member of the Supervisory Board since 25 June 2021. Dr Krauss is a partner of the law firm KRAUSS-LAW in Lahr, the Black Forest. Dr Krauss advises the company in the areas of individual and collective labour law. Since 25 June 2021, invoices amounting to EUR 32 thousand have been due. Liabilities amounted to EUR 3 thousand as at the balance sheet date.

6.4 EVENTS AFTER THE BALANCE SHEET DATE

With effect from 27 January 2022, WUS Printed Circuit (Kunshan) Co., Ltd., China, invested in Schweizer Electronic (Jiangsu) Co., Ltd., China (hitherto wholly-owned subsidiary of Schweizer Electronic AG) as part of an increase in the share capital through new shares in the nominal amount of EUR 7.5 million, and now holds 12.8 percent of the share capital of Schweizer Electronic (Jiangsu) Co., Ltd., China. WUS Printed Circuit (Kunshan) holds 19.74 percent of the shares in Schweizer Electronic AG and is considered a related party.

The Russia-Ukraine conflict may affect parts of the global value chain, as well as give rise to additional risks for transport routes and an even greater increase in raw material and energy prices. Due to the dynamic nature of this conflict, the effects on the net assets, financial position and results of operations of the Schweizer Group cannot yet be precisely quantified.

After the balance sheet date, outbreaks of the coronavirus again occurred in China, which resulted in "partial lockdowns" in the affected regions. No reliable forecast can be made at the reporting date regarding the effects on the global supply of all types of goods and the production site in Jintan.

No other 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 2021 stipulated in Section 161 AktG and have made this declaration available to shareholders on the company website at *https://schweizer.ag/investoren-und-medien/corporate-governance*.

7.2 NUMBER OF EMPLOYEES

The average number of employees is:

	2021			2020		
	National	**International**	**Total**	**National**	**International**	**Total**
Wage-earning employees	323	283	606	399	172	571
Employees	185	169	354	214	58	271
Number of employees	**508**	**452**	**960**	**612**	**230**	**842**
Trainees	17	0	17	21	0	21
Number of employees (incl. trainees)	**525**	**452**	**977**	**633**	**230**	**863**

7.3 AUDIT AND CONSULTING FEES

The auditor's fee calculated for the financial year amounts to EUR 399 thousand for audit services, EUR 5 thousand for other certification services, EUR 0 thousand for tax consultancy services and EUR 19 thousand for other services.

7.4 COMPANY CORPORATE BODIES AND THEIR MANDATES

Executive Board

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

Nicolas-Fabian Schweizer

Chair of the Executive Board

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
- President of Schweizer Electronic Americas Inc.
- Supervisor of Schweizer Electronic (Jiangsu) Co., Ltd., China
- Member of the Executive Board of Unterstützungskasse Christoph Schweizer e.V.

Marc Bunz

Member of the Executive Board, (Deputy Chair)

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.

Supervisory Board

The Supervisory Board consists of the following persons:

Christoph Schweizer

Chair

Member of the Audit Committee

Former Managing Director of Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH

Dr Stephan Zizala

Deputy Chair

Member of the Audit Committee

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

Dr jur. Stefan Krauss (since 25 June 2021)

Member of the Audit Committee

Lawyer, partner of the law firm, KRAUSS-LAW in Lahr, Black Forest,

Michael Kowalski (until 25 June 2021)

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 2021

Name	based in	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	100.0
Unterstützungskasse Christoph Schweizer e.V. (provident fund)	Schramberg, Germany	100.0
Schweizer Electronic (Jiangsu) Co., Ltd.	Jiangsu / China	100.0
Schweizer Electronic Americas Inc.	New Castle / USA	100.0
Other participating interests		
SCHRAMBERGER WOHNUNGSBAU GmbH	Schramberg, Germany	1.3

In August 2021, the Group acquired 5.5 percent of the voting shares in Schweizer Energy Production Singapore Pte. Ltd., which increased its share to 100 percent. A consideration of EUR 99,415 was paid to the holder of non-controlling interests, which represents 5.5 percent of the net assets of Schweizer Energy Production Singapore Pte. Ltd. amounting to EUR 1,807,545.

In addition, in June 2021, another subsidiary, Schweizer Electronic Americas Inc. based in New Castle/Delaware, United States of America was established.

Schramberg, 8 April 2022

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 2021, the consolidated balance sheet as of 31 December 2021, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2021 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group status report, which has been combined with the status report of Schweizer Electronic AG, Schramberg, for the financial year from 1 January to 31 December 2021. In accordance with German legal requirements, we have not examined the content of the corporate governance statement pursuant to Section 315d HGB published on the website indicated in the Group status report, which is an integral part of 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 Group status report.

In our opinion based on the findings of our audit,

- the enclosed consolidated annual 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, financial position and results of operations of the Group as at 31 December 2021 and its earnings situation for the financial year from 1 January 2021 to 31 December 2021 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 Group 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 2021. 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) Recognition and measurement of deferred taxes

<u>Reasons for determinations as a particularly important audit issue</u>

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, in particular with respect to the recoverability of deferred tax assets. 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.

<u>Audit procedure</u>

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 management. 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.

2) Period-related revenue recognition of production orders

Reasons for determinations as a particularly important audit issue
The company reports contract assets of EUR 7.5 million in the consolidated financial statements as at 31 December 2021. These result from period-related revenue recognition and are based on a large number of customer-specific production orders in progress, which do not have any alternative benefits for the company and for which there is an enforceable payment claim in the amount of the costs already incurred plus an appropriate profit margin. When assessing the legal entitlement to payment for the partial service already rendered, the respective individual contractual agreements and the general contractual conditions are taken into account or, if necessary, the supplementary provisions of the Civil Code (Germany) or relevant comparable local laws (abroad) are used. Revenue and the planned order margin are recognised in accordance with the stage of completion.

In our opinion, the period-related revenue recognition and recognition of contract assets in accordance with IFRS 15 Revenue from contracts with customers is a particularly important matter in our audit because the application of period-related revenue recognition in accordance with IFRS 15 requires significant discretion, in particular with regard to the interpretation of the contracts, from which point in time no alternative benefit is possible.

Audit procedure
As part of the assessment of the contract analyses carried out by the legal representatives, we have dealt in particular with the assessments of the legal representatives with regard to the legal entitlement to payment for services already provided and the lack of alternative usage options. Furthermore, we dealt with the methodical procedure of the legal representatives for assessing the degree of completion and the service provision period.

As part of the audit of the degree of completion, we used a control-based audit approach, looked at the underlying business processes and tested controls relevant to the processing and accounting of production orders, the determination of order values, the processes for estimating order costs, and the recording and allocation of costs incurred. In addition, we tested controls in the area of order acceptance and project planning as well as in the area of cost planning and cost control for their structure and functionality. We analysed the development of margins over the course of the year for anomalies and compared them to the previous year. Based on the findings, we verified changes in planned costs and changes in order values. Moreover, for individual production orders, we analysed the originally planned order costs on which the degree of completion is based and the updated planned costs used for the consolidated financial statements by, for example, assessing the quality of the plans on the basis of target/actual analyses.

Furthermore, on the basis of risk-oriented random samples, we tested whether the requirements for period-related revenue recognition are present in the contracts for the manufacture of printed circuit boards. In particular, we selected those contracts with customers that represent a significant sales volume. Our audit procedures also included interviewing Sales and the General Counsel regarding modifications of existing contracts and assessing the methodological procedure for recording new customer contracts. We also verified the calculation method arithmetically and methodologically.

Our audit procedures did not give rise to any objections with regard to the period-related revenue recognition and accounting of contract assets in accordance with IFRS 15.

Reference to related information

The company's disclosures on the accounting and measurement principles applied with regard to the period-related revenue recognition in accordance with IFRS 15 are also included in the notes to the consolidated financial statements in section 1 and section 2.

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 miscellaneous information. The miscellaneous information comprises the above-mentioned corporate governance statement. Furthermore, the miscellaneous information comprises the non-financial report (Group) pursuant to Section 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 remuneration report, 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.

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.

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.

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 prepare a Group status report in accordance with the applicable German legal provisions and in order to be able 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 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(3a) HGB

Audit opinion

Pursuant to Section 317(3a) HGB, we have performed an audit to obtain reasonable certainty as to whether the reproductions in the consolidated financial statements and the Group status report prepared for the purposes of publication in the enclosed file [529900X0OMB39EW0OC11-2021-12-31-de (2).zip ec85569e090c363b655eee37e080b1df18801946840a552d19386f4642b3ad10] (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 2021, 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(3a) HGB taking into account 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(3a) HGB (IDW EPS 410 (10/2021)). 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 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 25 June 2021. We were appointed by the Supervisory Board on 11 November 2021. 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.

Other issues – use of the audit opinion

Our audit opinion must always be read in conjunction with the audited annual financial statements and the audited status report as well as the audited ESEF documents. The annual financial statements and status report transferred to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited annual financial statements and the audited status report and do not replace them. In particular, the ESEF note and our opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

Responsible auditor

The auditor responsible for the audit is Mr Andreas Nietzer.

Freiburg im Breisgau, 11 April 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft [Audit firm]

Nietzer	Busser
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, 08 April 2022

The Executive Board

Nicolas-Fabian Schweizer

Marc Bunz

COR-PORATE GOVER-NANCE

CONTENTS

CORPORATE GOVERNANCE STATEMENT

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 (German Commercial Code) 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's website at
https://schweizer.ag/en/investors-media/corporate-governance-en/compliance-declarations.

The Executive Board and the Supervisory Board dealt with the recommendations and guidelines of the German Corporate Governance Code also in the 2021 financial year.

WORDING OF THE DECLARATION OF COMPLIANCE (VERSION: NOVEMBER 2021)

The Executive Board and the Supervisory Board of Schweizer Electronic AG (hereinafter "Company") issue the following Declaration of Compliance pursuant to § 161 Aktiengesetz (German Stock Corporation Act) with respect to the recommendations of the "Government Commission on the German Corporate Governance Code" and will ensure that this is published on the Company's website. The Executive Board and the Supervisory Board of Schweizer Electronic AG issued the last Declaration of Compliance pursuant to § 161 Aktiengesetz (German Stock Corporation Act) in December 2020. The following declaration refers to the recommendations of the version of the German Corporate Governance Code of 16 December 2019, which was published in the Federal Gazette on 20 March 2020. The Executive Board and the Supervisory Board of Schweizer Electronic AG declare that the recommendations of the Code have been complied with since the last Declaration of Compliance was issued in December 2020, with the following exceptions:

B.5: The Code recommends that an age limit be specified for members of the Executive Board and disclosed in the Corporate Governance Statement (recommendation B.5 of the Code). The Company has not complied with and is not complying with this recommendation. The Executive Board and the Supervisory Board do not consider a specification of an age limit for members of the Executive Board to be meaningful. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.

C.2: C.2 of the Code recommends that an age limit be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement. The Company has not complied with and is not complying with this recommendation. The Supervisory Board does not consider a general specification of an age limit for members of the Supervisory Board to be meaningful. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.

C.7: According to recommendation C.7, para.1 of the Code, more than half of the shareholder representatives shall be independent from the Company and the Executive Board. The Company has not complied with and is not complying with this recommendation. When assessing the independence of its members from the Company and the Executive Board, shareholders shall take into consideration certain indicators that speak against the independence of shareholder representatives (C.7, para. 2 of the Code). If one or more of the indicators set out in C.7 are met, the Supervisory Board member concerned may still be considered independent. Against this background, the shareholder representatives currently do not consider two of the shareholder representatives to be independent. One shareholder representative is a close family member of an Executive Board member; another shareholder representative maintains a material business relationship with the Company in a leading position of a third-party entity.

C.10: Since Mr Christoph Schweizer, as Chairman of the Supervisory Board and of the Audit Committee that addresses Executive Board remuneration, is not independent from the Executive Board and the Company for the reasons stated above, a deviation from C.10 sentence 1 of the Code is also declared.

C.13: C.13 of the Code recommends that in its election proposals to the General Meeting, the Supervisory Board shall disclose the personal and business relationships of every candidate with the enterprise, the governing bodies of the Company, and any shareholders with a material interest in the Company. The Company has not complied with and is not complying with this recommendation, because the Supervisory Board believes the requirements of the Code regarding the duty of disclosure are vague and unclear in their delimitation. In this context, such a report is not considered useful.

D.2, D.3, D.4, D.5: The Supervisory Board of Schweizer Electronic AG has established an Audit Committee by resolution of 26 November 2021, renaming the existing Personnel and Finance Committee as Audit Committee and entrusting to it the tasks incumbent on the Audit Committee under the law by amending the rules of procedure for the Supervisory Board. As a result, since 26 November 2021, the recommendation in D.3 sentence 1 of the Code has been complied with. Since the Chairman of the Audit Committee is the Chairman of the Supervisory Board, who is also a close family member of an Executive Board member, the recommendation in D.4 sentence 1 at the end and sentence 2 of the Code has been deviated from at the same time since 26 November 2021.

Furthermore, there is still no nomination committee of the Supervisory Board recommended by D.5 of the Code. The Supervisory Board does not believe it is either reasonable or necessary to set up such a committee for a company the size of Schweizer Electronic AG with only six members sitting on the Supervisory Board. The tasks intended for the Nomination Committee as well as the other tasks of the Supervisory Board can easily be dealt with in plenary meetings, provided they are not entrusted to the existing Audit 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 maintains it is neither reasonable nor necessary to set up additional committees. With the earlier establishment of the Personnel and Finance Committee and since 26 November 2021 of the Audit Committee, the Supervisory Board has therefore complied with the recommendation in D.2, sentence 1 of the Code (formation of committees of members with relevant specialist expertise depending on the specific circumstances of the Company and the number of its members). However, as a highly precautionary measure, a deviation from this Code recommendation is declared.

F.2: In F.2, 1st half-sentence of the Code, it is recommended that the consolidated financial statements and the Group status report shall be made publicly accessible within 90 days from the end of the financial year. The Company has not complied with and is not complying 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 status report. However, the consolidated financial statements and Group status report have been and are disclosed within the statutory period.

G.4: The Code recommends in G.4 that to ascertain whether remuneration is in line with usual levels within the enterprise itself, the Supervisory Board shall take into account the relationship between Executive Board remuneration and the remuneration of senior managers and the workforce as a whole, and how remuneration has developed over time. The Supervisory Board has not fully complied with this recommendation. When concluding 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 specific reason. However, insofar as the Code specifies this review of vertical appropriateness of Executive Board remuneration, which is already required under the German Stock Corporation Act, and defines in more detail the relevant comparison groups as well as the time scale for the comparison, a deviation is declared in this respect. The Supervisory Board considers the requirements of the recommendation to still 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.

G.13: In G.13 sentence 2 of the Code, it is recommended that if post-contractual non-compete clauses apply, the severance payments shall be taken into account in the calculation of any compensation payments. The Company has not complied with and is not complying with this recommendation. The Executive Board employment contracts do not take these into account so far. However, the remuneration system adopted by the Supervisory Board on 12 April 2021 and approved by the Annual General Meeting on 25 June 2021 for the members of the Schweizer Electronic AG Executive Board provides for any severance payment to be offset against compensation payments for observing non-compete obligations, so that in the future, when new Executive Board employment contracts are concluded or when existing Executive Board employment contracts are extended, recommendation G.13 sentence 2 of the Code will be complied with.

G.18: According to Code Recommendation G.18, sentence 2, performance-related remuneration promised to members of the Supervisory Board is intended to be geared towards sustainable or long-term corporate development. The Company has not complied with and is not complying 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.

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 and 2021, shareholders could watch 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 established 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 2021 Annual Report and is available on the website at: *https://schweizer.ag/en/the-company/csr-en.*

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 Board consist of two members. The Executive Board currently consists of Mr Nicolas-Fabian Schweizer (appointed until 30 June 2027) and Mr Marc Bunz (appointed until 31 March 2023). Further information regarding the first appointment, areas of responsibility, mandates and resumes of the Executive Board members can be found on the company's website at: *https://schweizer.ag/en/the-company/institutions*.

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 without restriction 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 all 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. The provisions of Section 76 (4) AktG as amended FüPoG II (German Second Leadership Positions Act) (to be applied from 12 August 2021) will be applied in the new target determination on 1 July 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 its Audit Committee (until 26 November 2021: Personnel and Finance Committee), the Supervisory Board 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 specific qualification requirements and the aforementioned criteria, a staffing profile is developed on the basis of which the Audit Committee (until 26 November 2021: Personnel and Finance Committee) prepares a narrower selection of available (internal and external) candidates. 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 essential features of the Executive Board remuneration system are reported in detail in the remuneration report and on the company's website.

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 also in financial year 2021.

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 2021. 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.

AUDIT COMMITTEE

From 26 November 2021, the Supervisory Board has an Audit Committee, which carries out both the previous tasks of the Personnel and Finance Committee and the tasks of an Audit Committee. The committee chair regularly informs the Supervisory Board of the consultations and resolutions of the committee. The Audit Committee or the previous Personnel and Finance Committee is made up of three shareholder representatives, the Chair of the Supervisory Board Mr Christoph Schweizer, Dr Stephan Zizala and Dr Stefan Krauss (from 25 June 2021) and Mr Michael Kowalski (until 25 June 2021). Further information on the members of the Supervisory Board and the current Audit Committee, formerly the Personnel and Finance Committee, can be found in the notes to the annual financial statements and at: *https://schweizer.ag/en/the-company/institutions*.

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 significantly fulfil 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 Section 5.4.2 of the German Corporate Governance Code, i.e. a minimum of one seat on the Supervisory Board for independent shareholder representatives and at least 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 Dr Stephan Zizala and Dr Stefan Krauss. 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	Appointed until[1]	Membership in statutory domestic or foreign controlling bodies of commercial enterprises (as of: 31/12/2021)
Christoph Schweizer Chair Chair of the Audit Committee[2]	Former Managing Director of Schweizer Verwaltungs- und Beteiligungsgesellschaft	30/08/1941	From 1999 to 2017 since 06/2019	2022	-
Dr Stephan Zizala Vice Chair Member of the Audit Committee[2]	Vice President & General Manager, Business-Line High Power, Automotive Infineon Technologies AG, Neubiberg	24/11/1972	2016	2024	-
Dr Stefan Krauss Lawyer Member of the Audit Committee[2]	Commercial lawyer/specialist lawyer for labour law	24/11/1964	06/2021	2026	-
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[3]	Vice Chair of the Works Council at Schweizer Electronic AG	22/06/1971	2019	2024	-
Jürgen Kammerer[3]	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] Until 26 November 2021, Personnel and Finance Committee
[3] Employee representative

The essential features of the Supervisory Board's remuneration system are reported in detail in the remuneration report and on the company's website.

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 percentage 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. Further information on determining the target figure and diversity for the composition of the Executive Board can be found in the "Executive Board" section of this declaration.

For the period from 1 July 2017, for the percentage of women on the key management level below the Executive Board, the Supervisory Board has stipulated that at least one position on this management level 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 key 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.

In the current composition, the agreed targets for the percentage of women on the Supervisory Board and Executive Board were achieved. The target percentage of women for the key management level set by the Executive Board has not been met since an employee left in April 2021. The target achievement deadline for the key management level was set until 30 June 2022 and will be taken into account in personnel decisions.

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. 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: *https://schweizer.ag/en/investors-media*. Furthermore, the Investor Relations department is 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 carried out by the affected member or persons related to them reaches a total volume of EUR 20,000 (EUR 5,000 until 2020) within one calendar year. The transactions reported to Schweizer Electronic AG during the last financial year were duly disclosed and can be viewed on the company's website at: *https://schweizer.ag/en/investors-media/corporate-governance-en/managers-transaction-1*

Schramberg, 11 April 2022

Executive Board	Supervisory Board
Nicolas-Fabian Schweizer Chair of the Executive Board	Christoph Schweizer Chair of the Supervisory Board

REMU-NERATION REPORT

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REMUNERATION REPORT

In accordance with the Act Implementing the Second Shareholder Rights Directive (ARUG II), the Executive Board and Supervisory Board of Schweizer Electronic AG (Schweizer) are required for the first time for the 2021 financial year to prepare a remuneration report in accordance with Section 162 AktG and submit it to the Annual General Meeting for approval. The auditor has audited the remuneration report in accordance with Section 162 (3) sentences 1 and 2 AktG and prepared a note on the audit of the remuneration report. The audit note is enclosed with the remuneration report.

I. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

At its meeting on 12 April 2021, the Supervisory Board of Schweizer Electronic AG approved a new remuneration system for the members of the Executive Board that meets the requirements of Section 87a (1) AktG and takes into account the recommendations of the German Corporate Governance Code. The Annual General Meeting approved the remuneration system on 25 June 2021 with a majority of 95.12% of votes cast.

There were no personnel changes in the Executive Board in the 2021 financial year. The Chairman of the Executive Board, Mr Nicolas-Fabian Schweizer, was appointed as a member of the Executive Board for a further five years by an early resolution of the Supervisory Board dated 7 July 2021 and was once again appointed Chairman of the Executive Board. By means of a supplemental agreement concluded on 1 August 2021, the existing contract of service between the company and Mr Schweizer was amended with effect from 1 January 2021.

Likewise, the existing contract of service between the company and Mr Marc Bunz was amended with effect from 1 January 2021 by means of a supplemental agreement concluded on 1 August 2021. Mr Bunz has been appointed as a member of the Executive Board until 31 March 2023.

1. PRINCIPLES OF THE REMUNERATION SYSTEM

The remuneration system for the members of the Executive Board of Schweizer Electronic AG makes an important contribution to furthering the company's business strategy. The structure of the remuneration system also motivates the members of the Executive Board to achieve significant strategic Group objectives – in particular, to increase the value of the company and to strengthen its market position in the PCB industry.

When determining the remuneration of the Executive Board, the Supervisory Board is guided by the following principles:

Promotion of the corporate strategy

The remuneration of the members of the Executive Board is geared toward the long-term and sustainable development of the company. The remuneration system as a whole makes a significant contribution to the promotion and implementation of the business strategy by defining sustainable performance criteria related to the long-term success of the company.

The inclusion of important financial figures in the Executive Board remuneration is intended to incentivise the long-term and sustainable growth as well as the increasing profitability and viability of Schweizer. In addition, performance that contributes to the strategic, technical and structural development of Schweizer should also be taken into account. Variable remuneration is predominantly based on a multi-year assessment. The long term incentive (LTI) is aimed at a continuous and sustainable increase in the company's value, more specifically by taking into account the share price over a period of several years, and can thus make a significant contribution to a positive, long-term development of the company.

In the context of long-term variable remuneration, non-financial target criteria that support sustainable corporate development are also agreed with the members of the Executive Board.

Appropriateness of remuneration

The remuneration of the members of the Executive Board should be proportionate to their duties and performance and should take into account the complexity and economic situation of the company. Compared to comparable companies, remuneration is in line with market conditions and at the same time competitive.

Linking performance and remuneration

The remuneration of the members of the Executive Board is linked to their performance by making the variable remuneration components dependent on the achievement of certain target criteria. This means that outstanding performances are remunerated appropriately, while failure to meet the specified targets leads to a significant reduction in remuneration.

Harmonisation with shareholder and stakeholder interests

The remuneration system makes a key contribution to linking the interests of the Executive Board with the interests of shareholders and other stakeholders. The largest proportion of the variable remuneration is linked to the performance of the company.

Consistency of the remuneration system

The remuneration system for the members of the Executive Board builds on the remuneration system for managers in the Group, sets comparable incentives and thus sets uniform targets.

2. DEFINITION OF THE SPECIFIC TARGET TOTAL REMUNERATION

In accordance with the remuneration system, the Supervisory Board determines the amount of the target total remuneration for each member of the Executive Board for the coming financial year. To this end, it must be considered that the respective remuneration is proportionate to the duties and performance of the Executive Board member as well as the position of the company, does not exceed the usual remuneration without significant cause and is geared toward long-term and sustainable development of Schweizer Electronic AG. For this purpose, both external and internal comparative observations are conducted:

a) Horizontal (external) comparison

The Supervisory Board uses an external independent remuneration consultant to assess the appropriateness and customary level of the actual total remuneration of the Executive Board members compared to other companies, using a suitable comparison group (horizontal comparison). The criteria of this comparison group are: Industry, company size and internationality. The comparison group of other companies used by the Supervisory Board to assess the appropriateness of the Executive Board remuneration in financial year 2021 included, for example, Sick AG (Waldkirch), Harting Stiftung & Co. KG (Espelkamp) and Manz AG (Reutlingen). The remuneration and employment conditions of employees were not taken into account when determining the remuneration system.

b) Differentiation according to the respective requirement profile

The remuneration system allows the Supervisory Board to take the function and area of responsibility of the individual member of the Executive Board into account when calculating the total target remuneration. Function-specific differentiations are therefore permissible at the discretion of the Supervisory Board, taking into account criteria such as market practice, the experience of the respective member of the Executive Board and the Executive Board functions for which they are responsible.

c) Maximum remuneration limits

Variable remuneration is intended to ensure a balanced risk/opportunity profile. Therefore, if the set targets are not met, the amount of the variable remuneration paid out may fall to zero. If the targets are significantly exceeded, the amount paid out is limited to 200% of the target amount for both the short-term and long-term variable remuneration components.

In addition, in accordance with Section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set a maximum amount for the sum of all remuneration components, including ancillary benefits and pension costs (hereinafter referred to as "maximum remuneration"). The maximum remuneration for the Executive Board Chair and their deputy amounts to EUR 1,400 thousand and for other members of the Executive Board to EUR 1,000 thousand. These caps apply in each case to the sum of all payments resulting from the remuneration regulations for a financial year. This is the maximum possible calculated remuneration. The remuneration actually paid out is lower, as can be seen from the remuneration reports for the last financial years.

In the 2021 financial year, the maximum remuneration actually contractually agreed was EUR 1,100 thousand for Mr Nicolas-Fabian Schweizer and EUR 1,000 thousand for Mr Marc Bunz. The remuneration granted and owed to the two members of the Executive Board in the 2021 financial year (see the details in section a) below) was below the amounts specified, which is why the maximum remuneration was complied with in each case.

d) Overview of components and structure of the target total remuneration

The remuneration system basically provides for fixed, non-performance-related and variable performance-related remuneration components.

The fixed performance-related remuneration components comprise the annual salary, ancillary benefits and a pension commitment.

The variable remuneration components comprise a remuneration component with a Medium & Short Term Incentive (hereinafter referred to as MSTI) and a remuneration component with a long-term incentive effect and risk character (Long Term Incentive, hereinafter referred to as LTI). Prior to the beginning of each financial year, the Supervisory Board sets target criteria for the variable remuneration components with regard to the strategic objectives, the requirements of Sections 87, 87a of the German Stock Corporation Act (AktG) and the GCGC in their respective versions, the degree of achievement of which determines the amount of the actual payment.

The annual salary contributes 35-45% to the target remuneration. While the variable short- and medium-term remuneration component contributes 10-15% and the long-term remuneration component 15-20% to the target remuneration. Pension costs make up about 25-30% of the target remuneration and ancillary benefits make up about 2-5% of the target remuneration.

The following overview provides a brief description of the key remuneration components, which are explained in detail in the following sections, as well as explanations of how the remuneration furthers the long-term development of the company and the corporate strategy:

Compensation component	Structure	Strategy reference
Non-performance-related remuneration		
Annual fixed salary	Fixed remuneration, paid in twelve equal monthly instalments at the end of each month.	Attracting and retaining qualified Executive Board members by providing competitive remuneration
Ancillary benefits	Company car, reimbursement of travel expenses, D&O insurance, accident insurance, employer's liability insurance association contribution, health and nursing care insurance contributions	
Pension commitment	Pension benefits in accordance with a pension commitment	
Variable remuneration		
Medium and short-term incentive.	• Remuneration granted annually with short and medium-term incentive effect • Cap: 60% of the annual fixed salary • Financial performance criteria EBITDA (weight: 60%), free cash flow (weight: 40%) • Cash payment after adoption of the annual financial statements	Incentive to increase SCHWEIZER's profitability and viability
Long-term incentive	• Variable remuneration with long-term incentive effect and risk character, which is rolled over in annual tranches with a term of four years each (performance period) • Cap: 80% of the annual fixed salary • Depending on financial (ROCE) and non-financial (corporate factor) performance criteria as well as share price performance • Cash payment after the end of the respective performance period	Incentives to promote SCHWEIZER's long-term and sustainable growth strategy and to create sustainable value in the interests of shareholders
Other		
Malus regulation	Possibility of full or partial reduction of variable remuneration	Incentive to ensure sustainable business development and to avoid taking inappropriate risks
Maximum compensation	Maximum amount of all remuneration components	Limitation of Executive Board remuneration to ensure the appropriateness of the remuneration of the Executive Board and to avoid disproportionately high costs for the company

The Supervisory Board has set the following target total remuneration for financial year 2021:

Target remuneration 2021	**Nicolas-Fabian Schweizer**		**Marc Bunz**	
In EUR thousands	Chair of the Board since 9/4/2020		Deputy Chair of the Board since 9/4/2020	
	2021	**2020**	**2021**	**2020**
Annual fixed salary	322	280	298	270
Ancillary benefits	16	28	24	22
Pensions1)	231	189	235	195
Total fixed non-performance-related target remuneration	**569**	**497**	**557**	**487**
MSTI	97	84	89	81
LTI	129	112	119	108
Total variable target remuneration	**225**	**196**	**209**	**189**
Total target remuneration	**794**	**693**	**766**	**676**

[1] Contributions to external pension providers in accordance with pension commitments for the company pension scheme.

3. APPLICATION OF THE REMUNERATION SYSTEM IN FINANCIAL YEAR 2021

a) Annual fixed salary

The annual salary is a fixed remuneration related to the entire financial year, which is paid out in twelve equal monthly instalments at the end of each month. The annual salary is reviewed by the Supervisory Board at intervals of two years.

In financial year 2021, Mr Nicolas-Fabian Schweizer was granted an annual fixed salary of EUR 322,000 and Mr Marc Bunz EUR 298,000.

b) Ancillary benefits

The following ancillary benefits were granted to the members of the Executive Board in financial year 2021:

- the provision of a company car, which may also be used privately,
- reimbursement of travel expenses,
- the conclusion of a D&O insurance policy with an excess in accordance with Section 93 (2) sentence 3 AktG. D&O insurance is group insurance for all directors and officers of the Group and is not included in the amount of benefits granted and owed.
- accident insurance,
- contributions to the employer's liability insurance association, and
- health and long-term care insurance contributions in application of Section 257 SGB V (German Social Security Code V) and Section 61 SGB XI.

c) Pension benefits

Each member of the Executive Board receives pension benefits in accordance with a pension commitment.

The system of pension commitments for company pension benefits for members of the Executive Board who joined the company up to 2017 refers to a percentage of the base salary at the start of the retirement pension upon reaching the age of 65, but not before leaving the service of Schweizer Electronic AG. The pension commitment for Mr Nicolas-Fabian Schweizer amounts to 67% of the basic salary and for Mr Marc Bunz 48%. 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 and are based on the company contributions contractually promised to the Executive Board members paid to the reinsured, defined benefit pension fund.

The following table lists the earned paid by the company to the pension fund for 2021 and the annual pension entitlements acquired as at 31. December in the event of expected retirement of the age of 65 for the members of the Executive Board.

Pensions of the Executive Board members

In EUR thousands	Financial year	Allocated to provident funds	As at 31/12 annual earned pension entitlement
Executive Board members in office			
Nicolas-Fabian Schweizer	2021	231	80
Marc Bunz	2021	235	86
Total	**2021**	**466**	**166**

If a Board member leaves the Company before the age of 65, the entitlement is reduced to the entitlement earned up to the time of departure. The contributions to the provident funds are adapted accordingly upon departure from the Company.

For the benefit of the two former Executive Board members, Dr Maren Schweizer and Bernd Schweizer, the following reduced contributions will continue to be paid in 2021 to the provident funds.

Former members of the Executive Board	Financial year	Allocated to provident funds	As at 31/12 annual earned pension entitlement
Dr Maren Schweizer (until 2/2017)	2021	47	91
Bernd Schweizer (until 5/2015)	2021	16	38
Total	**2021**	**63**	**129**

d) Variable remuneration component (Medium & Short Term Incentive (MSTI))

aa) Essential features

In the employment contract, the Supervisory Board agrees on a target amount for Medium & Short Term Incentive (hereinafter "MSTI target amount") for each member of the Executive Board, which is granted if the target is 100% achieved.

In the event of 100% target achievement, the MSTI amounts to 30% of the annual salary. The maximum amount of MSTI to be paid is limited to 200% of the target amount, i.e. 60% of the annual salary.

bb) Financial performance criteria

The origin and amount of the MSTI depends on the achievement of certain individual and/or company- or department-related objectives. The Supervisory Board currently defines the following two key figures as financial performance criteria within the meaning of Section 87a (1) sentence 2 no. 4 of the German Stock Corporation Act (AktG):

- EBITDA - Earnings before interest, taxes, depreciation and amortisation
- Free cash flow - The difference between the cash flow from operating activities and the cash flow from investing activities.

In order to calculate the MSTI, the degree of achievement of the currently defined targets – the EBITDA target of 60% and the free cash flow target of 40% – is weighted.

cc) Achievement of financial performance criteria

For each financial performance criterion, the target value for achieving a target of 100% corresponds to the value resulting from the planning for the respective financial year. Each year, the Supervisory Board determines the values for achieving the targets of 0% to a maximum of 200% for each financial performance criterion.

The degree of achievement of the target is determined by the target curve defined for the respective key figure. The targets and the corresponding target curves are defined in advance by the Supervisory Board.

For financial year 2021, the Supervisory Board has set a target of EUR -2,518 thousand (= 100% target) and a performance corridor of between EUR -5,610 thousand and EUR 791 thousand for both Executive Board members for the financial performance criterion of EBITDA. The actual EBITDA value achieved amounts to EUR -8,580 thousand. This results in a target achievement of 0%.

For the financial performance criterion of free cash flow, the Supervisory Board has set a target of EUR -20,308 thousand (=100% target) and a performance corridor of between EUR -23,400 thousand and EUR -16,999 thousand for both members of the Executive Board for the 2021 financial year. The actual free cash flow value achieved amounts to EUR -13,641 thousand. This results in a target achievement of 200% (cap).

In accordance with the weighting of the two KPIs explained above, the target achievement rate for calculating the MSTI is 80%.

MSTI 2021 is reported as remuneration granted and paid to Executive Board members in financial year 2022 once the annual financial statements have been adopted.

With regard to the MSTI, the following target achievement and disbursement amounts result for the members of the Executive Board:

MSTI 2021	**Target amount**	**EBITDA**		**Free Cashflow**		**Overall target achievement**	**Disbursement amount**
	EUR thousands	Weighting	Target achievement	Weighting	Target achievement		EUR thousands
Nicolas-Fabian Schweizer Chair of the Board	97	60%	0%	40%	200%	80%	77
Marc Bunz Deputy Chair of the Board	89	60%	0%	40%	200%	80%	72

e) Variable remuneration component (Long Term Incentive (LTI))

aa) Essential features

The Long Term Incentive (hereinafter "LTI") is intended to promote the Executive Board's long-term commitment to the company and its sustainable growth. It is a compensation 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 LTI is determined by the performance of the share price (start share price and end share price in the respective performance period), the target achievement of a determined key figure (currently Return on Capital Employed (ROCE)) and a corporate factor determined by the Supervisory Board. In order to respond to the respective company's situation, the Supervisory Board may change the key figure before the start of the respective tranche.

The corporate factor takes into account the sustainable development of the company as a whole and thus contributes to promoting SCHWEIZER'S sustainable growth strategy. With regard to the corporate factor, the Supervisory Board determines to what extent the individual targets of particular Executive Board members or targets applicable for all Executive Board members jointly are decisive.

The target amount is converted into virtual shares and paid out at the end of the respective performance period, i.e. each LTI tranche, after four years.

The LTI target amount is converted into a conditional number of virtual shares for the purpose of calculating the LTI tranche. The start share price is decisive for the conversion (calculation of the start number of virtual shares). The start share price is the price value on the basis of the average of the closing price of the company's shares in the Xetra trading system of Deutsche Börse AG on the last 60 trading days before the start of the respective performance period.

In the event of 100% target achievement, the LTI amounts to 40% of the annual salary. The maximum amount of LTI to be paid out is limited to 200% of the target amount, i.e. 80% of the annual salary.

bb) Achievement of financial and non-financial performance criteria

The calculation of the LTI payout amount is shown below based on the currently defined key figure ROCE. The LTI payout amount is calculated for each LTI tranche using the following formula: Start number of virtual shares x ROCE target achievement factor x corporate factor = final number of virtual shares x end share price = LTI payout amount.

The target achievement of ROCE and the corporate factor is determined at the end of each of the four-year performance periods.

ROCE targets are agreed for each year within a performance period. The target achievement value at the end of the performance period corresponds to the average of the individual target achievement values of this performance period. If the average ROCE target achievement is 100%, a 100% payout is made. The annual ROCE targets for the performance period and the corresponding target achievement curve are defined in advance by the Supervisory Board for each performance period.

The Supervisory Board decides on the level of the corporate factor (degree of target achievement), which is generally determined on the basis of non-financial criteria for each tranche. The objectives and their weighting are defined at the beginning of each performance period for their duration. The corporate factor influences the LTI level in a range between plus and minus 20%, i.e. it amounts to a factor between 0.8 and 1.2.

The end share price is measured on the basis of the average closing price of the company's shares in the Xetra trading system of Deutsche Börse AG on the last 60 trading days before the end of the respective performance period.

Payment is made as a gross amount after the respective end of the performance period. The LTI remuneration is reported as remuneration granted at the end of the respective performance period and is paid out in the following year after the annual financial statements have been adopted. At the end of the 2021 financial year, no end of a performance period was reached and therefore no payment of an LTI tranche was granted.

In order to compensate for the conversion of the previous contractual regulations, a transitional arrangement (LTI-TA) was also agreed for 2019, 2020 and 2021. For these three years, the performance period of the LTI-TA is one year, for each of which an intermediate ROCE target has been defined and agreed in the first 4-year tranche.

In the 2021 financial year, the intermediate ROCE target defined for the transitional arrangement (LTI-TA) was not achieved. With regard to the 2021 LTI-TA, there are thus no disbursement amounts for Executive Board members that must be disclosed as remuneration granted.

4. OTHER REGULATIONS RELEVANT TO REMUNERATION

a) Malus regulation

If an Executive Board member in their role as a member of the Executive Board demonstrably commits a gross violation of one of their duties of due diligence within the meaning of Section 93 of the German Stock Corporation Act (AktG), against an essential principle of action of the internal guidelines issued by the company, the Supervisory Board may, at its discretion, reduce, in part or in full to zero, the variable remuneration to be granted for the financial year in which the gross violation occurred (hereinafter "Malus regulation"). The remuneration system does not provide opportunities for the company to recover variable remuneration components (so-called clawback).

Any claims for damages by Schweizer Electronic AG against the Executive Board member, in particular from Section 93 (2) of the German Stock Corporation Act (AktG), remain unaffected by the agreement of a Malus regulation.

In the 2021 financial year, there were no circumstances justifying the application of the Malus regulation. The Supervisory Board has therefore not exercised the option to reduce the variable remuneration.

b) Term and termination options

When appointing members of the Executive Board and during the term of the Executive Board contracts, the Supervisory Board complies with the statutory provisions of Section 84 of the German Stock Corporation Act (AktG) and the recommendations of the GCGC. In the event of an initial appointment to the Executive Board, the term of the appointment and the term of the employment contract are generally three years. In the event of re-appointments or in the event of an extension of the term of office, the maximum duration of the employment contract is five years.

The employment contracts do not provide for an ordinary termination option; the mutual right to extraordinary termination of the employment contract for good cause remains unaffected. In the event of a member of the Executive Board becoming permanently incapable of work during the term of the employment contract, the employment contract shall cease at the end of the third month after determining the permanent incapacity for work.

Payments to a member of the Executive Board in the event of premature termination of his or her Executive Board duties without good cause, including ancillary benefits, do not exceed the value of two years' remuneration but do not remunerate more than the remaining term of the employment relationship (severance pay cap). If the employment contract is terminated for good cause for which the Executive Board member is responsible, no payments shall be made to the Executive Board member. The total remuneration of the past financial year and, if applicable, the estimated total remuneration for the current financial year form the basis for the calculation of the severance payment cap.

A post-contractual non-competition clause is agreed with each member of the Executive Board for a period of 24 months. Appropriate compensation (compensation for non-competition) amounting to 55% of his or her final average contractual compensation is granted for this period.

In the event of a change of control, the Executive Board member has the right to resign from their Executive Board position and terminate the employment contract with three months' notice. The company is also entitled to this right of termination. If the office and the employment contract ends due to a change of control, the member of the Executive Board is entitled to compensation and a severance payment. The Executive Board member is entitled to compensation in the amount of 100% of their average annual remuneration (gross), consisting of annual salary, MSTI and LTI, earned over the last three financial years prior to the departure for the remaining term of their employment contract. The compensation payments amount to a maximum of the value of two annual salaries. In addition, the Executive Board member shall receive a severance payment of one year's remuneration. Combined compensation and severance benefits are limited to a maximum of three times the annual remuneration of the Executive Board member.

There was no change to the Executive Board in financial year 2021, which is why no benefits were granted or owed in the event that a member of the Executive Board leaves the company.

5. NO THIRD-PARTY SERVICES

In the 2021 financial year, no Executive Board member was promised or granted remuneration by third parties with regard to their activity as Executive Board member.

6. REMUNERATION GRANTED AND OWED IN FINANCIAL YEAR 2021

a) Current Executive Board members

The following table details the remuneration granted and owed to the Executive Board members in office in the 2021 financial year in accordance with Section 162 (1) sentence 1 AktG. Accordingly, the table contains all amounts actually received by the members of the Executive Board in the 2021 financial year (in fact) (remuneration paid) as well as all remuneration components due but not yet received (remuneration owed).

Remuneration granted and owed In EUR thousands	**Nicolas-Fabian Schweizer** Chair of the Board since 9/4/2020				**Marc Bunz** Deputy Chair of the Board since 9/4/2020			
	2021	**In % of total remuneration**	2020	In % of total remuneration	**2021**	**In % of total remuneration**	2020	In % of total remuneration
Annual fixed salary[1]	322	78%	259	67%	298	76%	250	68%
Ancillary benefits	16	4%	28	7%	24	6%	22	6%
Other remuneration[2]	-	0%	98	25%	-	0%	95	26%
Total fixed non-performance-related remuneration	**338**	**81%**	**385**	**100%**	**322**	**82%**	**367**	**100%**
MSTI	77	19%	0	0%	72	18%	0	0%
LTI-TA 2021	0	0%			0	0%		
LTI-TA 2020			0	0%			0	0%
Total variable remuneration	**77**	**19%**	**0**	**0%**	**72**	**18%**	**0**	**0%**
Total remuneration	**415**	**100%**	**385**	**100%**	**394**	**100%**	**367**	**100%**

[1] In 2020: voluntary waiver of 30% of the contractually agreed remuneration from April to June.
[2] In 2020: turnaround bonus not dependent on the development of financial key figures.

b) Former members of the Executive Board

As part of a court settlement, a severance agreement was concluded with former member of the Executive Board Dr Maren Schweizer at the Rottweil Regional Court, from which Dr Schweizer was granted a total amount of EUR 81,632.65 in financial year 2021 as severance pay, payable in monthly instalments of EUR 16,326.53 gross. The amount provided for the total liability is EUR 2,875 thousand.

In addition, pension payments of EUR 281 thousand were granted to former members of the Executive Board in the 2021 financial year. Against the background of a voluntary waiver by some former members of the Executive Board, the total amount in the 2020 financial year was EUR 262 thousand. In accordance with Section 162 (5) AktG, the personal details of former members of the Executive Board may not be disclosed if they left the Executive Board before 31 December 2011.

II. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board is set out in Section 13 of the company's Articles of Association. The Annual General Meeting confirmed the remuneration of the members of the Supervisory Board provided for in Section 13 of the company's Articles of Association and the remuneration system underlying the remuneration with the information pursuant to Sections 113 (3) sentence 3, 87a (1) sentence 2 AktG on 25 June 2021 with a majority of 95.07% of votes cast.

Supervisory Board members receive a fixed remuneration for their work, the amount of which depends on the duties assumed by the Supervisory Board and its committees. In addition, the members of the Supervisory Board receive performance-related remuneration based on the amount of the dividend.

The system for the remuneration of the members of the Supervisory Board, which forms the basis of the regulations of the Articles of Association, is based on the legal requirements and takes into account the recommendations of the German Corporate Governance Code:

- In addition to a fixed remuneration, the system for the remuneration of the members of the Supervisory Board provides for performance-related remuneration, which is based on the dividend distributed to the shareholders for the respective financial year. In addition, the members of the Supervisory Board shall receive reimbursement of expenses for training and further education measures up to an amount of EUR 2,500.00 per year. In addition, the members of the Supervisory Board shall receive reimbursement of their expenses and any value added tax to be paid on the remuneration. No attendance fee is granted.
- The Supervisory Board remuneration consists of the following components: Members of the Supervisory Board receive a fixed remuneration of EUR 15,000.00 for each financial year, the Chairman of the Supervisory Board receives twice this amount, i.e. EUR 30,000.00, and the Deputy Chairman receives one and a half times this amount, i.e. EUR 22,500.00. In accordance with recommendation G.17 of the German Corporate Governance Code, the higher time expenditure of the Chairman and Deputy Chairman of the Supervisory Board is taken into account in the remuneration. The same applies to chairing and membership of committees. For membership of a committee of the Supervisory Board, members of the Supervisory Board receive an additional remuneration of EUR 15,000.00 per financial year and per committee membership. The Chairman of a committee receives twice this amount, i.e. EUR 30,000.00, as additional remuneration, while the deputy Chairman receives one and a half times this amount, i.e. EUR 22,500.00.
- In addition, the members of the Supervisory Board receive variable remuneration. The only criterion for the granting and amount of variable remuneration is the amount of the dividend distributed to the shareholders for the respective financial year. The members of the Supervisory Board receive a performance-related remuneration of EUR 300.00 for each EUR 0.01 profit share decided by the Annual General Meeting, which is distributed to the shareholders in addition to a profit share of EUR 0.40 per share with full profit entitlement. If preferred shares are issued, the performance-related remuneration is based on the profit share per ordinary share. The variable remuneration is limited to a maximum amount of EUR 18,000.00. The regulation on performance-related remuneration deviates from recommendation G.18 Clause 2 of the German Corporate Governance Code. The Executive Board and the Supervisory Board believe

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. Dividend payments are also a key performance indicator for the shareholders. The orientation of the performance-related remuneration of the members of the Supervisory Board to this performance indicator contributes to the long-term promotion of the company's success.

- The upper limit for the remuneration of the members of the Supervisory Board is the sum of the fixed remuneration, the amount of which depends in detail on the tasks assumed by the Supervisory Board and its committees, the maximum amount of performance-related remuneration and the maximum amount for the reimbursement of expenses for training and further training measures. Conversely, there is no quantified maximum remuneration figure for the members of the Supervisory Board.
- The amount and structure of the Supervisory Board remuneration is in line with the market and enables the company to continue to be able to recruit qualified candidates for the Supervisory Board in the future. This is a prerequisite for the best possible exercise of the advisory and monitoring activities by the Supervisory Board, which in turn makes a significant contribution to the promotion of the business strategy and the long-term development of the company.
- The fixed remuneration is due for payment at the end of the respective financial year. The performance-related remuneration is due at the time of a corresponding resolution of the Annual General Meeting on the appropriation of the balance sheet profit. There are no deferral periods for the payment of remuneration components.
- The remuneration of the members of the Supervisory Board is conclusively regulated in the Articles of Association; there are no ancillary or supplementary agreements. Remuneration is linked to the duration of the appointment as a member of the Supervisory Board. If members of the Supervisory Board resign from the Supervisory Board or one of its committees during the course of a financial year, they shall receive pro rata remuneration. There are no commitments to dismissal compensation, pension and early retirement schemes.

The following table shows the remuneration granted and owed to the members of the Supervisory Board in financial year 2021:

In EUR thousands	Fixed remuneration	in %[1]	remuneration Committee work	in %	Variable remuneration	in %	Total remuneration
Christoph Schweizer	**30**	**50%**	**30**	**50%**	**0**	**0**	**60**
(2020)	30	50%	30	50%	0	0	60
Dr Stephan Zizala	**23**	**50%**	**23**	**50%**	**0**	**0**	**45**
(2020)	23	50%	23	50%	0	0	45
Michael Kowalski[2]	**8**	**50%**	**8**	**50%**	**0**	**0**	**15**
(2020)	15	50%	15	50%	0	0	30
Dr Stefan Krauss[3]	**8**	**50%**	**8**	**50%**	**0**	**0**	**15**
Chris Wu	**15**	**100%**	**-**	**-**	**0**	**0**	**15**
(2020)	15	100%	-	-	0	0	15
Petra Gaiselmann	**15**	**100%**	**-**	**-**	**0**	**0**	**15**
(2020)	15	100%	-	-	0	0	15
Jürgen Kammerer	**15**	**100%**	**-**	**-**	**0**	**0**	**15**
(2020)	15	100%	-	-	0	0	15
Total for 2021	**113**	**63%**	**68**	**37%**	**0**	**0**	**180**
(Total for 2020)	113	63%	68	37%	0	0	180

[1] Share of total remuneration
[2] Supervisory Board member until 25 June 2021
[3] Supervisory Board member since 25 June 2021

III. COMPARATIVE PRESENTATION OF EARNINGS PERFORMANCE AND ANNUAL REMUNERATION

In accordance with Section 162 (1) sentence 2 no. 2 AktG, the following table shows SCHWEIZER'S earnings performance, the annual change in remuneration of the members of the Executive Board and the Supervisory Board as well as the annual change in the average remuneration of employees on a full-time basis over the last five financial years.

The earnings performance is shown using the Group's EBITDA figure. As a key performance indicator, the Group EBITDA is also part of the financial objectives of the MSTI and thus has a significant influence on the amount of remuneration paid to the members of the Executive Board. In addition, the development of Schweizer Electronic AG's net income for the year is presented.

For the members of the Executive Board and the Supervisory Board, the remuneration granted and owed in the respective financial year within the meaning of Section 162 (1) sentence 1 AktG is presented.

For the presentation of the average remuneration of employees, SCHWEIZER'S workforce in Germany (including trainees) is used, which included an average of 517 employees (full-time) in the 2021 financial year. In comparison, the SCHWEIZER Group had around 1,100 employees and trainees worldwide as of 31 December 2021. The average remuneration of employees includes personnel expenses for wages and salaries, for fringe benefits, for employer contributions to social security and for any short-term variable remuneration components attributable to the financial year. Thus, consistent with the remuneration reported for the Executive Board and the Supervisory Board, employee remuneration also complies in principle with the remuneration components granted and owed as defined in Section 162 (1) sentence 1 AktG.

The following table shows the values in a manner that allows comparison:

Financial year	2017	2018	Change in %	2019	Change in %	2020	Change in %	2021	Change in %
Earnings performance (in EUR millions)									
EBITDA[1]	8.4	9.2	+10%	0.1	-99%	-9.5	n/a	-8.5	+11%
Net income for the year in accordance with HGB[2]	5.1	3.1	-39%	-2.8	-190%	-9.1	n/a	+2.8	n/a
Average employee remuneration (in EUR thousands)									
Employees in Germany	57	58	+2%	53[3]	-9%[3]	60[4]	+12%[4]	63[5]	+7%[5]
Executive Board remuneration[6] (in EUR thousands)									
Nicolas-Fabian Schweizer Chair of the Board since 9 April 2020	617	443	-28%	563	+27%	385[7]	-32%[7]	415	+8%
Marc Bunz Deputy Chair of the Board since 9 April 2020	637	421	-34%	535	+27%	367[7]	-31%[7]	394	+7%
Supervisory Board remuneration (in EUR thousands)									
Christoph Schweizer Deputy Chair of the Supervisory Board and the Personnel and Finance Committee until 7 July 2017. Chair of the Supervisory Board and the Personnel and Finance Committee since 28 June 2019	23	-	-	30	-	60	+100%	60	0%
Dr. Stephan Zizala Deputy Chair of the Supervisory Board and the Personnel and Finance Committee since 7 July 2017	30	45	+50%	45	0%	45	0%	45	0%
Dr. Stefan Krauss Member of the Supervisory Board and the Personnel and Finance Committee since 25 June 2021	-	-	-	-	-	-	-	15	-
Michael Kowalski Chair of the Supervisory Board and the Personnel and Finance Committee until 28 June 2019. Member of the Supervisory Board and the Personnel and Finance Committee from 28 June 2019 to 25 June 2021	60	60	0%	45	-25%	30	-33%	15	-50%
Chris Wu Member of the Supervisory Board since 7 July 2017	8	15	+100%	15	0%	15	0%	15	0%
Petra Gaiselmann Member of the Supervisory Board since 28 June 2019	-	-	-	8	-	15	+100%	15	0%
Jürgen Kammerer Member of the Supervisory Board since 28 June 2019	-	-	-	8	-	15	+100%	15	0%

[1] Group EBITDA is a key performance criterion for determining the MSTI.
[2] The indicator net income for the year of Schweizer Electronic AG (German Commercial Code, HGB) is not relevant for the variable remuneration of the members of the Executive Board.
[3] Excluding short-time allowance (period of partial short-time work: March to July 2019).
[4] Excluding short-time allowance (period of partial short-time work: April to December 2020) | Voluntary waiver of fixed remuneration and special payments from some of the employees taken into account.
[5] Excluding short-time allowance (period of partial short-time work: January to February 2021).
[6] Fixed and variable remuneration components.
[7] Voluntary waiver of 30% of the contractually agreed fixed remuneration from April to June 2020

Schramberg, 11. April 2022

Schweizer Electronic AG

For the Executive Board		For the Supervisory Board
(Nicolas-Fabian Schweizer)	(Marc Bunz)	(Christoph Schweizer)

AUDIT OPINION

NOTE FROM THE INDEPENDENT AUDITOR ON THE AUDIT OF THE REMUNERATION REPORT PURSUANT TO SECTION 162(3) AKTG (IDW PS 870)

To Schweizer Electronic AG

Audit opinion

We have formally examined the remuneration report of Schweizer Electronic AG, Schramberg, for the financial year from 1 January to 31 December 2021 to determine whether the information pursuant to Section 162(1) and (2) of the German Stock Corporation Act (AktG) was provided in the remuneration report. In accordance with Section 162(3) AktG, we have not audited the content of the remuneration report.

In our opinion, the information pursuant to Section 162(1) and (2) AktG has been provided in all material respects in the attached remuneration report. Our audit opinion does not extend to the content of the remuneration report.

Basis for the audit opinion

We conducted our audit of the remuneration report pursuant to Section 162(3) of the German Stock Corporation Act (AktG), taking into account the IDW auditing standard: The remuneration report was reviewed pursuant to Section 162 (3) AktG (IDW PS 870). Our responsibility under this regulation and this standard is further described in the "Responsibility of the auditor" section of our report. As the auditing practice, we applied the requirements of the IDW quality assurance standard: Requirements for quality control in audit firms (IDW QS 1). We have complied with the professional duties in accordance with the German Public Auditors' Ordinance and the professional statutes for auditors/sworn accountants, including the requirements for independence.

Responsibility of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board are responsible for preparing the remuneration report, including the related information, which complies with the requirements of Section 162 AktG. In addition, they are responsible for the internal controls that they have determined to be necessary to permit the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable certainty whether the information pursuant to Section 162(1) and (2) AktG has been provided in all material respects in the remuneration report and to issue an audit opinion in a note on this.

We planned and performed our audit in such a way that we were able to determine the formal completeness of the remuneration report by comparing the information provided in the remuneration report with the information required in Section 162(1) and (2) AktG. In accordance with Section 162(3) AktG, we have not audited the accuracy of the content of the information, the completeness of the content of the individual disclosures or the appropriate presentation of the remuneration report.

Freiburg im Breisgau, 14 April 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft [Audit firm]

Nietzer	Busser
Auditor	Auditor

INFOR-
MATION

CONTENTS

FINANCIAL GLOSSARY

AKTG
Abbreviation for the "Aktiengesetz", 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.

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).

p^2 PACK TECHNOLOGY
Innovative technology for manufacturing power electronics, with integrated power semiconductors.

μ^2 PACK TECHNOLOGY
Innovative technology for manufacturing logic & sensor electronics, with integrated semiconductors of any complexity.

SIC
SiC stands for silicon carbide.

LEGAL NOTICE

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In this report, Schweizer Electronic AG is also referred to as SCHWEIZER .
In this report, Meiko Electronics Co., Ltd. is also referred to as Meiko.
In this report, WUS Printed Circuit (Kunshan) Co., Ltd. is also referred to as WUS.
All figures are rounded, which can lead to minor deviations when these are added up.

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SAFE HARBOUR STATEMENT

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