



cicor

cicor

Annual Report 2018

READY FOR THE FUTURE

THE NEW CICOR PRODUCTION SITE IN ROMANIA

Romania has been one of the fastest-growing economies in Europe since its economic opening in the early 1990s and in particular after its accession to the European Union (EU) in 2007. The Cicor site in Arad was founded in 1996 and today, 23 years later, employs over 700 people at a new, best-in-class production facility.

As a globally active electronics manufacturer, the Cicor Group is responsible for the engineering and production of numerous electronic substrates, assemblies and systems for leading technology companies. As a reliable partner, Cicor offers engineering services, high-quality printed circuit boards, hybrid circuits, printed electronics, electronics assembly, tool design and fabrication as well as plastic injection molding and box building from a single source. Cicor produces at ten locations worldwide – from market to market.



«With the combination of the newly established sites in Bronschhofen and Arad, Cicor has the most modern electronics contract manufacturing facility in Europe.»

ABOUT US

CICOR – YOUR TECHNOLOGY PARTNER

The Cicor Group is a globally active engineering and manufacturing partner with innovative technology solutions for the electronics industry. With about 2000 employees at ten production sites, Cicor offers highly complex printed circuit boards, hybrid circuits and printed electronics as well as comprehensive electronic manufacturing services (EMS) including microelectronic assembly and plastic injection molding.

Cicor supplies customized products and services from design to the finished product from one source.

The shares of Cicor Technologies Ltd. are listed on the SIX Swiss Exchange (CICN).

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KEY FIGURES

in CHF 1 000 unless otherwise specified	2015	in %	2016	in %	2017	in %	2018	in %
Net sales	180 612	100.0	189 494	100.0	216 728	100.0	248 115	100.0
Change compared to previous year (%)	-10.8		4.9		14.4		14.5	
EBITDA before restructuring costs ¹⁾	12 117	6.7	12 612	6.7	19 243	8.9	24 630	9.9
Change compared to previous year (%)	-38.4		4.1		52.6		28.0	
Operating profit before restructuring costs (EBIT) ²⁾	3 066	1.7	4 072	2.1	10 505	4.8	15 234	6.1
Restructuring costs	-4 718	-2.6	-1 145	-0.6	-	0.0	-	0.0
Operating profit (EBIT)	-1 652	-0.9	2 927	1.5	10 505	4.8	15 234	6.1
Earnings before taxes (EBT)	-3 811	-2.1	1 088	0.6	8 633	4.0	13 043	5.3
Income taxes	-245	-0.1	-830	-0.4	-1 979	-0.9	-3 403	-1.4
Net profit before restructuring costs ³⁾	662	0.4	1 403	0.7	6 654	3.1	9 640	3.9
Net profit/(loss)	-4 056	-2.2	258	0.1	6 654	3.1	9 640	3.9
Earnings per share (in CHF)	-1.37		0.09		2.29		3.32	
Number of employees (FTEs at end of period)	1 958		1 841		1 924		2 029	

Division results	2015	in %	2016	in %	2017	in %	2018	in %
AMS Division								
- Sales	49 510	100.0	42 844	100.0	52 972	100.0	62 977	100.0
- EBITDA before restructuring	4 907	9.9	2 583	6.0	8 430	15.9	12 036	19.1
ES Division								
- Sales	131 578	100.0	146 650	100.0	163 856	100.0	185 176	100.0
- EBITDA before restructuring	9 380	7.1	11 568	7.9	13 442	8.2	14 868	8.0

¹⁾ EBITDA before restructuring costs: Earnings before interest, taxes, depreciation and amortization adjusted by restructuring costs

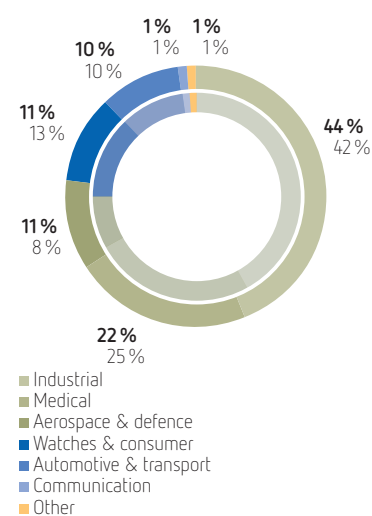
²⁾ Operating profit before restructuring costs (EBIT): Earnings before interest and taxes adjusted by restructuring costs

³⁾ Net profit before restructuring costs: Net profit adjusted by restructuring costs

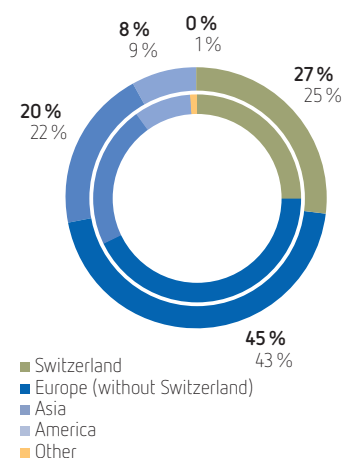
2018 / 2017

NET SALES

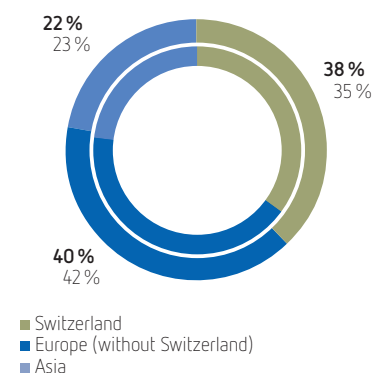
BY INDUSTRY



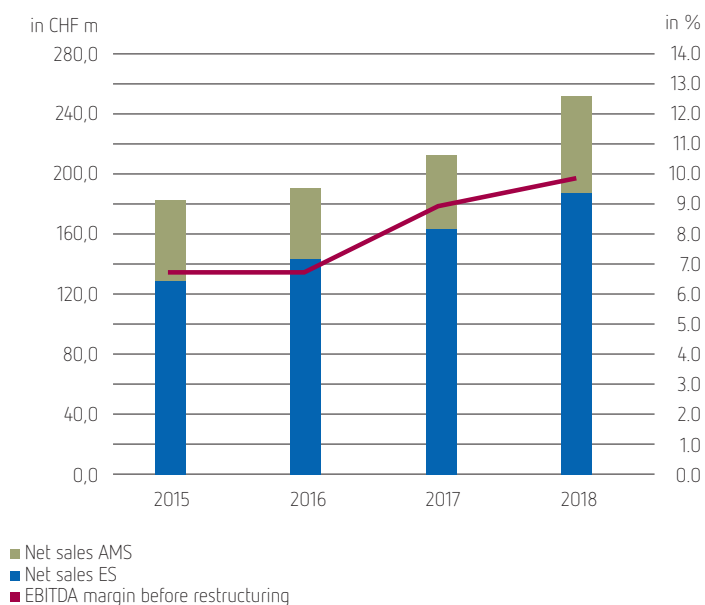
BY EXPORT REGION



BY PRODUCTION REGION



NET SALES BY DIVISION AND EBITDA MARGIN BEFORE RESTRUCTURING



in CHF 1 000 unless otherwise specified	31.12.2015	in %	31.12.2016	in %	31.12.2017	in %	31.12.2018	in %
Non-current assets	49 910	33.0	49 788	31.9	48 606	28.7	56 924	29.3
Current assets	101 404	67.0	106 527	68.1	120 443	71.3	137 282	70.7
Total assets	151 314	100.0	156 315	100.0	169 049	100.0	194 206	100.0
Equity	59 700	39.5	60 193	38.5	68 692	40.7	75 137	38.7
Financial liabilities	48 315	31.9	48 978	31.3	48 880	28.9	57 823	29.8
Cash and cash equivalents	27 681	18.3	27 441	17.5	29 300	17.3	29 843	15.4
Net debt *)	20 534	13.6	21 537	13.8	19 580	11.6	27 980	14.4
Gearing ratio (net debt in % of equity)	34.4		35.8		28.5		37.2	
Inventories	41 459	27.4	43 860	28.1	51 776	30.6	59 213	30.5
Trade receivables	27 791	18.4	31 916	20.4	34 147	20.2	41 994	21.6
Trade payables	-21 831	-14.4	-26 909	-17.2	-28 130	-16.6	-32 365	-16.7
Net working capital	47 419	31.3	48 867	31.3	57 793	34.2	68 842	35.4
in % of sales	26.3		25.8		26.7		27.7	
Additions tangible assets	8 453		8 362		8 392		18 831	
in % of sales	4.7		4.4		3.9		7.6	

*) Net debt: Financial liabilities less cash and cash equivalents

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CICOR GROUP

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CICOR TECHNOLOGIES LTD.

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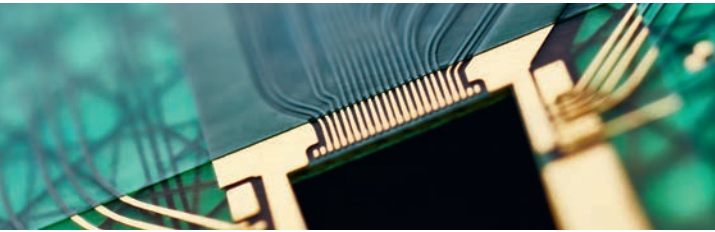
«In an ever-changing world, speed is of the essence. Fast decisions and fast action allow us to grow from year to year.»

George, Product manager, Cicor Arad

MANAGEMENT REPORT

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PRODUCTS AND SERVICES



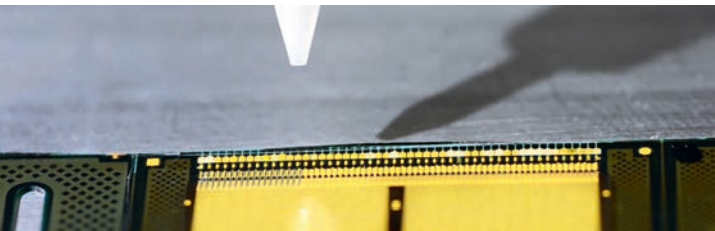
■ PRINTED CIRCUIT BOARDS (PCBs)

The Cicor site in Boudry (Switzerland) is a PCB manufacturer specialized in sophisticated applications and miniaturized circuits in all three dimensions. The site develops and produces high-quality rigid, rigid-flexible and flexible PCBs, focusing on high- and ultra-high density interconnects.



■ HYBRID CIRCUITS

With its sites in Radeberg (Germany), Ulm (Germany) and Wangs (Switzerland), Cicor is a leading manufacturer of high-quality thin- and thick-film substrates. Thick-film technology is a sophisticated technology for the production of circuit boards that has been used for decades. Thin-film technology is used in cases where cheaper technologies cannot provide an adequate technical solution.



■ PRINTED ELECTRONICS

The Cicor site in Bronschhofen (Switzerland) offers printed electronics with a unique printing technology which enables a wide range of conductive, non-conductive and biocompatible materials to be printed on a wide range of substrates and forms. In addition, new opportunities exist for interconnect technologies that lead to performance improvements and cost optimization.

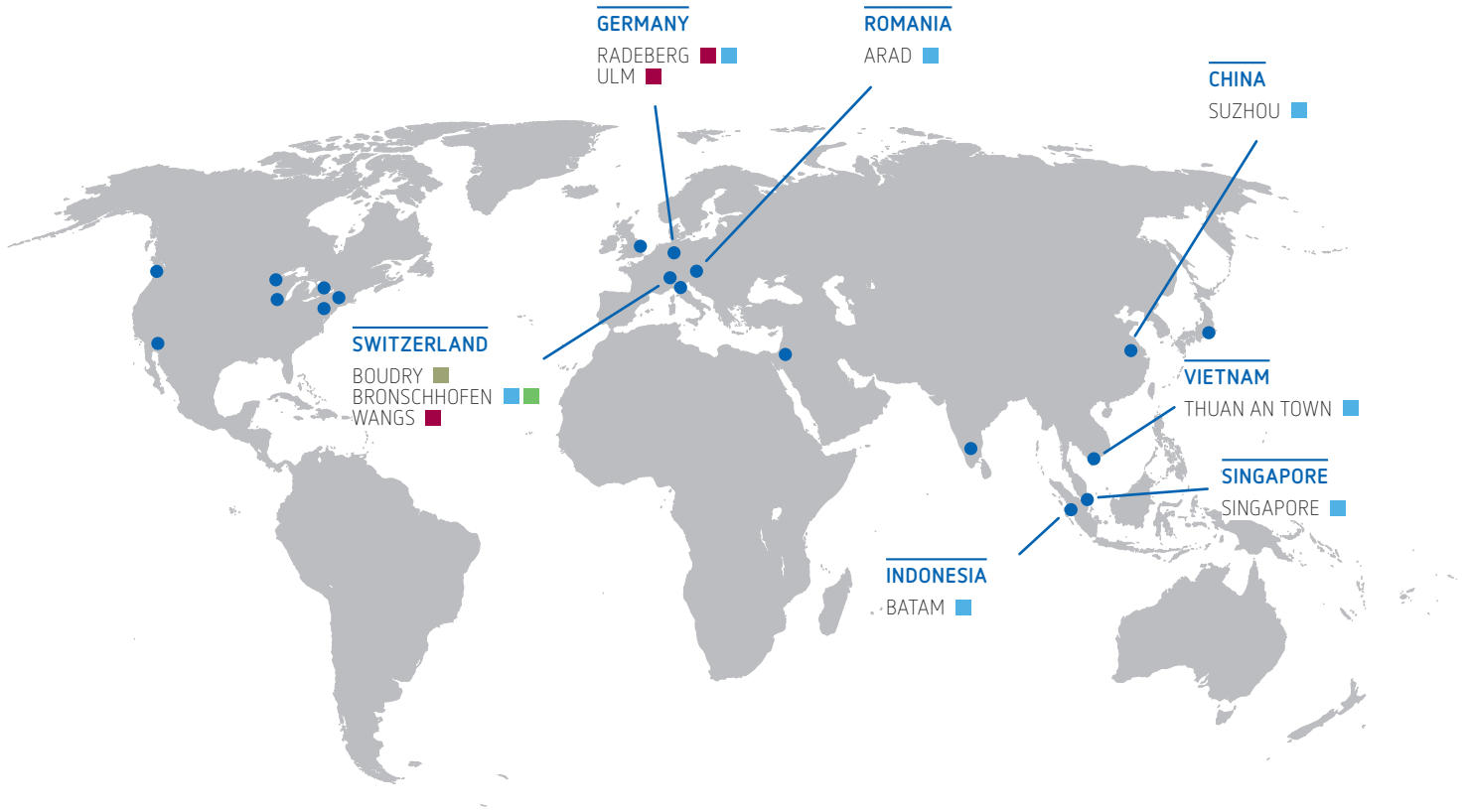


■ ELECTRONIC MANUFACTURING SERVICES (EMS)

The production sites in Bronschhofen (Switzerland), Arad (Romania), Radeberg (Germany), Singapore (Singapore), Suzhou (China), Batam (Indonesia) and Thuan An Town (Vietnam) are service providers in hardware and software development, as well as manufacturers of electronic components, devices and systems. With a wide range of production capabilities in the areas of printed circuit board assembly, microelectronic assembly, box building and system assembly, control cabinet construction as well as cable assembly, tool design and fabrication and plastic injection molding, Cicor offers outsourcing solutions from the idea to the finished product.

● CICOR SALES OFFICES AND REPRESENTATIVES

The keys to success for Cicor are its global positioning and proximity to its customers. With a range of sales offices and representatives in the focus countries, Cicor ensures a consistently high level of service quality throughout the entire product life cycle.



● Cicor sales offices and representatives

Production sites

- Printed circuit boards (PCBs)
- Hybrid circuits
- Printed electronics
- Electronic manufacturing services (EMS)

«Cicor supplies customized products and services from design to the finished product from one source.»

DEAR SHAREHOLDERS

The 2018 reporting year at Cicor was marked by a high growth and successful project implementation. With a strong end-of-year position, expectations for sales and operating profitability for the whole year were exceeded with new maximum figures. The new factory in Arad (Romania) was completed on time and within budget, whilst the cost of moving was considerably under budget. Cicor enters the new year well, driven by an order book filled to record levels as well as strategic projects for the future.



In 2018, Cicor continued the rate of growth of the previous year. With CHF 248.1 million, sales increased after an extremely strong second half-year by 14.5 percent compared with the previous year (2017: CHF 216.7 million). The gains in market share achieved in a flagging economic environment are due to important new projects and customers plus improved delivery capabilities in the second half-year. This was in spite of the factory move in Arad (Romania) and the shortage of certain electrical components. New orders valued at an astonishing CHF 277.8 million (2017: CHF 235.5 million) reflect both the strength of Cicor and the fact that customers are ordering to meet their needs further into the future. With a book-to-bill ratio (order intake in relation to sales) of 1.12, business is expected to remain good in 2019.

Thanks to further increases in employee productivity, only moderate increases in overheads and better capacity utilization overall, the operating profit at EBIT level has grown by 45.0 percent to CHF 15.2 million (2017: CHF 10.5 million), corresponding to an EBIT margin of 6.1% (2017: 4.8%). At a slightly lower level, i.e. by 44.9 percent, net profit has grown to CHF 9.6 million (2017: CHF 6.7 million), which is mainly due to a greater tax burden.

«While in 2017, the Advanced Microelectronics and Substrates Division was still at a turnaround stage, AMS was able to realize its full potential in 2018.»

FURTHER GROWTH IN STRATEGIC CORE MARKETS

Cicor, Switzerland's leading electronics service provider, is focusing on markets with highest technological and quality requirements. Its main markets are industrial, medical, aerospace and defence. Sales achieved in these markets has grown disproportionately by 18.7%, corresponding to a sales share of 77.0 percent (2017: 74.4 percent). This means that these applications – which represent a major potential differentiation advantage for Cicor – are once again the growth drivers for the Group. As for the other markets, sales grew only slightly by 2.2%. However, Cicor sees potential in special applications such as motor vehicles, communication devices, high-frequency substrates and assemblies for 5G mobile networks.

Whereas growth in 2017 was still mainly in America and Asia, in 2018 Cicor grew particularly in Switzerland and Europe. Switzerland, the domestic market, grew disproportionately strongly, with a sales share of 27 percent (2017: 25 percent), like the rest of Europe with a share of 45 percent (2017: 43 percent). Overall, therefore, shipments to Switzerland and the rest of Europe has grown by 22% compared with the previous year. By way of contrast, the contribution to sales from America and Asia hardly changed at all, which led to a fall in America's sales share to 8 percent (2017: 9 percent) and Asia's share to 20 percent (2017: 22 percent).

RAPID GROWTH IN THE AMS DIVISION

While in 2017, the Advanced Microelectronics and Substrates Division (AMS) was still at a turnaround stage. AMS was able to realize its full potential in 2018: technological leadership and professional market development activities have enabled sales growth by 18.9% to CHF 63.0 million, further increasing the share of Group sales to 25.4 percent (2017: 24.4 percent). The operating profit at EBIT level has grown by 81.8% to CHF 7.6 million (2017: CHF 4.2 m), brought about by improvements in production processes and increased factory capacity utilization. The EBIT margin increased to 12.1% (2017: 7.9%) which clearly demonstrates the margin potential of these hi-tech businesses.

The supply agreement reached in December 2018 for the manufacture of thin-film substrates with a renowned European aerospace company, with a total volume of over CHF 20 million for the 2019 to 2024 period, confirms the top technological position of the AMS Division in the market. Investments in technological development and the production site are to extend the company's market lead, improve production processes and eliminate capacity bottlenecks. The lack of availability of qualified personnel in all areas has an obstructive effect, which in turn has prevented even greater growth at the four sites in Switzerland and Germany.

The further strategic development of Cicor in the field of advanced microelectronics and substrates will continue to be very significant in the future, especially since Cicor can make material contributions here to advances in medical, sensor, satellite, and communication technology.

ES DIVISION – FIT FOR THE FUTURE

Implementing major strategic projects whilst at the same time achieving two-figure growth against a background of electronic component shortages had a clear effect on the Electronic Solutions Division. This balancing act between conflicting requirements was very successful, which is reflected in the positive operating performance: after a significant acceleration in the second half-year, ES

increased sales in the reporting year by 13.0% to CHF 185.2 million (2017: CHF 163.9 million). This was helped by the company's ability to continue shipments to customers during the factory move in Arad (Romania) with hardly any changes to delivery volumes and also by the acceleration of business in Asia in the second half-year. As for the operating profit at EBIT level, the decline in the first half-year was more than compensated for. An increase by 10.3% to CHF 9.9 million was achieved (2017: CHF 9.0 million). The EBIT margin declined because of lower-than-expected project costs for the move to the new building in Arad (Romania), only by 0.1 percentage points to 5.4% (2017: 5.5%).

A highlight for the ES Division in 2018 was the move into the new building in Arad (Romania). This means that significantly increased capacities are now available with ideal processes which, in conjunction with the recently (2016) constructed site in Bronschhofen (Switzerland), represent the most modern electronics contract manufacturing facility in Europe.

A further step toward a globally best-in-class electronics manufacturing facility is represented by the expansion of the Batam site (Indonesia) to become a competence center for precision plastic injection molding. Merging the plastic injection molding facilities, currently in Singapore and Batam (Indonesia), to one site in Batam (Indonesia) whilst at the same time investing in increasing precision and component finishing bolsters the position of Cicor as a supplier of electronic and electromechanical assemblies, especially in the field of medical technology. With the launch of SAP at the Batam site (Indonesia) in the first half of 2019, more than 90 percent of the division's future sales will be managed via a modern integrated IT platform.

Thanks to major efforts by the purchasing team, problems caused by the shortage of electronic components were effectively cushioned overall. Production stoppages at customers could be avoided – which is always the first priority. To achieve this level of supply reliability, the company decided consciously to accept slightly higher material costs, and especially to build up higher stocks of raw materials. Customer service is top priority for Cicor and we are convinced that this attitude will pay dividends for the company.

FURTHER OPERATIONAL AND TECHNOLOGICAL ADVANCES IN 2018

Customers clearly recognize the progress made by Cicor in recent years. Today, Cicor is being recognized in a dynamic market environment as an agile and customer-orientated supplier of top-level technology and maximum quality. Operating performance was still improved further. Sales per employee has grown in the reporting year by a further 10%, which represents a cumulative production progress in the last three years of 35%.

Cicor's status as a leader in technology is being acknowledged for the future as a material differentiating characteristic when compared with the competition. As DenciTec® is regarded as printed circuit board technology with the smallest possible structural dimensions, Cicor is now pressing ahead into the market for printed electronics. As the first service provider in Europe and one of the first in the world, Cicor in Bronschhofen (Switzerland) is constructing an application laboratory for aerosol jet printing (AJP), which will be ready for operation in just a few weeks. With AJP, it is possible to print miniaturized structures with a wide variety of metallic, non-metal, and even organic or biocompatible materials on a broad range of substrate materials. Interest in the market for this new service, which represents an ideal addition to Cicor's services hitherto, is extremely high and the first series projects are being quality-tested.

SOLID BALANCE SHEET DESPITE MAJOR INVESTMENTS

Net working capital (NWC) has grown significantly in 2018 by 19% to CHF 68.8 million (2017: CHF 57.8 million), which was essentially because of a rise in receivables from customers after the extremely strong final quarter and as a result of higher stock levels to ensure supply capability in a market affected by component shortages. Because of this, it was not possible to finance the very high new investments of CHF 19.4 million (2017: CHF 8.4 million) for the new building in Arad (Romania) fully from operational cash flow. A negative free cash flow of CHF –6.6 million (2017: CHF +2.7 million) was the result.

Even so, net debt in relation to the operating profit at EBITDA level was kept to the low figure of 1.1 – practically unchanged from the previous year (2017: 1.0). Cicor Group equity has grown by 9% to CHF 75.1 million (2017: CHF 68.7 million). The balance sheet total has grown by 15 percent to CHF 194.2 million (2017: CHF 169.0 million). This led to a slight reduction in the equity ratio to 38.7% (2017: 40.7%).

«Cicor is recognized in a dynamic market environment as an agile and customer-orientated supplier of top-level technology and maximum quality.»

RISING PROFIT DISTRIBUTION PROPOSED

On the basis of the significantly increased results in the 2018 business year, the healthy balance sheet profile and the positive future business prospects, the profit distribution is to be considerably increased compared to the previous year in order to allow Cicor shareholders to share in the profit through tax-exempt distributions from reserves of capital contributions. For this reason, the Board of Directors will propose to the General Meeting scheduled for 16 April, 2019 that a distribution be made from the reserves of capital contributions amounting to CHF 1.00 per share (2017: CHF 0.70 per share). This represents 30 percent of the Group's net profit.

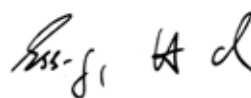
POSITIVE OUTLOOK DESPITE WEAKER GLOBAL ECONOMY

Cicor made a good start in the new business year. Because of the high level of orders at the beginning of the year, the Group expects sales to grow slightly in 2019, even though the global economy is slowing significantly.

In the medium term, Cicor aims to achieve annual sales growth in excess of the growth in global electronics production. This growth is to be achieved predominantly in the target markets of industrial, medical, aerospace and defence, even if additional input from communications technology, with the launch of 5G mobile networks, and from automotive technology, with the increased use of complex sensory technology, is anticipated.

The long-term EBIT margin target of Cicor Group lies in the 6–8% bandwidth, as already stated. In 2019, growth beyond the EBIT margin achieved in the 2018 reporting year is expected. This is also due to the elimination of the one-off expenses from the site relocation in Arad (Romania) and also due to the anticipated operating progress to be made by Cicor Asia.

On behalf of the Cicor Board of Directors and Group Management, we thank everyone for their valuable contributions to the successes in the 2018 business year and we thank our employees for their major commitment, our customers for their loyalty, and our shareholders and business partners for their trust.



Heinrich J. Essing
President of the Board of Directors



Alexander Hagemann
CEO

CICOR SHARES

NUMBER OF SHARES

Number of shares as at 31 December	2014	2015	2016	2017	2018
Share capital	28 920 920	29 020 920	29 020 920	29 020 920	29 020 920
Number of registered shares issued	2 892 092	2 902 092	2 902 092	2 902 092	2 902 092
Par value of registered shares (in CHF)	10.00	10.00	10.00	10.00	10.00
Of which treasury shares	1 500	1 500	1 500	–	3 000
Number of outstanding registered shares	2 890 592	2 900 592	2 900 592	2 902 092	2 899 092

KEY FIGURES PER SHARES

Key figures as at 31 December	2014	2015	2016	2017	2018
Profit/(loss) per share (in CHF)	2.39	–1.37	0.09	2.29	3.32
Equity capital per share (in CHF)	23.35	20.61	20.75	23.67	25.90
Gross dividend (in CHF)*	866 278	1 040 613	–	–	2 031 464

*Distribution from capital contribution reserves

SHARE PRICE

Stock market price in CHF per share	2014	2015	2016	2017	2018
High	38.90	38.00	30.50	60.50	80.60
Low	31.60	22.65	18.40	27.60	35.40
Year-end	35.55	25.20	27.90	60.50	39.40
Average number of shares traded per day	3 344	2 402	1 383	4 675	4 111
Market capitalization at year-end (in CHF 1 000)	102 761	73 095	80 927	175 577	114 224

The registered shares of Cikor Technologies Ltd. are traded on the domestic segment on the SIX Swiss Exchange in Zurich. Securities symbol: CICN/sec. no.: 870 219/ISIN Code CH0008702190/Bloomberg: CICN SW/Reuters: CICN.S..

SHARE PRICE PERFORMANCE



CALENDAR AND CONTACTS

MAJOR SHAREHOLDERS

The following shareholders, known to Cicor Technologies Ltd. from its share register and from published disclosures of shareholdings in the "Swiss Official Gazette of Commerce" (SOGC), each held more than 3% of the total outstanding shares as at 31 December 2018:

HEB Swiss Investment AG	29.38 %
LLB (Swiss) Investment AG	4.43 %
Escatec Holdings Ltd.	3.84 %
Free float (according to SIX Swiss Exchange)	62.35 %

OVERVIEW OF SHAREHOLDERS AS PER SHARE REGISTER AS AT 31 DECEMBER 2018

Shares entered in the Register	2 314 985
Shareholders entered in the Register	989
Shareholders with 1–1,000 shares	862
Shareholders with 1,001–10,000 shares	108
Shareholders with 10,001 and more shares	19

DIVIDEND POLICY

Cicor pursues a dividend policy that allows shareholders to participate in the company's success and at the same time strengthens the equity base for further growth. The Board of Directors proposes dividend payments in line with the business's long-term and sustainable development, taking into account investments to be made into growth and the further development of the Group.

AGENDA

Financial calendar

General Assembly 2019: 16 April 2019

Half-Year Report 2019: 15 August 2019

Annual Report 2019: March 2020

COMMUNICATION

Cicor Technologies Ltd. follows an open and transparent information policy in the interests of its shareholders and the general public. In its periodic and ad hoc reporting, the company is committed to equal treatment in terms of timing and content of all shareholders and members of the public who take an interest in the company's business.

The Group informs its shareholders, the media, financial analysts and other interested parties through the following publications and communication instruments: annual report, half-year report, investor and media presentations and press releases. Price-sensitive events are published on an ad hoc basis. Additional information about Cicor Technologies Ltd. and its subsidiaries can be found on the Group's website at www.cicor.com.

The company can be contacted at any time at investor@cicor.com or media@cicor.com. Interested parties can also sign up to a mailing list on the website to receive all new press releases immediately.

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THE NEW CICOR PRODUCTION SITE IN ROMANIA

The Cicor production site in Arad (Romania) offers comprehensive services for the manufacture of electronic components, devices and systems. Since its foundation 23 years ago, the site has grown strongly. Especially after 2013, the plant achieved annual growth rates of 20% and more. Since this positive development meant that capacity bottlenecks and space problems in production and warehousing were foreseeable, the Cicor Group managers were able to look for possible solutions at an early stage.

The size of the property made further expansion plans at the existing location impossible. The search for a suitable property which could be acquired for a realistic purchase price was started. In order to retain loyal employees and make the move more efficient, the new factory was to be built near the existing site if possible. A further criterion was the size of the property, which, in addition to providing sufficient space for the new building, should also offer the opportunity for future expansion.

The new property optimally meets all the above requirements. It is located in the same industrial area and is only 200 meters away from the old location linear distance. In addition, the building land reserve would allow a future expansion in the form of a doubling of the current building area.

CONSTRUCTION TIME LESS THAN ONE YEAR

After the planning phase, the ground-breaking ceremony took place at the beginning of September 2017. Although construction over the winter period in this region of Romania usually brings additional challenges due to the climatic conditions, the ambitious schedule envisaged completion of the building in June 2018. The whole team around the project manager, who was involved in the construction, did everything in their power to make up for the weather-related delays and also to take into account Cicor's requests for changes. This was achieved thanks to a very impressive team effort.



At the end of June 2018, the new building was finally handed over to the Cicor Group on time. Thanks to strict cost control during construction, the work was not only completed on schedule, but also within the defined budget of a high single-digit million euro amount.

The result is a modern industrial building with a total area of 13,500 m². This corresponds to 7,400 m² total production area, 3,100 m² warehouse and logistics space, 1,500 m² office space as well as 1,500 m² for technical and social rooms. The energy efficiency class A building was already optimized in the planning phase specifically for electronics production and its logistics requirements and has all the functions required to operate a modern production environment. It is fully air-conditioned and equipped with LED lighting, water-cooled chillers, air conditioning, air humidification systems and state-of-the-art building management systems.



MOVE DURING ONGOING PRODUCTION

Since all those responsible were aware that the move of the entire building during ongoing operations would be a major challenge, the corresponding planning for the moving of the production plant was started at the beginning of 2018. A dedicated internal project manager monitored all activities and was also able to benefit from the experience gained at the Bronschhofen site (Switzerland). Only two years ago, the Swiss colleagues had moved their site to a new building without interrupting production.

One production line after the other was stopped, dismantled, transferred to the new building, installed and validated before production could resume. During the move, a backup line took over the production load of the equipment, which was currently in transfer. In this way, the Arad team was able to move the equipment and continue production without interruption. The biggest challenge during this time was to ensure material availability for production in both sites. The entire move was carried out in July and August 2018 as planned within two months.

ADDED VALUE FOR CICOR CUSTOMERS

With the move to the new plant in Arad, significantly increased capacities with optimal production and logistics processes are now available. There is enough space for future development steps with existing and new customers. The building layout is flexible and offers the possibility of increasing production capacities or introducing new technologies on site as required. All process steps in electronics manufacturing are carried out reliably and efficiently under one roof. Together with the engineering and production site in Bronschhofen (Switzerland), which was newly established two years ago, the Cicor Electronic Solutions Division is now the most modern electronics contract manufacturing partner in Europe. With the electronics site in Thuan An Town (Vietnam) and the ongoing expansion of the Batam site (Indonesia) into a competence center for precision plastic injection molding, Cicor is further strengthening its position as a leading provider for electronic and electromechanical components and systems.



« We have succeeded in increasing employee efficiency by better organizing the workplace and improving communication with other departments. »

Cristina, Purchasing coordinator, Cicor Arad

CORPORATE GOVERNANCE

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1 GROUP STRUCTURE AND SHAREHOLDERS

Cicor Technologies Ltd. is committed to meeting the high standards of Corporate Governance that seek to balance entrepreneurship, control and transparency whilst ensuring efficient decision-making processes.

This report explains how the management and control of the Company are organized and provides background information on the Group's executive officers and bodies, effective 31 December 2018. The report complies with the SIX Swiss Exchange Directive on Information relating to Corporate Governance. In addition, the report considers Cicor Technologies Ltd.'s Articles of Incorporation as well as the Company's organization regulation.

In the following Corporate Governance Report, the terms "Cicor" and "Company" shall be used alternatively to "Cicor Technologies Ltd." and the term "Group" for the company and its subsidiaries.

1.1 GROUP STRUCTURE

Cicor Technologies Ltd. is registered in Boudry, Switzerland, and is operationally organized into the AMS and ES Divisions. Cicor Technologies Ltd. is the parent company and is listed on the SIX Swiss Exchange.

Market capitalization as of 31 December 2018	CHF 114.2 Mio.
Security symbol	CICN
Security number	870 219
ISIN	CH008702190

An overview on the Group's affiliated companies is shown on page 44.

1.2 PRINCIPAL SHAREHOLDERS

The following shareholdings correspond to the ones reported according to the regulations of the Swiss Stock Exchange (SIX Swiss Exchange) and updated as in the shares register per year-end:

	31.12.2018		31.12.2017	
	Shares	Total in %*)	Shares	Total in %*)
HEB Swiss Investment AG, Zurich, Switzerland	851 705	29.38	851 705	29.35
LLB (Swiss) Investment AG, Zurich, Switzerland	128 500	4.43	114 936	3.96
Escatec Holdings Ltd. Port Vila, Vanuatu	111 194	3.84	141 061	4.86
Quaero Capital (former ARGOS Funds), Luxembourg	–	< 3.00	162 435	5.6

*) in % of the total outstanding shares of the company

Cicor Technologies Ltd. has received no notice of any shareholders' agreement regarding its shares.

As of 31 December 2018, a total of 989 (previous year 866) shareholders with voting rights were registered in the share register of Cicor Technologies Ltd.

1.3 CROSS-SHAREHOLDINGS

Cicor Technologies Ltd. has no cross-shareholdings with any other company exceeding a reciprocal 3 % of capital or voting rights.

2 CAPITAL STRUCTURE

2.1 ORDINARY CAPITAL

As of 31 December 2018, the ordinary share capital of Cicor Technologies Ltd. is CHF 29 020 920 divided into 2 902 092 fully paid-in registered shares with a par value of CHF 10 each.

As of 31 December 2018, the company held 3 000 (previous year: none) of its own shares as treasury shares. For a detailed description, please refer to section 18 of the notes to the consolidated financial statements.

2.2 AUTHORIZED AND CONDITIONAL CAPITAL

Authorized capital

At the Shareholders' Meeting on 19 April 2018, the shareholders decided to renew the authorization of the Board of Directors to increase the share capital by a maximum of 600 000 fully paid-in shares at a nominal value of CHF 10 until 19 April 2020.

Conditional capital

At the Shareholders' Meeting of 13 May 2009, the shareholders decided to increase the conditional share capital up to 200 000 fully paid-in registered shares with a total nominal value up to CHF 2 000 000 for the exercise of stock option rights granted to officers and other key employees under an employee stock option plan established by the Board of Directors.

At the Shareholders' Meeting of 13 May 2009, the shareholders decided to create additional conditional share capital of up to 500 000 fully paid-in registered shares with a total nominal value of up to CHF 5 000 000 for the exercise of conversion rights granted to holders of convertible debt securities to be issued by the company. Such conversion rights would have to be exercised within five years of the issuance of such convertible debt securities.

2.3 CHANGES IN CAPITAL

The Company's share capital did not change during the last three years.

	31.12.2018	31.12.2017	31.12.2016
Ordinary Capital			
Registered shares	2 902 092	2 902 092	2 902 092
Ordinary share capital (in CHF)	29 020 920	29 020 920	29 020 920
Authorized share capital			
Authorized shares	600 000	600 000	600 000
Authorized share capital (in CHF)	6 000 000	6 000 000	6 000 000
Conditional share capital			
Conditional shares	620 670	620 670	620 670
Conditional share capital (in CHF)	6 206 700	6 206 700	6 206 700

2.4 SHARES AND PARTICIPATION CERTIFICATES

With the exception of the shares held by the Company itself, each ordinary share is entitled to the same share in the Company's assets and profits and bears one voting right at the Annual Shareholders' Meeting, provided the shareholder is registered with voting rights in the Company's share register.

Provided that a shareholder does not request the printing and delivery of share certificates for their investment, the shares of the Company are held in collective deposit at Computershare Schweiz AG rather than being issued as physical certificates. At the request of some shareholders, the Company has issued a number of physical certificates.

As of 31 December 2018, the Company has not issued any participation certificates.

2.5 PROFIT-SHARING CERTIFICATES

As of 31 December 2018, the Company has not issued any profit-sharing certificates.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

All shares of Cicor Technologies Ltd. are registered shares and freely transferable without any limitation. Entry in the Company's share register with voting rights requires evidence that the shares have been transferred for ownership or beneficial interest. There are no registration provisions for nominees. The share register is kept by the Computershare Schweiz AG.

2.7 CONVERTIBLE BONDS AND WARRANTS/OPTIONS

The Company has not issued any convertible bonds or similar equity-linked debt instruments as of 31 December 2018.

There are currently no stock option plans for members of the management in place.

3. BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

On 31 December 2018, the Board of Directors (Board) of the Company consisted of the following persons:

Name/Position/ Nationality	First election	Current term ends	Other significant board memberships
Heinrich J. Essing Chairman Non-executive, German	2009	2019	Managing Director of HEB Swiss Investment AG, Zürich, Member of the Advisory Board of HSBC Trinkaus & Burkhardt AG, Düsseldorf
Robert Demuth Non-executive, Swiss	2007	2019	None
Andreas Dill Non-executive, Swiss	2009	2019	None
Erich Haefeli Non-executive, Swiss	2015	2019	Owner and President of Mariposa Immobilien AG Owner and CEO of EC Executive Consulting AG

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

Information about other activities of the Board members in addition to their functions for Cikor Technologies Ltd. is listed in the table above. Unless otherwise described in the curriculum vitae, the non-executive members of the Board do not have any material business connections with the Group.

The Board is the highest executive instance within the Group Management structure and takes responsibility of the overall governance of the Company and the Group. It oversees the management of their affairs. The basic principles regarding the definition of the areas of responsibility between the Board and the Group Management are described in section 3.5.

3.3 ELECTIONS AND TERMS OF OFFICE

According to the Company's Articles of Incorporation, the Board consists of one or more members. The members of the Board as well as the Chairman of the Board are elected by the Annual Shareholders' Meeting for a term of office of one year. There are no limits as to how many times a member can be re-elected, or any upper age limit for election.

According to the Company's Articles of Incorporation, at least one member must be domiciled in Switzerland.

3.4 INTERNAL ORGANIZATIONAL STRUCTURE

The Board constitutes itself at its first meeting after the Annual Shareholders' Meeting except for the appointment of the Chairman of the Board and the members of the Remuneration Committee. It appoints if necessary its Vice Chairman, the Presidium and the Audit Committee as well as a Secretary, who does not need to be a member of the Board. The Board meets as often as the Company's affairs require or upon the written request of one of its members. The Board approves resolutions and holds elections with the majority of its votes.

The Chairman of the Board of Directors

The Chairman heads the meetings of the Board, the Presidium and the Shareholders' Meeting. He supervises the implementation of the resolutions passed by the Board and coordinates the work of the committees ensuring that the Board as a whole operates as an integrated, cohesive body. The currently elected Chairman of the Board of Directors is Heinrich J. Essing.

The Presidium

The Presidium consists of the Chairman of the Board and up to two additional designated Board members. The following members have been appointed to the Presidium:

- Heinrich J. Essing, Chairman
- Robert Demuth, Vice Chairman

It is the first priority of the Presidium to supervise the duties and functions undertaken by the CEO and CFO as well as the other members of the Group Management and to act as an intermediary between the Board and the officers entrusted with the management of the Group. The Presidium takes decisions on financial and other matters delegated by the Board in accordance with the regulations regarding the Delegation of Management. In particular, the Presidium is responsible for:



Andreas Dill

Born 1954, graduated as an electrical engineer (MEng) from the ETH Zürich. He started his professional career in the semiconductor industry at Zevatech AG where he took on various responsibilities from R+D engineer to General Manager. From 1998 to 2015, Andreas Dill has worked in various management positions at the Oerlikon Corporation, last as CEO of the Advanced Technologies Segment and a member of the Oerlikon Executive Committee. Andreas Dill is the owner of the Consulting Company Andreas Dill Strategic Business Consulting.



Heinrich J. Essing, Chairman

Born 1949, has acted as private secretary and manager of various family offices for more than 20 years. He is currently CEO of HEC Group and of its subsidiaries in Germany and abroad like Sydney. Heinrich J. Essing also acts as managing director of HEB Swiss Investment AG which is one of the Company's larger shareholders. Heinrich J. Essing is also a member of the Advisory Board of HSBC Trinkaus & Burkhardt AG, Düsseldorf.



Robert Demuth, Vice Chairman

Born 1947, holds a degree in mechanical engineering (dipl. Ing. HTL Maschinenbau) from the Hochschule für Technik & Architektur Luzern as well as an Executive MBA from the University of St.Gall. Robert Demuth started his career with Rieter before being appointed head of R&D of Bühler AG. Robert Demuth then served as CEO and delegate of Dyconex AG, a Swiss company active in the field of high-tech PCBs, MCMS and electronic interconnection technology. From 2005 to 2007, Robert Demuth held executive functions within the Group. Robert Demuth is owner of the Consulting Company Robert Demuth Industrial Investment Management.



Erich Haefeli

Born 1950, studied law at the University of Zurich. For many years, he headed the legal and patent department of OC Oerlikon Balzers AG and was also a member of the company's Executive Management. In addition, he served on the Board of Directors of many firms in the Oerlikon-Bührle Group, which is today the industrial group Oerlikon. Erich Haefeli is owner and President of Mariposa Immobilien AG, Buchs SG and owner and CEO of EC Executive Consulting AG, Vaduz.

- preparing resolutions of the Board and overseeing their implementation where this function is not carried out directly by the CEO or by a committee of the Board;
- planning for the replacement of outgoing members and evaluating candidates for positions on the Board;
- proposing to the Board for approval the members of the committees of the Board, the members of the Presidium, the CEO, the CFO, the members of the Group Management;
- appointing members to the Boards of subsidiaries and appointing the Unit Managers proposed by the CEO;
- discharging other duties in the area of Corporate Governance, where such duties are not assigned to a committee or committee of the Board under the revised regulations;
- supervising and performing the ad hoc and regular information requirements, especially under the SIX Swiss Exchange regulations and guidelines;
- approving expenditures, investments or divestments of property, plant and equipment whose total value exceeds CHF 0.5 million. In case of investments and divestments whose total value exceeds CHF 2 million, the Presidium submits a report and a proposal to the full Board.

In addition, the Presidium assists the Board on matters relating to finance, investment and capital assets and in evaluating risks pertaining thereto. It prepares proposals on such issues for a vote by the Board. Specifically, the Presidium reviews:

- financial planning, budgets and budget execution;
- investments of liquid assets and financial investments, including investments of assets by the Company's postemployment benefit plans;
- long-term business plans and strategy as well as their communication in the Company's annual reports;
- reporting of non-operational results.

The Presidium also makes decisions and takes preliminary action on behalf of the full Board in urgent cases.

Audit Committee

The Audit Committee consists of three Board members elected by the Board of Directors. The following members have been appointed:

- Robert Demuth, Chairman
- Andreas Dill
- Erich Haefeli

The Audit Committee assists the Board in supervising the management of the Company, particularly with respect to financial and legal matters as well as in relation to compliance with internal business policies and codes of practice.

Remuneration Committee

In accordance with the Articles of Incorporation, Cicor has a Remuneration Committee that consists of three members of the Board of Directors, who are elected individually by the Annual Shareholders' Meeting. The following members have been elected:

- Andreas Dill, Chairman
- Heinrich J. Essing
- Robert Demuth

The roles and responsibilities of the Remuneration Committee are defined in detail by the Board of Directors. More information on their duties is provided in the Compensation Report.

Operating methods of the Board, the Presidium and the Committees

Between 1 January and 31 December 2018, the Board met for nine ordinary Board meetings as well as two phone conferences. The CEO and/or the CFO of the Group attended all meetings. On a selective basis, external advisors also participated in some meetings on specific subjects. The meetings of the Board lasted on average six hours. For each Board meeting, the members were provided with adequate material in advance to prepare for the items on the agenda. At each ordinary meeting, the CEO or the CFO presented the results of Cicor Technologies Ltd. and its segments in detail. The members discussed the results comprehensively and, if required, instructed the CEO or the CFO to take necessary actions or to draw up plans for measures.

In 2018, the Presidium held two meetings.

The Audit Committee held three meetings in 2018. The CFO of the Group participated in each conference. In addition, these meetings were attended by the Head of External Audit. The meetings lasted on average one hour.

The Remuneration Committee held three meetings in 2018. The meetings lasted on average one hour.

3.5 DEFINITION OF AREAS OF RESPONSIBILITY

The duties and responsibilities of the Board, the Presidium and the Group Management are defined as follows:

The Board holds the ultimate decision-making authority and decides on all matters which have not been reserved for or conferred upon another governing body of the Company by law, the Articles of Incorporation or regulations regarding the Delegation of Management of the Company.

The Board has the following non-transferable and infeasible duties in particular:

- overall governance of the Company and the Group, including formulating medium- and long-term strategies, planning priorities and laying down guidelines for corporate policy;
- approving the annual Group budgets and medium- to long-term Group business and investment plans;
- establishing the basic organizational structure;
- defining the guidelines for accounting, financial controlling and financial planning systems;
- taking decisions on transactions of substantial strategic significance;
- appointing and removing those responsible for managing the Company's affairs and acting as its agent, in particular the members of the Presidium, the CEO, the CFO and other members of the Group Management;
- appointing and removing the members of the committees of the Board (Remuneration Committee is elected by the Annual Shareholders' Meeting);
- overall supervision of the bodies and officers responsible for the management of the Company;
- drawing up the annual and interim reports, preparing the Annual Shareholders' Meeting;
- notifying the court in the event of over-indebtedness;
- proposing and implementing capital increases and amending the Articles of Incorporation;
- checking the professional qualifications of the external Group auditors.

The Board conferred management functions in the manner provided by the organizational regulation to the CEO or the Group Management. Thereby, it follows the Company's general principle according to which all executive bodies and officers delegate their duties and powers to the hierarchically lowest possible body or officer that possesses the knowledge and expertise necessary to make appropriate decisions. The transferable supervisory and representative functions of the Board are delegated to the Presidium. The Operational Group Management is responsible for the day-to-day operational business of the Group. Its main duties consist of:

- conducting day-to-day business of the Group in compliance with the applicable laws, Articles of Incorporation, regulations and instructions;
- implementing the Group strategy;
- preparing and executing the resolutions of the Board and ensuring their Group-wide implementation;
- reporting all matters to be dealt with by the Board, the Presidium and the committees;
- accounting and analyzing of the monthly results and semi-annual and annual accounts on Group and divisional levels as well as implementing the required internal control measures.

3.6 INFORMATION AND CONTROL INSTRUMENTS TOWARDS THE GROUP MANAGEMENT AND RISK MANAGEMENT

The Board receives annotated key data of all segments within the framework of a Group-wide institutionalized reporting system. The format of the data is defined within a MIS (Management Information System).

Each month, the Management Information System summarizes in a simplified format the most important key figures; every quarter, it presents comprehensive financial statements in line with the requirements set for the year-end. These reports are available to the Group Management in full length and in a condensed format to the Board of Directors.

The Board analyzes such data in detail in its meetings. At each ordinary meeting of the Board and the Presidium, the CEO and the CFO inform on the operational day-to-day business and all important business events. The members of the Board, the Presidium and the Board committees are entitled to request information on all Company-related issues. See section 3.4 for additional information on the work methods of the Board, the Presidium and the committees. In addition to the above described Management Information System, a Risk Management System was introduced in 2008. Risk management is a fundamental element of Cicor's business practice at all levels and encompasses different types of risks. It has been integrated into the controlling and reporting process. Material risks are identified and quantified in workshops and discussed with the executive management and the Board of Directors. The risk management process will be repeated regularly, at least once a year.

Alexander Hagemann

Born 1962, Alexander Hagemann holds a degree in Mechanical Engineering from the RWTH Aachen University, Germany. Before he joined the Cicor Group as Chief Executive Officer in September 2016, he held the position as Chief Executive Officer of the Schaffner Group from 2007–2016. Prior to that, Alexander Hagemann held a number of management roles at Schott Group, including the position of Executive Vice President, Optics for Devices. In the beginning of his professional career he held various management positions in the area of production and logistics at BMW. Alexander Hagemann is Chairman of the Board of Directors of Weidmann Holding AG. Moreover, he is a member of the Executive Board of the Swiss-Asian Chamber of Commerce, Zurich, Switzerland.

Patric Schoch

Born 1972, Patric Schoch is a senior international CFO, with a proven international career in finance as a controller or CFO for major business units and regions of international companies. Patric Schoch has many years of experience in working in the industry, including living and working for more than ten years in Southeast Asia, Taiwan and China. He joined Cicor Group as interim CFO end of July 2012 and became permanent CFO as of 1 April 2013. From December 2012 to May 2015 Patric Schoch was also acting CEO of the Group.

4 GROUP MANAGEMENT

4.1 MEMBERS OF THE GROUP MANAGEMENT

The members of the Group Management are appointed by the Board upon proposal by the Presidium. The Group Management consists of the CEO and the CFO. As of 31 December 2018, the Group Management consisted of the following persons:

Name/Nationality	Position	Appointment
Alexander Hagemann German	CEO	September 2016
Patric Schoch Swiss	CFO	July 2012

4.2 OTHER ACTIVITIES AND VESTED INTERESTS

No member of the Group Management held a position outside the Cicor Technologies Group which could be of significance to the Company.

4.3 MANAGEMENT CONTRACTS

Cicor Technologies Ltd. delegated no management duties to legal entities or natural persons outside the Company in 2018.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

This information is provided in the Remuneration Report.

6. SHAREHOLDERS' RIGHTS

Each registered share of the Company entitles the owner/beneficiary of the share to one vote at the Shareholders' Meeting, provided that he is registered in the share register of the Company as a shareholder with voting rights.

6.1 VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

There are no statutory restrictions on voting rights. All shareholders, provided that they are registered in the share register of the Company as shareholders with voting rights, have the same right to attend the Shareholders' Meeting or to be represented by a legal representative or, with written authorization, by another person or by the independent voting proxy.

6.2 STATUTORY QUORUM

The Shareholders' Meeting passes its resolutions with the absolute majority of the votes allocated to the shares represented. If a second ballot is required, the relative majority of the votes allocated to the shares represented is sufficient for the adoption of an agenda item. In the event of equality of votes, the Chairman has the casting vote. According to the Articles of Incorporation, a resolution of the Shareholders' Meeting passed by at least two thirds of the votes represented and the absolute majority of the par value of shares represented are required for:

- changing the purpose of the Company;
- introducing shares with privileged voting rights;
- limiting the transferability of registered shares;
- increasing authorized or conditional share capital;
- increasing share capital out of equity, against contributions in kind or for the purpose of acquisition of assets and granting special benefits;
- limiting or withdrawing preemptive rights;
- changing the domicile of the Company;
- dissolving the Company.

6.3 CONVOCAION OF THE SHAREHOLDERS' MEETING

Shareholders' Meetings are convened by the Board and, if required, by the Auditors at the latest 20 days before the date of the meeting. The Annual Shareholders' Meeting is held at the latest within six months of the close of the financial year. Shareholders registered in the share register with voting rights representing an aggregate of at least 10 % of the share capital may request in writing, setting forth the items to be discussed and the proposals to be decided, that an extraordinary Shareholders' Meeting is convened.

The Company publishes the invitation to the Shareholders' Meeting in the "SOGC", as well as in other publications as decided by the Board of Directors. Simultaneously, the written invitation is sent to the shareholders or beneficiaries who are entered in the share register of the Company.

The invitation contains details of the day, time and place of the meeting as well as the agenda and the proposals of the Board and the shareholders who have requested the Shareholders' Meeting or an item to be included on the agenda.

6.4 AGENDA

Shareholders registered in the share register with voting rights, whose combined shareholdings represent an aggregate nominal value of at least CHF 1 million, may request that an item be included in the agenda of a Shareholders' Meeting. Such a request shall be made in writing at least 60 days before the meeting and shall specify the items and motions to be included in the agenda.

6.5 ENTRY INTO THE SHARE REGISTER

The Computershare Schweiz AG keeps the Company's share register which contains the names and addresses of shareholders and the number of shares they have registered. After dispatch of the invitation to the Shareholders' Meeting, no entries can be made in the share register until the day after the Shareholders' Meeting has taken place.

7. CHANGES OF CONTROL AND MEASURES

7.1 DUTY TO MAKE AN OFFER

The Company does not have an opt-in or opt-out clause in its Articles of Incorporation, meaning that the mandatory bid obligation of the Swiss Stock Exchange Act is triggered if a shareholder or a group of shareholders acting in concert acquire more than one third of the outstanding shares of the Company.

7.2 CLAUSES ON CHANGES OF CONTROL

As of 31 December 2018, there are no specific clauses included in agreements and schemes benefitting members of the Board or Group Management in the event of a change of control situation.

8. AUDITORS

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

The Annual Shareholders' Meeting elects the auditors for a term of one year. On 19 April 2018, the General Meeting mandated KPMG, Cicor Technologies Ltd.'s Group auditor since 2007, for an additional year. KPMG or a subsidiary of the KPMG Group audits the consolidated and statutory financial statements. The auditor in charge since 2014 of the current mandate is Roman Wenk.

8.2 AUDITING FEES

During the year under review, KPMG charged a total of TCHF 284 (previous year: TCHF 278) for their services in connection with the auditing of consolidated and statutory financial statements.

8.3 ADDITIONAL FEES

KPMG additionally received fees of TCHF 33 (previous year: TCHF 126) for other services to the Company.

8.4 SUPERVISORY AND CONTROL INSTRUMENTS PERTAINING TO THE AUDIT

The Audit Committee supervises and controls on behalf of the Board of Directors the performance and independence of the external auditors. It determines the targets of the audit and assesses the work of the external auditors and their fees. In addition, it reviews the audit result and monitors the implementation of the findings by the Management.

In 2018, the Audit Committee and the external auditors met once to plan the auditing of the financial statements of the Group and its subsidiaries. In a second meeting, these statements, as well as the corresponding "Management Letter" formulated by external auditors, were reviewed and discussed in detail with the Audit Committee. In total, the Audit Committee had three meetings in the presence of the external auditors.

9. INFORMATION POLICY

For the benefit of its shareholders and the public interested in the business activities of the Company, Cicor Technologies Ltd. pursues an open and transparent information policy. In terms of periodical as well as ad hoc reporting, the Company aims to guarantee equal treatment with respect to time as well as to content. The Company has a clear policy to prevent insider dealings. The corresponding guidelines contain provisions regarding the handling of confidential information to which all persons concerned within and outside of the Company are subject, as well as clear instructions regarding time and form of the respective publication.

From internal availability to approval of the semi-annual or annual results by the Board, the Company and its management refrain from communicating to the investing public any qualitative and quantitative statements and information which might give an indication as to the expected sales or results. After the Board meeting, in which the semi-annual and annual reports are approved, the general public is informed in summary about the course of business by means of an ad hoc announcement.

Furthermore, the Company informs its shareholders, the media, financial analysts and other interested parties by using the following publications and channels:

- annual and interim reports in accordance with Swiss GAAP FER;
- presentation of annual results;
- Shareholders' Meeting;
- press releases as well as publications of share-price-sensitive facts (ad hoc publicity).

The 2019 Annual Shareholders' Meeting will be held on 16 April 2019. The Interim Report is planned to be published on 15 August 2019. For additional information about Cicor Technologies Ltd. and its subsidiaries, please visit the Group's website (www.cicor.com). Inter alia, previous annual reports and press releases can be found on the website.

Responsible for investor relations are Alexander Hagemann, CEO, and Patric Schoch, CFO, phone +41 71 913 73 00, investor@cicor.com.

«The technological advances of the new building enable our test department to perform its tasks faster and more efficiently.»

Denisa, Test development engineer, Cicor Arad



1 INTRODUCTION

This Remuneration Report details Cikor's remuneration policy, covering all key elements and general principles and outlines the responsibilities with regard to planning, approval framework and implementation. It also contains detailed information on the remuneration of the Board of Directors and the Group Management for financial years 2018 and 2017.

This Remuneration Report meets the requirements of the Swiss Ordinance against Excessive Compensation in Listed Stock Companies (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV, which replaces Article 663bis of the Swiss Code of Obligations by the corresponding VegüV provisions) and Article 5 of the Annex to the Directive on Information Relating to Corporate Governance (Corporate Governance Directive, DCG) of the SIX Swiss Exchange dated 13 December 2016, as well as the recommendations in Art. 38 "Compensation report and transparency" of Appendix 1 to the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

2 REMUNERATION SYSTEM

PRINCIPLES OF REMUNERATION

The remuneration paid to members of the Group Management may comprise three components:

- fixed basic remuneration;
- variable performance-related compensation;
- individual allocation of company shares.

Members of the Board of Directors have no executive duties and receive a fixed salary, plus any compensation due to them for the performance of special duties that exceed the usual scope of their mandate.

BASIC REMUNERATION

The basic remuneration for the members of the Group Management may comprise a monthly salary, a lump sum for entertainment and car expenses, other benefits as per individual agreement and the relevant social security contributions. Other benefits as per individual agreement include contributions to professional development. The monthly salary is determined on a discretionary basis, taking into account the individual's duties, amount of responsibility, qualifications and experience required, as well as the actual external market environment in relation to the entire remuneration system for the senior management of the Group. Cikor does not provide members of the Group Management or Board members with a company vehicle.

Members of the Board of Directors receive a fixed remuneration, which is dependent on their function and committee memberships.

SHORT-TERM INCENTIVE PLAN (STI-PLAN)

The STI-Plan is a simple and clear plan aimed at motivating managers and specialists to focus their efforts on specific financial and individual objectives. It promotes initiative and coordinated efforts and rewards the performance of individuals and the company. The STI-Plan for the Group Management consists of financial and individual objectives. Financial objectives include sales growth, EBIT and operating free cash flow and account for 70%, and individual objectives for 30% of the target amount. The Board of Directors approves the financial and the individual objectives of members of the Group Management and of all STI-Plan participants at their meeting at year-end for the following year. Financial targets are based on the annual budget and the payout is based on the actual financial results. A financial result on target entitles to a payout of 100% of the target amount, at the lower threshold the payout is 50%, below the lower threshold there is no payout. Upon achieving the financial or individual objectives, the maximum payout is capped at 150% of the target amount. The Remuneration Committee (RC) confirms the overall STI-Plan payout based on the true performance taking into account the actual business and commercial environment. It makes a recommendation to the Board of Directors for a final decision in February. At this meeting, the RC also recommends to the Board of Directors, the aggregate maximum amount for variable performance related compensation for the Group Management that is submitted to the Annual Shareholder's Meeting for approval.

For the Group Management, the weighted average payout for the STI-Plan 2018 is 98% (2017: 142%).

LONG-TERM INCENTIVE PLAN (LTI-PLAN)

For the Cicor Group, recruitment, motivation and long-term retention of top talent are key to achieving its goals. The Cicor long-term incentive plan (LTI-Plan) is the program designed to retain and motivate senior executives, highly skilled and other important employees by creating long-term performance incentives. The LTI-Plan is designed to reward Cicor executives and select employees for their contribution to the company's long-term success and creation of shareholder value. The LTI-Plan thus links part of the annual performance-based remuneration of Cicor's management to the long-term development of the company.

In the context of the LTI-Plan, which rewards the relative increase in Total Shareholder Returns (TSR) of the Cicor Technologies Ltd. share compared to the TSR of selected benchmark companies, Performance Share Awards (PSAs) are allocated. TSR is a common measure used to evaluate stock performance. It is defined as the net share price change plus any dividends paid in a given period. The initial value for the measurement of the TSR corresponds to the Volume Weighted Average Price (VWAP) of the first 30 days of the first year. The end value corresponds to the VWAP of the last 30 days of the third year.

For the LTI-Plan 2018–2020, the initial value thus corresponds to the VWAP of the stock price of the trading days from 1 to 31 January 2018 and the final value of the LTI-Plan 2018–2020 thus corresponds to the VWAP of the share price of the trading days from 1 to 31 December 2020. The relative increase of the TSR of the Cicor Technologies Ltd. share compared to the TSR of corresponding peer companies is measured over a period of always three years (performance period). The right to receive a certain number of PSAs from the LTI-Plan generally arises – except in the case of change-of-control – only at the end of the vesting period. The performance period of the second LTI-Plan starts on 1 January 2018 and will end on 31 December 2020.

The vesting period, during which the plan participant merely has a non-binding entitlement to the allocated PSAs, is three years. The PSAs can also expire during the vesting period for reasons such as company affiliation, negative share price development or unsatisfactory company success. This vesting period may lapse in the event of change of control as well as personal disability or death. The vesting period of the second LTI-Plan starts on 1 May 2018 and will end on 1 May 2021. Each PSA represents a non-binding entitlement to Cicor Technologies Ltd. shares in dependence on the development of the Group. If the TSR of Cicor is within the top 3 of the benchmarked companies, a maximum of 200% of the PSA target amount is converted into Cicor Technologies Ltd. shares. If ranked 6th within the benchmarked companies, the allocation is 100%, if ranked 8th, the allocation is 80% and if ranked 11th and below, the allocation is 0%. In between the thresholds, interpolation will be done. The peer group is reviewed every year by the RC and consists of: AT&S, Benchmark Electronics, Schweizer Electronic AG, Neways, Comet, ELMA, Gavazzi, LEM, Huber & Suhner, Kitron, Plexus Corp., Sanmina, Schaffner and Unimicron. The maximum payout at the end of the vesting period is limited to 200% of the allocated PSAs. However, in justified cases, the Board of Directors may freely set this factor between 0% and 200%, for example, if the payout level is considered inappropriate in the light of the general development of the Group.

The allocation of the number of PSAs to the plan participants of each LTI-Plan is determined by the following criteria:

- The RC suggests the target amount for each planned participant to the Board of Directors.
- For the determination of the number of PSAs the defined target amount in Swiss Francs is divided by the VWAP of the Cicor share of the first ten trading days after publication of the year-end results of the past year.
- The number of PSAs allocated, multiplied by the weighted payout factors based on the achieved rank of Cicor's TSR at the end of the vesting period, determines the effective number of Cicor shares granted.

The assignment of the non-binding entitlement of the plan participant to the PSAs of the respective LTI-Plan takes place on 1 May of the first year of the corresponding LTI-Plan. The definitive allocation (vesting) of the PSAs of the concluded LTI-Plan takes place on 1 May (grant date) after the end of the third year of the LTI-Plan vesting period.

Accordingly, the allocation of the non-binding entitlements of the LTI-Plan 2018 took place on 1 May 2018 (grant date) and the definitive allocation of the PSAs will take place on 1 May 2021 (vesting date). The vested shares carry full voting and dividend right from the moment of vesting and treasury shares can be used. The value of the allocated PSAs for the Group Management is included in the amount of the variable compensation of the Group Management approved every year by the Annual Shareholder's Meeting.

EMPLOYMENT CONTRACTS AND SPECIAL BENEFITS

No member of the Group Management has an employment contract with a notice period of more than 12 months. None of these employment contracts involve any severance payments.

NUMBER OF EXTERNAL MANDATES AND FUNCTIONS

According to the Articles of Incorporation, Board members may not have or perform more than three mandates in other listed companies and not more than 15 in non-listed companies.

Members of the Group Management may not have or perform more than one mandate in another listed company and not more than three in non-listed companies.

Mandates or employment relationships with associated companies outside the Cicor Group that entail sitting on a management or administrative body or a function in executive management are deemed a single mandate under this provision.

3 APPROVAL PROCESS

The remuneration system and the remuneration of the Group Management are established by the Remuneration Committee in consultation with the CEO and submitted to the Board of Directors for approval. The processes and responsibilities within Cicor are organized as follows:

CEO

The Group CEO supports the Remuneration Committee by proposing for discussion:

- the conditions of employment contracts for the Group Management and senior management members;
- the individual target achievement for the variable salary component at the beginning of the year; and
- new targets to be determined for the current financial year for the Group Management and senior management.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Board members. It currently consists of:

- Andreas Dill, Chairman
- Heinrich J. Essing
- Robert Demuth

The Remuneration Committee reviews, evaluates and submits for approval to the entire Board:

- the conditions and remuneration set out in the employment contracts of the CEO, CFO and other members of the Group Management;
- the total remuneration for the members of the Group Management and senior management members, including the achievement of individual targets for variable compensation for the past financial year at the beginning of the year, as well as new targets to be set for the current financial year;
- remuneration guidelines;
- the introduction of performance-related remuneration systems, including the introduction of share and option-based remuneration systems;
- changes in pension schemes;
- additional benefits for employees;
- remuneration of the Board of Directors;
- compensation for additional duties of Board members;
- compensation for the various Board committees.

BOARD OF DIRECTORS

The Board of Directors decides on all matters that are not, according to the law, Articles of Incorporation or organizational regulations, explicitly entrusted to another governing body of the company. In particular it approves, upon request by the Remuneration Committee:

- the conditions and remuneration set out in the employment contracts of the CEO, CFO and other members of the Group Management;
- total remuneration for members of the Group Management and the senior management, including variable compensation;
- remuneration guidelines;
- the introduction of performance-related remuneration systems, including the introduction of share- and option-based remuneration systems;
- changes in pension schemes;
- additional benefits for employees;
- remuneration of the Board of Directors;
- compensation for additional duties of Board members;
- appointment of members to the various Board committees, except the members of the Remuneration Committee, as well as their remuneration.

ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting prospectively votes on the approval of the total remuneration amounts for the Board of Directors and the Group Management once a year. In addition, it can hold a consultative vote on the full remuneration report. If, after the remuneration has been prospectively approved by the Annual Shareholders' Meeting, the Group Management is expanded or a member of the Group Management is promoted or replaced, there is, compliant to the Articles of Incorporation, an additional amount available. Such additional amount may not exceed 30% of the previously approved total compensation amount per remuneration period and per member promoted or replaced.

4 REMUNERATION DURING 2018

BOARD OF DIRECTORS

Board members receive a fixed salary, paid in cash, as well as any compensation due to them for the performance of special duties that exceed the usual scope of their office.

Remuneration is reported in accordance with the principle of accrual.

Compensation Board of Directors 2018

in CHF 1 000	Remu- neration	STI-Plan	Pension fund	Social security contri- butions	Other	Consul- tancy fee	Total
Heinrich J. Essing	73	–	–	–	–	–	73
Robert Demuth	56	–	–	2	–	–	58
Andreas Dill	46	–	–	3	–	–	49
Erich Haefeli	47	–	–	–	–	–	47
Total current Board members	222	–	–	5	–	–	227
Total former Board members	–	–	–	–	–	–	–
Total current and former Board members	222	–	–	5	–	–	227

Granted Compensation Board of Directors at Annual Shareholders' Meeting

in CHF 1 000	Remu- neration						
Total current Board members	300						

No other payments, services, payments in kind, premiums, guarantees or compensation were awarded.

GROUP MANAGEMENT

Compensation Management 2018

in CHF 1 000	Remu- neration	STI-Plan	LTI-Plan 2018–2020 (Effective value on grant date)	Pension fund	Social security contri- butions	Other	Consul- tancy fee	Total
Total current Management	802	388	200	89	81	–	–	1 560
Of which highest single compensation paid to:								
Alexander Hagemann	502	228	100	57	48	–	–	935
Total former Management	–	–	–	–	–	–	–	–
Total current and former Manage- ment	802	388	200	89	81	–	–	1 560

Granted Compensation Management at Annual Shareholders' Meeting 2018

in CHF 1 000	Remu- neration	STI-Plan	LTI-Plan (Target value)				
Total current Management	1 000	550	200				

The weighted average STI 2018 payout is 98%.

No other payments, services, payments in kind, premiums, guarantees or compensation were awarded.

Allocated PSA to CEO and Group Management 2018

LTI-Plan	Participant	Date of approval by General Assembly	Date of assignment of entitlements (grant date)	Performance period	Vesting period	Number of allocated PSAs	Value at 100% target fulfillment (excl. Social security) in CHF 1 000	Possible target fulfillment
2018–2020	Alexander Hagemann	19 April 2018	1 May 2018	01.01.2018-31.12.2020	01.05.2018-01.05.2021	1 457	100	0%-200%
2018–2020	Patric Schoch	19 April 2018	1 May 2018	01.01.2018-31.12.2020	01.05.2018-01.05.2021	1 457	100	0%-200%
Total						2 914	200	

5 REMUNERATION DURING 2017

BOARD OF DIRECTORS

Compensation Board of Directors 2017

in CHF 1 000	Remuneration	STI-Plan	Pension fund	Social security contributions	Other	Consultancy fee	Total
Heinrich J. Essing	75	–	–	–	–	3	78
Robert Demuth	55	–	–	4	–	–	59
Andreas Dill	42	–	–	8	–	–	50
Erich Haefeli	42	–	–	–	–	–	42
Total current Board members	214	–	–	12	–	3	229
Total former Board members	–	–	–	–	–	–	–
Total current and former Board members	214	–	–	12	–	3	229

Granted Compensation Board of Directors at Annual Shareholders' Meeting

in CHF 1 000	Remuneration
Total current Board members	300

No other payments, services, payments in kind, premiums, guarantees or compensation were awarded.

GROUP MANAGEMENT

Compensation Management 2017

in CHF 1 000	Remu- neration	STI-Plan	LTI-Plan 2017–2019 (Effective value on grant date)	Pension fund	Social security contri- butions	Other	Consul- tancy fee	Total
Total current Management	803	454	200	88	61	–	–	1 606
Of which highest single compensation paid to:								
Alexander Hagemann	503	260	100	56	35	–	–	954
Total former Management	–	–	–	–	–	–	–	–
Total current and former Manage- ment	803	454	200	88	61	–	–	1 606

Granted Compensation Management at Annual Shareholders' Meeting 2017

in CHF 1 000	Remu- neration	STI-Plan	LTI-Plan (Target value)
Total current Management	1 000	550	200

The weighted average STI 2017 payout is 142%.

No other payments, services, payments in kind, premiums, guarantees or compensation were awarded.

Allocated PSA to CEO and Group Management 2017

LTI-Plan	Participant	Date of approval by General Assembly	Date of assignment of entitlements (grant date)	Performance period	Vesting period	Number of allocated PSAs	Value at 100 % target fulfillment (excl. Social security) in CHF 1 000	Possible target fulfillment
2017–2019	Alexander Hagemann	19 April 2017	1 May 2017	01.01.2017- 31.12.2019	01.05.2017- 01.05.2020	2 346	100	0 %-200 %
2017–2019	Patric Schoch	19 April 2017	1 May 2017	01.01.2017- 31.12.2019	01.05.2017- 01.05.2020	2 346	100	0 %-200 %
Total						4 692	200	

6 PAYMENTS TO RELATED PARTIES

No persons close to the Board of Directors or the Group Management were granted any loans of any kind, nor did they receive any remuneration.

7 LOANS

Cicor does not grant loans to Board members or to members of the Group Management.



Report of the Statutory Auditor

To the General Meeting of Shareholders of Cicor Technologies Ltd., Boudry

We have audited the accompanying remuneration report of Cicor Technologies Ltd. for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections 4 to 7 on pages 30 to 32 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Cicor Technologies Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Roman Wenk
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

Zurich, 13 March 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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«Cicor is my second home. A home that just got bigger and opened new doors for me. The new building gives us the opportunity to expand our family.»

Alex, Team leader THT Production, Cicor Arad

FINANCIAL REPORT

CICOR GROUP

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in CHF 1 000	Notes	31.12.2018	in %	31.12.2017	in %
Assets					
Property, plant and equipment	(5)	52 068	26.8	43 505	25.7
Intangible assets	(6)	1 199	0.6	842	0.5
Deferred tax assets	(11)	3 657	1.9	4 259	2.5
Non-current assets		56 924	29.3	48 606	28.7
Inventories	(7)	59 213	30.5	51 776	30.6
Trade accounts receivable	(8)	41 994	21.6	34 147	20.2
Other accounts receivable	(8)	4 588	2.4	4 224	2.5
Prepaid expenses and accruals		1 644	0.8	996	0.7
Cash and cash equivalents	(9)	29 843	15.4	29 300	17.3
Current assets		137 282	70.7	120 443	71.3
Total assets		194 206	100.0	169 049	100.0
Liabilities and shareholders' equity					
Ordinary share capital		29 022	14.9	29 022	17.2
Share premium		111 440	57.4	113 471	67.1
Treasury shares		-172	-0.1	-	0.0
Retained earnings		-63 778	-32.8	-73 560	-43.5
Translation reserve		-1 375	-0.7	-241	-0.1
Total equity		75 137	38.7	68 692	40.7
Long-term provisions	(10)	3 522	1.8	1 930	1.1
Deferred tax liabilities	(11)	584	0.3	663	0.4
Long-term financial liabilities	(12)	51 313	26.4	46 295	27.4
Liabilities for post-employment benefits	(13)	1 891	1.0	1 796	1.1
Non-current liabilities		57 310	29.5	50 684	30.0
Short-term financial liabilities	(12)	6 510	3.4	2 585	1.5
Trade accounts payable		32 365	16.7	28 130	16.6
Other current liabilities	(14)	8 372	4.2	6 274	3.7
Accruals	(14)	11 142	5.7	9 229	5.5
Short-term provisions	(10)	2 867	1.5	3 277	1.9
Income tax payable		503	0.3	178	0.1
Current liabilities		61 759	31.8	49 673	29.3
Total liabilities		119 069	61.3	100 357	59.3
Total equity and liabilities		194 206	100.0	169 049	100.0

General remark to the notes of the consolidated financial statements: unless otherwise stated all amounts in CHF 1 000

CONSOLIDATED INCOME STATEMENT

in CHF 1 000	Notes	2018	in %	2017	in %
Net Sales	(4)	248 115	100.0	216 728	100.0
Change in inventory of finished and unfinished goods		2 004	0.8	4 312	2.0
Material costs		-132 761	-53.5	-117 002	-54.0
Personnel costs	(21)	-68 517	-27.6	-61 730	-28.5
Other operating income		308	0.1	534	0.1
Other operating expenses	(23)	-24 519	-10.0	-23 599	-10.8
Depreciation	(5)	-9 194	-3.7	-8 520	-3.9
Amortization	(6)	-202	-0.1	-218	-0.1
Operating profit (EBIT)		15 234	6.1	10 505	4.8
Financial income	(24)	4 674	1.9	5 689	2.6
Financial expenses	(24)	-6 865	-2.8	-7 561	-3.4
Profit before tax (EBT)		13 043	5.3	8 633	4.0
Income tax	(11)	-3 403	-1.4	-1 979	-0.9
Net profit		9 640	3.9	6 654	3.1
Earnings per share (CHF)					
- basic and diluted	(19)	3.32		2.29	

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1 000	Notes	2018	2017
Profit before tax		13 043	8 633
Depreciation	(5)	9 036	8 466
Impairment	(5)	158	54
Amortization	(6)	202	218
Interest income	(24)	-20	-27
Interest expenses	(24)	1 043	1 116
Increase/(decrease) in provisions		1 266	-723
Other (income)/expense that do not affect the fund		264	668
Subtotal before working capital changes		24 992	18 405
Decrease/(increase) in inventories		-8 341	-6 822
Decrease/(increase) in trade accounts receivable		-9 088	-1 251
Decrease/(increase) in other current assets		-739	360
(Decrease)/increase in trade accounts payable		5 035	162
(Decrease)/increase in other current liabilities		896	921
Decrease/(increase) in working capital		-12 237	-6 630
Income tax paid		-1 755	-1 285
Interest paid		-772	-1 439
Interest received		20	27
Net cash from operating activities		10 248	9 078
Purchase of property, plant and equipment		-16 344	-8 392
Proceeds from sale of property, plant and equipment		31	2 043
Purchase of intangible assets	(6)	-544	-33
Net cash used in investing activities		-16 857	-6 382
Proceeds from sale/(purchase) of treasury shares		-172	59
Payment to shareholders from capital contribution reserves		-2 031	-
Payment of finance lease liabilities		-51	177
Proceeds from borrowings		11 793	891
Repayment of borrowings		-2 024	-2 476
Net cash from/(used in) financing activities		7 515	-1 349
Currency translation effects		-363	512
Net increase/(decrease) in cash and cash equivalents		543	1 859
Cash and cash equivalents at the beginning of the period	(9)	29 300	27 441
Cash and cash equivalents at the end of the period	(9)	29 843	29 300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF 1 000	Share capital	Share premium	Treasury shares	Retained earnings	Translation reserve	Equity attributable to Cicor shareholders	Total equity
Balance at 1 January 2017	29 022	113 449	-37	-80 258	-1 983	60 193	60 193
Net profit				6 654		6 654	6 654
Share-based payments				44		44	44
Sale of Treasury Shares		22	37			59	59
Translation adjustment					1 742	1 742	1 742
Balance at 31 December 2017	29 022	113 471	-	-73 560	-241	68 692	68 692

in CHF 1 000	Share capital	Share premium	Treasury shares	Retained earnings	Translation reserve	Equity attributable to Cicor shareholders	Total equity
Balance at 1 January 2018	29 022	113 471	-	-73 560	-241	68 692	68 692
Net profit				9 640		9 640	9 640
Share-based payments				142		142	142
Purchase of Treasury Shares			-172			-172	-172
Dividend/capital contribution paid to shareholders		-2 031				-2 031	-2 031
Translation adjustment					-1 134	-1 134	-1 134
Balance at 31 December 2018	29 022	111 440	-172	-63 778	-1 375	75 137	75 137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Cicor Technologies Ltd., Boudry, is a public company, the shares of which are traded on the Swiss Stock Exchange (SIX).

Cicor Group offers a seamless production and service chain for electronic components and systems – from development and engineering to large-scale manufacturing, after-sales service and product life cycle management. Mainly active in Europe, the USA and Asia, Cicor's main competences are:

- Manufacture of PCBs and HDIs – rigid, rigid-flexible and flexible
- Hybrid manufacturing (thin/thick film, RF boards)
- Quick-turn prototypes, small, medium and large series
- Microassembly (SMD, wire bonding, flip chip, etc.)
- Packaging
- Outsourcing services for the manufacture of electronic modules, component groups and complete electronic products (EMS: Electronic Engineering and Manufacturing Services)

2 BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Cicor Group are based on uniform accounting and valuation principles applicable to all subsidiaries of the Group. The consolidated financial statements have been prepared in accordance with Swiss GAAP FER (GAAP = Generally Accepted Accounting Principles / FER = Fachempfehlungen zur Rechnungslegung) and the requirements of the Swiss Code of Obligations.

The consolidated financial statements of Cicor Group for the year ended 31 December 2018 were authorized for issue on 13 March 2019 and are subject to approval at the Shareholders' Meeting of 16 April 2019.

Basis of measurement

The consolidated financial statements have been prepared on an accrual basis under the historical cost convention except for derivative financial instruments which are measured at fair value.

Presentation currency

The consolidated financial statements are presented in Swiss francs (CHF).

2.2 SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of consolidation

The consolidated financial statements comprise the financial statements of Cicor Technologies Ltd. and all subsidiaries which the parent company, directly or indirectly, controls either by holding more than 50 % of the voting rights or by otherwise having the power to govern their operating and financial policies. These subsidiaries are fully consolidated. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A list of all subsidiaries is disclosed in note 3. Cicor does not hold any subsidiaries, investments, assets or liabilities which are not fully consolidated within the financial statements of the Cicor Group.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. Non-controlling interests in equity and profit are shown separately. Changes in the Group's interest that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group. Intercompany balances, transactions and profits are eliminated on consolidation.

Purchase method

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration paid plus directly attributable transaction costs for each acquisition are eliminated at the date of acquisition against the fair value of the net assets acquired, determined based on uniform accounting policies. Any excess of the consideration transferred over the net assets acquired is recognized as goodwill. Goodwill is amortized over five years.

Foreign currency conversion

Transactions in foreign currencies are converted at the rate of exchange as of the transaction date. Gains and losses from foreign currency transactions and from converting year-end foreign currency balances are recognized in the income statement.

Foreign exchange differences on long-term loans to foreign operations with equity characteristics, where a repayment is neither likely nor planned, are recognized in equity.

The financial statements of subsidiaries that report in foreign currencies are translated into Swiss francs as follows:

- balance sheet items: at year-end exchange rates,
- income statement and cash flow statement items: at average exchange rates for the year,
- equity is translated at historical rates.

The translation differences resulting from the conversion of financial statements denominated in foreign currencies are directly charged to equity. At the date of sale of a foreign subsidiary, the respective cumulative foreign currency translation differences are recognized in profit or loss.

Foreign exchange rates		2018	2017
Closing	EUR	1.1263	1.1693
	USD	0.9855	0.9783
	RON	0.2419	0.2512
	SGD	0.7221	0.7315
	CNY	0.1436	0.1497
Average	EUR	1.1549	1.1113
	USD	0.9782	0.9854
	RON	0.2482	0.2432
	SGD	0.7251	0.7134
	CNY	0.1481	0.1458

Segment information

Segment information presented is based on the internal reporting regularly provided to the Board of Directors. This reporting includes discrete financial information for the two divisions AMS and ES which were identified as the two segments of the Group.

Property, plant and equipment

Items of property, plant and equipment are individually measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Land*	
Buildings	25–50 years
Improvements	max 10 years
Machinery	3–10 years
Furniture	5–15 years
Equipment	3–10 years
Vehicles	4 years

* Land is not depreciated as it is deemed to have an indefinite life.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure is capitalized if the market value or the value in use or the useful life of the respective item of property, plant and equipment has increased substantially.

Goodwill

Goodwill represents the excess of the consideration transferred over the Group's interest in the net of the identifiable assets acquired and the liabilities assumed measured at fair value. Subsequently, goodwill is measured at cost less accumulated amortization and accumulated impairment losses. Goodwill is amortized over five years, in justified cases over 20 years at the most.

Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is computed on a straight-line basis over the estimated useful life of the asset (normally 5 years, in justified cases 20 years at the most).

Impairment of assets

Property, plant and equipment as well as intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset or a group of assets is the greater of its value in use and its net selling price. In assessing value in use, the estimated future cash flows from continuing use of an asset or a group of assets that are largely independent of cash flows of other assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The relevant cash flows are based on the most recent business plans of these cash-generating units (period of three years) and the assumptions therein concerning development of prices, markets and market shares. Assets for which an impairment loss was recognized are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. The reversal is limited to the amount that would have been determined, net of depreciation or amortization, if no impairment had been recognized. Such reversal is recognized in profit or loss. Impairment losses on goodwill are not reversed.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Leasing agreements

Fixed assets acquired under leasing contracts where both the risks and rewards of ownership are substantially transferred to Cicor, are classified as finance leases. Such assets are recorded at the lower of the estimated net present value of future lease payments and the estimated fair value of the asset at the inception of the lease. Assets under finance leases are fully amortized over the shorter of the lease term and its useful life. The corresponding lease obligations, excluding finance charges, are included in either short- or long-term financial debt. Lease installments are divided into an interest and a redemption component.

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Inventories

Inventories are valued at the lower of purchase or manufacturing costs and fair value less cost to sell. Costs for raw material are measured according to the weighted average cost method. Cost of work-in-progress and finished goods include materials, related manufacturing labor and related overheads. Concerning work-in-progress, estimated losses correspond to the negative difference between the fair value less costs to sell and the estimated costs until finalization of work-in-progress.

Trade accounts receivable

Trade accounts receivable are measured at nominal value less necessary allowances for bad debts. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade accounts receivables. The main components of this allowance are a specific loss component that relates to individually significant exposure and a collective loss component established for groups of assets with similar risk characteristics in respect of losses that have been incurred, but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar receivables.

Cash and cash equivalents

Cash and cash equivalents are stated at amortized costs and include cash on hand, postal and bank accounts at sight and time deposits with maturities at the balance sheet date of 90 days or less.

Bank borrowings, trade and other liabilities

Non-derivative financial liabilities are initially recognized at fair value less any attributable transaction costs and are subsequently measured at amortized cost.

Provisions

Provisions are recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that resources are needed to extinguish the obligation;
- the amount of the obligation can be estimated in a reliable way.

A provision is recognized for expected warranty claims on products sold during the last two years, based on past experience of the level of repairs and returns.

Government grants

Government grants are recognized as income over the periods matching the related costs, which they are intended to compensate on a systematic basis. Government grants are only recognized when there is reasonable assurance that the company will comply with the conditions attached to them and that the grants will be received.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income taxes are accrued based on taxable income of the current year. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date. Deferred income tax assets and liabilities are recognized for all temporary differences between the tax and accounting bases of assets and liabilities at the reporting date using the liability method.

Deferred income taxes are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

Deferred tax assets arising from tax loss carry-forwards and deductible temporary differences are capitalized only if it is probable that they can be used to be offset against future taxable profits.

Derivative financial instruments

Derivative financial instruments for hedging purposes of balance sheet items are stated at fair value upon conclusion of the contract and are shown under other accounts receivables respectively other current liabilities. Consequently, the derivative financial instruments are valued at market value at each end of period whereas non-realized gains and losses are recognized in the financial result. The market values of the derivative financial instruments are derived from the market prices at the end of the period.

To hedge currency risks, the Group makes use of foreign exchange forwards.

Pension plans

Cicor maintains several pension plans for employees in Switzerland and Germany. A liability is recognized if a pension plan has an underfunding and there is an economic obligation for Cicor to pay additional contribution. The assessment of whether there is an obligation is made using the recognition criteria for provisions. For Swiss plans, the measurement of the liability is based on the financial statements of the pension plan prepared in accordance with FER 26 and for German plans, this is based on an actuarial calculation. An asset arising from an economic benefit relating to an overfunding is not recognized. Employer contribution reserves are always recognized as an asset.

Changes in the economic obligation, the employer contribution reserves and the contributions incurred for the period are recognized in personnel costs in the income statement.

Earnings per share

Basic earnings per share are calculated by dividing net profit excluding non-controlling interests by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share include all potentially dilutive effects.

Treasury shares

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized net of any tax effects as a deduction from capital reserves. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently the resulting gain or loss on the transaction is recognized in capital reserves.

Share-based payments

The grant-date fair value of Performance Share Awards (PSAs) granted to employees is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service condition is expected to be met. The grant-date fair value is measured to reflect non-market conditions and there is no true-up for the differences between expected and actual outcomes.

Revenue recognition

Revenue from the sale of products comprises all revenues that are derived from sales of products to third parties after deduction of price rebates and value-added tax. Revenues from the sale of products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the products.

Revenues from engineering and consulting services are recognized in the accounting period in which the services are rendered. Bad debt losses are included in net sales.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when a future benefit is expected, costs can be measured reliably, the asset is controlled by the organization and the resources needed to complete the asset are/will be made available. Additionally, the Group has to demonstrate the technical feasibility, the availability of resources and its intention of completing the project so that it will be available for use or sale.

Capitalized development cost is measured at cost less accumulated amortization and accumulated impairment losses.

3 SCOPE OF CONSOLIDATION

in local currency 1 000	Currency	2018 Nominal share capital	Participation in %	2017 Nominal share capital	Participation in %
Cicorel SA, Boudry/Switzerland* Engineering/Production/Sales/Distribution	CHF	8 000	100	8 000	100
Reinhardt Microtech AG, Wangs/Switzerland* Engineering/Production/Sales/Distribution	CHF	1 800	100	1 800	100
Reinhardt Microtech GmbH, Ulm/Germany Engineering/Production/Sales/Distribution	EUR	500	100	500	100
RHe Microsystems GmbH, Radeberg/Germany* Engineering/Production/Sales/Distribution	EUR	216	100	216	100
Electronicparc Holding AG, Bronschhofen (Wil)/Switzerland* Holding/Finance	CHF	23 271	100	23 271	100
Swisstronics Contract Manufacturing AG, Bronschhofen (Wil)/Switzerland Engineering/Production/Sales/Distribution	CHF	3 000	100	3 000	100
Systronics SRL, Arad/Romania Production/Sales	RON	5 145	100	5 145	100
Systel Italia SRL, Milano/Italy Sales/Distribution	EUR	10	100	10	100
ESG Holding Pte Ltd., Singapore* Holding/Finance	SGD	1 896	100	1 896	100
Cicor Asia Pte Ltd., Singapore Sales/Distribution	SGD	1 000	100	1 000	100
Cicor Ecotool Pte Ltd., Singapore Engineering/Production	SGD	1 000	100	1 000	100
PT Cicor Panatec, Batam/Indonesia Production	USD	300	100	300	100
Brant Rock Enterprises Corporation, British Virgin Islands Holding/Finance	USD	10	100	10	100
Cicor Anam Ltd., Anam/Vietnam Production	USD	1 500	100	1 500	100
Suzhou Cicor Technology Co. Ltd., China Production	CNY	39 432	100	39 432	100
Cicor Americas Inc., USA* Sales/Distribution	USD	10	100	10	100
Cicor Management AG, Bronschhofen (Wil)/Switzerland* Management Services	CHF	250	100	250	100

* Directly held subsidiaries of Cicor Technologies Ltd.

4 SEGMENT REPORTING

2018 in CHF 1 000	AMS Division 2018	ES Division 2018	Total reportable segments 2018	Corporate and eliminations 2018	Consolidated 2018
Income statement					
Sales to external customers	62 939	185 176	248 115	–	248 115
Intersegment sales	38	–	38	–38	–
Segment result before depreciation and amortization (EBITDA)	12 036	14 868	26 904	–2 274	24 630
Segment result (EBIT)	7 610	9 922	17 532	–2 298	15 234
Balance sheet					
	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Intangible segment assets	282	894	1 176	23	1 199
Other than intangible segment assets	60 833	126 104	186 937	6 070	193 007
Segment assets	61 115	126 998	188 113	6 093	194 206
Segment liabilities	58 948	88 751	147 699	–28 630	119 069
Other segment information					
	2018	2018	2018	2018	2018
Depreciation and amortization	4 426	4 946	9 372	24	9 396
Capital expenditures for property, plant and equipment	3 073	15 758	18 831	–	18 831
2017 in CHF 1 000					
	AMS Division 2017	ES Division 2017	Total reportable segments 2017	Corporate and eliminations 2017	Consolidated 2017
Income statement					
Sales to external customers	52 928	163 850	216 778	–50	216 728
Intersegment sales	44	6	50	–50	–
Segment result before depreciation and amortization (EBITDA)	8 430	13 442	21 872	–2 629	19 243
Segment result (EBIT)	4 186	8 993	13 179	–2 674	10 505
Balance sheet					
	31.12.2017	31.12.2017	31.12.2017	31.12.2017	31.12.2017
Intangible segment assets	427	368	795	47	842
Other than intangible segment assets	59 574	104 024	163 598	4 609	168 207
Segment assets	60 001	104 392	164 393	4 656	169 049
Segment liabilities	62 208	71 107	133 315	–32 958	100 357
Other segment information					
	2017	2017	2017	2017	2017
Depreciation and amortization	4 244	4 449	8 693	45	8 738
Capital expenditures for property, plant and equipment	3 004	5 388	8 392	–	8 392

Cicor defines its reportable segments based on the internal reporting to its Board of Directors. They base their strategic and operational decisions on these monthly distributed reports, which include the aggregated financial data for the Group and for the divisions. The two divisions, AMS and ES, have been identified as the two reportable segments. The AMS Division supplies printed circuit boards and thin- and thick-film-coating technologies as well as a wide range of microelectronic manufacturing capabilities

to different industries whereas the ES Division provides electronic manufacturing services from product development to volume production and after-sales service.

For internal reporting and therefore the segment reporting, the applied principles of accounting and valuation are the same as in the consolidated financial statements. Intersegment sales are recognized at arm's length.

in CHF 1 000	2018	2017
Reconciliation of total reportable segment result		
Total reportable segment result (EBIT)	17 532	13 179
Other corporate expenses	-2 298	-2 674
Financial income	4 674	5 689
Financial expenses	-6 865	-7 561
Consolidated profit before tax	13 043	8 633

Other corporate expenses contain stewardship costs and costs related to the listing at the Swiss Stock Exchange (SIX).

Entity-wide information

in CHF 1 000	31.12.2018	%	31.12.2017	%
Sales by export region				
Switzerland	66 432	26.8	53 212	24.6
Europe (without Switzerland)	112 745	45.4	93 730	43.2
Asia	48 284	19.5	47 917	22.1
America	19 557	7.9	19 710	9.1
Other	1 097	0.4	2 159	1.0
Total	248 115	100.0	216 728	100.0
Sales by industry				
Aerospace & defence	27 167	10.9	16 687	7.7
Communication	2 318	0.9	2 721	1.3
Industrial	108 675	43.8	91 386	42.2
Medical	55 395	22.3	53 008	24.5
Automotive & transport	23 567	9.5	21 483	9.9
Watches & consumer	28 229	11.4	27 909	12.9
Other	2 764	1.2	3 534	1.5
Total	248 115	100.0	216 728	100.0
Sales by production region				
Switzerland	94 469	38.1	76 651	35.4
Europe (without Switzerland)	100 200	40.4	90 068	41.5
Asia	53 446	21.5	50 009	23.1
Total	248 115	100.0	216 728	100.0

Major customers

Cicor Group's biggest customer contributes less than 8 % (2017: less than 8 %) to the Group's consolidated sales. In 2018, about 36 % (2017: about 41 %) of total Group's net sales can be attributed to the Group's top ten clients.

5 PROPERTY, PLANT AND EQUIPMENT

2018 in CHF 1 000	Land and buildings	Machinery	Furniture and equipment	Other equipment	Assets under construction	Total
Acquisition costs						
Balance at 1 January 2018	28 250	87 758	7 846	967	2 673	127 494
Additions ¹⁾	10 115	7 005	803	293	615	18 831
Disposals	-5	-1 547	-55	-166	-	-1 773
Reclassifications	917	1 645	25	11	-2 637	-39
Translation adjustment	-575	-1 076	-155	-28	-23	-1 857
Balance at 31 December 2018	38 702	93 785	8 464	1 077	628	142 656
Accumulated depreciation						
Balance at 1 January 2018	-13 688	-64 176	-5 430	-695	-	-83 989
Depreciation	-2 006	-6 012	-851	-167	-	-9 036
Impairment	-	-158	-	-	-	-158
Disposals	4	1 526	52	159	-	1 741
Reclassification	-	-	-	-	-	-
Translation adjustment	119	618	94	23	-	854
Balance at 31 December 2018	-15 571	-68 202	-6 135	-680	-	-90 588
Net book value						
1 January 2018	14 562	23 582	2 416	272	2 673	43 505
31 December 2018	23 131	25 583	2 329	397	628	52 068
Thereof net book value of assets under financial lease	-	105	-	-	-	105
Net book value of pledged assets	-	-	-	-	-	1 506
Addition of assets under financial lease	-	-	-	-	-	-

¹⁾Of the additions in fixed assets, CHF 2.5 million have not been paid as at 31 December 2018.

In 2018, Cicor invested CHF 10.1 million in land and buildings. The biggest investment was undertaken in Romania for the new building. Furthermore CHF 7.0 million have been invested in machinery. There the biggest investments were undertaken in Romania, Bronschhofen, Wangs and Ulm. The "Assets under construction" are machines whose installation has not yet been completed.

2017 in CHF 1 000	Land and buildings	Machinery	Furniture and equipment	Other equipment	Assets under construction	Total
Acquisition costs						
Balance at 1 January 2017	32 396	83 450	7 807	1 368	93	125 114
Additions	1 575	3 433	609	278	2 497	8 392
Disposals	-6 202	-641	-871	-736	-	-8 450
Translation adjustment	481	1 516	301	57	83	2 438
Balance at 31 December 2017	28 250	87 758	7 846	967	2 673	127 494
Accumulated depreciation						
Balance at 1 January 2017	-16 079	-58 018	-5 276	-1 249	-	-80 622
Depreciation	-1 693	-5 828	-819	-126	-	-8 466
Impairment	-	-54	-	-	-	-54
Disposals	4 214	625	836	728	-	6 403
Reclassification	-	-	-	-	-	-
Translation adjustment	-130	-901	-171	-48	-	-1 250
Balance at 31 December 2017	-13 688	-64 176	-5 430	-695	-	-83 989
Net book value						
1 January 2017	16 317	25 432	2 531	119	93	44 492
31 December 2017	14 562	23 582	2 416	272	2 673	43 505
Thereof net book value of assets under financial lease	-	139	-	-	-	139
Net book value of pledged assets	-	-	-	-	-	2 039
Addition of assets under financial lease	-	-	-	-	-	-

In 2017, Cicor invested CHF 1.6 million in land and buildings. The biggest investments were undertaken in Bronschhofen (CHF 1.2 million tenant fixtures) and in Indonesia (CHF 0.4 million Molding & Cleanroom). Additionally, in Romania CHF 1.3 million have been invested in the new building (excluding land purchase) so far, which is still under construction. The remaining CHF 1.2 million shown under "Assets under construction" are three machines whose installation has not yet been completed, one of which is a new line (Ismec2) in Boudry, the others of which are in Ulm (laser trimmer and laser direct imager). Furthermore, the building in Moudon has been sold.

6 INTANGIBLE ASSETS

2018 in CHF 1 000	Goodwill	Brand	Technology	Clients	Other	Total
Acquisition costs						
Balance at 1 January 2018	96 182	6 711	7 491	3 176	1 953	115 513
Additions	-	-	-	-	544	544
Disposal	-	-	-	-	-3	-3
Reclassification	-	-	-	-	39	39
Translation adjustment	4	-	-37	-	-26	-59
Balance at 31 December 2018	96 186	6 711	7 454	3 176	2 507	116 034
Accumulated depreciation						
Balance at 1 January 2018	-96 182	-6 711	-7 086	-3 176	-1 516	-114 671
Amortization	-	-	-134	-	-68	-202
Disposal	-	-	-	-	3	3
Translation adjustment	-4	-	26	-	13	35
Balance at 31 December 2018	-96 186	-6 711	-7 194	-3 176	-1 568	-114 835
Net book value						
1 January 2018	-	-	405	-	437	842
31 December 2018	-	-	260	-	939	1 199
2017 in CHF 1 000						
Acquisition costs						
Balance at 1 January 2017	96 205	6 711	7 409	3 176	2 037	115 538
Additions	-	-	-	-	33	33
Disposal	-	-	-	-	-150	-150
Translation adjustment	-23	-	82	-	33	92
Balance at 31 December 2017	96 182	6 711	7 491	3 176	1 953	115 513
Accumulated depreciation						
Balance at 1 January 2017	-96 205	-6 711	-6 912	-3 176	-1 566	-114 570
Amortization	-	-	-129	-	-89	-218
Disposal	-	-	-	-	150	150
Translation adjustment	23	-	-45	-	-11	-33
Balance at 31 December 2017	-96 182	-6 711	-7 086	-3 176	-1 516	-114 671
Net book value						
1 January 2017	-	-	497	-	471	968
31 December 2017	-	-	405	-	437	842

7 INVENTORIES

in CHF 1 000	31.12.2018	31.12.2017
Net value of raw materials	32 058	26 625
Net value of work-in-progress	16 773	15 224
Net value of finished goods	10 382	9 927
Total inventories	59 213	51 776
Increase in inventory allowance	1 070	836

8 TRADE ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE

in CHF 1 000	31.12.2018	31.12.2017
Trade accounts receivable	42 570	34 402
Allowance for bad debts	-576	-255
Total trade accounts receivable	41 994	34 147

Ageing of trade accounts receivable

in CHF 1 000	31.12.2018 Gross	31.12.2018 Allowance	31.12.2017 Gross	31.12.2017 Allowance
Not yet due	32 776	-	26 739	-31
Overdue 0-45 days	7 942	-	5 471	-
Overdue 46-90 days	767	-7	666	-5
Overdue 91-180 days	282	-27	813	-87
Overdue 181-360 days	424	-193	473	-132
Overdue more than 360 days	379	-349	240	-
Total trade accounts receivable	42 570	-576	34 402	-255

Movement in the allowance for impairment for trade accounts receivable

in CHF 1 000	2018	2017
Individual impairment allowance		
Balance as of 1 January	124	51
Allowance increase	416	74
Utilization/consumption	-71	-
Reversal of allowance	-53	-1
Translation adjustments	-	-
Balance as of 31 December	416	124
Collective impairment allowance		
Balance as of 1 January	131	97
Change in allowance	29	34
Balance as of 31 December	160	131

Other accounts receivable

in CHF 1 000	31.12.2018	31.12.2017
Receivables on bullion dealers' accounts	83	165
Value added taxes	636	774
Other	3 869	3 285
Total other accounts receivable	4 588	4 224

9 CASH AND CASH EQUIVALENTS

in CHF 1 000	31.12.2018	31.12.2017
Bank accounts	29 843	29 300
Total cash and cash equivalents	29 843	29 300

Cicor Technologies' banking partners are first-rate Swiss, German, English and Romanian banks. Cash earns interests at floating rates of -0.75 % (CHF), -0.4 % (EUR), and 0.00 % (USD).

10 PROVISIONS

2018 in CHF 1 000	Restructuring	Warranties	Other	Total provisions	Deferred taxes	Total provisions and deferred taxes
Balance at 1 January 2018	–	2 260	2 947	5 207	663	5 870
Additional provisions	–	1 801	2 223	4 024	98	4 122
Unused amounts reversed	–	-1 069	-268	-1 337	-177	-1 514
Amount used	–	-108	-1 313	-1 421	–	-1 421
Translation adjustments	–	-38	-46	-84	–	-84
Balance at 31 December 2018	–	2 846	3 543	6 389	584	6 973
thereof short-term provisions	–	1 002	1 865	2 867	–	–
thereof long-term provisions	–	1 844	1 678	3 522	–	–
2017 in CHF 1 000	Restructuring	Warranties	Other	Total provisions	Deferred taxes	Total provisions and deferred taxes
Balance at 1 January 2017	268	3 046	2 454	5 768	796	6 564
Additional provisions	–	488	1 800	2 288	21	2 309
Unused amounts reversed	-13	-817	-527	-1 357	-154	-1 511
Amount used	-255	-537	-862	-1 654	–	-1 654
Translation adjustments	–	80	82	162	–	162
Balance at 31 December 2017	–	2 260	2 947	5 207	663	5 870
thereof short-term provisions	–	1 258	2 019	3 277	–	–
thereof long-term provisions	–	1 002	928	1 930	–	–

Warranty provisions are recognized for warranty claims on products sold. The additional provisions in 2018 were based on several smaller cases.

As per 31 December, other provisions consist mainly of jubilee benefits (2018: TCHF 898, 2017: TCHF 564) and rebuilding costs (2018: TCHF 407, 2017: TCHF 424).

11 TAXES

Major components of tax expense

in CHF 1 000	2018	2017
Current income taxes	2 879	1 931
Income tax for prior years	60	3
Deferred tax	464	45
Total tax expense	3 403	1 979

Deferred tax assets and liabilities

in CHF 1 000	31.12.2018 Assets	31.12.2018 Liabilities	31.12.2017 Assets	31.12.2017 Liabilities
Deferred taxes on intangible assets	9	75	14	119
Deferred taxes on property, plant and equipment	68	167	65	190
Deferred taxes on inventory	664	161	–	–
Deferred taxes on other assets	136	219	654	340
Deferred taxes on accruals	233	83	–	–
Deferred taxes on other liabilities	340	78	703	137
Total	1 450	783	1 436	786
Deferred taxes on loss carried forward	2 406	–	2 946	–
Offset of assets and liabilities	–199	–199	–123	–123
Total deferred tax assets and liabilities	3 657	584	4 259	663
Balance at 1 January	4 259	663	4 328	796
Change of temporary differences recognized in the income statement	–62	–79	241	–133
Change in tax loss carried forward recognized in the income statement	–540	–	–310	–
Balance at 31 December	3 657	584	4 259	663

The Group average tax rate for the calculation of the deferred income taxes is 18.4%.

Reconciliation of current income taxes and deferred taxes

in CHF 1 000	2018	2017
Profit before tax	13 043	8 633
Weighted average income tax in %	20.0 %	23.2 %
Expected income tax expense/(income)	2 609	2 003
Current year losses for which no deferred tax asset is recognized	361	7
Recognition of tax assets on previously unrecognized tax losses	–163	–261
Derecognition of tax assets on previously recognized tax losses	11	293
Effect of tax rate changes compared to prior period	9	–10
Effect of non-deductible expenses	462	42
Adjustments for current tax of prior periods	60	3
Other adjustments	54	–98
Effective income taxes	3 403	1 979
Effective income taxes in % of profit before tax	26.1 %	22.9 %

Tax loss carried forward for which no deferred tax assets have been capitalized

in CHF 1 000	31.12.2018	31.12.2017
tax loss carried forward expiring within 1 year	1 618	6 222
tax loss carried forward expiring in 1 year	1 086	1 283
tax loss carried forward expiring in 2 years	328	1 687
tax loss carried forward expiring in 3 years	–	1 043
tax loss carried forward expiring in 4 or more years	1 160	227

Since the Group operates in various tax jurisdictions, its average expected tax rate is calculated as a weighted average of the tax rates in these jurisdictions. This rate changes from year to year due to changes in the mix of the Group's taxable income and changes in local tax rates.

Tax losses carried forward are capitalized where the possibility of using them is high. In 2018, an additional deferred tax asset of TCHF 175 has been capitalized.

12 FINANCIAL LIABILITIES

Long-term financial liabilities

in CHF 1 000	31.12.2018	31.12.2017
Financial leases	2	38
Borrowings, long-term	51 311	46 257
Total long-term financial liabilities	51 313	46 295

Short-term financial liabilities

in CHF 1 000	31.12.2018	31.12.2017
Bank overdrafts	2 597	–
Bank borrowings, short-term	2 027	2 105
Short-term portion of long-term borrowings	1 851	428
Financial leases	35	52
Total short-term financial liabilities	6 510	2 585

Maturity of financial liabilities

in CHF 1 000	31.12.2018	31.12.2017
Within 1 year	6 510	2 585
Within 2 to 5 years	51 313	46 295
Over 5 years	–	–
Total financial debts	57 823	48 880

Repayments of financial liabilities

2018	Interest rate	2019*	2020*	2021*	2022*	2023*	2024 and after*
CHF 75.0 million revolving credit line	1.3 %	1 500	2 000	2 000	47 157	–	–
EUR 5.0 million revolving credit line	1.0 %	2 597	–	–	–	–	–
EUR 2.3 million revolving credit line	1.5 %	2 378	147	7	–	–	–
Leasing	n.a.	35	2	–	–	–	–
Total		6 510	2 149	2 007	47 157	–	–

2017	Interest rate	2018*	2019*	2020*	2021*	2022*	2023 and after*
CHF 75.0 million revolving credit line	1.9 %	–	1 500	500	39 520	–	–
EUR 5.0 million revolving credit line	2.9 %	–	4 212	–	–	–	–
EUR 2.7 million revolving credit line	1.4 %	2 533	364	154	7	–	–
Leasing	n.a.	52	38	–	–	–	–
Total		2 585	6 114	654	39 527	–	–

* in CHF 1000

On 30 June 2017, the Group signed a new syndicated bank loan agreement on a total line of CHF 75 million plus an allowance of an external basket of CHF 10 million valid for four years, beginning on 5 July 2017, with two extension options of one additional year each, therefore running for a maximum term of six years. On 25 May 2018, the Group made use of the first extension option, prolonging this very syndicated bank loan to 30 June 2022. There is one extension option of one additional year remaining.

The covenants are net debt/EBITDA ratio of a maximum of 2.75 times at year-end and 3.00 times during the year and a minimum equity ratio of 35%. EBITDA is calculated before restructuring costs, possible acquisitions can be added pro forma. The interest bases on LIBOR added by a variable margin depending on the net debt/EBITDA ratio. The respective bank covenants were fulfilled at all reporting dates.

The current CHF 75 million revolving credit line, which was divided into CHF 67.5 million cash and CHF 7.5 million for guarantees, was utilized by CHF 53 million cash at a variable interest rate of 1.30% on average and for guarantees of CHF 0.7 million bearing commission charges of 0.2%.

In addition to the syndicated loan, the Group has revolving loans of EUR 7.3 million utilized with EUR 4.6 million at an average variable interest rate of 1.14%.

Collateral assets of CHF 1.5 million were pledged. The shares of the following companies at a net book value of CHF 80.0 million (2017: CHF 80.0 million) are in deposit with the lead bank, pledged as collateral for the syndicated credit line: Cicorel SA, Electronicparc Holding AG, Swisstronics Contract Manufacturing AG, Reinhardt Microtech AG and RHe Microsystems GmbH.

13 LIABILITIES FOR POST-EMPLOYMENT BENEFITS

Cicor maintains several pension plans for employees in Switzerland and Germany. Pension expenses totaled TCHF 2 039 (2017: TCHF 1 880). German pension funds are not legally independent in contrast to Swiss pension funds. Companies therefore need to recognize a provision according to the German Commercial Code. RHe Microsystems GmbH and Reinhardt Microtech GmbH did so by recognizing TCHF 959 resp. TCHF 932 as liability.

The majority of Cicor's insured employees are covered for the risk of old age, death and disability within two collective pension schemes which are administrating pension plans of various unrelated employers. Plan A is an independent pension fund whereas Plan B has been established by an insurance company.

Plan A:

The standard retirement age for Plan A is 65. Employees qualify for early retirement on their 58th birthday at the earliest. Furthermore, the employees may choose to take their entire pension or part thereof in the form of capital payment. For retirements at the age of 65, the conversion rate is 6.0%. This rate is relevant to determine the pension payment in relation to the accumulated savings. These savings result from employee and employer contributions which are paid into the individual savings account of each individually insured person as well as the interest accruing on the accumulated savings. Plan A has reinsured its exposure to the risks of death and disability. It is a collective multi-employer pension fund organized as a foundation under Swiss law. The most senior governing body of the foundation is the Board of Trustees that consists of an equal number of employer's and employees' representatives. The people entrusted with the management of the pension fund and its assets are subject to the charter of the Swiss Pension Fund Association ASIP. All processes are audited by the internal auditors and the independent external auditors as well as the investment controller. And, finally, the supervisory authority, the Zentralschweizer BVG- und

Stiftungsaufsicht (ZBSA), audits the management of the pension fund and the assets in collaboration with the auditors. The projected funding ratio as per 31 December 2018 is 102.1%. Whenever there is a legal obligation to cover an underfunding, this has to be remedied by various measures such as increasing employee and employer contributions, lowering the interest rate on retirement account balances, reducing prospective benefits and a suspension of the early withdrawal facility.

Plan B:

The standard retirement age for Plan B is 65. Employees qualify for early retirement on their 58th birthday at the earliest. Furthermore, the employees may choose to take their entire pension or part thereof in the form of capital payment. For retirements at the age of 65, the conversion rate is 6.8% for the compulsory part and between 5.01% and 5.12% for the supplementary part. The accumulated savings result from employee and employer contributions which are paid into the individual savings account of each individually insured person as well as the interest accruing on the accumulated savings. The final benefit is contribution-based with certain minimum guarantees. Plan B is legally organized as a foundation under Swiss law and has all risks reinsured under an insurance contract. The most senior governing body of the foundations is the Board of Trustees that consists of an equal number of employer's and employees' representatives. The reinsurance contract covers the risks of death and disability as well as the investment risk, the legally required minimum interest rate and the lifelong payment of current old-age and survivors' pensions, regardless of financial market performance. The Group does not have employer contribution reserves.

in CHF 1 000	Surplus/ deficit	Economical part of the organization		Change to prior year period or recognized in the current result of the period, respectively	Contribu- tions concerning the business period	Pension benefit expenses with personnel expenses	
	31.12.2018	31.12.2018	31.12.2017			2018	2017
Pension institutions without surplus / deficit (Plan B)	–	–	–	–	1 485	1 485	1 399
Pension institutions with surplus (Plan A) ¹⁾	–	–	–	–	464	464	428
Pension institutions without own assets	–	1 891	1 796	95	–5	90	53
Total	–	1 891	1 796	95	1 944	2 039	1 880

¹⁾ The surplus of the collective pension fund attributable to Cicor cannot be determined.

14 OTHER CURRENT LIABILITIES AND ACCRUALS

in CHF 1 000	31.12.2018	31.12.2017
Value-added taxes	755	338
Other current liabilities	930	1 036
Other accounts payable	6 687	4 900
Total other current liabilities	8 372	6 274
Accrued personnel expenses	5 748	5 000
Other accrued expenses	5 394	4 229
Total accruals	11 142	9 229
Total other current liabilities and accruals	19 514	15 503

Other current liabilities and accrued expenses are non-interest-bearing financial liabilities. Other accounts payable also contain payables for social security.

15 LEASE COMMITMENTS

Operating leasing

in CHF 1 000	31.12.2018	31.12.2017
within 1 year	3 375	4 178
from over 1 year to under 5 years	11 269	11 129
due in 5 years or later	13 557	15 484
Total operating leasing	28 201	30 791

Operating leasing commitments stem mostly from mid- to long-term lease obligations for production and office premises. The leases have varying terms and renewal rights.

For financial leasings, please refer to note 12.

16 CONTINGENT LIABILITIES

There are no contingent liabilities for Cicor Group companies as at 31 December 2018.

17 ISSUED CAPITAL

Capital structure

in CHF 1 000	
Share capital at 1 January 2017	29 022
Share capital at 31 December 2017	29 022
Share capital at 31 December 2018	29 022
2 902 092 registered shares of CHF 10	

Ordinary share capital

There was no increase in ordinary share capital in 2018 and 2017. Cicor Technologies Ltd. is a holding company established under Swiss law. According to the provisions of law governing the appropriation of retained earnings by holding companies, the share capital and appropriations to the general legal reserve to the extent of 20% of share capital as well as the reserve for treasury shares may not be distributed.

Dividend

Any dividend distribution must be proposed by the Board of Directors and approved by the Annual Shareholders' Meeting. At the Shareholders' Meeting on 19 April 2018, the shareholders decided to allocate CHF 2 031 464 from the capital contribution reserves to the free reserves and to distribute CHF 0.70 per share (totalling CHF 2 031 464.40) to the shareholders out of the free reserves. At the Annual Shareholders' Meeting on 16 April 2019, the Board of Directors will propose a withholding tax-free distribution of CHF 1.00 per share from the capital contribution reserves. The proposal comprises an allocation of CHF 2 899 092 from the capital contribution reserves.

Authorized capital

At the Shareholders' Meeting on 19 April 2018, the shareholders decided to renew the authorization of the Board of Directors to increase the share capital by a maximum of 600 000 fully paid-in shares at a nominal value of CHF 10 until 19 April 2020.

Conditional capital

At the Shareholders' Meeting of 13 May 2009, the shareholders decided to increase the conditional share capital up to 200 000 fully paid-in registered shares with a total nominal value up to CHF 2 000 000 for the exercise of stock option rights granted to officers and other key employees.

At the Shareholders' Meeting of 13 May 2009, the shareholders decided to create additional conditional share capital of up to 500 000 fully paid-in registered shares with a total nominal value of up to CHF 5 000 000 for the exercise of conversion rights granted to holders of convertible debt securities to be issued by the company. Such conversion rights would have to be exercised within five years of the issuance of such convertible debt securities.

18 TREASURY SHARES

	Number of shares	in CHF 1 000
Balance as per 1 January 2017	1 500	37
Balance as per 31 December 2017	–	–
Transactions of own shares	3 000	172
Balance as per 31 December 2018	3 000	172

19 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2018	2017
Net profit attributable to Cicor shareholders in CHF 1 000	9 640	6 654
Weighted average number of ordinary shares outstanding	2 901 210	2 901 580
Basic and diluted earnings per share in CHF	3.32	2.29

20 LONG-TERM INCENTIVE PLAN (LTI-PLAN)

Cicor Technologies Ltd. has issued an LTI-Plan during the financial years 2018 and 2017.

	LTI-Plan 2018–2020	LTI-Plan 2017–2019
Initial Value of Total Shareholder Return (TSR)	CHF 74.07	CHF 30.82
Target Value Total Plan Participants (excl. Social Security costs)	TCHF 320	TCHF 200
Number of Plan Participants (Group Management and others)	10	2
Volume-weighted average price (VWAP)	CHF 68.64	CHF 42.63
Number of Performance Share Awards (PSA) Total Plan Participants	4 666	4 692
Maximum payout	200 %	200 %
Assignment of non-binding Entitlements (grant date)	1 May 2018	1 May 2017
Allocation of PSA (vesting date)	1 May 2021	1 May 2020

Plan participants of the LTI-Plan 2018–2020 are entitled to Cicor Technologies Ltd. shares in dependence on the relative increase of total shareholder return (TSR) of the Cicor Technologies Ltd. share compared to peer companies over a period of three years (1 January 2018 to 31 December 2020).

The initial value for the measurement of the TSR is CHF 74.07 and corresponds to the volume-weighted average price (VWAP) of the first 30 days of the first plan year (1 January 2018–31 January 2018). The assignment of the performance share awards (PSA) of the plan to the plan participants took place on 1 May 2018 (grant date). The definitive allocation of the PSAs will take place on 1 May 2021 (vesting date). The LTI-Plan is bound to a service condition of three years (1 May 2018–1 May 2021). The PSAs lapse if plan participants leave the company before 1 May 2021. The PSAs expire before the vesting date for reasons like company affiliation, personal disability or death.

The Annual Shareholders' Meeting on 19 April 2018 approved a target value for the LTI-Plan 2018–2020 of TCHF 200 for the Group Management. This amount does not include any social security expenses. The performance of the LTI-Plan was estimated at grant date to be at 100%, leading to a total potential compensation of TCHF 320 for all plan participants at vesting date.

The VWAP of the Cicor Technologies Ltd. share of the first ten trading days after publication of the 2017 year-end results (8 March 2018–21 March 2018) amounted to CHF 68.64. This leads to a total PSAs of 4 666 (target value for each plan participant divided by the VWAP of CHF 68.64).

in CHF 1 000	2018	2017
Recognized through Income Statement LTI-Plan 2017–2019	67	44
Recognized through Income Statement LTI-Plan 2018–2020	75	n/a

21 PERSONNEL COSTS

in CHF 1 000	2018	2017
Wages and salaries	56 397	49 902
Social security costs	7 361	7 892
Other personnel costs	4 759	3 936
Total	68 517	61 730

22 EMPLOYEES

	2018	2017
Number of employees (FTE)		
Production	1 846	1 754
Marketing and sales	73	66
Administration	110	104
Total	2 029	1 924

23 OTHER OPERATING EXPENSES

in CHF 1 000	2018	2017
Facility costs	8 662	8 275
Maintenance costs	3 604	3 456
Other production costs	6 015	5 457
Sales and marketing costs	1 731	1 463
Administration costs	4 507	4 948
Total	24 519	23 599

24 FINANCIAL INCOME AND EXPENSES

in CHF 1 000	2018	2017
Income		
Interest income	20	27
Foreign exchange gains	4 654	5 662
Total	4 674	5 689
Expense		
Interest expense	1 043	1 116
Other financial expenses	240	278
Foreign exchange losses	5 582	6 167
Total	6 865	7 561

25 RELATED-PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Cicor Technologies Ltd., Boudry, and the subsidiaries listed in note 3.

The governing and supervisory bodies of Cicor Technologies Ltd. are the only other related parties.

As per 31 December 2018, HEB Swiss Investment AG, the main shareholder, holds 29.38% of total shares outstanding. Other principal shareholders are presented in the notes of the financial statements of Cicor Technologies Ltd.

Compensation of key management personnel of the Group

The remuneration of the Board of Directors and the Management also include the remuneration recorded at subsidiaries. Detailed information concerning compensation is published within the Remuneration Report on pages 30/31.

26 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks. Further quantitative disclosures are included throughout these consolidated statements. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The following paragraphs give an overview of the extent of the above mentioned risks.

Credit risk

The credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. The assets mainly exposing the Group to a credit risk are: cash, cash equivalents and trade accounts receivable. The Group minimizes credit risk arising on cash and cash equivalents by investing in funds of high credit rated banks. These investments generally have a maturity of less than three months.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The danger of risk concentration is generally minimized by the large number of customer credit balances, as no single customer accounts for more than 8% of consolidated sales 2018 (2017: no single customer accounted for more than 8% of consolidated sales).

The carrying value of financial assets reflects the maximum credit risk and is presented in the table below:

in CHF 1000	2018	2017
Cash and cash equivalents	29 843	29 300
Trade receivables	41 994	34 147
Other accounts receivable	3 196	3 200
Other current assets	673	85
Total	75 706	66 732

Every operational unit has a credit policy under which each new customer is analyzed individually for creditworthiness. Purchase limits are established for each customer which represent the maximum open amount possible. Customer lists are reviewed in a monthly meeting with the Group management. On a quarterly basis, the allowances made according to the Group's rules laid down in the financial manual are closely monitored.

Market risk

The market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of risk management is to manage and control market risk exposures within acceptable limits. Cicor does not hold any financial instruments carried at fair value, but classifies all financial assets and liabilities as loans and receivables respectively as liabilities at amortized costs.

Currency risk

The Cicor Technologies Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective currencies of Group entities. The currencies in which these transactions are primarily denominated are Swiss francs (CHF), euros (EUR), Singapore dollars (SGD) and US dollars (USD). These risks are mostly offset by cash flows from financial assets or liabilities resulting from opposite operational transactions (natural hedge). As of 31 December 2018, the following foreign exchange forwards for the hedging of currency risks on Group loans with a remaining period of up to 30 months are outstanding:

in CHF 1000	Assets		Liabilities		Purpose
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	
Foreign exchange forwards	260	–	–	36	Hedging
Total	260	–	–	36	

Interest rate risk

The interest rate risk is the risk that there is a change in market value or future cash flow of a financial instrument if there is a change in interest rate.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing financial debts. The Group's policy is to manage its interest cost using a mix of fixed and variable debt. For the syndicated bank loan, the interest rate was decreased in 2018 from an average of 1.87% to an average of 1.30%. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments is presented in note 12.

Liquidity risk

The liquidity risk is the risk that Cicor Technologies Ltd. cannot meet its financial obligations when they are due.

A syndicated loan of CHF 75 million (utilized as per 31 December 2018: CHF 53 million) is available to secure short- to long-term financing requirements (see note 12). Compliance with the financial covenants defined in the syndicated loan is a central element of the Group's financial risk management. The respective bank covenants were fulfilled at all reporting dates. The short-term liquidity risk is reduced by the cash flow generated by operations, the trend of which is monitored continuously.

The following table shows the contractual cash flows of financial liabilities including interest payments as of 31 December:

2018 in CHF 1 000	Carrying amount	Contractual cash flow	2019 contractual cash flow	2020 contractual cash flow	2021 contractual cash flow	2022 contractual cash flow	2023 and after contractual cash flow
Financial liabilities	57 823	60 472	7 219	2 807	2 638	47 808	–
Trade payables	32 365	32 365	32 365	–	–	–	–
Other current liabilities and accruals	19 263	19 263	19 263	–	–	–	–
Total	109 451	112 100	58 847	2 807	2 638	47 808	–

2017 in CHF 1 000	Carrying amount	Contractual cash flow	2018 contractual cash flow	2019 contractual cash flow	2020 contractual cash flow	2021 contractual cash flow	2022 and after contractual cash flow
Financial liabilities	49 466	50 033	1 349	6 894	1 408	40 381	–
Trade payables	28 128	28 128	28 128	–	–	–	–
Other current liabilities and accruals	15 214	15 214	15 214	–	–	–	–
Total	92 808	93 375	44 691	6 894	1 408	40 381	–

The net carrying amount of financial assets and liabilities is a reasonable approximation of the fair value. No significant deviations between the net carrying amount and the fair value were noted.

Financial liability is measured using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period.

27 RESEARCH AND DEVELOPMENT

Cicor Group does not have any costs for research activities, but on average spends about 7% to 8% of sales as development costs.

28 SUBSEQUENT EVENTS

No events took place between 31 December 2018 and 13 March 2019 that would require an adjustment to the amounts recognized in these consolidated financial statements.



Statutory Auditor's Report

To the General Meeting of Cicor Technologies Ltd., Boudry

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cicor Technologies Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting principles.

In our opinion the consolidated financial statements (pages 36 to 62) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Valuation of inventory allowances

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of inventory allowances

Key Audit Matter

As per 31 December 2018, the Group had inventory balances, including work-in-progress (WIP) balances, of CHF 59.2 million. The Group's business model drives a variety and complexity of products, mainly electronic components, devices and systems. Management has to apply judgment in assessing the level of allowance required to account for slow-moving, excess or obsolete inventory items.

Inventory allowances are determined using methodologies that the Group deems appropriate to the respective business.

The level of judgment involved in assessing whether an allowance should be recognized and how it should be measured, coupled with the fact that allowance movements impact operating profit/loss, results in inventory allowances being a key area that our audit was concentrated on.

Our response

Our procedures included, amongst others, the following:

- Obtaining an understanding of the Group's process for determining inventory allowances and, for specific significant entities, testing the effectiveness of key controls that mitigate the risk of over- or understatement of the inventory allowances;
- Challenging the appropriateness of the Group's methodologies and assumptions based on our understanding of the individual businesses within the Group, taking into account the nature of their inventories, information on inventory turnover and consumption rates in the past as well as expected future usage, and evidence gained from observing physical inventory counts;
- Testing the mathematical accuracy of the calculation of the inventory allowances on a random sample basis; and
- Assessing on a sample basis the recoverability of inventory through comparison of net realizable values to cost, considering where applicable the expected cost to complete. This also involved tracing recognized cost amounts back to source documents.

For further information on the valuation of inventory allowances refer to the following:

- Note 2.2 to the consolidated financial statements (significant accounting principles, inventories, page 42)
- Note 7 to the consolidated financial statements (inventories, page 49)

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Roman Wenk
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

Zurich, 13 March 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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FINANCIAL STATEMENTS OF THE CICOR TECHNOLOGIES LTD.

BALANCE SHEET

in CHF 1 000	31.12.2018	31.12.2017
Assets		
Cash and cash equivalents	16 590	11 958
Other current receivables		
– third party	35	63
– Subsidiaries	8 503	9 462
Short-term loans to Group companies	1 455	–
Accruals	405	551
Current assets	26 988	22 034
Financial assets third party	237	–
Long-term loans to Subsidiaries	54 483	47 793
Long-term loans to Subsidiaries subordinated	18 000	18 000
Investments	83 236	83 236
Non-current assets	155 956	149 029
Total assets	182 944	171 063
Liabilities and shareholders' equity		
Financial liabilities		
– Subsidiaries	11 518	7 599
– third parties	1 500	–
Other liabilities		
– Subsidiaries	11	324
– third parties	65	52
Accrued expenses	1 591	1 061
Current liabilities	14 685	9 036
Financial liabilities		
– third parties	–	36
Non-current interest bearing liabilities		
– third parties	51 500	42 000
Non-current liabilities	51 500	42 036
Ordinary share capital	29 021	29 021
Legal capital reserve		
– General reserve	1 467	1 467
– Capital contribution reserves	106 322	108 353
– Share premium	1 073	1 073
Voluntary retained earnings		
– loss brought forward	–19 923	–20 466
– net profit of the year	–1 029	543
Treasury shares	–172	–
Shareholders' equity	116 759	119 991
Total liabilities and shareholders' equity	182 944	171 063

INCOME STATEMENT

in CHF 1 000	2018	2017
Income		
Financial income	2 752	4 007
Interest received from Group companies	1 322	1 538
Interest received from third party	10	18
Total income	4 084	5 563
Expenses		
Financial expense	2 602	2 137
Administrative expense	2 511	2 882
Tax	–	1
Total expenses	5 113	5 020
Net (loss) / profit of the year	–1 029	543

NOTES TO THE FINANCIAL STATEMENTS OF THE CICOR TECHNOLOGIES LTD.

1 PRINCIPLES

General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Non-current assets

Non-current assets include long-term loans and investments. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded, but unrealized profits are not recognized. Investments are valued at their acquisition cost adjusted for impairment losses, if any.

Treasury shares

Treasury shares are recognized at historical costs and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the equity.

Long-term interest-bearing liabilities

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Issue costs for financial debts are capitalized and amortized on a straight-line method over the financial debt maturity period.

Foregoing a cash flow statement and additional disclosures in the notes

As Cicor Technologies Ltd. has prepared its consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

Derivative financial instruments

Derivative financial instruments for hedging purposes of balance sheet items are stated at fair value upon conclusion of the contract and are shown under other current receivables and financial assets 3rd respectively financial liabilities. Consequently, the derivative financial instruments are valued at market value at each end of period whereas non-realized gains and losses are recognized in the financial result. The market values of the derivative financial instruments are derived from the market prices at the end of the period. To hedge currency risks, the Group makes use of foreign exchange forwards.

2 INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

Long-term loans to subsidiaries

Loans in the amount of TCHF 41 300 have been granted to our companies in Switzerland, Romania and Asia. Loans in the amount of TEUR 17 680 have been granted to our companies in Germany and Romania. Loans in the amount of TUSD 8 725 have been granted to our companies in Asia. A loan in the amount of TSGD 3 700 has been granted to one of our companies in Asia.

INVESTMENTS

in CHF 1,000, unless otherwise stated	Participation in %	Currency	31.12.2018	31.12.2017
Cicorel SA, Boudry/Switzerland* Engineering/Production/Sales/Distribution	100	CHF	8 000	8 000
Reinhardt Microtech AG, Wangs/Switzerland* Engineering/Production/Sales/Distribution	100	CHF	1 800	1 800
Reinhardt Microtech GmbH, Ulm/Germany Engineering/Production/Sales/Distribution	100	EUR	500	500
RHe Microsystems GmbH, Radeberg/Germany* Engineering/Production/Sales/Distribution	100	EUR	216	216
Electronicparc Holding AG, Bronschhofen (Wil)/Switzerland* Holding/Finance	100	CHF	23 271	23 271
Swisstronics Contract Manufacturing AG, Bronschhofen (Wil)/Switzerland Engineering/Production/Sales/Distribution	100	CHF	3 000	3 000
Systronics SRL, Arad/Romania Production/Sales	100	RON	5 145	5 145
Systel Italia SRL, Milano/Italy Sales/Distribution	100	EUR	10	10
ESG Holding Pte Ltd., Singapore* Holding/Finance	100	SGD	1 896	1 896
Cicor Asia Pte Ltd., Singapore Sales/Distribution	100	SGD	1 000	1 000
Cicor Ecotool Pte Ltd., Singapore Engineering/Production	100	SGD	1 000	1 000
PT Cicor Panatec, Batam/Indonesia Production	100	USD	300	300
Brant Rock Enterprises Corporation, British Virgin Islands Holding/Finance	100	USD	10	10
Cicor Anam Ltd., Anam/Vietnam Production	100	USD	1 500	1 500
Suzhou Cicor Technology Co. Ltd., China Production	100	CNY	39 432	39 432
Cicor Americas Inc., USA* Sales/Distribution	100	USD	10	10
Cicor Management AG, Bronschhofen (Wil)/Switzerland* Management Services	100	CHF	250	250

* Directly held subsidiaries

Non-current interest-bearing liabilities

Cicor signed a syndicated bank loan agreement on 30 June 2017 on a total line of CHF 75 million, which was utilized by CHF 53 million cash on 31 December 2018 (please refer to page 54 for further information).

Capital structure

	31.12.2018	31.12.2017
Share capital at 31 December		
2 902 092 (2017: 2 902 092) registered shares of CHF 10. –	29 020 920	29 020 920

Issued capital and changes in capital structure

During 2018 and 2017, the Company's share capital did not change. Cicor Technologies Ltd. is a holding company established under Swiss law. According to the provisions of law governing the appropriation of retained earnings by holding companies, the share capital and appropriations to the general legal reserve to the extent of 20% of share capital as well as the reserve for treasury shares may not be distributed.

Dividend

Any dividend distribution must be proposed by the Board of Directors and approved by the Annual Shareholders' Meeting. At the Shareholders' Meeting on 19 April 2018, the shareholders decided to allocate TCHF 2 031 from the capital contribution reserves to the free reserves and to distribute CHF 0.70 per share (totalling CHF 2 031 464.40) to the shareholders out of the free reserves. At the Annual Shareholders' Meeting on 16 April 2019, the Board of Directors will propose a withholding tax-free distribution of CHF 1.00 per share from the capital contribution reserves. The proposal comprises an allocation of CHF 2 899 092 from the capital contribution reserves. For more information refer to page 57.

Authorized capital

At the Shareholders' Meeting on 19 April 2018, the shareholders decided to renew the authorization of the Board of Directors to increase the share capital by a maximum of 600 000 fully paid-in shares at a nominal value of CHF 10 until 19 April 2020.

Conditional capital

At the Shareholders' Meeting of 13 May 2009, the shareholders decided to increase the conditional share capital up to 200 000 fully paid-in registered shares with a total nominal value up to CHF 2 000 000 for the exercise of stock option rights granted to officers and other key employees under an employee stock option plan.

There are currently no stock option plans for members of the management in place.

At the Shareholders' Meeting of 13 May 2009, the shareholders decided to create additional conditional share capital of up to 500 000 fully paid-in registered shares with a total nominal value of up to CHF 5 000 000 for the exercise of conversion rights granted to holders of convertible debt securities to be issued by the company. Such conversion rights would have to be exercised within five years of the issuance of such convertible debt securities.

Treasury shares

Number of shares	
1 January 2017	1 500
Sale of own shares	-1 500
31 December 2017	-
Purchase of own shares	3 000
31 December 2018	3 000

Financial income

The financial income mainly consists of the dividends of Electronicparc Holding AG (TCHF 850), RHe Microsystems GmbH (TCHF 300) and Reinhardt Microtech AG (TCHF 600) and of foreign exchange gains (TCHF 705). Also included are non-realized gains of derivative financial instruments (TCHF 296).

Administrative expense

The administrative expense mainly consist of remuneration to the Board of Directors of TCHF 227 and stewardship costs of TCHF 1 931 (costs charged by Cicor Management AG, costs for the annual report and Annual Shareholders' meeting as well as consulting and investor relations costs).

3 OTHER INFORMATION

Full-time equivalents

Cicor Technologies Ltd. does not have any employees.

Collateral provided for liabilities of third parties

For a lease contract between Cicorel and a Swiss insurance company, Cicor Technologies Ltd. grants a guarantee in favor of the said insurance company in the amount of TCHF 3 804, which represents the discounted value of future rental payments.

in CHF 1,000	31.12.2018	31.12.2017
Guarantee in favour of a Swiss insurance company	3 804	4 510

Pledged assets

The shares of the following companies at a net book value of TCHF 80 036 (2017: TCHF 80 036) are in deposit with Commerzbank AG and pledged as collateral for the syndicated credit line contracted in 2017: Cicorel SA, Electronicparc Holding AG, Swiss-tronics Contract Manufacturing AG, Reinhardt Microtech AG and RHe Microsystems GmbH.

Principal shareholders

The following shareholdings correspond to the ones reported according to the regulations of the Swiss Stock Exchange (SIX Swiss Exchange) and updated as in the shares register per year-end.

	31.12.2018 Number of shares	in % ^{*)}	31.12.2017 Number of shares	in % ^{*)}
HEB Swiss Investment AG, Zürich, Switzerland	851 705	29.38	851 705	29.35
LLB (Swiss) Investment AG, Zürich, Switzerland	128 500	4.43	114 936	3.96
Escatec Holdings Ltd., Port Vila, Vanuatu	111 194	3.84	141 061	4.86
Quaero Capital (previously ARGOS Fund), Luxembourg	-	< 3.00	162 435	5.60

*) in % of the total outstanding shares

Compensation of Board of Directors and Management 2018

Please refer to page 30.

Shareholdings of Board of Directors and Management

in CHF 1 000	2018 Number of shares	2018 Number of options	2017 Number of shares	2017 Number of options
Heinrich J. Essing	9 000	n/a	9 000	n/a
Robert Demuth	5 124	n/a	5 124	n/a
Andreas Dill	1 000	n/a	1 000	n/a
Erich Haefeli	–	n/a	–	n/a
Total current Board members	15 124	–	15 124	–
in CHF 1 000	2018 Number of shares	2018 Number of options	2017 Number of shares	2017 Number of options
Alexander Hagemann	1 200	n/a	2 200	n/a
Patric Schoch	4 711	n/a	5 151	n/a
Total current Management	5 911	–	7 351	–

Shares or options on shares for members of the Board and employees

In 2018 and 2017, no shares or options on shares were allocated to members of the Board or to employees. As of 31 December 2018, there are no active stock option plans.

Significant events after the balance sheet date

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

4. PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

in CHF 1 000	2018
Loss brought forward 1.1.	–19 923
Net loss of the year	–1 029
Loss brought forward 31.12.	–20 952

At the Annual Shareholders' Meeting on 16 April 2019, the Board of Directors will propose a withholding tax-free distribution of CHF 1.00 per share from the capital contribution reserves. The proposal comprises an allocation of CHF 2 899 092 from the capital contribution reserves.



Statutory Auditor's Report

To the General Meeting of Cicor Technologies Ltd., Boudry

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cicor Technologies Ltd., which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting principles.

In our opinion the financial statements (pages 66 to 71) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Valuation of investments and long-term loans to subsidiaries

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of investments and long-term loans to subsidiaries

Key Audit Matter

The financial statements of Cicor Technologies Ltd. as per 31 December 2018 include investments in subsidiaries in the amount of CHF 83.2 million and long-term loans to subsidiaries in the amount of CHF 72.5 million (thereof CHF 18.0 million subordinated). The company annually reviews investments and long-term loans to subsidiaries for impairment on an individual basis.

In performing the impairment tests, management determined the recoverable amounts using a discounted cash flow model.

The impairment assessment of investments and long-term loans to subsidiaries requires significant management judgment, in particular in relation to the forecast cash flows, future growth rates and the discount rates applied, and is therefore a key area that our audit was concentrated on.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests as well as the appropriateness of management's assumptions.

This comprised:

- Retrospectively assessing the accuracy of management's past projections by comparing historical forecasts to actual results;
- Agreeing forecasts used in the impairment tests to current expectations of management and the business plans approved by the Board of Directors; and
- Challenging the robustness of key assumptions on a sample basis, including forecast cash flows, long-term growth rates and discount rates, based on our understanding of the commercial prospects of the respective investments and comparison with publicly available data.

For further information on the valuation of investments and long-term loans to subsidiaries refer to the following:

- Note 1 to the financial statements (non-current assets, page 68)
- Note 2 to the financial statements (long-term loans to subsidiaries, page 68)

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting principles used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Roman Wenk
Licensed Audit Expert
Auditor in Charge

David Grass
Licensed Audit Expert

Zurich, 13 March 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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