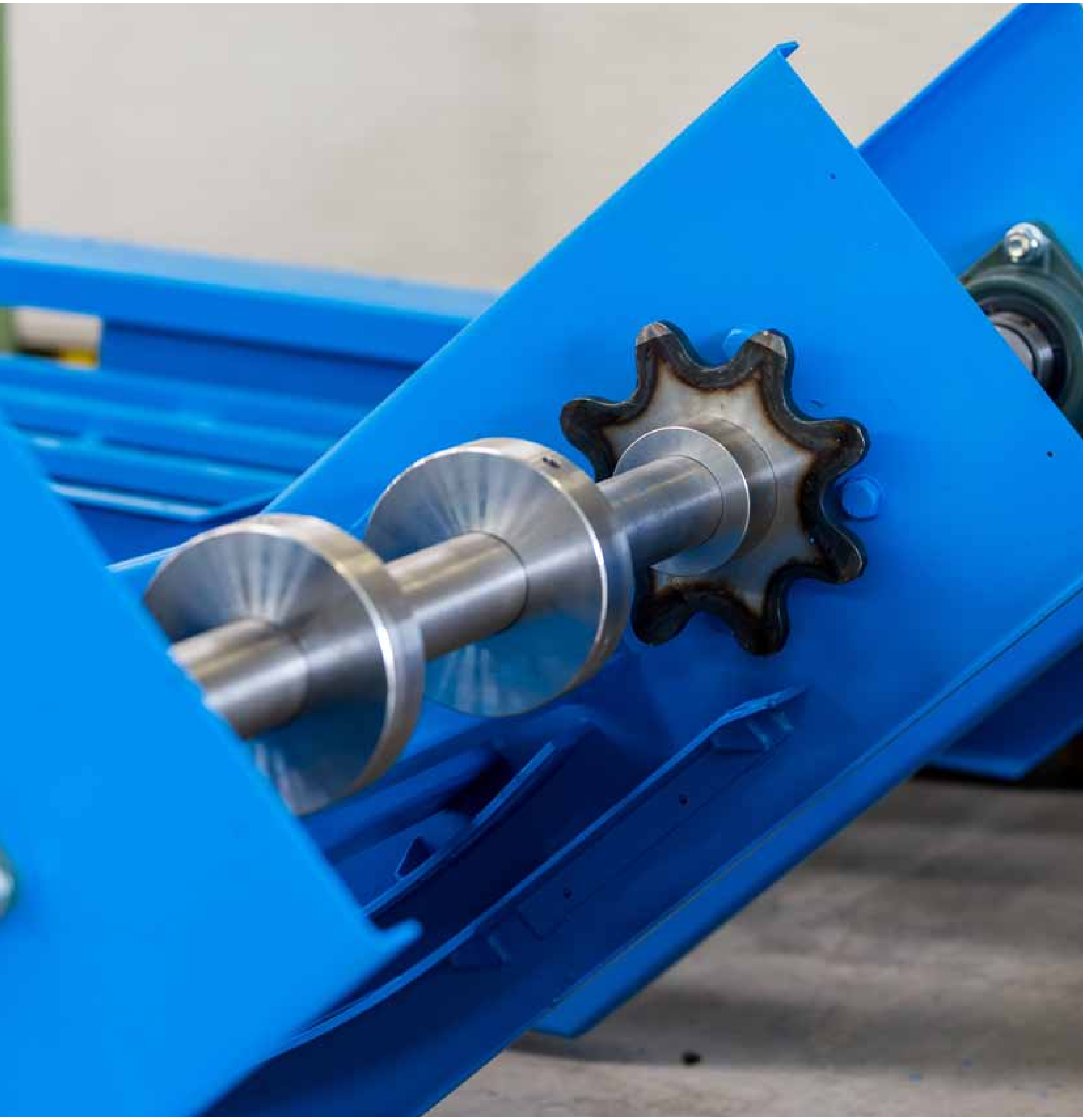
ACCU
Holding AG



# 2014 ANNUAL REPORT

**This is a translation of the German Annual Report.**
**In case of doubt, the German original prevails.**

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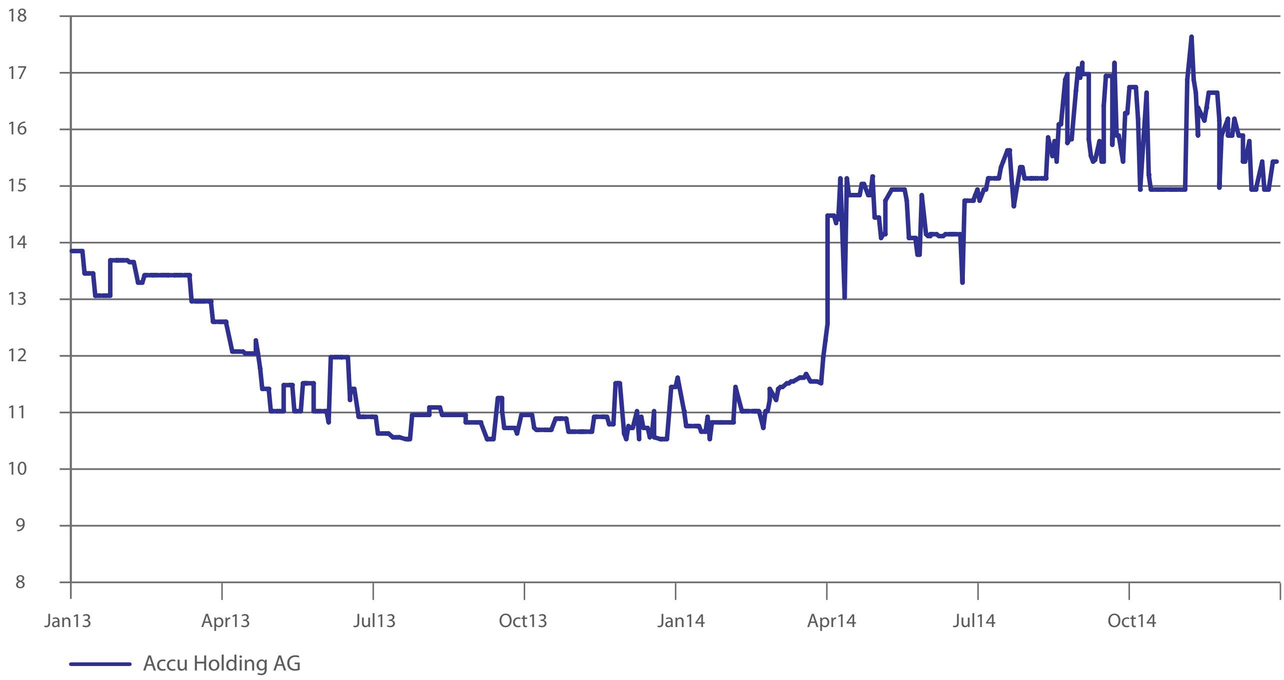
## Share price performance

January 1, 2013–December 31, 2014




## Share information

| | | | |
|---|---|---|---|
| Security symbol | ACUN | Security number | 136'633 |
| Bloomberg ticker | ACUN SW | ISIN code | CH0001366332 |
| Reuters ticker | ACUN.S | Stock exchange | SIX Swiss Exchange (Domestic Standard) |

## Calendar

| | |
|---|---|
| General Meeting | June 19, 2015 |
| Publication of semi-annual report | August 31, 2015 |

## Contact address

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www.accuholding.ch

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Tel. +41 44 318 88 00
info@accuholding.ch

## Key Figures at a Glance

| All amounts in thousands of CHF | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| **Balance sheet** | | | | | |
| Current assets | 5,814 | 19,266 | 18,088 | 39,036 | 77,153 |
| Non-current assets | 14,317 | 29,868 | 22,568 | 72,785 | 100,319 |
| Liabilities | 5,739 | 33,253 | 24,426 | 90,716 | 152,007 |
| Equity | 14,392 | 15,881 | 16,230 | 21,105 | * 25,465 |
| Total assets | 20,131 | 49,134 | 40,656 | 111,821 | 177,472 |
| Insurable value of buildings, fixtures and fittings | 62,356 | 104,582 | 73,301 | 94,899 | 108,913 |
| **Income statement** | | | | | |
| Net sales from goods and services | - | 1,079 | 30,033 | 90,386 | 132,942 |
| Income from real estate | 1,321 | 966 | 262 | 208 | - |
| Other operating income | 418 | 41 | - | 1,423 | 1,917 |
| Net change in market value of investment property | –1,509 | 704 | - | - | - |
| EBITDA | n/a | 457 | 2,714 | 6,980 | 7,752 |
| Depreciation and amortization | –26 | –45 | –1,542 | –2,357 | –2,622 |
| EBIT | n/a | 412 | –1,172 | 4,623 | 5,130 |
| Profit/loss for the year | –923 | 1,489 | 349 | 1,153 | 2,127 |
| **Order backlog** | | | | | |
| Dec. 31 | - | 2,500 | 2,700 | 12,500 | 50,200 |
| **Number of employees** | | | | | |
| Dec. 31 | 1 | 142 | 113 | 515 | 789 |

* After a capital increase completed on January 1, 2015, equity totals CHF 31,765.

## Share figures

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Share price high | 19.78 | 17.98 | 15.99 | 13.90 | 18.00 |
| Share price low | 9.61 | 10.01 | 12.50 | 10.50 | 10.30 |
| Year-end share price | 15.75 | 12.80 | 13.90 | 11.45 | 15.50 |
| Market capitalization in millions of CHF | 15.75 | 12.80 | 13.90 | 14.43 | 22.85 |

## Share capital

| | 2010 | 2011 | 2012 | 2013 | * 2014 |
|---|---|---|---|---|---|
| Number of registered shares | 100,000 | 100,000 | 100,000 | 126,000 | 1,474,400 |
| Nominal value per share (CHF) | 100 | 100 | 100 | 100 | 10 |

* 1-10 share split as at Oct. 29, 2014

# Solid fiscal year for Accu Holding

Dear Shareholders

Accu Holding AG made further progress in its operations in 2014 and succeeded in strengthening its portfolio with additional targeted acquisitions. There were four events in particular that stood out in the reporting year:

- The acquisition of the Cieffe Group based in Colle Umberto (TV) Italy effective at the end of 2014. The Cieffe Group, consisting of Cieffe Holding S.p.A., Cieffe Forni Industriali S.r.l., Cieffe Services S.r.l. and Cieffe Shanghai Ltd., produces a wide range of hardening and coating systems at its production sites in northern Italy and China.
- The RCT Group strengthened its performance and market presence in the reporting year and optimized its fixed-cost structure. In addition, 2014 also saw the commissioning of a highly automated ICON machining center in Switzerland and the commencement of construction of another production site in Slovakia.
- Daniel Brupbacher, a financial expert with experience in both investment banking and private banking, was elected to the Board of Directors at the Extraordinary General Meeting on October 3, 2014.
- At the beginning of November 2014, Accu Holding issued a mandatory convertible loan in 2014 in the amount of CHF 3.2 million, which was subsequently converted into shares of Accu Holding AG with a nominal value of CHF 2.1 million. This transaction enabled the Accu Group to successfully expand its shareholder base.

### System manufacturer Cieffe complements portfolio

On December 29, 2014, Accu Holding acquired a majority share of 92.22% in Cieffe Holding S.p.A., 79.16% of which was purchased from 1C Industries Zug AG, which is owned by the Chairman of the Accu Board of Directors, Marco Marchetti. The remaining 13.06% was acquired from other minority shareholders. Preliminary agreements to sell their shares were signed in December 2014 with the remaining minority shareholders, who have shareholdings totaling 7.78%. The transfer was completed in February 2015. The successful acquisition of the Cieffe Group adds a key area of expertise and business in surface technology. The global Cieffe Group manufactures high-quality hardening and coating systems and possesses broad-based know-how in various hardening technologies and procedures. The Cieffe Group has a workforce of around 250 employees at four production and distribution sites in Italy, India and China. Its customers include renowned global corporations such as Bosch, SFS, Renault and Posco. The Cieffe Group's unaudited annual sales in 2014 came in at CHF 45 million.

### Surface Technology Division gets a profile boost

The acquisition of the Cieffe Group accomplished a targeted expansion of the value chain. Know-how in the hardening and coating of metal components was added on top of RCT Hydraulic-Tooling AG, which engages in soft metal machining.
This not only gives the Surface Technology Division a technological boost – it makes it into a second strong mainstay of the Accu Group.

### 47% sales increase

The Nexis Group was consolidated for 12 months in the annual financial statements for the first time in fiscal year 2014. As the Cieffe Group was acquired in late 2014, it is only included in the balance sheet and not in the consolidated income statement. Net sales from goods and services increased in the reporting year from CHF 90.386 million to CHF 132.942 million. Industrial yarns accounted for net sales of CHF 111.478 million, while Surface Technology brought in revenue of CHF 21.464 million. Consolidated operating profit before interest totaled CHF 5.130 million (previous year: profit of CHF 4.623 million).

Profit before tax (after financial, non-operating and extraordinary income and expenses) came in at CHF 3.106 million (previous year: profit of CHF 2.275 million), and consolidated profit after tax amounted to CHF 2.127 million (previous year: profit of CHF 1.153 million).

### Cash flows

The consolidated total assets of the Accu Group as at December 31, 2014 increased to CHF 177.472 million (previous year: CHF 111.821 million). Net cash from operating activities amounted to CHF 1.679 million (previous year: net cash inflow of CHF 9.555 million), while net cash from investing activities totaled CHF 1.727 (previous year: net cash outflow of CHF 6.028 million). Cash flow improved through the net cash increase of CHF 1,211 million from the acquisition of the Cieffe Group, as the Cieffe transaction was fully financed through vendor loans. The CHF 4.050 million increase in financial liabilities, along with the above-mentioned cash flows from operating and investing activities, led to an increase in cash and cash equivalents of CHF 4.002 million (previous year: CHF 2.533 million decrease), putting cash on hand at CHF 4.419 million at the end of 2014.

### Financing solutions of more than CHF 48 million secured

The Accu Group succeeded in negotiating extensive financing solutions after the balance sheet date, creating a solid basis for its planned growth steps. Additional funds (credit lines and guarantee facilities) in the amount of CHF 11.4 million are available to the Group. Additional loan agreements, including sale and leaseback agreements, amounting to CHF 25 million, along with financing commitments (term sheets) totaling around CHF 23 million, were also signed after the balance sheet date.

### Holding company financial statements

Accu Holding AG rendered services for numerous related companies and subsidiaries, primarily in relation to general management consulting, financing and project support and the provision of guarantees for large-scale projects. The holding company brought in revenues from these operations totaling around CHF 1.012 million (previous year: CHF 0.820 million). Operating profit before interest totaled CHF 0.102 million (previous year: CHF 0.421 million). The holding company posted an ordinary loss of CHF 0.509 million (previous year: profit of CHF 0.157 million). The profit for the year of CHF 0.819 million (previous year: CHF 0.324 million) includes extraordinary items with a total net amount of around CHF 0.825 million.

### Board of Directors

Marco Marchetti gave up his office as Chairman of the Board of Directors to Daniel Brupbacher on an ad interim basis, effective April 2, 2015. Marco Marchetti remains a member of the Board of Directors. As this annual report generally presents closing-date view, Marco Marchetti is listed as Chairman of the Board of Directors in this annual report.

**2015 outlook**

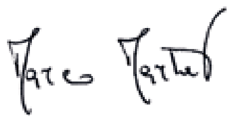
After successfully integrating the heat treatment system business of the Cieffe Group and initiating the RCT Group's new production site in Slovakia, the next step is to incorporate the heat treatment service companies of 1C Group AG into the Accu Group. New potential acquisitions continue to be evaluated and priority is being given to optimizing the existing companies. The Board of Directors forecasts consolidated sales of CHF 165 million, EBITDA of CHF 12 million and net profit of CHF 3 million for fiscal year 2015, without taking the impact of potential acquisitions into account.

**Thanks**

On behalf of the Board of Directors and Management, we thank all employees for their great commitment in the reporting year. We would also like to thank our customers and business partners for their business and our shareholders for their confidence in us.

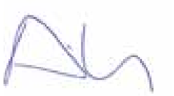
**Daniel Brupbacher**

*Ad Interim Chairman of the Board of Directors*



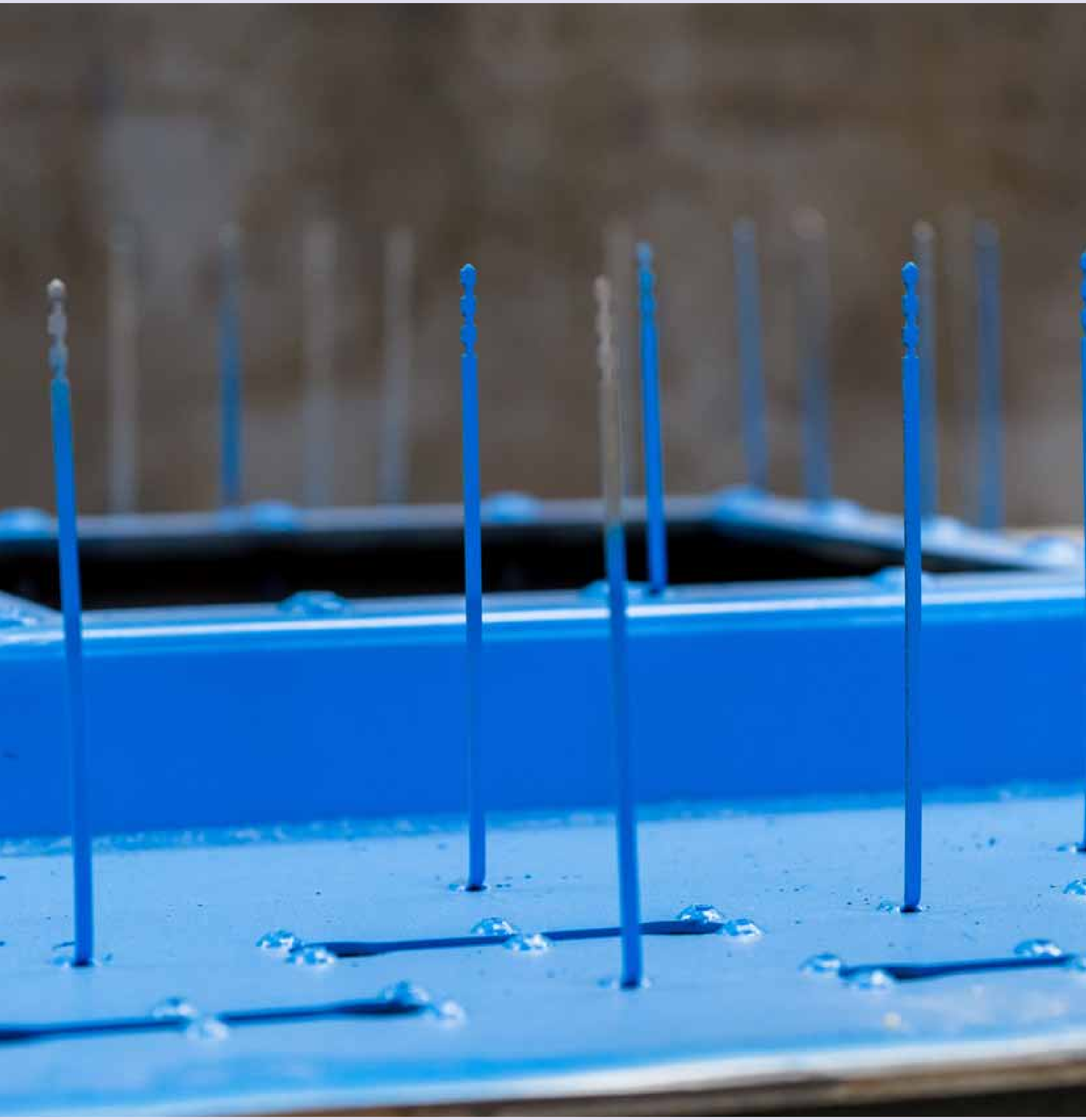
**Marco Marchetti**

*Member of the Board of Directors*



**Andreas Kratzer**

*Delegate of the Board of Directors*



## Surface Technology Division

With the acquisition of the Cieffe Group, Accu Holding AG has significantly expanded the value chain in a key segment. The thermal treatment of materials in all its various forms is an integral part of modern-day manufacturing. At the same time, this also results in a closer involvement in the customer decision-making process. The foundations have therefore been laid for the strategic expansion of the portfolio in the field of surface technology.

### Cieffe Group

The Cieffe Group (Cieffe) is a leading constructor of high-quality industrial plants for the thermal treatment of metallurgical components. It designs, develops and produces individual system solutions for its customers. With its products, Cieffe addresses the needs of end markets for the automotive industry, plus aviation, aeronautics and the utilities and rail industries. Smaller growth markets such as medical technology are still in their infancy, but are already showing promising results. Meeting high technological demands while maintaining the required flexibility for fulfilling customers' individual needs are decisive success factors. In recent years, significant progress has also been made in the areas of energy efficiency and thermal efficiency.

### Different furnace types

In recent years, Cieffe has grown both organically and through acquisitions into a global provider of modern thermal plants – and all without losing any of its dynamism, flexibility or innovative strength. The focus here was on the simplification of thermal processes, the production of environmentally friendly and energy-efficient plants and the achievement of cost savings without compromising on quality. The following systems and services are offered all over the world:

- Rotary hearth furnaces
- Ring hearth furnaces
- Push-through furnaces
- Chamber furnaces
- Vacuum furnaces
- Cleaning plants and automation solutions
- Service, maintenance and delivery of spare parts

As these activities almost always involve project business, both cost calculations and on-schedule fulfillment play a decisive role. The optimal use of available resources, a solid and balanced utilization of capacities, and investments in research and technology are the core factors in meeting these requirements and challenges. This includes heat recovery on the furnaces, the blending of a wide range of additives and the recyclability of the coolants.

### Broad client base across the globe

The automotive sector, which constitutes around 60% of the market, has strong historical foundations in continental Europe. As a result of the increased globalization of end customers in recent years, the Cieffe Group has been able to diversify geographically and grow organically. Current customers include Bosch, SFS and SHL, not to mention GE, Caterpillar and Eaten. Entry was also made to the Chinese market in the reporting year with the opening of a subsidiary in Shanghai. The Cieffe Group posted unaudited annual sales of around CHF 45 million in the 2014 reporting year.

## RCT Hydraulic-Tooling AG

The RCT Group (RCT) manufactures customized high-tech components using state-of-the-art machining technologies. The company is active in the precision manufacturing and surface coating of high-quality components, complex hydraulic units and axial piston pumps, and in the soft machining of cast metal parts. These products are primarily used in plants, ships and vehicles, in the hydraulic and automotive industry, in aviation and in agricultural machinery. Extremely high levels of precision in the manufacturing process and a mastery of complex processes are key factors for succeeding on the market.

### Wide range of products

RCT has a comprehensive range of products and offers the customer maximum flexibility during the entire production process, together with quick reaction times, many different variations and experienced contact partners. The service portfolio ranges from single items right up to complete manufacturing processes and development services, including the necessary surface treatment and thermal treatment of cubic and rotating parts. High-quality components are processed on state-of-the-art machinery using the following methods:

- CNC solutions for individual requirements in machining workpieces of all shapes and sizes and with optimum precision and efficiency
- Honing, turning and roller burnishing for final definition of the shape and dimensional accuracy
- Thermal deburring for removal of projecting burrs, even in hard-to-reach areas
- Heat treatment for perfect protection through gas nitriding and nitrocarburizing
- High-pressure cleaning of each workpiece
- Sand-blasted or shot-blasted workpieces for a brilliant finish

### A strong partner for the customer

Increasing demands in terms of materials and reliability can only be met through innovative and flexible approaches. Moreover, there is also continued pressure from end customers to reduce material costs. Thanks to the modular production process, products can be manufactured efficiently in all shapes and sizes according to individual customer requirements and with the highest levels of precision. When combined with thermal applications, a significant contribution can then be made in terms of solutions offered to the customer. This concept can be expanded to cover additional industrial branches and groups (both geographically and technologically) and thus opens up new and promising perspectives. Alternative, supplementary and new manufacturing processes can also be included in this model and integrated in the value chain. Physical vapor deposition (PVD) and carbon coating are just two examples of applications in the field of thin-film technology where significant market potential and market growth can be expected.

### Sales remain stable

Following a fairly slow start, the European automotive sector recovered to post healthy growth. As the first stimulus came predominantly from the reduction of inventories, RCT – whose main customers include the renowned German companies Bosch and Linde – experienced only limited benefits. The expansion into Slovakia initiated midway through the year has not yet had a positive effect on profits for the year either. In the 2014 fiscal year, RCT generated sales of CHF 21.5 million – a drop of around 2.5% compared to the previous year.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## Industrial Yarns Division

### Nexis Fibers

Nexis Fibers develops and manufactures polymer-based and polyamide-based industrial yarns for use in airbags, tires, cables and nets, plus special polymer and polyamide applications. Nexis Fibers is the largest European manufacturer in the field and also a global leader, with more than 45,000 tons of industrial yarn produced annually at its two sites in Humenné (Slovakia) and Daugavpils (Latvia). The high-quality yarns and polymers are manufactured in accordance with ISO 9001 and ISO/TS 16949 standards. The production facilities are absolutely state of the art and the production process meets the most stringent European environmental standards.

### Wide range of possible applications

Nexis Fibers is a major producer of polymers (PA6.6 and PA6), with a wide range of customer-specific applications. The artificial yarns produced by the Group are used primarily in the following four fields of application:

#### Airbags

Nexis Fibers offers a wide selection of PA6.6 yarns with high or very high tensile strengths and for all conventional fields of application in the airbag industry. The products here are completely traceable – from the yarn bobbin through to the polymer itself.

#### Tires and MRG (mechanical rubber goods)

Yarns from Nexis Fibers are found in the suspension systems of trucks, buses, trains and cars. They are also an integral part of high-pressure braided hoses and power-steering hoses, plus conveyor belts. The yarns are used to reinforce the rubber and have been optimized for braiding in all types of twisting machines.

Thanks to their tensile strength, elasticity and contraction in volume, PA6 and PA6.6 yarns can be easily drawn when hot in order to produce tire cord fabrics or MRG fabrics according to the desired customer specifications.

#### Cables and nets

Nexis Fibers manufactures industrial polyamide yarns for producers of Raschel nets, woven nets, industrial cables and special cables. The portfolio covers a wide range of extremely tear-resistant PA6 industrial yarns for the cable and net market. PA6 yarns are protected against light, blended and easy to dye. Nexis Fibers offers the leading heat-resistant yarns and a wide selection of spun-dyed industrial yarns. The yarns are available in thread densities of between 940 and 2,100 dtex (1 g/10,000 m).

#### Polymer specialties

Nexis Fibers has tripled its production capacity to 4,900 tons over the past three years, making it an established manufacturer of high-quality special polymers that are used in demanding fields of application. This includes monofilaments such as PMCs (paper machine clothing), fishing lines, filters, abrasives and brushes, plus plastic compounds for use in the automotive industry, electrics/electronics industry, in medical technology and for industrial consumer goods. PA6.10 and PA6.12 yarns are available in different viscosities and their high quality is guaranteed by the use of precisely specified raw materials and a strictly controlled polymerization process. Depending on the field of application, the yarns are characterized by high abrasion resistance, low moisture absorption and good stiffness, plus a low contraction in volume, low melting point and outstanding dimensional stability.

### A market with high entry barriers

The industrial yarn market is a challenging one. Prescribed certification processes and safety regulations pose high entry barriers here, particularly in those markets supplied by Nexis Fibers. Technical know-how, continuous innovation and close proximity to the customer combined with a comprehensive range of services are the key to success.

Customers of Nexis Fibers include the major tire manufacturers Goodyear, Michelin and Continental, airbag manufacturers Autoliv, Milliken and TRW, plus net manufacturers Lanex, Badinotti, Kord and Beal.

### Expansion of the value chain planned

Nexis Fibers posted consolidated sales of CHF 111.5 million in the 2014 reporting year. In the segments supplied by Nexis, the market is dominated by three to four manufacturers – including the Nexis Group. Tires contributed 23% to sales, with airbags contributing 15%, cables and nets 36% and special polymers 5%. The remaining sales were achieved in different segments, such as weaving or service.

In order to further reinforce its market position in the coming years, the value chain will be expanded downstream. The goal is to become the European market leader in the industrial yarns segment for tires, fabrics, cables and nets.

# Corporate Governance

## 1. Corporate governance information

This corporate governance report describes the governance and control principles for Accu Holding AG's top-level management as at December 31, 2014 in accordance with the Directive on Information relating to Corporate Governance (Directive Corporate Governance, DCG) of SIX Swiss Exchange of September 1, 2014.

## 2. Group structure and capital structure

### 2.1 Group structure

Besides Accu Holding AG, which has its registered office in Emmenbrücke, there are no other listed companies among those consolidated. However, the following non-listed group companies were consolidated as at December 31, 2014:

| Company name/registered office | Ownership interest | Currency | Share capital | Share capital |
|---|---|---|---|---|
| | | | 12.31.2014 | 12.31.2013 |
| Accu Holding AG, Emmenbrücke LU | | CHF | 14,744,000 | 12,600,000 |
| Oerlikon Stationär-Batterien AG, Aesch BL (currently inactive) | 100% | CHF | 5,000,000 | 5,000,000 |
| RCT Hydraulic-Tooling AG, Balsthal SO | 100% | CHF | 6,250,000 | 6,250,000 |
| RCT Sachsen GmbH, Zittau (D) (currently inactive) | 100% | EUR | 25,000 | 25,000 |
| RCT Hydraulic-Tooling s.r.o. Humenné (SK) | 100% | EUR | 5,000 | |
| Nexis Fibers a.s., Humenné (SK)* | 100% | EUR | 6,725,000 | 6,725,000 |
| Nexis Fibers SIA, Daugavpils (LV) | 100% | EUR | 5,230,644 | (LVL) 3,676,118 |
| Cieffe Forni Ind. S.r.l., Colle Umberto (IT) | 100% | EUR | 1,500,000 | |
| Cieffe Services S.r.l., Colle Umberto (IT) | 100% | EUR | 119,000 | |
| Cieffe Holding S.p.A., Colle Umberto (IT) | 100% | EUR | 5,900,000 | |
| Cieffe Ind. Furnaces Co. Ltd., Shanghai (RC) | 100% | RMB | 18,526,239 | |

*excluding contested capital increase of EUR 75,000

### 2.2 Capital structure

The Company's ordinary share capital amounts to CHF 14.744 million and is divided into 1,474,400 fully paid up registered shares with a nominal value of CHF 10 each. The registered shares of Accu Holding AG are traded in the Domestic Standard segment under security number 136633, ISIN CH0001366332. The Company's market capitalization as at December 31, 2014 was CHF 22.9 million. The most recent Extraordinary General Meeting on October 3, 2014 resolved on a 1-10 share split and an increase in authorized and conditional capital to CHF 6.3 million each. The share split was completed on October 29. In addition, Accu Holding AG placed a convertible loan from conditional capital with strategic investors on November 10, 2014 at an issue price of CHF 15.00 per share (total CHF 3.22 million). This convertible loan was converted into shares of Accu Holding AG (ACUN SW) as scheduled on December 1, 2014. As a result, the Company's authorized and conditional capital totaled CHF 6.3 million and CHF 4.156 million, respectively, on the closing date.

The Company had not issued any participation certificates or profit-sharing certificates as at the closing date, nor were there any outstanding convertible loans or options on this date. Financial liabilities were incurred from the purchase of the Cieffe Group for CHF 14.43 million, which was fully financed through vendor loans. Parts of these loans are convertible into shares of Accu Holding AG at CHF 15.00 per share within one year. The residual value, with a term of five years, is subject to market interest rates and will be repaid following any set-off under the malus arrangements in the purchase agreement if applicable.

The share capital amounted to CHF 10.0 million in 2012, CHF 12.6 million in 2013 and CHF 14.744 million in 2014 (as at December 1, 2014).

The changes in the reserves and net retained profit or loss that have occurred since 2012 can be found in the financial section of this annual report with respect to the reporting year and the previous year (see individual balance sheet at December 31, 2013 and December 31, 2014 of Accu Holding AG, page 55). The annual reports for previous years are available on the Company's website at *www.accuholding.ch.*

| List of shareholder groups and shareholders | 12.31.2014 | 12.31.2013 |
|---|---|---|
| 1C Industries Zug AG, Zug, c/o lic. iur. Peter Hodel/ Marco Marchetti, Zug (directly and indirectly) | * 44.68% | 55.06% |
| Group consisting of Andrin Waldburger, Feusisberg, and Ulysses Waldburger, Zurich | 7.91% | ≥ 5% |
| Gerhard Ammann, Sliema, Malta | 6.45% | 3.84% |
| Daniel Brupbacher, Wädenswil | 5.37% | 3.65% |
| Group consisting of Marcel Grawe, Erlenbach, and Deborah Grawe-Spörri, Erlenbach | 5.37% | - |
| SVM Value Fund (Switzerland), Geneva | 3.37% | 3.40% |

*1C Industries Zug AG converted the maturing part of its vendor loan out of the Cieffe Group sale of CHF 6.3 million into Accu Holding shares on January 20, 2015. 420,000 new shares with a nominal value of CHF 10.00 per share were drawn from the authorized capital. The issue price was CHF 15.00 per share. After the capital increase the company's share capital amounted to CHF 18.944 million. The share of 1C Industries Zug AG rose from 44.68% to 56.94% after the capital increase.

## 3. Shareholders and participation rights

### 3.1 Significant shareholders

As at the record date of December 31, 2014, the shareholders and shareholder groups listed in the table above and in the share register held over 3% of the voting rights of the company. For more information about this list of significant shareholders and significant shareholder groups, please see the published announcements for the past fiscal year which can be viewed on the SIX Swiss Exchange website *(http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html)*. There are no cross-shareholdings between the significant shareholders/shareholder groups and the Company.

### 3.2 Changes of control and defensive measures

Acquirers of shares in the Company are not required to submit a public takeover bid under articles 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA) (opting-out). There are no change-of-control clauses benefiting the members of the Board of Directors or Management.

### 3.3 Restrictions on transferability of shares

Pursuant to Article 5 of the Articles of Association of the Company, the Company may delete entries from the share register after consulting the party concerned in the event that such entries were made on the basis of false information provided by the acquirer. The acquirer must be informed of the deletion immediately.
The Articles of Association of the Company are available on the Company's website at *www.accuholding.ch*.

### 3.4 Participation rights of shareholders

#### 3.4.1 Voting rights restrictions and representation at the General Meeting

The Articles of Association of Accu Holding AG do not contain any voting rights restrictions. Shareholders with voting rights may have their shares represented at the General Meeting by their legal representative, another shareholder with voting rights or an independent proxy designated by the Company.

### 3.4.2 Quorum under the Articles of Association

The quorum stipulated by the Articles of Association is in line with statutory quorum provisions. A resolution of the General Meeting, which combines at least two thirds of the votes represented and the absolute majority of the nominal share value represented, is required for:

- amending the Company's objects
- introducing preferential voting rights
- restricting the transferability of registered shares
- authorized or conditional capital increases
- a capital increase funded by equity in exchange for a contribution in kind or for the purpose of funding acquisitions in kind and the granting of special privileges
- restricting or revoking subscription rights
- relocation of the Company's registered office
- dissolving the Company

Otherwise, the General Meeting passes its resolutions and holds its elections with the absolute majority of the voting rights represented, excluding empty and invalid votes. According to Article 12 of the Company's Articles of Association, a second vote must be held if a resolution or election is not passed on the first vote. In this second vote, the relative majority is decisive, provided that the law or the Articles of Association do not stipulate otherwise. In the event of a tie, the Chairman casts the deciding vote, and in the event of a tie in an election, the election is settled by drawing lots.

### 3.4.3 Convening the General Meeting

The Ordinary General Meeting takes place annually, no later than six months following the end of the fiscal year. The shareholders registered in the share register receive the invitation to the General Meeting at least 20 days prior to the meeting date along with the agenda items and proposals as well as the notice that the annual report and audit report are available to the shareholders for inspection at the registered office of the Company.

Forms for ordering admission cards and for granting proxies are enclosed with the invitation. The statutory provisions are applicable when calling extraordinary General Meetings.

### 3.4.4 Adding items to the agenda

Shareholders representing 10% or more of the share capital may request that an item be added to the agenda of the General Meeting. The request for inclusion on the agenda must be submitted to the Board of Directors in writing at least 45 days prior to the General Meeting and must include details of the motion. No resolutions can be passed on items that were not placed on the agenda of the General Meeting, with the exception of motions made at the General Meeting to call an Extraordinary General Meeting or conduct a special audit.

### 3.4.5 Entry in share register

The blocking period for entries in the share register is set by the Board of Directors. Entries in the share register are generally made up to a week before the General Meeting. This blocking period lasts until the day after the General Meeting.

## 4. Board of Directors

### 4.1 Elections and terms of office

Since 2009, Members of the Board of Directors are elected by the General Meeting in accordance with Article 14 of the Articles of Association for a term of office of one year at a time. Re-elections are permitted. The following Members of the Board of Directors are currently in office as at the balance sheet date until the time of the 2015 General Meeting: Marco Marchetti, Chairman of the Board of Directors, Andreas Beat Kratzer, Delegate of the Board of Directors, and Matthew J. P. Goddard and Daniel Brupbacher, Members of the Board of Directors.

### 4.2 Members

**4.2.1 Marco Marchetti**
**(Chairman until April 2, 2015; from April 3, 2015 Member of the Board of Directors)**

Nationality: Swiss and Italian citizen; education: Dottore Commercialista (1992), Dottore Economia e Commercio (1989); Accredited Certified Accountant (1994); Harvard AMP based on MBA Program (2000); *operational management tasks:* executive Member of the Board of Directors; Board member since: October 24, 2011; previous professional background: Accountant PricewaterhouseCoopers Lugano and Zurich; 1995–1997 Division Controller at Rieter Automotive Systems in Winterthur; 1997–2001 Chief Financial Officer Rhodia Industrial Yarns in Emmenbrücke; 2001–2004 Chief Financial Officer of the Surface Technology Segment at the Saurer Group, 2004–2006 Leader of MBO and Chief Executive Officer of Ionbond AG in Olten. Began building his own surface technology group in 2007 (1C Group AG in Zug). This was followed by the acquisition of the Nexis Fibers Group in fall 2009 and the acquisition of a majority interest in Accu Holding AG in spring 2011. All of his investments are held through 1C Industries Zug AG in Zug; current positions: Board Chairman of 1C Industries Zug AG, Zug and 1C Group AG, Zug; other positions and interests: Board member of Cresta Hotel Holding AG, Zug.

**4.2.2 Andreas Kratzer**
**(Delegate of the Board of Directors)**

Nationality: Swiss; education: Degree in business administration (Betriebsökonom HWV) and Chartered Accountant (dipl. Wirtschaftsprüfer); *operational management tasks:* executive Member of the Board of Directors; Board member since: June 21, 2011; previous professional background: 1987–2001 various leading positions in accounting and corporate finance at Ernst and Young in Zurich and Boston (USA); 2001–2002 Head of Corporate Finance at Prosperco Corporate Finance AG, Zurich; 2003–2009 member of management team and Head of Investment Advisory at Azemos Partner AG, Zurich; current positions: Chief Financial Officer (CFO) of Nexis Fibers AG, Emmenbrücke; other positions and interests: Advisory board of Softing AG in Haar (Germany) and several SME companies.

**4.2.3 Matthew Goddard**
**(Member of the Board of Directors)**

Nationality: UK citizen; education: Finance and Leasing Diploma; *operational management tasks:* non-executive Member of the Board of Directors since June 7, 2013; previous professional background: 1984–2013 various positions and roles at financial services companies; 2003–2006 Managing Director GMAC Commercial Finance; 2006–2008 Managing Director Landsbanki Commercial Finance; 2008 Managing Director Asset Advantage; 2009 to date, partner at Visper Asset Finance Limited, London.

**4.2.4 Daniel Brupbacher**
**(Member of the Board of Directors until April 2, 2015, Chairman Ad Interim from April 3, 2015)**

Nationality: Swiss; education: Swiss Banking School, AMP Kellogg Business School, MAS in Philosophy and Management; *operational management tasks:* non-executive Member of the Board of Directors; Board member since: October 3, 2014; previous professional background: 1983–1999 various leading positions in banking and finance at Lloyds, UBS in Zurich and New York (USA) and Bank Vontobel, Zurich; 1999–2003 Head of Swiss Equities at Credit Suisse First Boston in Zurich and London;

2003–2010 served as Chairman Investment Committee (AM and PB), President of Credit Suisse Investment Foundation, board member of Absolute Investment Companies and Head of Asset Management Switzerland for Credit Suisse Asset Management Zurich; 2010–2013 Head of UHNWI Private Banking Switzerland at Credit Suisse in Zurich. Current positions: Owner of ACUMEN Capital AG, Baar; independent board member of various companies and investment advisor for private equity mandates.

### 4.3 Internal organizational structure

The organization of the Board of Directors is governed by the Company's by-laws. The Board of Directors meets as often as is required by the Company's business. Meetings are convened by the Chairman of the Board of Directors 10 days in advance and the agenda is included with the meeting invitation. The Board of Directors is authorized to pass resolutions on all matters not reserved for the General Meeting or transferred to other company bodies.

### 4.4 Audit and Finance Committee

Member: Andreas Kratzer
Task: In particular, the committee takes an in-depth look at the annual financial statements and accounting policies, assesses the financial reporting and the audit program, the audit findings and the recommendations of the Statutory Auditor, and considers the Company's financing policy and the financial auditing of individual transactions of special significance. The committee does preparatory work for the full Board of Directors.

### 4.5 Remuneration Committee

Marco Marchetti, Andreas Kratzer and Matthew Goddard were elected members of the Remuneration Committee at the last ordinary General Meeting.

### 4.6 Definition of areas of responsibility

On the basis of the Articles of Association, the Board of Directors has issued by-laws (Organisationsreglement) in line with Article 716b of the Swiss Code of Obligations (OR). According to these by-laws, the Board of Directors has sole responsibility for managing the Company's business until further notice. The Board of Directors has reserved the authority to decide on individual significant transactions. In addition to the non-transferable and irrevocable duties listed in Article 716a OR, this also applies to certain additional duties such as purchasing, selling or encumbering properties, investments in other companies and issuing bonds.
In addition, Management requires the consent of the Board of Directors to institute and pursue certain legal proceedings, to grant and raise loans and to furnish collateral, to enter into and rescind certain significant contracts and treasury share transactions. Management of the Company's business is performed by the Executive Members of the Board of Directors Marco Marchetti and Andreas Kratzer.

### 4.7 Information and control instruments in respect of Management

The liquidity status and monthly reports are discussed by the Board of Directors. Accu Holding AG has an internal control system (ICS).

## 5. Management

### 5.1 Members

Management of the Company's business is performed by the Executive Members of the Board of Directors Marco Marchetti and Andreas Kratzer (see also Section 4.6 Definition of areas of responsibility).

## 6. Remuneration, holdings and loans

### 6.1 Share and option allotment and shareholdings

The Company has set aside 100,000 shares with a nominal amount of CHF 1,000,000 from its conditional capital for an employee share program. However, there are not yet any rules governing an employee share program. As a result, neither the Board of Directors, Group Management nor Management were allotted shares or options in the reporting period.
Members of the Board of Directors and related persons held a total of 737,845 registered shares in the Company as at December 31, 2014.

| Number of registered shares Board of Directors and related persons as of December 31, 2014 | Number of registered shares | Share of voting rights |
|---|---|---|
| Marco Marchetti, Chairman | 658,700 | 44.68% |
| Andreas Kratzer, Delegate | - | - |
| Matthew Goddard, Member | - | - |
| Daniel Brupbacher, Member | 79,145 | 5.37% |
| **Total** | **737,845** | **50.04%** |

### 6.2 Current and future remuneration of Group Management

Group Management is currently remunerated by a related company not consolidated within the Group. These costs are charged proportionally to the Accu Group in the amount of CHF 172,500. In 2015, Accu Holding AG plans to directly hire and remunerate Group Management and senior executives. The details are presented in the 2015 Remuneration Report.

### 6.3 Additional fees and remuneration

No additional remuneration and fees were paid to active and former members of the Board of Directors and Group Management, including related persons, in the reporting year, nor were any executive loans granted to them. However, there are loans with related parties, which are disclosed in the annual financial statements and subject to market interest rates.

### 6.4 Remuneration of Management, including related persons

Given that Group Management is responsible for managing the Company's business, there was no independent management board outside of Group Management. As a result, there was also no separate remuneration.

## 7. Statutory Auditor

The Statutory Auditor is elected by the General Meeting for a term of office of one year. Deloitte AG based in Zurich was elected the Statutory Auditor for fiscal year 2014 at the General Meeting on June 13, 2014. Martin Welser is the lead auditor. The full Board of Directors supervises and oversees external auditing. One joint meeting was held in 2014. The Statutory Auditor prepares the audit report and the comprehensive notes annually in accordance with Article 728b OR.
Fiscal year 2013 was audited by Ernst and Young AG based in Zurich. The 2013 audit expenses refer to Ernst and Young AG.

| 2014 audit expenses in CHF | Audit expenses | Audit-related consulting |
|---|---|---|
| Statutory Auditor including third-party auditors abroad | 414,429 | 51,291 |
| **Total** | **414,429** | **51,291** |

| 2013 audit expenses in CHF | Audit expenses | Audit-related consulting |
|---|---|---|
| Statutory Auditor and Group Auditor | 134,169 | - |
| **Total** | **134,169** | **-** |

Audit expenses are disclosed on the basis of the promised remuneration.

## 8. Disclosure policy

Disclosures to shareholders are made on a regular basis within the scope of the semi-annual and annual reports as well as in the form of announcements of currents events and developments. Please refer to the *www.accuholding.ch* website as a permanent, generally available source of information. Ad-hoc announcements are published at *http://www.accuholding.ch/websites/accuholding/German/3300/medienmitteilungen.html* (pull system). Stakeholders can also register at *http://www.accuholding.ch/websites/accuholding/German/3900/infoservice_newsalert.html* to automatically receive all press releases electronically (email) (push system).

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# Remuneration Report

## Remuneration, shareholdings and loans

### Remuneration system

Accu Holding AG's remuneration system aligns the interests of the Board of Directors and Management with those of the Group, the shareholders and other stakeholders. The remuneration elements applied take into account short-term and long-term aspects of sustainable business development. The remuneration of the Board of Directors is not performance-related. The Top-level management of the subsidiaries is rewarded for its performance-based approach with performance-related remuneration. All performance-related remuneration elements have upper limits. The remuneration system aims to obtain and retain highly qualified executives and experts. The focus is on competitive remuneration with a fixed basic salary and performance-related components in cash.

The executive and non-executive Members of the Board of Directors receive fixed fees.

### Responsibility

The Remuneration Committee (RC) prepares the Group's remuneration policy for the Board of Directors and Group Management and develops proposals for the General Meeting. The RC makes proposals to the Board of Directors with respect to the annual remuneration of the Members of the Board of Directors and the CEO, as well as with respect to the annual financial targets for the variable, performance-related remuneration components for Group Management and top-level management. In addition, the RC decides on the remuneration of the other Group Management members and takes note of the remuneration of the members of divisional management.

### Board of Directors remuneration

The Members of the Board of Directors receive non-performance-related remuneration, which is proposed by the Remuneration Committee and set by the Board of Directors annually. The remuneration components are also set on an annual basis. The base amount for the Chairman was set at CHF 35,000 (previous year: CHF 31,687) in the reporting year, with the other Members of the Board of Directors receiving CHF 25,000 (previous year: CHF 21,062). Mr. Goddard remains the exception; he receives CHF 72,196 (previous year: CHF 62,475) for his combined role as board member and consultant. Terms of office shorter than one year are remunerated on a pro rata basis.

### Share and option allotment

The Company has set aside 100,000 shares with a nominal amount of CHF 1,000,000 from its conditional capital for an employee share program.

However, there is not yet a policy for an employee share program. As a result, neither the Board of Directors, Group Management nor Management were allotted shares or options in the reporting period.

### Remuneration of Group Management

Group Management is remunerated by a related company not consolidated within the Group. These costs are charged proportionally to the Accu Group in the amount of CHF 172,500.

### Other remuneration

No additional remuneration and fees were paid to active and former members of the Board of Directors and Group Management, including related persons, in the reporting year, nor were any executive loans granted to them. However, there are loans with related parties, which are disclosed in the annual financial statements and subject to market interest rates.

## Remuneration of the Board of Directors

### 2014 Board of Directors remuneration

| | M. Marchetti Chairman executive | A. Kratzer Delegate Board of Directors executive | M. Goddard Member | D. Brupbacher Member since Oct. 3, 2014 | Total |
|---|---|---|---|---|---|
| Cash/demand deposits/fee/salary – fixed (net) | 33,000 | 23,625 | | 6,750 | 63,375 |
| Shares | - | - | - | - | - |
| Benefits in kind<br>Share of private car use | - | - | - | - | - |
| **Pension expenses** | | | | | |
| Contributions for occupational pension and old age and survivors' insurance (AHV) and disability insurance (IV) | 2,000 | 1,375 | - | - | 3,375 |
| Contributions for health insurance/accident insurance | - | - | - | - | - |
| Additional services (consultation etc.) | - | - | 72,196 | - | 72,196 |
| Collateral | - | - | - | - | - |
| Loans | - | - | - | - | - |
| Severance pay | - | - | - | - | - |
| **Total** | **35,000** | **25,000** | **72,196** | **6,750** | **138,946** |

### 2013 Board of Directors remuneration

| | M. Marchetti Chairman | A. Kratzer Delegate Board of Directors | M. Goddard Member since June 7, 2013 | Total |
|---|---|---|---|---|
| Cash/demand deposits/fee/salary – fixed (net) | 28,312 | 18,937 | - | 47,249 |
| Shares | - | - | - | - |
| Benefits in kind<br>Share of private car use | - | - | - | - |
| **Pension expenses** | | | | |
| Contributions for occupational pension and old age and survivors' insurance (AHV) and disability insurance (IV) | 3,375 | 2,125 | - | 5,500 |
| Contributions for health insurance/accident insurance | - | - | - | - |
| Additional services (consultation etc.) | - | - | 62,475 | 62,475 |
| Collateral | - | - | - | - |
| Loans | - | - | - | - |
| Severance pay | - | - | - | - |
| **Total** | **31,687** | **21,062** | **62,475** | **115,224** |

## Remuneration of Management, including related persons

Given that the Board of Directors is responsible for managing the Company's business, there was no independent management board outside of the Board of Directors. As a result, there was also no separate remuneration.

Deloitte.

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**Report of the statutory auditor**

To the General Meeting of
**ACCU HOLDING AG, EMMENBRUCKE**

We have audited the remuneration report dated May 13, 2015 of Accu Holding AG for the year ended December 31, 2014 set out on page 27 and 28.

**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 December 31, 2014 of Accu Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

**Deloitte AG**

| | |
|---|---|
| Martin Welser<br>Licensed audit expert<br>Auditor in charge | Mattias Willener<br>Licensed audit expert |

Zurich, May 13, 2015
MWE/MWI/jst

# Consolidated Financial Statements as at December 31, 2014 and 2013

## Consolidated Balance Sheet

| All amounts in thousands of CHF | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| **ASSETS** | Notes | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents and securities | 1 | 4,419 | | 417 | |
| Trade receivables | 2 | 31,770 | | 15,763 | |
| Other receivables | 3 | 6,999 | | 6,415 | |
| Inventories | 4 | 32,763 | | 16,047 | |
| Prepayments and accrued income | 5 | 1,202 | | 394 | |
| **Total** | | **77,153** | **43%** | **39,036** | **35%** |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 7 | 70,851 | | 66,136 | |
| Financial assets | 6 | 188 | | 2,367 | |
| Intangible assets | 8 | 27,571 | | 1,962 | |
| Deferred taxes | 20 | 1,709 | | 2,320 | |
| **Total** | | **100,319** | **57%** | **72,785** | **65%** |
| **Total assets** | | **177,472** | **100%** | **111,821** | **100%** |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Financial liabilities and lease liabilities | 11 | 43,733 | | 17,104 | |
| Trade liabilities | | 53,153 | | 44,471 | |
| Other liabilities | 9 | 21,354 | | 8,273 | |
| Accrued liabilities and deferred income | 10 | 1,557 | | 1,553 | |
| Short-term provisions | 12 | 354 | | 291 | |
| **Total current liabilities** | | **120,151** | **68%** | **71,692** | **64%** |
| **Non-current liabilities** | | | | | |
| Financial liabilities and lease liabilities | 11 | 25,995 | | 18,296 | |
| Other non-current liabilities | | 3,930 | | | |
| Non-current provisions | 12 | 1,931 | | 728 | |
| **Total non-current liabilities** | | **31,856** | **18%** | **19,024** | **17%** |
| **Total liabilities** | | **152,007** | | **90,716** | **81%** |
| **Equity** | | | | | |
| Share capital | | 14,744 | | 12,600 | |
| Capital reserves | | 1,040 | | 202 | |
| Retained earnings | | 7,554 | | 7,150 | |
| Profit for the year | | 2,127 | | 1,153 | |
| **Total equity** | | * 25,465 | **14%** | **21,105** | **19%** |
| **Total liabilities and equity** | | **177,472** | **100%** | **111,821** | **100%** |

* A capital increase in the amount of CHF 6.3 million was completed on January 20, 2015. Total equity after this capital increase was CHF 31.765 million.

# Consolidated Income Statement for 2014 and 2013

| All amounts in thousands of CHF | Notes | 2014 | 2013 |
|---|---|---|---|
| Net sales from goods and services | 13 | 132,942 | 90,386 |
| Other operating income | 14 | 1,917 | 1,423 |
| Inventory changes | | 88 | 282 |
| Cost of goods sold | | –100,826 | –63,652 |
| Personnel expenses | | –16,232 | –13,552 |
| Property expenses | | –558 | –1,055 |
| Selling expenses | | –4,156 | –2,771 |
| Administrative expenses | | –1,762 | –1,972 |
| Other operating expenses | | –3,661 | –2,109 |
| Depreciation and amortization | | –2,622 | –2,357 |
| **Operating profit** | | **5,130** | **4,623** |
| Financial income | 15 | 1,065 | 102 |
| Financial expenses | 16 | –2,610 | –2,610 |
| **Profit before non-operating and extraordinary items** | | **3,585** | **2,115** |
| Non-operating profit/loss | 17 | –85 | 76 |
| Extraordinary income | 18 | 813 | 354 |
| Extraordinary expenses | 19 | –1,207 | –270 |
| **Profit before tax** | | **3,106** | 2,275 |
| Taxes | 20 | –979 | –1,122 |
| **Profit** | | **2,127** | **1,153** |

# Consolidated Statement of Changes in Equity

| All amounts in thousands of CHF | Share capital | Capital reserves | Retained earnings and profit for the year | Total Equity |
|---|---|---|---|---|
| **As at 1.1.2013** | **10,000** | - | **6,230** | **16,230** |
| Share capital increase | 2,600 | 260 | - | 2,860 |
| Costs of capital increase | - | –58 | - | –58 |
| Badwill * | - | - | 556 | 556 |
| Translation difference | - | - | 364 | 364 |
| Profit for the year | - | - | 1,153 | 1,153 |
| **As at 12.31.2013** | **12,600** | 202 | **8,303** | **21,105** |
| Share capital increase | 2,144 | 1,072 | - | 3,216 |
| Costs of capital increase | | –234 | - | –234 |
| Badwill * | | | 305 | 305 |
| Translation difference | | | –1,054 | –1,054 |
| Profit for the year | - | - | 2,127 | 2,127 |
| **As at 12.31.2014** | **14,744** | **1,040** | **9,681** | **25,465** |

* The badwill from the previous year was a result of the acquisition of the Nexis Group. The badwill in 2014 arose as a result of the purchase price adjustment for RCT. CHF 264,000 of the total of CHF 569,000 was recognized in the income statement with the remaining goodwill amount and the difference was charged to equity.

## Capital increase in 2013

On November 12, 2013, the Company placed a mandatory convertible loan from conditional capital totaling CHF 2.86 million with investors. This mandatory convertible loan was converted on November 25, 2013 at a conversion price of CHF 110.00 per share into 26,000 registered shares of Accu Holding AG with a nominal value of CHF 100.00 each. This resulted in a new nominal capital amount of CHF 2,600,000.00. A premium of CHF 260,000.00 arose from this transaction, which was offset against the direct capital increase costs of CHF 58,000.00. The Company's share capital now consists of 126,000 registered shares with a nominal value of CHF 100.00. Non-distributable reserves totaled CHF 2,500, 000.

## Capital increase in 2014

On November 10, 2014, the Company placed a mandatory convertible loan from conditional capital totaling CHF 3.216 million with investors. This mandatory convertible loan was converted on December 1, 2014 at a conversion price of CHF 15.00 per share (after 10-1 share split) into 214,400 registered shares of Accu Holding AG with a nominal value of CHF 10.00 each. This resulted in a new nominal capital amount of CHF 2,144,000.00. A premium of CHF 1,072,000.00 arose from this transaction, which was offset against the direct capital increase costs of CHF 234,000.00. The Company's share capital now consists of 1,474,400 fully paid up registered shares with a nominal value of CHF 10.00. Non-distributable reserves totaled CHF 2,500,000.

## Capital increase in 2015

On January 20, 2015, 1C Industries Zug AG converted the due portion of its vendor loan from the sale of the Cieffe Group amounting to CHF 6.3 million into shares of Accu Holding. 420,000 new shares at a nominal value of CHF 10.00 were issued from authorized capital. The issue price was CHF 15.00 per share. After the capital increase, the Company's share capital amounted to CHF 18.944 million. Following the capital increase, the share of 1C Industries Zug AG increased from 44.68% to 56.94%.

# Consolidated Cash Flow Statement

| All amounts in thousands of CHF | 2014 | 2013 |
|---|---|---|
| **Funds: Cash and cash equivalents** | | |
| Consolidated earnings | 2,127 | 1,153 |
| Depreciation and amortization | 2,622 | 2,357 |
| Gain on disposal of non-current assets | - | - |
| Increase/decrease in deferred taxes | –888 | - |
| Increase/decrease in other provisions | 1,028 | 644 |
| Increase/decrease in trade receivables | 2,526 | –4,118 |
| Increase/decrease in inventories | –1,420 | –3,313 |
| Increase/decrease in other current assets | 651 | 13 |
| Increase/decrease in trade liabilities | –168 | 9,916 |
| Increase/decrease in other current liabilities | –4,799 | 2,903 |
| **Cash flow from operating activities** | **1,679** | **9,555** |
| Investments in property, plant and equipment | –2,967 | –11,726 |
| Investments in intangible assets | –459 | –515 |
| Disposals of property, plant and equipment | 261 | 5,934 |
| Net cash flow from Nexis purchase | - | 279 |
| Net cash flow from Cieffe purchase | 1,211 | - |
| Increase/decrease in non-current receivables | 227 | - |
| **Cash flow from investing activities** | –1,727 | **–6,028** |
| Increase/decrease in current financial liabilities | 6,244 | –971 |
| Increase/decrease in non-current financial liabilities | –3,342 | –5,880 |
| Increase/decrease in non-current liabilities | –1,835 | –2,010 |
| Increase in share capital including premium | 2,983 | 2,801 |
| **Cash flow from financing activities** | **4,050** | **–6,060** |
| **Net change in cash and cash equivalents** | **4,002** | **–2,533** |
| **Cash and cash equivalents at January 1** | **417** | **2,950** |
| Change due to currency effects | –4 | - |
| **Cash and cash equivalents at December 31** | **4,419** | **417** |

# Notes to the Consolidated Financial Statements

## Accounting policies

### General

The consolidated financial statements of the Accu Group were prepared in accordance with the statutory provisions and the principles of the Swiss Financial Reporting Standards (Swiss GAAP FER 2012/13) as well as the accounting policies in the Listing Rules of the Swiss Stock exchange in the Domestic Standard segment. The consolidated financial statements present a true and fair view of the Group's financial position, cash flows and financial performance.

### Method of consolidation

The consolidated financial statements are based on audited financial statements of the group companies which have been prepared using standard accouting policies. All group companies in which Accu Holding AG has at least a 50% direct or indirect interest of ownership are included in the consolidated financial statements. The purchase method is used for capital consolidation. The assets and liabilities and income and expenses of the consolidated companies are recognized in full using the full consolidation method. Intra-group assets and liabilities as well as expenses and income from intra-group transactions are eliminated.

### Consolidated companies

On April 2, 2013, the group acquired a 55% interest in the Nexis Group, and then the remaining 45% of the shares on November 8, 2013. The balance sheet as at December 31, 2013 and the income statement for the period from April 1, 2013 to December 31, 2013 of the Nexis Group are included in the 2013 consolidated financial statements. The Nexis Group is consolidated for the full year of 2014.

As already announced in fall 2014, Accu Holding AG signed the purchase/preliminary agreements on December 29, 2014 for the acquisition of the Cieffe Group in Colle Umberto (IT) with 1C Industries Zug AG and other minor shareholders. The total purchase price of CHF 14.84 million excluding acquisition costs and CHF 15.75 million including acquisition costs was financed in full through vendor loans. Around half of these loans are due for repayment in the short term (six-month notice period). The loans may be repaid in cash or in shares of Accu Holding AG. On the basis of the contractual agreements of the parties, 1C Industries Zug AG converted its short-term loan component of CHF 6.3 million into shares of Accu Holding AG on January 20, 2015. These new shares were issued from the authorized capital, created for this purpose.

The remaining purchase price is subject to market interest rates over its five-year term. Various substantial valuation adjustments were identified in the preparation of the 2014 Annual Report, which were recognized in full in the annual financial statements. The purchase agreement stipulates several purchase price adjustments up to a maximum amount of CHF 5.972 million in the event that key performance indicators (cumulative EBITDA forecast) shall not be met subsequent to expiration of the term of the agreement.

The current values of the Cieffe Group as at December 31, 2014 are:

| | |
|---|---|
| Current assets: | CHF 44.099 million |
| of which cash on hand: | CHF 1.697 million |
| Non-current assets: | CHF 16.129 million |
| Negative equity | CHF 8.465 million (after Swiss GAAP FER adjustments to opening balance sheet) |
| Purchase price | CHF 15.750 million |
| Goodwill | CHF 24.215 million |

Only the Cieffe Group's balance sheet was consolidated for the first time on December 31, 2014. The income statement will be incorporated into the consolidated earnings of Accu Holding AG as from January 1, 2015 onwards.

### Nexis transaction legal dispute

In 2013, the Company acquired the entire share capital of both Nexis companies,
Nexis Fibers a.s. in Slovakia and Nexis Fibers SIA in Latvia, in two steps from Industrial Yarns Holding AG, in which the majority shareholder of Accu Holding AG has a 50% ownership interest.

The other shareholder of Industrial Yarns Holding AG instituted various proceedings against said shareholder in this context and a motion for a declaratory judgment against Accu Holding AG with the goal of causing the transaction to be reversed. As a result, there is significant uncertainty surrounding 50% of the ownership of the Nexis Group. The court in Slovakia ruled on May 5, 2014 to fully remove the other shareholder from all functions in the company's bodies including the authority to sign for Nexis Fibers a.s. in Slovakia.

The Board of Directors is confident that it has legally acquired the Nexis Group, which is therefore also fully incorporated into the consolidated financial statements. A court ruling in Switzerland is still outstanding, but the legal representatives of Accu Holding AG see little risk of the transaction being reversed at present. Accu Holding AG maintains control of the supervisory board and the board of directors of the acquired Nexis companies. If, contrary to expectations, the Nexis transaction is reversed, 1C Industries Zug AG will sell its 50% interest in Industrial Yarns Holding AG (Nexis Group), which will also enable the Nexis Group to be consolidated. Counterclaims of Accu Holding AG from various transactions vis-a-vis companies were offset against the purchase price loan in previous years. In the event that the transaction is reversed, Accu Holding AG would assert these counterclaims against Industrial Yarns Holding AG. In addition, 1C Industries Zug AG would subsequently sell its 50% share in Industrial Yarns Holding AG and offset any deficits with this 50% share of the purchase price.

The following companies are fully consolidated as of December 31, 2014:

| Company name/registered office | Ownership interest | Currency | Share capital | Share capital |
|---|---|---|---|---|
| | | | 12.31.2014 | 12.31.2013 |
| Accu Holding AG, Emmenbrücke LU | | CHF | 14,744,000 | 12,600,000 |
| Oerlikon Stationär-Batterien AG, Aesch BL (currently inactive) | 100% | CHF | 5,000,000 | 5,000,000 |
| RCT Hydraulic-Tooling AG, Balsthal SO | 100% | CHF | 6,250,000 | 6,250,000 |
| RCT Sachsen GmbH, Zittau (D) (currently inactive) | 100% | EUR | 25,000 | 25,000 |
| RCT Hydraulic-Tooling s.r.o Humenné (SK) | 100% | EUR | 5,000 | - |
| Nexis Fibers a.s.,Humenné (SK)* | 100% | EUR | 6,725,000 | 6,725,000 |
| Nexis Fibers SIA, Daugavpils (LV) | 100% | EUR | 5,230,644 | (LVL) 3,676,118 |
| Cieffe Forni Ind. Sr.l., Colle Umberto (IT) | 100% | EUR | 1,500,000 | - |
| Cieffe Services S.r.l., Colle Umberto (IT) | 100% | EUR | 119,000 | - |
| Cieffe Holding S.p.A., Colle Umberto (IT) | 100% | EUR | 5,900,000 | - |
| Cieffe Ind. Furnaces Co. Ltd, Shanghai (RC) | 100% | RMB | 18,526,239 | - |

* excluding contested capital increase of EUR 75,000

## Currency translation

The consolidated financial statements and single-entity financial statements of Accu Holding AG are prepared in Swiss francs (CHF). The balance sheets of foreign subsidiaries are translated into CHF at the year-end rates and the income statements are translated into CHF at the average rates. As a result of Latvia's transition to the European single currency effective January 1, 2014, there is no translation from LVL to CHF (2013: balance sheet 1.7467/income statement 1.7546) for fiscal year 2014. The following exchange rates were used for the consolidated financial statements:

CHF/EUR: 1.2024 balance sheet and 1.2146 income statement
CHF/RMB: 0.1596 balance sheet

Translation differences arising from consolidation are charged to equity and are reported separately in the statement of changes in equity.

## Valuation principles

All assets and liabilities are measured using uniform group policies. The lower of cost or market principle is generally used for assets. The principle of item-by-item measurement of assets and liabilities is applied. Some accounts in the annual financial statements were reclassified during work to revise group accounting policies. To ensure comparability with the previous year, the comparative figures were adapted to the current grouping. In an overall context, the changes are not considered substantial, which is why no detailed disclosure has been made.

*Cash and cash equivalents and securities:*
Cash and cash equivalents include cash on hand and bank balances as well as sight and other deposits with a maximum remaining term of 90 days, which are all measured at their nominal values. Securities are also recognized under cash and cash equivalents and are generally reported in the consolidated balance sheet at their year-end value.

*Trade receivables:*
Trade receivables are measured at amortized cost, which is generally equal to the originally invoiced amount less necessary allowances for bad debt.

*Inventories:*
Inventories are measured at the lower of cost or net realizable value. Cost includes direct material and production costs as well as the production overhead costs attributable to the inventories.
Raw materials are measured at costs less discounts granted. Work in progress is recognized in the balance sheet at proportional cost and finished goods are also recognized in the balance sheet at the lower of cost or net realizable value.

*Financial assets:*
The Group's financial assets consist of loans, which are measured at their nominal values less any value adjustments necessary for business reasons.

*Property, plant and equipment:*
Property, plant and equipment (buildings, machinery, equipment, fixtures, fittings and vehicles used in operations) are measured at cost less appropriate depreciation. These assets are depreciated on a straight-line basis over their expected useful lives (in years). Depreciation is suspended in the short term for equipment and machinery being moved to a different location and therefore not in productive use.

| | |
|---|---|
| Buildings | 20–40 years |
| Machinery and equipment | 4–20 years |
| Fixtures and fittings | 3–20 years |
| Vehicles | 3–10 years |

*Intangible assets:*
Goodwill from business combinations is capitalized and amortized over its expected useful life in accordance with FER 30 Section 15 *"generally from five years, in substantiated cases up to a maximum of 20 years".* Badwill is charged directly to equity at the time of acquisition or on initial consolidation. The period of amortization must be set and adhered to.
Research costs are charged directly to the income statement. Development costs are capitalized at cost and amortized for a maximum period of four years, or for a shorter period if the economic benefits arise over a shortened period of time. Software is capitalized at cost when the intangible assets are clearly identifiable, the expenses incurred are separately measurable and bring value to the organization over several years. These assets are amortized over their estimated useful lives from 3 to 5 years.

| | |
|---|---|
| Goodwill | 5–20 years |
| Development costs | 4 years |
| Software | 3–5 years |

*Leases:*
Equipment from finance leases is capitalized and depreciated over its corresponding useful life. The corresponding lease liabilities (excluding interest component) are expensed. The interest is charged directly to financial expenses. Operating lease expenses are charged directly to operating expenses. The criteria for distinguishing between them are generally based on FER 13 Section 3.

*Impairment:*
All assets are reviewed at the balance sheet date for indications that the carrying amount of the asset exceeds its recoverable value (the higher of market value and value in use) (impairment). In the event of an impairment loss, the carrying amount is decreased to the recoverable value, and the impairment loss is charged to profit or loss for the period.

*Liabilities and provisions:*
Liabilities are measured at their nominal values. Provisions are measured on the basis of the expected outflows of cash and are increased, retained or released on the basis of re-evaluation.

*Net sales:*
Sales from goods and services are recognized upon the rendering of services pursuant to agreements with the customers.

*Income taxes:*
Taxes on current profit are recognized in the balance sheet in full under accrued liabilities and deferred income. Deferred taxes are recognized on the differences between assets and liabilities measured using uniform group policies by comparison to their values for tax purposes. An average expected tax rate was used to calculate the deferred income taxes to be accrued annually. The tax rate for Nexis Fibers LV is 15%, and the tax rate for Nexis Fibers SK is 22%. A tax rate of 23% is forecast for the RCT Group. Deferred tax liabilities are recognized separately under non-current provisions, and any deferred income tax assets are recognized separately in the balance sheet.

*Off-balance sheet transactions:*
Contingent liabilities and other off-balance sheet liabilities are measured and disclosed at each balance sheet date. A provision is made if contingent liabilities and other off-balance sheet liabilities result in outflows of cash without usable inflows of cash and this outflow of cash is probable and estimable.

## Risk assessment

The Board of Directors periodically monitors what it considers to be substantial business risks. In the event that action is necessary on the basis of this risk assessment to prevent misstatements in the annual financial statements, such action will be taken.

**All figures are in CHF thousand, unless otherwise specified.**

| 1. Cash and cash equivalents | 2014 | 2013 |
|---|---|---|
| Liquid assets | 4,354 | 349 |
| Securities | 65 | 68 |
| **Total** | **4,419** | **417** |

Cash and cash equivalents comprise cash on hand and bank balances as well as easily realizable securities. The latter are recognized in the balance sheet at cost.

| 2. Trade receivables | 2014 | 2013 |
|---|---|---|
| Trade receivables | 33,224 | 15,930 |
| Allowance for bad debts | –1,454 | –167 |
| **Total** | **31,770** | **15,763** |

The Trade receivables line item refers to trade receivables of the operating units of Cieffe, RCT and Nexis Fibers. The allowance for bad debts is set on the basis of the maturity structure and other discernible credit risks and is deducted from the receivables.

| 3. Other receivables | 2014 | 2013 |
|---|---|---|
| Receivables from shareholders | 2,365 | - |
| Receivables from related companies | 480 | 3,915 |
| Receivables from VAT in Switzerland and other countries | 1,373 | 901 |
| Receivables from employee pension funds | 12 | 4 |
| Receivables from employee insurance policies | 146 | 69 |
| Receivables from employees | 8 | 25 |
| Loans to third parties | - | 104 |
| Other receivables | 2,615 | 1,397 |
| **Total** | **6,999** | **6,415** |

Receivables from shareholders included a short-term interest-bearing loan in the amount of CHF 2.365 million to 1C Industries Zug AG in Zug. The loan does not bear any interest until March 31, 2015, and bears interest at 5% after that. This receivable was recognized under financial assets in the previous year. Other receivables increased due to the initial consolidation of Cieffe and contains outstanding amounts from subtenants at the factory sites of subsidiaries.

| **4. Inventories** | **2014** | **2013** |
|---|---|---|
| Raw materials | 7,468 | 4,339 |
| Work in progress | 4,666 | 1,880 |
| Finished goods | 23,501 | 10,926 |
| Value adjustments | –2,872 | –1,098 |
| **Total** | **32,763** | **16,047** |

All inventories including inventories from the plant engineering activities of the newly acquired Cieffe Group are measured at cost. Inventories have increased in particular as a result of the initial consolidation of Cieffe.

| **5. Prepayments and accrued income** | **2014** | **2013** |
|---|---|---|
| Warranty holdback | 1 | - |
| Insurance premiums | 316 | 146 |
| Real estate expenses | 393 | 12 |
| Outstanding accounts from various projects | - | 25 |
| Other | 492 | 211 |
| **Total** | **1,202** | **394** |

| **6. Financial assets** | **2014** | **2013** |
|---|---|---|
| Loans to third parties | 38 | 44 |
| Loans to shareholders | - | 2,079 |
| Security deposits | 150 | 244 |
| **Total** | **188** | **2,367** |

## 7. Property, plant and equipment

| All amounts in thousands of CHF | Buildings | Machinery Equipment Fixtures and fittings | Non-current assets under construction | Total property, plant and equipment | Leased non-current assets |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **As at 1.1.2013** | 11,032 | 17,428 | - | 28,460 | 8,000 |
| Additions | 529 | 11,197 | - | 11,726 | - |
| Disposals | –11,553 | –5,822 | - | –17,375 | –935 |
| Reclassification | -8 | 8 | - | - | - |
| Change in consolidation | 16,353 | 83,339 | 2,600 | 102,292 | - |
| **As at 12.31.2013** | 16,353 | 106,150 | 2,600 | 125,103 | 7,065 |
| **Accumulated depreciation** | | | | | |
| **As at 1.1.2013** | 2,477 | 9,555 | - | 12,032 | 2,661 |
| Additions | - | 2,413 | - | 2,413 | 441 |
| Disposals | –2,477 | - | - | –2,477 | - |
| Reclassification | - | 387 | - | 387 | –387 |
| Change in consolidation | 6,107 | 44,855 | - | 50,962 | - |
| **As at 12.31.2013** | 6,107 | 57,210 | - | 63,317 | 2,715 |
| **Net carrying amount** | | | | | |
| **As at 12.31.2013** | **10,246** | **48,940** | **2,600** | **61,786** | **4,350** |
| **Cost** | | | | | |
| **As at 1.1.2014** | 16,353 | 106,150 | 2,600 | 125,103 | 7,065 |
| Additions | - | 1,226 | 7,239 | 8,465 | - |
| Disposals | - | –7,639 | –153 | –7,792 | - |
| Reclassification | 200 | 5,298 | –5,498 | – | - |
| Change in consolidation | 6,156 | 4,154 | 17 | 10,327 | - |
| **As at 12.31.2014** | 22,709 | 109,189 | 4,205 | 136,103 | 7,065 |
| **Accumulated depreciation** | | | | | |
| **As at 1.1.2014** | 6,107 | 57,210 | - | 63,317 | 2,715 |
| Additions | 227 | 1,575 | - | 1,802 | 442 |
| Disposals | - | –2,110 | - | –2,110 | - |
| Reclassification | - | - | - | - | - |
| Change in consolidation | 1,586 | 3,412 | - | 4,998 | - |
| **As at 12.31.2014** | 7,920 | 60,087 | - | 68,007 | 3,157 |
| Carrying amount | 14,789 | 49,102 | 4,205 | 68,096 | 3,908 |
| **Net carrying amount** | | | | | |
| Currency translation differences | –210 | –891 | –52 | –1,153 | - |
| **As at 12.31.2014** | **14,579** | **48,211** | **4,153** | **66,943** | **3,908** |

Some reclassifications were made for fiscal year 2013 during integration of the Nexis Group and an additional category "Non-current assets under construction" was introduced to increase transparency. However, this had no effect on the net carrying amounts. Non-current assets also contain some machinery which was not in productive operation during the entire reporting period due to relocation (from Saxony GER to Humenné SK), as a result of which it was also not depreciated (EUR 190,000). However, this machinery will resume production in the current fiscal year. Due to a significant improvement in the business of the Nexis Group in the reporting period, extraordinary depreciation from 2009 in the amount of CHF 1.311 million was released through profit or loss.

| **Fire insurance values of property, plant and equipment** | 12.31.2014 | 108,913 |
|---|---|---|
| All amounts in thousands of CHF | 12.31.2013 | 94,899 |

Plant and office buildings, machinery, equipment, fixtures and fittings are measured on the basis of cost, which is depreciated on a straight-line basis over their average useful lives.

**8. Intangible assets**

| All amounts in thousands of CHF | Goodwill | Development costs | Software etc. | Total intangible assets |
|---|---|---|---|---|
| **Cost** | | | | |
| **As at 1.1.2014** | 440 | 2,530 | 889 | 3,859 |
| Additions | - | 345 | 114 | 19 |
| Disposals | –440 | - | - | - |
| Reclassification | - | - | - | - |
| Change in consolidation | 24,216 | 287 | 1,326 | 25,829 |
| **As at 12.31.2014** | 24,216 | 3,162 | 2,329 | 29,707 |
| **Accumulated amortization** | | | | |
| **As at 1.1.2014** | 176 | 1,502 | 219 | 1,897 |
| Additions | - | 359 | 23 | 206 |
| Disposals | –176 | - | - | - |
| Change in consolidation | - | - | - | - |
| **As at 12.31.2014** | - | 1,861 | 242 | 2,103 |
| Carrying amount | 24,216 | 1,301 | 2,087 | 27,604 |
| **Net carrying amount** | | | | |
| Currency translation differences | - | –20 | –13 | –33 |
| **As at 12.31.2014** | **24,210** | **1,285** | **2,076** | **27,571** |

The purchase price for the acquisition of the Nexis Group in 2013, including transaction costs, amounted to CHF 27.357 million. On the basis of the net assets acquired as of March 31, 2013 in the amount of CHF 27.913 million, badwill amounting to CHF 0.556 million arose from this transaction. The purchase price is provisional and may be adjusted down on the basis of accumulated earnings before interest, tax, depreciation and amortization (EBITDA) in the 2013–2016 period.

The purchase price for the acquisition of the Cieffe Group in 2014 totaled CHF 15.75 million. On the basis of the net liabilities assumed as of December 31, 2014 in the amount of CHF 8.5 million, goodwill in the amount of CHF 24.216 million arose from this transaction on the basis of various significant valuation adjustments. The remaining purchase price is subject to market interest rates over its five-year term.

The purchase agreement stipulates several purchase price adjustments up to a maximum amount of CHF 5.972 million in the event that key performance indicators (cumulative EBITDA forecast ) shall not be met subsequent to expiration of the term of the agreement. The resulting goodwill is amortized over a useful life of 12 years in accordance with FER 30 Section 15. Capitalized software and development costs were added upon initial consolidation of the Cieffe Group.

| 9. Other liabilities | 2014 | 2013 |
|---|---|---|
| Liabilities to shareholders | 12 | - |
| Liabilities to social insurance | 3,038 | 482 |
| Liabilities to employees from bonuses, gratification, etc. | 2'702 | 587 |
| Other liabilities * | 15,602 | 7,204 |
| **Total** | **21,354** | **8,273** |

* The Other liabilities line item refers almost exclusively to the Cieffe Group and the Nexis Group. The increase is a result of the initial consolidation of Cieffe.

| 10. Accrued liabilities and deferred income | 2014 | 2013 |
|---|---|---|
| Consultation and audit expenses | 31 | 263 |
| Warranty holdback – real estate | - | 12 |
| Other accrued liabilities and deferred income | 1,526 | 1,278 |
| **Total** | **1,557** | **1,553** |

| 11. Financial liabilities and lease liabilities | 2014 | 2013 |
|---|---|---|
| **Current financial liabilities and lease liabilities** | | |
| Owing to banks | 19,215 | 10,859 |
| Loans – third parties | 11,551 | 2,527 |
| Loans – Cieffe minority shareholders | 1,946 | - |
| Liabilities to shareholders * | 7,289 | - |
| Remaining purchase price – RCT Group acquisition | 390 | 1,300 |
| Lease liabilities | 3,342 | 2,418 |
| **Total current financial liabilities** | **43,733** | **17,104** |
| **Non-current financial liabilities** | | |
| Owing to banks | 1,397 | 1,308 |
| Loans – third parties | 1,398 | 1,228 |
| Loans – Cieffe minority shareholders | 972 | - |
| Liabilities to related companies | 6,476 | 8,512 |
| Liabilities to shareholders * | 5,950 | - |
| Remaining purchase price – RCT Hydraulic-Tooling AG acquisition | 1,047 | 1,300 |
| Mortgages | 2,841 | - |
| **Subtotal non-current financial liabilities** | **20,081** | **12,348** |
| Non-current lease liabilities | 5,914 | 5,948 |
| **Total non-current financial liabilities** | **25,995** | **18,296** |
| **Grand total** | **69,728** | **35,400** |

* On January 20, 2015, 1C Industries Zug AG converted the due portion of its vendor loan from the sale of the Cieffe Group amounting to CHF 6.3 million into shares of Accu Holding. 420,000 new shares at a nominal value of CHF 10.00 each were issued from authorized capital. The non-current liabilities in the amount of CHF 5.95 million also refer to the purchase of the Cieffe Group. This portion would be offset in the event of a purchase price adjustment.

The financial liabilities are generally subject to interest rates of 2.0 to 5.0%. An imputed interest rate of 2.0 to 5.9% is estimated for the lease liabilities.

*Current financial liabilities and lease liabilities:*
CHF 17.435 million of the total amount currently owing to banks of CHF 19.215 million are for bank loans from Slovakian banks, which either have a fixed one-year, extendable term (revolving line) or a short-term notice period. Loans from third parties refer to liabilities of the holding company, which serve to finance the non-current assets of the group companies. Part of these liabilities result from the initial consolidation of the Cieffe Group. The loans from minority shareholders of Cieffe and to the shareholder involve the short-term share of the vendor loan in connection with the acquisition of the Cieffe Group. These loans are subject to an interest rate of 3.25%. A new agreement was signed with the seller of RCT Hydraulic Tooling AG in 2014 with respect to the purchase price and payment terms. The remaining purchase price is not subject to interest and is payable in installments until June 30, 2019.

*Non-current financial liabilities and lease liabilities:*
Liabilities to related companies mainly involve the loan from Industrial Yarns Holding AG, which was a result of the purchase of the Nexis Group. This loan is currently subject to 3.25% interest and is subordinate to the other claims (subordination). The loans from minority shareholders of Cieffe and to the shareholder involve the long-term portion of the vendor loan in connection with the acquisition of the Cieffe Group. This loan is subject to 3.25% interest and is due for repayment in 2018. The long-term portion of the remaining purchase price comprises the remaining purchase price for the acquisition of RCT Hydraulic Tooling AG.

## 12. Provisions

| All amounts in thousands of CHF | As at 1.1.2013 | Addition | Use | Release | Change in consolidation | As at 12.31.2013 | Current share of provisions |
|---|---|---|---|---|---|---|---|
| Deferred taxes | - | - | - | | 168 | 168 | 168 |
| Environmental remediation | 201 | - | - | –201 | - | - | - |
| Restructuring | 720 | - | –80 | - | - | 640 | 80 |
| Pension fund | - | - | - | - | - | - | - |
| Other | 431 | - | –200 | –20 | - | 211 | 2 |
| **Total** | **1,352** | **-** | **–280** | **–221** | **377** | **1,019** | **291** |

| All amounts in thousands of CHF | As at 1.1.2014 | Addition | Use | Release | Change in consolidation | As at 12.31.2014 | Current share of provisions |
|---|---|---|---|---|---|---|---|
| Deferred taxes | 168 | - | –63 | - | 129 | 234 | 146 |
| Environmental remediation | - | - | - | - | - | - | - |
| Restructuring | 640 | - | - | –640 | - | - | - |
| Pension fund | - | 206 | –7 | - | - | 199 | - |
| Other | 211 | 149 | –2 | - | 1,504 | 1,862 | 209 |
| **Total** | **1,019** | **355** | **–72** | **–640** | **1,633** | **2,295** | **355** |
| Currency effects | - | - | - | - | - | –10 | –1 |
| **Total after currency effects** | **-** | **-** | **-** | **-** | **-** | **2,285** | **354** |

The provision for environmental remediation was released through profit or loss, since no further costs are expected. The provision for restructuring costs, which was created in previous years in connection with the purchase of RCT, was released following a positive court ruling in favor of RCT. The provisions for deferred taxes and provisions in respect of the pension fund refer to the Nexus Group.

| 13. Net sales from goods and services, income from real estate, etc. | 2014 | 2013 |
|---|---|---|
| **By division** | | |
| Industrial Yarns Division | 111,478 | 68,360 |
| Surface Technology Division | 21,464 | 22,026 |
| **Total** | **132,942** | **90,386** |
| **By geographic markets** | | |
| Switzerland | 5,297 | 2,496 |
| Germany | 39,514 | 33,673 |
| Hungary | 11,784 | 8,899 |
| Czech Republic | 11,303 | 5,011 |
| France | 9,647 | 5,719 |
| USA | 8,428 | 6,580 |
| Italy | 8,415 | 5,262 |
| UK | 6,855 | 4,491 |
| Rest of Europe and rest of world | 31,699 | 18,255 |
| **Total** | **132,942** | **90,386** |

Net sales from goods and services come from RCT (surface technology) and the Nexis Group (industrial yarns); this subsidiary was only consolidated for nine months in the past year. As a result, the comparability of the figures with the past year is limited.

| 14. Other operating income | 2014 | 2013 |
|---|---|---|
| Income from real estate | - | 208 |
| Other operating income – third parties | 1,347 | 395 |
| Other operating income – related parties and shareholders | 570 | 820 |
| **Total** | **1,917** | **1,423** |

Other operating income also includes revenue from services, including management services provided to third parties and related companies.

| 15. Financial income | 2014 | 2013 |
|---|---|---|
| Interest income – third parties | 329 | - |
| Interest income – related parties and shareholders | 736 | 117 |
| Other financial income | - | –15 |
| **Total** | **1,065** | **102** |

Financial income in respect of related parties and shareholders almost exclusively includes interest on late payments on a loan of a related company, which was charged in the amount of CHF 730,000.

| 16. Financial expenses | 2014 | 2013 |
|---|---|---|
| Interest owed – third parties | 1,570 | 1,746 |
| Interest owed – related parties and shareholders | 272 | 293 |
| Other financial expenses | 768 | 571 |
| **Total** | **2,610** | **2,610** |

The interest owed to related parties refers to interest expenses on the loan from Industrial Yarns Holding AG (remaining balance from purchase of the Nexis Group). The shareholder loan is currently subject to an interest rate of 3.25%. The other financial expenses referred to exchange rate differences, etc.

| 17. Non-operating profit/loss | 2014 | 2013 |
|---|---|---|
| Non-operating income | - | 76 |
| Non-operating expenses | –85 | - |
| **Total** | **–85** | **76** |

| 18. Extraordinary income | 2014 | 2013 |
|---|---|---|
| Release of other provisions | 640 | 293 |
| Other extraordinary income | 173 | 61 |
| **Total** | **813** | **354** |

The release of other provisions mainly refers to the provisions for restructuring costs in connection with the purchase of RCT, which were released after a positive court ruling in favor of RCT (see Note 12).

| 19. Extraordinary expenses | 2014 | 2013 |
|---|---|---|
| Project costs and restructuring | 684 | 230 |
| Other extraordinary expenses | 523 | 40 |
| **Total** | **1,207** | **270** |

The project and restructuring costs totaling CHF 684,000 and CHF 230,000, respectively involve costs incurred in conjunction with the staff reductions at RCT.

| 20. Taxes | 2014 | 2013 |
|---|---|---|
| Income and capital taxes | 163 | 190 |
| Change in deferred taxes | 816 | 932 |
| **Total** | **979** | **1,122** |

All income taxes arising as a result of the taxable profit of the fiscal year are charged to the income statement, regardless of the due date. The tax benefit of tax loss carryforwards available for RCT, OSB and Nexis on the closing date was partially capitalized. It is assumed that it will be possible to offset these tax loss carryforwards against future net profits within the legal limits. Tax loss carryforwards for RCT were capitalized in the amount of CHF 0.226 million, for OSB in the amounting of CHF 0.843 million and for the Nexis companies in the amount of CHF 0.783 million, as it is expected that they will be realized in the next three years as a result of profits.

## 21. Pension obligations

The employee pension plans of the group companies are in line with the corresponding pension regulations for employees in the respective countries. These plans are managed by institutions and foundations that are financially independent of the Group. The employees of the RCT Group are insured with Sammelstiftung Phoenix. This collective foundation had a funding ratio of 106.14% on June 30, 2014. No economic benefit was recognized in the balance sheet. The Nexis companies operate a defined contribution pension plan for their employees in accordance with local legislation. This provides for a one-off severance pay in the form of one monthly salary, in addition to the pension entitlements. A provision was made for these entitlements in the annual financial statements accordingly. The Cieffe companies operate a defined contribution pension plan for their employees in accordance with local legislation. A provision was made for these pension obligations in the annual financial statements accordingly.

| 22. Contingent liabilities to third parties | 2014 | 2013 |
|---|---|---|
| Guarantee for liabilities of related parties | 580 | - |

There are no contingent liabilities to other companies.

| 23. Pledged assets and off-balance sheet lease liabilities | 2014 | 2013 |
|---|---|---|
| **Pledged assets as collateral for own liabilities** | | |
| Land and buildings | 22,452 | 9,102 |
| Other assets | 24,048 | 15,333 |
| Mortgages/charges on above as collateral for loans | 5,047 | 2,455 |
| Amount utilized | 5,047 | 2,455 |
| **Off-balance sheet lease liabilities** | | |
| Maturing within one year | 2,727 | 550 |
| Maturing within 2 to 5 years | 6,734 | 1,934 |
| Maturing later than five years | 1,342 | 2,194 |
| **Net total** | **10,803** | **4,678** |

## 24. Transactions with related persons and companies

Business transactions with related persons, companies and shareholders are made on the basis of standard contract forms and terms and conditions. All transactions are reported in the consolidated financial statements for 2014 and 2013. Such transactions involve the sale of buildings and other property, plant and equipment, deliveries of goods, services and loans and guarantees granted by or provided to related persons and companies. The corresponding balances from receivables and liabilities are reported separately in these annual financial statements.

The following significant transactions with related persons and companies were made in fiscal year 2013:

- Sale of premises of RCT Hydraulic-Tooling AG in Klus to 1C Commercial Real Estate AG at a gross sale price of CHF 8.5 million less the bank financing debt assumed in the amount of CHF 5.925 million. The net price of CHF 2.575 million was offset against the loan to shareholders. There was a gain on the sale amounting to CHF 0.071 million.
- Within the scope of the premises sale, RCT Hydraulic Tooling AG entered into a rental agreement with 1C Commercial Real Estate AG with a term from September 1, 2013 to August 31, 2023. The rent per year is CHF 0.47 million.
- Accu Holding AG entered into service agreements with multiple companies directly or indirectly controlled by 1C Industries Zug AG. In 2013, Accu Holding AG posted service revenues of CHF 0.82 million from these agreements.
- Purchase of 100% of the shares of Nexis Fibers a.s. Slovakia and Nexis Fibers SIA Latvia for a provisional total purchase price of CHF 27.3 million from Industrial Yarns Holding AG in Emmenbrücke. 50% of this company is owned by OC Industrial AG and 50% is owned by 1C Industries Zug AG. 100% of 1C Industries Zug is in turn owned by Marco Marchetti, the majority shareholder of Accu Holding AG. An independent audit firm has prepared a valuation for the Nexis Group. The purchase price is in line with the value calculated by the experts.

The following significant transactions with related persons and companies were made in fiscal year 2014:

- Accu Holding AG acquired 100% of the shares of Cieffe Holding S.p.A. in Colle Umberto, Italy at the end of 2014. The total purchase price was financed through vendor loans. The total purchase price of Cieffe Holding and some minority shares of its subsidiaries totaled CHF 15.75 million, including acquisition costs. The majority shareholder of Accu Holding AG, 1C Industries Zug AG, sold 79.2% of Cieffe Holding S.p.A. to Accu Holding AG for CHF 12.25 million. The remaining shares in the holding company and minority shareholdings in the subsidiaries were acquired by third parties. 1C Industries Zug AG converted CHF 6.3 million from this purchase price loan into shares of Accu Holding effective January 2015. The purchase agreements contain a purchase price adjustment clause, which stipulates that the purchase price may be reduced accordingly to a total amount of CHF 5.972 million, provided that the defined minimum equity or cumulative EBITDA targets are not reached in the coming years.
- 1C Industries Zug AG invoiced Accu Holding AG for CHF 300,000 in connection with the acquisition expenses for the acquisition of the Cieffe Group.

## 25. Events after the balance sheet date

The discontinuation of the minimum 1.20 CHF-EUR exchange rate brought about great turmoil and substantial uncertainty in planning for the current fiscal year 2015. The 2015 budget was prepared on the basis of a 1.05 CHF-EUR exchange rate. Around 90% of sales and costs are attributable to companies in the euro zone. As a result, the majority of the balance sheet and income statement are naturally hedged, and the foreign exchange effect is limited to the pure translation of euro positions into CHF (nominal decrease in total assets and income statement items by 12%). The percentage impact on margins is minimal. RCT in Switzerland is the only company to have been partially negatively impacted by this currency effect, given that its salaries and some other fixed costs are incurred in CHF. This negative effect should however be compensated in 2015 by the exchange gains on euro liabilities.

On January 20, 2015, 1C Industries Zug AG converted the due portion of its vendor loan from the sale of the Cieffe Group in the amount of CHF 6.3 million into shares of Accu Holding. 420,000 new shares at a nominal value of CHF 10.00 were issued from authorized capital. The issue price was CHF 15.00 per share. After the capital increase, the Company's share capital amounted to CHF 18.944 million. Following the capital increase, the share of 1C Industries Zug AG increased from 44.68% to 56.94%.

## 26. Going concern

The Accu Group presents as of 31 December 2014, total current assets amounting CHF 77.1 million and current liabilities amouting to CHF 120.1 million, while cash and cash equivalents amount to CHF 4.4 million and unused credit lines and open guarantee facilities amount to CHF 8.9 million.

On the basis of the following considerations, the Board of Directors and Management are of the opinion that the Accu Group has sufficient liquidity over the next 12 months to continue as a going concern.

The Group's liquidity is reviewed on a weekly basis at individual company and group level. The liquidity and financing needs are analyzed on a monthly basis. The group companies prepare detailed monthly reports, including an assessment of the coming months and of budget target achievement. Our close contact with our end customers has a positive effect on our ability to land future orders and the resulting cash flows. As a result, the Group's business performance can be forecast with a high level of certainty over the coming three to six months and resources can be allocated. The visibility of the order books in the Cieffe Group's plant engineering activities amounts to 12 to 18 months. In April 2015, the Cieffe Group received another major order with a volume of around CHF 14 million. The processing time for this order is approximately 18 to 24 months. A down payment, as is customary in plant engineering, has already been made and the financing of the entire order has been secured with collateral.

All group companies in operation have positive EBITDA, and their budgets for 2015 are also positive. EBITDA of CHF 12 million is forecast at Group level and calculated and reviewed on a monthly basis, both on the group and individual level. In addition, we are planning investments of around CHF 2.0 million for the entire group, with free cash flow totaling CHF 3.3 million and new financing already partially raised amounting to around CHF 4.7 million resulting in a planned surplus of CHF 6.0 million. Additional or non-planned investments will not be made unless financing commitments are already in place.

After the balance sheet date, the Group has already negotiated financing or financing commitments with various financial institutions for the outstanding credit lines totaling CHF 48.5 million. CHF 19.6 million of this amount is for signed loan agreements, CHF 17.5 for binding financing commitments, CHF 6 million for term sheets from banks and CHF 5.4 million for sale and leaseback transactions already completed and financed by April 2015.

Rollover loans amounting to CHF 36 million are due for repayment by April 30, 2016, and there are credit lines with short-term notice periods, which however were not yet terminated at the time the balance sheet was prepared. CHF 1.9 million of this amount may be paid in shares of Accu Holding. The remaining CHF 34.5 million must be paid off, or the facility must be extended. However, as of April 2015, the Group had already received refinancing agreements from nine credit institutions amounting to CHF 31.1 million and binding loan commitments for CHF 17.4 million. In addition to these new financing facilities, Management and the Board of Directors are also confident that existing loans with longstanding banking partners can be extended for an additional year when they fall due, as has been the case over the past five years.

| **Current financial liabilities and lease liabilities* due or terminable by April 30, 2016** | **Due date** | **2014** |
|---|---|---|
| | | CHF thousand |
| Accu Holding (CHF 1.9 million payable in shares of Accu Holding) | 12.31.2015 | 4,091 |
| RCT | 12.31.2015 | 2,132 |
| Nexis Group (not terminated but have short-term notice periods) | 12.31.2015 and 4.30.2016 | 20,660 |
| Cieffe Group (not terminated but have short-term notice periods) | 12.31.2015 and 4.30.2016 | 9,561 |
| **Total current liabilities** | | **36,444** |
| Liabilities payable in shares of Accu Holding | | –1,945 |
| **Liabilities to pay off or extend** | | **34,499** |
| Total current liabilities due by 12.31.2015 | ** | 8,794 |
| Total current liabilities due by 4.30.2016 | *** | 25,705 |
| **Liabilities to pay off or extend** | | **34,499** |
| Refinancing secured via contracts or term sheets | | –48,578 |
| **Surplus cover** **** | | **14,079** |

* See footnote Note 11, page 44; excluding liabilities to shareholders

** Revolving credit line based on assigned inventories of RCT totaling CHF 1.5 million

*** Revolving credit line based on assigned receivables of Nexis totaling CHF 17.5 million
Revolving credit line based on assigned receivables of Cieffe totaling CHF 8.2 million

**** Surplus cover excluding cash and cash equivalents as at December 31, 2014 amounting to CHF 4.4 million

## 27. Adoption of consolidated financial statements

The Board of Directors adopted the consolidated financial statements on May 13, 2015.

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**Report of the Statutory Auditor**

To the General Meeting of
**ACCU HOLDING AG, EMMENBRUCKE**

**Report of the Statutory Auditor on the Consolidated Financial Statements**

As statutory auditor, we have audited the consolidated financial statements of Accu Holding AG set out on pages 31-51, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and notes to the consolidated financial statements for the year then ended.

*Board of Directors' Responsibility*
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Deloitte.

*Emphasis of Matter*
We draw attention to the notes to the consolidated financial statements relating to the consolidated companies (page 36) describing a pending legal case in connection with the acquisition of the Nexis Fibers companies. This fact indicates the existence of a material uncertainty whether the company owns 50% of the acquired companies, which have been consolidated and form a material part of the Accu group. Our opinion is not qualified in respect of this matter.

*Other Matter*
The financial statements of the company for the year ended December 31, 2013 were audited by another auditor whose report, dated May 22, 2014, expressed an unqualified opinion on those financial statements.

**Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In the course of our audit performed in accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of the financial statements designed according to the instructions of the Board of Directors was adequately documented; however regarding entity level controls including governance structure, consolidation and financial reporting processes, and the project management and valuation cycle at Cieffe, significant processes for the entity were not implemented in material respects.

In our opinion, except for the matters described in the preceding paragraph, an internal control system for the preparation of financial statements, designed in accordance with the instructions of the Board of Directors, exists.

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

**Deloitte AG/SA**

| | |
|---|---|
| Martin Welser | Mattias Willener |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in Charge | |

Zurich, May 13, 2015

MWE/MWI/jst

# Financial Statements of Accu Holding AG

## Balance sheet as at December 31, 2014 and 2013

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **ASSETS** | CHF | | CHF | |
| **Current assets** | | | | |
| Cash and cash equivalents and securities | 794,713 | | 53,908 | |
| Receivables from related companies | 2,078,383 | | 1,214,983 | |
| Receivables from group companies | 594,157 | | - | |
| Other receivables | 37,377 | | 38,229 | |
| Prepayments and accrued income | 23,789 | | 36,690 | |
| **Total** | **3,528,419** | **6%** | **1,343,810** | **3%** |
| **Non-current assets** | | | | |
| Non-current receivables | 904 | | 904 | |
| Non-current receivables from group companies | 2,500,000 | | - | |
| Investment in subsidiaries | 52,637,339 | | 38,238,241 | |
| **Total** | **55,138,243** | **94%** | **38,239,145** | **97%** |
| **Total assets** | **58,666,662** | **100%** | **39,582,955** | **100%** |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities** | | | | |
| Trade liabilities | 2,980,152 | | 492,317 | |
| Other liabilities | 6,763 | | 5,500 | |
| Loans – third parties | 2,146,679 | | 1,227,633 | |
| Remaining purchase obligation – RCT Group | 390,000 | | 1,300,000 | |
| Cieffe Group purchase obligation convertible into shares | 8,245,648 | | - | |
| Liabilities to group companies | 356,969 | | - | |
| Liabilities to related companies | 3,986 | | - | |
| Accrued liabilities and deferred income | 190,000 | | 120,000 | |
| **Total** | **14,320,197** | **24%** | **3,145,450** | **8%** |
| **Non-current liabilities** | | | | |
| Remaining purchase obligation – RCT Group | 1,047,000 | | 1,300,000 | |
| Loans – third parties | 2,630,701 | | 2,270,849 | |
| Liabilities to related companies with subordination | 5,429,162 | | 8,512,223 | |
| Liabilities to group companies | 7,715,687 | | 7,571,590 | |
| Liabilities to shareholders | 6,938,561 | | - | |
| Other provisions | 2,580 | | 2,580 | |
| **Total** | **23,763,691** | **41%** | **19,657,242** | **50%** |
| **Total liabilities** | **38,083,888** | **65%** | **22,802,692** | **58%** |
| **Equity** | | | | |
| Share capital | 14,744,000 | | 12,600,000 | |
| General statutory reserves | 2,520,000 | | 2,500,000 | |
| Free reserves | 217,679 | | 217,679 | |
| Additional paid-in capital | 1,040,262 | | 201,426 | |
| **Total** | **18,521,941** | **32%** | **15,519,105** | **39%** |
| **Net retained profit** | | | | |
| Amount carried forward from previous year | 1,241,158 | | 937,547 | |
| Profit/loss for the year | 819,675 | | 323,611 | |
| **Net retained profit** | **2,060,833** | **3%** | **1,261,158** | **3%** |
| **Total equity** | **20,582,774** | **35%** | **16,780,263** | **42%** |
| **Total liabilities and equity** | **58,666,662** | **100%** | **39,582,955** | **100%** |

## Income statement

| | 2014 | 2013 |
|---|---:|---:|
| | CHF | CHF |
| **Other operating income from related companies** | **1,012,424** | **820,037** |
| Personnel expenses | –70,284 | –47,438 |
| Administrative expenses | –456,869 | –174,530 |
| Administrative expenses in respect of group companies | –99,470 | –101,701 |
| Other operating expenses | –283,740 | –75,473 |
| **Operating profit before interest** | **102,061** | **420,895** |
| Financial income | 6,148 | 117,552 |
| Financial income – shareholders | 6,365 | - |
| Financial income – group companies | 150,026 | 53,664 |
| Financial expenses | –175,721 | –141,404 |
| Financial expenses – related parties | –272,059 | - |
| Financial expenses – group companies | –325,386 | –293,144 |
| **Ordinary profit/loss** | –508,566 | **157,563** |
| Net extraordinary income | 1,333,432 | 147,818 |
| **Profit before taxes** | **824,866** | **305,381** |
| Taxes | –5,191 | 18,230 |
| **Profit/loss for the year** | **819,675** | **323,611** |

The net extraordinary income of CHF 1.333 million mainly consists of the proceeds of the sale of the shares of Nexis Fibers in Latvia sold to Nexis Fibers in Slovakia totaling CHF 14.567 million and the associated assumption of a non-recoverable claim on a related company in the amount of CHF 12.428 million which had to be fully impaired.

## Financial statements

| Disclosures pursuant to Article 663b OR | Ownership interest | Currency | 2014 | 2013 |
|---|---|---|---|---|
| **Contingent liabilities** | | | | |
| Guarantees for group companies | | CHF | 6,480,000 | 2,455,200 |
| **Significant shareholdings** | | | | |
| Oerlikon Stationär-Batterien AG Aesch BL (10,000 shares at CHF 500), purpose: real estate holdings (currently inactive) | 100% | CHF | 5,000,000 | 5,000,000 |
| RCT Hydraulic Tooling AG (6,250,000 shares at CHF 1), purpose: industrial manufacturing, processing and sales of parts and components via machining processes and technology development | 100% | CHF | 6,250,000 | 6,250,000 |
| RCT Sachsen GmbH, Zittau (DE) (capital contribution EUR 25,000), purpose: industrial manufacturing, processing and sales of parts and components via machining processes and technology development (currently inactive) | 100% | EUR | 25,000 | 25,000 |
| RCT Hydraulic-Tooling s.r.o., Humenné (SK) (capital contribution EUR 5,000), purpose: industrial manufacturing, processing and sales of parts and components via machining processes and technology development | 100% | EUR | 5,000 | - |
| Nexis Fibers a.s., Humenné (SK) (6725 shares at EUR 1000), excluding a contested capital increase of EUR 75,000, purpose: industrial manufacturing, processing and sales of industrial yarns made out of polymer and polyamide | 100% | EUR | 6,725,000 | 6,725,000 |
| Nexis Fibers SIA, Daugavpils (LV) (3,676,118 shares at EUR 1 each), purpose: industrial manufacturing, processing and sales of industrial yarns made out of polymer and polyamide | 100% | EUR | 5,230,644 | (LVL) 3,676,118 |
| Cieffe Forni Ind. S.r.l., Colle Umberto (IT) (1,500,000 shares at EUR 1), purpose: industrial manufacturing, processing and sales of parts and components for thermal treatment and metallurgical transformation of metals and technology development in these areas | 100% | EUR | 1,500,000 | - |
| Cieffe Services S.r.l., Colle Umberto (IT) (119,000 shares at EUR 1), purpose: Rendering services such as sales of parts and spare parts and components for thermal treatment | 100% | EUR | 119,000 | - |
| Cieffe Holding S.p.A., Colle Umberto (IT) (5,900,000 shares at EUR 1), purpose: Real estate holdings and securing management services for the Cieffe Group | 100% | EUR | 5,900,000 | - |
| Cieffe Ind. Furn. Co. Ltd., Shanghai (RC) (capital contribution RMB 18,526,239), purpose: industrial manufacturing, processing and sales of parts and components for thermal treatment and metallurgical transformation of metals and technology development in these areas | 100% | RMB | 18,526,239 | - |

In 2014, the Company acquired the entire share capital of Cieffe Holding S.p.A. In Italy and also, directly or indirectly, 100% of its subsidiaries Cieffe Forni Industriali S.r.l., Cieffe Service S.r.l. and Cieffe Shanghai Ltd. 92.2% of the shares were acquired in late December 2014 and transferred prior to the end of the year. Preliminary agreements were signed with the other shareholders for the rest of the shares and the transfer was made in February 2015. Various substantial valuation adjustments were established in the preparation of the 2014 Annual Report. The purchase agreement stipulates various purchase price adjustments. Due to the substantial uncertainty regarding the purchase price amount of CHF 15.75 million, this figure should only be seen as provisional at this time. In 2013, the Company acquired 100% of the shares of Nexis Fibers a.s. in Slovakia and Nexis Fibers SIA in Latvia from Industrial Yarns Holding AG, in which the majority shareholder of Accu Holding AG controls 50%. The other shareholder of Industrial Yarns Holding AG instituted various proceedings against said shareholder in this context and a motion for a declaratory judgment against Accu Holding AG with the goal of causing the transaction to be reversed. As a result, there is significant uncertainty surrounding 50% of the ownership of the Nexis Group. The court in Slovakia ruled on May 5, 2014 to fully remove the other shareholder from all functions in the company's bodies including the authority to sign for Nexis Fibers a.s. in Slovakia.

The Board of Directors is confident that it has legally acquired the Nexis Group. A ruling in Switzerland is still outstanding, but the legal representatives of Accu Holding AG see little risk of the transaction being reversed at present. Accu Holding AG maintains control of the supervisory board and the board of directors of the acquired Nexis companies. If, contrary to expectations, the Nexis transaction is reversed, 1C Industries Zug AG will sell its 50% interest in Industrial Yarns Holding AG (Nexis Group), which will also enable the Nexis Group to be consolidated.

### Risk assessment

The Board of Directors periodically monitors what it considers to be substantial business risks. In the event that action is necessary on the basis of this risk assessment to prevent misstatements in the annual financial statements, such action will be taken. The Board of Directors discussed and adopted the risk assessment on the occasion of the board meeting on May 13, 2015.

### Letter of comfort on behalf of RCT Hydraulic Tooling AG

The continuation of RCT Hydraulic Tooling AG's business operations is largely dependent on future successful business and financial support of its parent company. Accu Holding AG issued a letter of comfort on behalf of this company on April 4, 2013.

### Treasury share disclosures

The Company does not hold any treasury shares, and treasury shares were neither acquired nor sold in the reporting period. The company's ordinary share capital amounted to CHF 14.744 million and is divided into 1,474,400 fully paid up registered shares with a nominal value of CHF 10.00 each. Authorized and conditional capital in the amount of CHF 6.3 million each were created at the last General Meeting on June 13, 2014. On October 29, Accu Holding conducted a 1-10 share split to CHF 10.00 per share. In addition, Accu Holding AG placed a convertible loan from conditional capital with a nominal amount of CHF 3.22 million with investors on November 10, 2014. This convertible loan was converted into 214,400 shares of Accu Holding AG at a nominal value of CHF 10.00 at an issue price of CHF 15.00 on December 1, 2014. As a result, the company's authorized and conditional capital totaled CHF 6.3 million and CHF 4.156 million, respectively, on the closing date. The Company had not issued any participation certificates or profit-sharing certificates as at the closing date, nor were there any outstanding convertible loans or options on this date.

The following shareholder groups and shareholders registered in the share register maintained by SIX SAG on the record date of December 31, 2014 hold over 3% of the voting rights of the company:

| Disclosures pursuant to Article 663c OR: Significant shareholders | 12.31.2014 | 12.31.2013 |
|---|---|---|
| 1C Industries Zug AG, Zug, c/o lic. iur. Peter Hodel/Marco Marchetti, Zug (directly and indirectly) | * 44,68% | 55,06% |
| Group, comprising Andrin Waldburger, Feusisberg, and Ulysses Waldburger, Zurich | 7,91% | ≥ 5% |
| Gerhard Ammann, Sliema, Malta | 6,45% | 3,84% |
| Daniel Brupbacher, Wädenswil | 5,37% | 3,65% |
| Group, comprising Marcel Grawe, Erlenbach, und Deborah Grawe-Spörri, Erlenbach | 5,37% | - |
| SVM Value Fund (Switzerland), Geneva | 3,37% | 3,40% |

* On January 20, 2015, 1C Industries Zug AG converted the due portion of its vendor loan from the sale of the Cieffe Group in the amount of CHF 6.3 million into shares of Accu Holding. 420,000 new shares at a nominal value of CHF 10.00 each were issued from authorized capital. The issue price was CHF 15.00 per share. After the capital increase, the Company's share capital amounted to CHF 18.944 million. Following the capital increase, the share of 1C Industries Zug AG increased from 44.68% to 56.94%.

## Shareholdings of the members of the Board of Directors and Management

Members of the Board of Directors and related persons held a total of 737,845 registered shares of the Company as of December 31, 2014.

| Number of registered shares Board of Directors and related persons as at December 31, 2014 | Number of registered shares | Share of voting rights |
|---|---|---|
| Marco Marchetti, Chairman | 658,700 | 44.68% |
| Andreas Kratzer, Delegate | - | - |
| Matthew Goddard, Member | - | - |
| Daniel Brupbacher, Member | 79,145 | 5.37% |
| **Total** | **737,845** | **50.04%** |

There are no options for shares of the Company.

### Events after the balance sheet date

On January 20, 2015, the Accu Group converted the short-term portion of the vendor loan provided by the majority shareholder in connection with the acquisition of the Cieffe Group totaling CHF 6.3 million into shares of Accu Holding AG. 420,000 shares with a nominal amount of CHF 10.00 each were issued from authorized capital at an issue price of CHF 15.00. Following the capital increase, Accu Holding's share capital totals CHF 18,944,000.

### Going concern

The Accu Group's cash and cash equivalents reached CHF 4.4 million as at the end of 2014. The Group had access to unutilized credit lines, guarantee limits and guarantee commitments amounting to CHF 8.9 million. Note 26 in the notes to the consolidated financial statements discloses the liquidity situation and the action taken by the Board of Directors.

## Proposal by the Board of Directors

| | 2014 | 2013 |
|---|---|---|
| | CHF | CHF |
| Net retained profit Jan. 1 | 1,241,158 | 937,547 |
| Profit/loss for the year | 819,675 | 323,611 |
| Net retained profit Dec. 31 | 2,060,833 | 1,261,158 |
| Allocation to statutory reserve | 45,000 | 20,000 |
| Amount to carry forward | 2,015,832 | 1,241,158 |

The Board of Directors proposes that the General Meeting of Accu Holding AG adopt these single-entity financial statements and carry forward the 2014 net retained profit to a new account after subtracting an amount allocated to the statutory reserve.

Deloitte.

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**Report of the Statutory Auditor**

To the General Meeting of
**ACCU HOLDING AG, EMMENBRUCKE**

**Report of the Statutory Auditor on the Financial Statements**

As statutory auditor, we have audited the financial statements of Accu Holding AG set out on pages 55-62, which comprise the balance sheet as at December 31, 2014, and the income statement and notes for the year then ended.

*Board of Directors' Responsibility*
The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements for the year ended December 31, 2014 comply with Swiss law and the company's articles of incorporation.

Deloitte.

*Emphasis of Matters*
We draw attention to the investment disclosure in the notes to the annual financial statements (page 60) describing a pending legal case in connection with the acquisition of the Nexis Fibers companies. This fact indicates the existence of a material uncertainty whether the company owns 50% of the acquired companies, which have been accounted for as per December 31, 2014. Our opinion is not qualified in respect of this matter.

*Other Matter*
The financial statements of the company for the year ended December 31, 2013 were audited by another auditor whose report, dated May 22, 2014, expressed an unqualified opinion on those financial statements.

**Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In the course of our audit performed in accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of the financial statements designed according to the instructions of the Board of Directors was adequately documented; however regarding entity level controls including governance structure and the financial reporting processes, significant processes for the entity were not implemented in material respects.

In our opinion, except for the matters described in the preceding paragraph, an internal control system for the preparation of financial statements, designed in accordance with the instructions of the Board of Directors, exists.

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.

**Deloitte AG/SA**

| | |
|---|---|
| Martin Welser<br>Licensed Audit Expert<br>Auditor in Charge | Mattias Willener<br>Licensed Audit Expert |

Zurich, May 13, 2015
MWE/MWI/jst

NOTES

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