

SCHWEITER TECHNOLOGIES

Semi-Annual Report 2016

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Report of the Board of Directors on the results for the first half of 2016

Dear Shareholders

Schweiter Technologies posted a significant rise in revenues and earnings in the first half of 2016. The Group's net revenues amounted to CHF 501.3 million in the first half of the year, corresponding to an increase of 16% (in local currencies: +13%). Both divisions contributed to the revenue growth. Earnings rose above average: Group EBITDA gained 40% (organic growth: 22%) to CHF 61.5 million, EBIT rose by 53% to CHF 48.2 million and net profit increased by 85% to CHF 34.5 million. The Group's cash holdings amount to CHF 126 million after the dividend distribution of approximately CHF 57 million.

3A Composites recorded new orders amounting to CHF 498.8 million (H1 2015: CHF 427.4 million). Net revenues rose by 18% to CHF 462.3 million (H1 2015: CHF 392.5 million). As a result, EBITDA came to CHF 57.9 million (H1 2015: CHF 40.6 million). This represents an increase of 42% compared to the prior-year period and equates to a return on sales of over 12%. EBIT amounted to CHF 45.1 million (H1 2015: CHF 28.9 million).

In addition to acquisition-driven growth, consistently high demand for wind power in Europe and the USA drove sales growth in the Core Materials business. The overall Architecture business developed well. This business benefited from a firming-up of sales in India plus the realization of numerous deferred projects in the Middle East and Southeast Asia. European revenues fell slightly in the reporting period, partly due to the reconstruction of a production line and the resulting capacity shortages.

The Display business in Europe benefited from the joint market presence together with the Polycasa Group (acquired in 2015) and from the synergies realized. The profitability of the Polycasa business improved significantly, due in part to the positive

development of raw material prices. In the USA, Display revenue fell short of the prior-year figure owing to slack business at the start of the year. However, cost savings and efficiency gains led to an improved result.

The Mass Transportation business made positive strides. Revenues from the Bus business were considerably higher than in the prior period. The transfer of part of production from Switzerland to Poland, which is now virtually complete, impacted negatively on the first-half result.

SSM Textile Machinery saw a high level of incoming orders, which were up 36% at CHF 49.2 million. Net revenues rose by 1% to CHF 38.8 million (H1 2015: CHF 38.3 million).

Business in Bangladesh and Taiwan continued to develop gratifyingly. While order intake in Turkey recovered, China and India remained below average. Sales in the South American markets, especially Brazil, almost came to a halt in the first half of 2016.

EBITDA improved to CHF 5.3 million (H1 2015: CHF 4.5 million), which translates into a return on sales of just under 14%.

Outlook

In the second half of the year, overall business at 3A Composites is expected to develop favourably and in line with the first-half figures.

Given the high level of orders on hand at SSM Textile Machinery, a further improvement of results in the second half is expected.

Yours sincerely

Board of Directors Schweiter Technologies

Key figures

(in CHF m)	First half of 2016	First half of 2015	Change
Orders received	548.0	463.7	18%
3A Composites	498.8	427.4	17%
SSM Textile Machinery	49.2	36.3	36%
Net revenue	501.3	431.0	16%
3A Composites	462.3	392.5	18%
SSM Textile Machinery	38.8	38.3	1%
EBITDA	61.5	43.8	40%
3A Composites	57.9	40.6	42%
SSM Textile Machinery	5.3	4.5	17%
EBIT	48.2	31.5	53%
3A Composites	45.1	28.9	56%
SSM Textile Machinery	4.8	3.9	21%
Net income	34.5	18.7	85%

Orders received (in CHF m)



Net revenues (in CHF m)



EBITDA (in CHF m)



Net income (in CHF m)



Consolidated balance sheet as at 30 June 2016

	30 June		31 Dec.	
Assets (in CHF m)	2016	%	2015	%
Current assets				
Cash and cash equivalents	126.0		170.5	
Trade receivables	159.3		136.3	
Inventories	145.7		144.4	
Other current assets	38.2		35.5	
Total current assets	469.2	51.4	486.7	52.6
Non-current assets				
Property, plant and equipment	250.0		245.6	
Investment property	20.1		20.3	
Intangible assets (incl. goodwill)	117.5		118.9	
Other non-current assets	56.1		53.9	
Total non-current assets	443.7	48.6	438.7	47.4
Total assets	912.9		925.4	
Liabilities (in CHF m)				
Current liabilities				
Current financial liabilities	0.8		2.4	
Trade payables	72.1		54.9	
Prepayments received from customers	9.9		7.1	
Accrued expenses and deferred income	51.8		51.4	
Other current liabilities	32.9		39.7	
Total current liabilities	167.5	18.3	155.5	16.8
Non-current financial liabilities	4.5		5.0	
Deferred tax liabilities	28.2		26.8	
Non-current provisions	17.3		19.5	
¹ Pension obligations	110.7		93.7	
Total non-current liabilities	160.7	17.6	145.0	15.7
Total liabilities	328.2	36.0	300.5	32.5
Shareholders' equity				
Share capital	1.4		1.4	
² Treasury shares	- 0.2		- 0.3	
Reserves from capital contributions	0.1		0.1	
³ Retained earnings	615.8		650.5	
Currency translation adjustments	- 32.4		- 26.8	
Total shareholders' equity	584.7	64.0	624.9	67.5
Total liabilities and shareholders' equity	912.9		925.4	

▲ For additional details see notes to the semi-annual statements as at 30 June 2016

Consolidated income statement for the first half of 2016

(in CHF m)	First half of 2016		First half of 2015	
		%		%
Net revenues	501.3	100.0	431.0	100.5
Change in inventories of semi-finished and finished goods	- 0.1	- 0.0	- 2.2	- 0.5
Total operating income	501.2	100.0	428.8	100.0
Material expenses	- 257.6	- 51.4	- 233.2	- 54.4
Personnel expenses	- 95.4	- 19.0	- 82.9	- 19.3
Other operating expenses	- 87.8	- 17.5	- 72.7	- 16.9
Other operating income	1.1	0.2	3.8	0.9
Depreciation and amortization	- 13.3	- 2.7	- 12.3	- 2.9
Operating result	48.2	9.6	31.5	7.4
Financial income	0.2	0.0	0.4	0.1
4 Financial expenses	- 2.2	- 0.4	- 5.6	- 1.3
Income before taxes	46.2	9.2	26.3	6.2
Income taxes	- 11.7	- 2.3	- 7.6	- 1.8
Net income	34.5	6.9	18.7	4.4
Earnings per share (in CHF)				
- undiluted	24.13		13.05	
- diluted	24.12		13.04	

Consolidated statement of comprehensive income for the first half of 2016

(in CHF m)	First half of 2016	First half of 2015
Net income	34.5	18.7
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	– 5.6	– 29.3
– Tax effect	0.0	0.0
Total	– 5.6	– 29.3
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial gains / (losses) on defined benefit plans	– 15.6	1.4
– Tax effect	3.5	– 0.3
Total	– 12.1	1.1
Total other comprehensive income	– 17.7	– 28.2
Comprehensive income	16.8	– 9.5

Consolidated statement of cash flows for the first half of 2016

(in CHF m)	First half of 2016	First half of 2015
Net income	34.5	18.7
Depreciation and amortization	13.3	12.3
Other positions not impacting on cash	– 1.1	– 1.4
Income taxes	11.7	7.6
Financial result	1.9	5.2
Change in working capital	– 10.4	– 26.2
Interest paid	– 0.3	– 0.1
Income taxes paid	– 17.7	– 7.3
Cash flow from operating activity	31.9	8.8
Purchase of subsidiaries, net of cash	0.0	– 115.4
Purchase of property, plant and equipment	– 17.8	– 13.3
Sale of property, plant and equipment	0.4	1.0
Purchase of intangible assets	– 0.4	– 0.4
Repayment of financial assets	1.3	1.6
Increase in financial assets	– 0.3	0.0
Interest received	0.2	0.1
Income derivative instruments	0.2	0.0
Cash flow from investment activity	– 16.4	– 126.4
Repayment of non-current financial liabilities	– 0.1	– 0.6
Repayment of current financial liabilities	– 1.5	– 0.9
² Sale of treasury shares	0.2	0.0
³ Dividend paid	– 57.3	– 57.2
Cash flow from financing activity	– 58.7	– 58.7
Currency exchange differences on cash and cash equivalents	– 1.3	– 9.3
Change in cash and cash equivalents	– 44.5	– 185.6
Cash and cash equivalents as at 1 January	170.5	305.9
Cash and cash equivalents as at 30 June	126.0	120.3

Consolidated statement of changes in equity

(in CHF m)	Share capital	Treasury shares	Reserves capital contributions	Retained earnings	Currency translation difference	Total shareholders' equity
Balance as at 1 January 2015	1.4	- 7.4	0.1	654.5	- 12.4	636.2
Net income				18.7		18.7
<i>Other comprehensive income</i>	0	0	0	1.1	- 29.3	- 28.2
Comprehensive income	0	0	0	19.8	- 29.3	- 9.5
Share-based remuneration		0.8		- 0.8		0
Dividend				- 57.3		- 57.3
Balance as at 30 June 2015	1.4	- 6.6	0.1	616.2	- 41.7	569.4
Balance as at 1 January 2016	1.4	- 0.3	0.1	650.5	- 26.8	624.9
Net income				34.5		34.5
<i>Other comprehensive income</i>	0	0	0	- 12.1	- 5.6	- 17.7
Comprehensive income	0	0	0	22.4	- 5.6	16.8
2 Sale of treasury shares		0.1		0.1		0.2
Share-based remuneration				0.1		0.1
3 Dividend				- 57.3		- 57.3
Balance as at 30 June 2016	1.4	- 0.2	0.1	615.8	- 32.4	584.7

▲ For additional details see notes to the semi-annual statements as at 30 June 2016

Operating segments

First half of 2016 (in CHF m)	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
Net revenues ¹⁾	462.3	38.8	0.2	501.3
Operating result	45.1	4.8	- 1.7	48.2
Net income	29.7	4.0	0.8	34.5
Assets	705.2	47.8	159.9	912.9
Liabilities	593.8	36.0	- 301.5	328.3
Employees at 30 June	4 218 ²⁾	251	6	4 475

¹⁾ There are no revenues between the divisions. The product groups correspond to the operating segments

²⁾ Of which 1 783 employees in balsa wood plantations and sawmills in Ecuador and Papua New Guinea

First half of 2015 (in CHF m)	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
Net revenues ¹⁾	392.5	38.3	0.2	431.0
Operating result	28.9	3.9	- 1.3	31.5
Net income	17.7	2.7	- 1.7	18.7
Assets	791.8	56.1	34.3	882.2
Liabilities	603.7	40.1	- 331.0	312.8
Employees at 30 June	4 552 ²⁾	252	6	4 810

¹⁾ There are no revenues between the divisions. The product groups correspond to the operating segments

²⁾ Of which 2 120 employees in balsa wood plantations and sawmills in Ecuador

Notes to the semi-annual statements as at 30 June 2016

Consolidation principles

These condensed, unaudited semi-annual statements of the Swiss-domiciled Schweiter Technologies AG and its subsidiaries were prepared in accordance with IAS 34 "Interim Financial Reporting".

They are based on the accounting principles presented in the 2015 Annual Report, which were applied with no changes other than the following new or amended standards and interpretations:

Adoption of new or revised accounting policies

New standards

IFRS 14	Regulatory Deferral Accounts
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Amendments to standards

IFRS 10 and 12	Changes to investment entities
IAS 27	Equity method in separate financial statements
IAS 1	Disclosure initiative
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41	Agriculture: Bearer Plants
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Miscellaneous	Amendments resulting from the Annual Improvement Projects

Standards issued but not yet adopted

The following new and revised standards and interpretations are issued by the IASB. These standards were not effective for the reporting period and have not been early adopted in the present consolidated financial statements.

The following table shows the impact estimated by the Executive Management:

New standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies
IFRS 15	Revenues from Contracts with Customers	1 January 2018	Financial year 2018 ³⁾
IFRS 9	Financial Instruments	1 January 2018	Financial year 2018 ¹⁾
Amendments to standards			
IFRS 16	Leases	1 January 2019	Financial year 2019 ³⁾
IAS 12	Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses issued	1 January 2017	Financial year 2017 ²⁾
Miscellaneous	Amendments resulting from the Annual Improvement Projects	1 January 2017	Financial year 2017 ²⁾

¹⁾ No or no material effects are expected on the consolidated financial statements of Schweiter Technologies

²⁾ No effects are expected on the consolidated financial statements of Schweiter Technologies

³⁾ The impact on the consolidated financial statements of Schweiter Technologies has not yet been fully analyzed

The preparation of the semi-annual statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the semi-annual statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the semi-annual statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The Group operates in areas whose income statements are not characterized by seasonal fluctuations. Income tax expense is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year.

Change in scope of consolidation

In the reporting period there were no changes in the scope of consolidation.

Notes

1 Pension obligation

The increase of pension obligation mainly results from the reduction of the discount rate due to the generally lower interest rates.

2 Treasury shares

As at 30 June 2016, a total of 600 treasury shares were held which are used for share-based payments. 199 treasury shares were sold.

3 Dividend

At the Annual General Meeting on 3 May 2016, the shareholders approved a dividend payment of CHF 40.00 per share. The distribution amounts to a total of CHF 57.3 million.

4 Net financial income / financial expenses

Financial expenses include foreign currency losses of CHF 0.6 million (prior-year period: CHF 4.4 million).

5 Contingent liabilities

In the period under review, the commitments to take delivery under purchase contracts for machine parts and raw material have increased by CHF 44.1 million from CHF 88.8 million to CHF 132.9 million.

All other contingent liabilities have remained essentially unchanged.

6 Events after the balance sheet date

Between the balance sheet date and the date of publication of this semi-annual report, no events occurred which could have a material impact on the consolidated semi-annual financial statements for 2016.

This interim report was approved and released for publication by the Board of Directors of Schweiter Technologies AG on 3 August 2016 by way of a circular resolution.

Information for shareholders

Bearer shares are listed on the main stock exchange in Zurich. Security number: 1075492;
 ISIN: CH0010754924; Telekurs: SWTQ; Reuters: SWTZ.

(in CHF 1000s)	30 June 2016	31 Dec. 2015
Share capital – divided into bearer shares with a par value of CHF 1 each	1 432	1 432
Conditional capital	133	133
Stock market capitalization as at reference date	1 330 866	1 213 457
Holdings of treasury shares	600	799
Treasury shares as % of share capital	0.04	0.06

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The next General Meeting will take place in Horgen
 on 25 April 2017.

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Disclaimer

All statements in this Semi-Annual Report that do not refer to historical facts are forward-looking statements which are no guarantee of future performance. They are based on assumptions and involve risks and uncertainties as well as other factors beyond the control of the company.

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