SCHWEITER TECHNOLOGIES

Media Release

Figures for 2018

Growth in revenues amid challenging market conditions

Steinhausen, March 11, 2019 – Schweiter Technologies enjoyed a successful 2018 business year in a market characterized by fluctuating demand.

Net revenues rose to CHF 1,047.4 million (prior year: CHF 980.2 million), equivalent to an increase of 7% (5% in local currencies). Organic growth came to 2%. Owing to one-off positive effects the previous year (in particular a high single-digit million windfall profit from the sale of property), Group EBITDA amounted to CHF 111.0 million, just short of the prior-year figure of CHF 114.4 million. EBIT came to CHF 82.2 million (prior year: CHF 87.3 million). Athlone Extrusions, acquired in the previous year, made a positive contribution to both revenues and earnings. Net income from continuing operations declined to CHF 60.3 million (prior year: CHF 77.0 million) partly because of exchange rate losses following exchange rate gains in the amount of CHF 11.0 million in the previous year.

Cash and cash equivalents came to more than CHF 108 million, after expenditure of about CHF 105 million for the Perspex acquisition and a dividend distribution of about CHF 64 million. The Board of Directors will propose paying a dividend of CHF 40 per bearer share at the General Meeting on April 11, 2019.

The media conference will be held in Zurich at 11 a.m. today in the Marriott Hotel, Neumühlequai 42.

The 2018 Annual Report and the investor presentation can be downloaded from: http://www.schweiter.ch/s1a200/investoren/geschaftsberichte-prasentationen.html

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Key figures

Schweiter Technologies Group (in CHF m) *CHF)*	**2018**	**2017**	**+ / -**
Net revenues	1'047.4	980.2	+7%
EBITDA	111.0	114.4	- 3%
as a % of net revenues	*10.6%*	*11.7%*	
EBIT	82.2	87.3	- 6%
Net income from continuing operations	60.3	77.0	- 22%
Net income from discontinued operations	-	95.0	
Total net income	60.3	172.0	- 65%

3A Composites

2018 was a challenging year divided into two halves. Whereas in the first half the mood was upbeat and the prospects for growth were good, in the second half sentiment slowly deteriorated especially in the Display business (Polycasa) and in Core Materials. However, the Architecture business in Asia and the Transportation business performed strongly in the second half.

Display

Demand in the European Display market benefited in the first half from the generally buoyant economic environment. In the second half, however, it failed to match the previous year's high sales volume. Uncertainty about the duration of the economic upturn compounded by expectations of declining raw material prices resulted in substantial destocking among customers, especially in the Clearsheet business, and consequently in weaker sales of acrylic products.

Higher raw material prices than the previous year coupled with fiercer competition impacted negatively on profitability. The launch of two new Clearsheet product lines will broaden the product range and reinforce our market position.

The Display business in the US lost some of its momentum in the second half and as a result did not manage to match the previous year's strong showing.

Architecture

The construction sector in Europe remained stable at a high level, even though performance varied in the individual markets. Whereas France, Turkey, and Eastern Europe reported a dip in sales revenues, UK recorded a gratifying revenue increase despite the uncertainty caused by Brexit. Italy, too, posted a positive revenue trend. The core markets – Germany, Switzerland, and Austria – matched the previous year's high revenues, and sales in Scandinavia and Benelux also reached the prior-year level. The Architecture business improved profitability on the back of technological improvements and process optimization despite higher raw material costs.

The US construction sector remained very buoyant. Since Alucobond® is still the brand for premium aluminum composites that is most often specified by architects, revenues and earnings grew by double-digit figures.

The Architecture business in Asia also posted double-digit growth in revenues and earnings over the whole year thanks to a very solid second half. Growth was driven mainly by a large number of construction projects in China, which more than made up for weaker demand in the Middle East in the first half.

Demand is increasingly shifting to high-quality fire-retardant and non-combustible cladding panels, a market in which 3A Composites is ideally positioned. Uncertainty surrounding anticipated changes to fire protection regulations led to a certain amount of restraint in some markets.

Core Materials

The Core Materials business turned in a satisfactory performance over the last three quarters after getting off to a slow start in the first quarter.

Demand from wind energy customers continued to increase, though the regional differences were considerable. Whereas demand firmed up substantially especially in China, the Indian market continued to suffer from muted demand. Europe and the US benefited in both the wind and the non-wind sectors from a strong business climate and buoyant demand, especially in the marine products market.

Profitability was held in check by higher raw material costs and by the price pressures exerted by global OEMs. A number of measures – product portfolio streamlining, steps to boost efficiency, and selective price increases – were taken to enhance profitability.

Transportation

The Transportation business picked up strongly in the second half following a subdued first half.

Revenues from lightweight bus and RV components as well as from train front-ends posted double-digit growth versus the previous year. The steep rise in revenues from these two product groups almost completely compensated for the lower sales of interior products and function-integrated sandwich systems for rail vehicles. Customer-related delays in two major projects in Switzerland and in China resulted in lower sales of flooring systems year-on-year.

Owing to long-term contractual obligations, there was a certain time lag in passing on to customers the higher costs for raw materials and prefabricated parts. The resulting additional costs, however, were offset by rigorous implementation of measures designed to boost efficiency.

Outlook

Despite the ongoing weakness of demand in the Display business for acrylic products, Schweiter got off to a good start this year and expects a positive business performance.

The economic outlook in the core markets of 3A Composites remains favorable. However, the current trade dispute between the US and China is causing some unease. In operational terms, the integration of the Perspex companies acquired at the end of 2018 will durably strengthen the Display business and make a positive contribution to revenues and earnings.

The Architecture business should also continue to perform strongly on the back of the buoyant construction sector in Europe, the US, and Asia. The trend to non-combustible cladding panels coupled with the strong market position of 3A Composites is a medium-term sales driver in the Architecture business.

The Core Materials business looks set to benefit from the ongoing strong demand in China, Europe, and the US. Important trends such as the reduction of dependence on fossil fuels, worldwide efforts to cut back CO_2 emissions, measures to improve air quality especially in China, along with technical innovations are driving medium-term growth in wind energy as well as in the marine and automotive sectors.

The Transportation business has a good order backlog. The trend to weight-saving solutions for buses, RVs and rail vehicles is a key factor driving growth in this area.

Change in management

Jan Jenisch will not stand for re-election to the Board of Directors at the Annual General Meeting on April 11, 2019, after five years as a member of the Board of Directors due to time constraints. The Board of Directors sincerely thanks Jan Jenisch for his valuable commitment in recent years.

Georg Reif, Chief Technology Officer of 3A Composites and a member of the Management of Schweiter Technologies, has decided to take early retirement in the first half of 2019. The Board of Directors and Management thank Georg Reif for his many years of successful service.