

SCHWEITER TECHNOLOGIES

Semi-Annual Report 2020

Report of the Board of Directors on the results for the first half of 2020

Dear Shareholders

Schweiter Technologies reported a strong first half in 2020 despite challenging market conditions. Group revenues declined by –9% versus the same period the previous year to CHF 559.5 million, owing to the COVID-19 pandemic and negative currency effects. The decline in local currencies was –4%. In contrast, EBITDA rose by +10% to CHF 67.9 million (up +16% in local currencies). The return on net sales improved to 12.1%. Operating profit (EBIT) rose by 14% to CHF 49.3 million (+20% in local currencies), while net income grew to CHF 35.3 million. Operating cash flow expanded by +64% to CHF 56.5 million. Cash and cash equivalents stand at CHF 114.4 million following a dividend distribution of approximately CHF 57 million.

The diversification of 3A Composites proved to be a strength in the first half-year, which was overshadowed by the COVID-19 pandemic. While some market segments and geographies were affected by the lockdown measures and had to cope with a steep fall in demand, the European display business in particular, with its wide range of clear sheet products, and the core materials business for the wind energy sector benefited from firm demand.

The European display business was marked by two opposing trends. On the one hand, clear sheet production was running at full capacity, and the company took a number of measures to be able to meet the exceptionally high demand for transparent sheets for infection protection. On the other hand, display revenues in the areas of advertising, trade fairs and interior fittings tumbled as of mid-March. The US display business also suffered a significant downturn in demand in these areas. Growth in profitability clearly outpaced sales growth owing to falling raw material prices, high capacity utilization in clear sheet production, a temporary reduction in production capacity as well as a strict cost discipline at all sites.

The architecture business also saw conflicting trends. Whereas the US architecture business repeated the previous year's success and maintained revenue levels, the architecture business in Europe and Asia suffered a decline in revenues. The markets in China, India, the Middle East, and southern Europe were particularly hard hit by the lockdown measures and project postponements.

The core materials business maintained the previous year's strong momentum, posting percentage revenue growth in the double-digits. Ongoing firm demand in wind energy combined with very high capacity utilization at the production sites along with selective price increases produced a significant increase in revenues and an even bigger growth in profit.

In Transportation, both revenues and profit suffered a double-digit percentage decline – despite a high order backlog – owing to temporary closures of production sites and postponement of projects by certain key customers.

Outlook

The Group anticipates a good performance on the whole despite the volatile business environment.

On the one hand, it is expected that demand for clear sheet products will normalize. On the other, however, the Group anticipates an uptick in demand in the business areas Display, Architecture, and Transportation. Moreover, the gratifying performance of Core Materials should continue owing to ongoing firm demand from wind energy customers.

Yours sincerely

Board of Directors Schweiter Technologies

Key figures

| (in CHF m) | First half of 2020 | First half of 2019 (restated) | Change |
|-------------------------|------------------------------|-------------------------------------|--------|
| Orders received | 658.9 | 619.1 | 6% |
| Net revenues | 559.5 | 613.7 | -9% |
| EBITDA ¹⁾ | 67.9 | 61.8 | 10% |
| Operation result (EBIT) | 49.3 | 43.1 | 14% |
| Net income | 35.3 | 33.1 | 7% |

¹⁾ Operating result plus depreciation of property, plant and equipment, impairment and amortization of intangible assets

Orders received (in CHF m)



Net revenues (in CHF m)



EBITDA (in CHF m)



Net income (in CHF m)



Consolidated balance sheet as of 30 June 2020

| Assets (in CHF m) | 30 June 2020 | % | 31 Dec. 2019 (restated) | % |
|--|-------------------------|------|---------------------------------------|------|
| Current assets | | | | |
| Cash and cash equivalents | 114.4 | | 115.7 | |
| 6 Trade receivables | 184.8 | | 167.8 | |
| 6 Inventories | 170.7 | | 181.8 | |
| Other current assets | 32.6 | | 34.6 | |
| Total current assets | 502.5 | 48.1 | 499.9 | 47.5 |
| Non-current assets | | | | |
| Property, plant and equipment | 294.1 | | 301.7 | |
| Intangible assets (incl. goodwill) | 185.9 | | 193.5 | |
| Other non-current assets | 61.6 | | 57.0 | |
| Total non-current assets | 541.6 | 51.9 | 552.2 | 52.5 |
| Total assets | 1044.1 | | 1052.1 | |
| Liabilities and shareholders' equity (in CHF m) | | | | |
| Current liabilities | | | | |
| 7 Current financial liabilities | 32.4 | | 8.2 | |
| Trade payables | 58.3 | | 58.7 | |
| Prepayments received from customers | 3.2 | | 2.2 | |
| 6 Accrued expenses and deferred income | 59.2 | | 54.1 | |
| Other current liabilities | 42.9 | | 34.4 | |
| Total current liabilities | 196.0 | 18.8 | 157.6 | 15.0 |
| Non-current financial liabilities | 19.5 | | 21.9 | |
| Other long-term payables | 2.1 | | 2.2 | |
| Deferred tax liabilities | 30.6 | | 31.1 | |
| Non-current provisions | 14.8 | | 15.6 | |
| Employee benefits | 98.9 | | 95.6 | |
| Total non-current liabilities | 165.9 | 15.9 | 166.4 | 15.8 |
| Total liabilities | 361.9 | 34.7 | 324.0 | 30.8 |
| Shareholders' equity | | | | |
| Share capital | 1.4 | | 1.4 | |
| Retained earnings | 747.0 | | 771.6 | |
| Currency translation adjustments | - 66.2 | | - 44.9 | |
| Total shareholders' equity | 682.2 | 65.3 | 728.1 | 69.2 |
| Total liabilities and shareholders' equity | 1044.1 | | 1052.1 | |

▲ For additional details see notes to the semi-annual statements as of 30 June 2020

Consolidated income statement for the first half of 2020

| (in CHF m) | First half of 2020 | | First half of 2019 (restated) | |
|---|------------------------------|--------|-------------------------------------|--------|
| | | % | | % |
| Net revenues | 559.5 | 101.6 | 613.7 | 101.1 |
| Change in inventories of semi-finished and finished goods | - 8.6 | - 1.6 | - 6.7 | - 1.1 |
| Total operating income | 550.9 | 100.0 | 607.0 | 100.0 |
| Material expenses | - 288.6 | - 52.5 | - 336.4 | - 55.4 |
| Personnel expenses | - 107.0 | - 19.4 | - 111.6 | - 18.4 |
| Other operating expenses | - 91.0 | - 16.5 | - 99.8 | - 16.4 |
| Other operating income | 3.6 | 0.7 | 2.5 | 0.4 |
| Depreciation and amortization | - 18.6 | - 3.4 | - 18.6 | - 3.1 |
| Operating result | 49.3 | 8.9 | 43.1 | 7.1 |
| Financial income | 0.6 | 0.1 | 0.4 | 0.1 |
| Financial expenses | - 5.1 | - 0.9 | - 2.8 | - 0.5 |
| Income before taxes | 44.8 | 8.1 | 40.7 | 6.7 |
| Income taxes | - 9.5 | - 1.7 | - 7.6 | - 1.2 |
| Net income | 35.3 | 6.4 | 33.1 | 5.5 |
| Earnings per share (in CHF) | | | | |
| - undiluted | 24.68 | | 23.14 | |
| - diluted | 24.68 | | 23.14 | |

Consolidated statement of comprehensive income for the first half of 2020

| (in CHF m) | First half of 2020 | First half of 2019 (restated) |
|--|------------------------------|-------------------------------------|
| Net income | 35.3 | 33.1 |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to the statement of income: | | |
| – Exchange differences on translation of foreign operations | – 21.3 | – 5.3 |
| – Tax effect | 0.0 | 0.0 |
| Exchange rate differences reclassified to the statement of income | 0.0 | 0.0 |
| Total | – 21.3 | – 5.3 |
| Items that will not be reclassified subsequently to the statement of income: | | |
| – Actuarial gains / (losses) on defined benefit plans | – 3.0 | – 16.9 |
| – Tax effect | 0.6 | 4.0 |
| Total | – 2.4 | – 12.9 |
| Total other comprehensive income | – 23.7 | – 18.2 |
| Comprehensive income | 11.6 | 14.9 |

Consolidated statement of cash flows for the first half of 2020

| (in CHF m) | First half of 2020 | First half of 2019 (restated) |
|--|------------------------------|-------------------------------------|
| Net income | 35.3 | 33.1 |
| Depreciation and amortization | 18.6 | 18.6 |
| Change in provisions and employee benefits | 1.6 | 0.3 |
| Other positions not impacting cash | – 5.1 | – 3.2 |
| Income taxes | 9.5 | 7.6 |
| Financial result | 4.5 | 2.4 |
| 6 Change in working capital | – 5.7 | – 13.9 |
| Income taxes paid | – 2.2 | – 10.5 |
| Cash flow from operating activity | 56.5 | 34.4 |
| Repayment of purchase of subsidiaries | 0.0 | 0.9 |
| Purchase of property, plant and equipment | – 17.9 | – 13.1 |
| Sale of property, plant and equipment | 0.2 | 0.1 |
| Purchase of intangible assets | – 0.5 | 0.0 |
| Repayment of financial assets | 0.0 | 0.9 |
| Interest received | 0.2 | 0.4 |
| Cash flow from investment activity | – 18.0 | – 10.8 |
| 7 Increase in current financial liabilities | 25.6 | 20.0 |
| Repayment of current financial liabilities | – 4.0 | – 3.4 |
| Interest paid | – 1.2 | – 1.4 |
| Dividend paid | – 57.3 | – 57.3 |
| Cash flow from financing activity | – 36.9 | – 42.1 |
| Currency exchange differences on cash and cash equivalents | – 2.9 | – 0.4 |
| Change in cash and cash equivalents | – 1.3 | – 18.9 |
| Cash and cash equivalents as of 1 January | 115.7 | 108.1 |
| Cash and cash equivalents as of 30 June | 114.4 | 89.2 |

Amounts reported in previous year have been reclassified to the new presentation of the cash flow statement.

Consolidated statement of changes in equity

| (in CHF m) | Share capital | Retained earnings | Currency translation difference | Total shareholders' equity |
|--|---------------|-------------------|---------------------------------|----------------------------|
| Balance as of 1 January 2019 | 1.4 | 784.3 | - 33.8 | 751.9 |
| Restatement | | - 1.3 | 0 | - 1.3 |
| Adjusted Balance as of 1 January 2019 | 1.4 | 783.0 | - 33.8 | 750.6 |
| Net income | | 33.1 | | 33.1 |
| <i>Other comprehensive income</i> | <i>0</i> | <i>- 12.9</i> | <i>- 5.3</i> | <i>- 18.2</i> |
| <i>Comprehensive income</i> | <i>0</i> | <i>20.2</i> | <i>- 5.3</i> | <i>14.9</i> |
| Share-based remuneration | | - 0.1 | | - 0.1 |
| Dividend | | - 57.3 | | - 57.3 |
| Balance as of 30 June 2019 | 1.4 | 745.8 | - 39.1 | 708.1 |
| Balance as of 1 January 2020 | 1.4 | 775.5 | - 45.0 | 731.9 |
| Restatement | | - 3.9 | 0.1 | - 3.8 |
| Adjusted Balance as of 1 January 2020 | 1.4 | 771.6 | - 44.9 | 728.1 |
| Net income | | 35.3 | | 35.3 |
| <i>Other comprehensive income</i> | <i>0</i> | <i>- 2.4</i> | <i>- 21.3</i> | <i>- 23.7</i> |
| <i>Comprehensive income</i> | <i>0</i> | <i>32.9</i> | <i>- 21.3</i> | <i>11.6</i> |
| Share-based remuneration | | - 0.2 | | - 0.2 |
| Dividend | | - 57.3 | | - 57.3 |
| Balance as of 30 June 2020 | 1.4 | 747.0 | - 66.2 | 682.2 |

Notes to the semi-annual statements as of 30 June 2020

1 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 2019 Annual Report, which were applied with no changes other than the following new or amended standards and interpretations:

2 Adoption of new or revised accounting policies

Amendments to standards

| | | |
|------------------------|---|----|
| IFRS 3 | Definition of a Business | 1) |
| IAS 1 and IAS 8 | Definition of Material | 1) |
| IFRS 9, IAS 39, IFRS 7 | Interest Rate Benchmark Reform | 1) |
| Miscellaneous | Amendments resulting from the Annual Improvement Projects | 1) |

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

Issued standards 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 17 | Insurance contracts | 1 January 2021 | Financial year 2021 ¹⁾ |

Amendments to standards

| | | | |
|---------------|---|----------------|-----------------------------------|
| IAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2022 | Financial year 2022 ¹⁾ |
| Miscellaneous | Amendments resulting from the Annual Improvement Projects | 1 January 2021 | Financial year 2021 ¹⁾ |

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

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.

3 Restatement of previous year's figures

In the first half of 2020, it was noted that individual incorrect codes were used for import customs clearance for imports of certain raw materials into the United States, and that import duties were therefore declared incorrectly in some cases. The error was corrected by a subsequent declaration to the customs authority and the previous years were adjusted in accordance with IAS 8 as follows:

| (in CHF m) | 31.12.2019 (published) | Restatement IAS 8 error | 31.12.2019 (restated) |
|---|---------------------------|----------------------------|--------------------------|
| Impact on the balance sheet and shareholders' equity | | | |
| Inventories | 180.1 | 1.7 | 181.8 |
| Trade payables | 51.9 | 6.8 | 58.7 |
| Other current liabilities | 35.7 | – 1.3 | 34.4 |
| Shareholders' equity | 732.0 | – 3.9 | 728.1 |

| (in CHF m) | 30.06.2019 (published) | Restatement IAS 8 error | 30.06.2019 (restated) |
|--|---------------------------|----------------------------|--------------------------|
| Impact on the income statement and net income | | | |
| Material expenses | – 335.0 | – 1.4 | – 336.4 |
| Financial expenses | – 2.8 | 0.0 | – 2.8 |
| Income taxes | – 7.9 | 0.3 | – 7.6 |
| Net income | 34.2 | – 1.1 | 33.1 |
| Earnings per share, undiluted (in CHF) | 23.88 | – 0.74 | 23.14 |
| Earnings per share, diluted (in CHF) | 23.88 | – 0.74 | 23.14 |

| | | | |
|---------------------------------------|------|-------|------|
| Impact on comprehensive income | | | |
| Net income | 34.2 | – 1.1 | 33.1 |
| Comprehensive income | 16.0 | – 1.1 | 14.9 |

| | | | |
|--|------|-------|------|
| Impact on the cash flow statement | | | |
| Net income | 34.2 | – 1.1 | 33.1 |
| Cash flow from operating activities | 34.4 | 0.0 | 34.4 |

| Change in consolidated shareholders' equity (in CHF m) | Share capital | Retained earnings | Currency translation difference | Total shareholders' equity |
|--|------------------|----------------------|---------------------------------------|----------------------------------|
| Balance as of 31 December 2018 (published) | 1.4 | 784.3 | – 33.8 | 751.9 |
| – Restatement IAS 8 error | | – 1.3 | 0 | – 1.3 |
| Shareholders' equity as of 1 January 2019 (restated) | 1.4 | 783.0 | – 33.8 | 750.6 |

Notes to the semi-annual statements as of 30 June 2020

4 Operating segments

| First half of 2020 (in CHF m) | 3A Composites | Other / Eliminations | Group |
|-------------------------------|---------------------|----------------------|---------|
| Net revenues | 559.5 | 0.0 | 559.5 |
| Operating result | 50.4 | - 1.1 | 49.3 |
| Net income | 36.5 | - 1.2 | 35.3 |
| Assets | 1 042.1 | 2.0 | 1 044.1 |
| Liabilities | 683.4 | - 321.5 | 361.9 |
| Employees at 30 June | 4 437 ¹⁾ | 7 | 4 444 |

¹⁾ Of which 1 559 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea

| Regions | Europe | Americas | Asia | Other | Total |
|--------------|--------|----------|------|-------|-------|
| Net revenues | 368.5 | 102.6 | 76.4 | 12.0 | 559.5 |

| First half of 2019 (in CHF m) (restated) | 3A Composites | Other / Eliminations | Group |
|--|---------------------|----------------------|---------|
| Net revenues | 613.7 | 0.0 | 613.7 |
| Operating result | 44.5 | - 1.4 | 43.1 |
| Net income | 34.0 | - 0.9 | 33.1 |
| Assets | 1 063.0 | 1.5 | 1 064.5 |
| Liabilities | 698.0 | - 341.6 | 356.4 |
| Employees at 30 June | 4 051 ¹⁾ | 7 | 4 058 |

¹⁾ Of which 1 131 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea

| Regions | Europe | Americas | Asia | Other | Total |
|--------------|--------|----------|------|-------|-------|
| Net revenues | 407.1 | 112.4 | 76.0 | 18.2 | 613.7 |

5 Change in scope of consolidation

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

6 Change in working capital

The increase in net working capital is mainly attributable to higher receivables less lower inventories and higher accrued expenses and deferred income.

7 Current financial liabilities

Current financial liabilities include a loan in the amount of CHF 20.0 million, which was granted to the company by related parties. The terms of the loan are more favourable than offered by financial institutions. In addition, a subsidiary in the United States received a short-term loan of CHF 5.4 million from the Paycheck Protection Program (PPP) of the United States government.

8 Contingent liabilities and contingent assets

In the period under review, the commitments to take delivery under purchase contracts for raw materials have reduced by CHF 102.9 million from CHF 781.8 million to CHF 678.9 million. Outstanding commitments to take delivery of property, plant and equipment increased by CHF 9.2 million from CHF 4.6 million to CHF 13.8 million.

A partial loan forgiveness application may be made for the loan under the Paycheck Protection Program (PPP) mentioned in note 7. If the US authorities believe that the conditions for a partial repayment waiver have been met, the corresponding portion of the loan is recognized in profit or loss.

9 Events after the balance sheet date

No further events occurred between the balance sheet date and the date of publication of this semi-annual report which could have a significant impact on the consolidated semi-annual financial statements for 2020.

This interim report was approved and released for publication by the Board of Directors of Schweiter Technologies AG on 13 August 2020 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 2020 | 31 Dec. 2019 |
|---|-----------------|-----------------|
| 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 | 1 669 488 | 1 755 397 |

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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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