

SCHWEITER TECHNOLOGIES

Media Release

Figures for 2019

Schweiter reports strong revenue and earnings growth

Steinhausen, March 10, 2020 – Schweiter Technologies successfully closed out the 2019 business year with a double-digit increase in both sales revenues and earnings amid challenging market conditions.

Driven by the acquisition of the Perspex companies at the end of 2018, net sales revenues rose to CHF 1,179.6 million (prior year: CHF 1,047.4 million), an increase of 13% (15% in local currencies). Adjusted for acquisitions and currency effects, organic sales growth came to 1%. Group EBITDA rose by 14% to CHF 126.5 million (prior year: CHF 111.0 million) despite one-off integration expenditures, so that the return on sales improved to 10.7%. In organic and currency-adjusted terms, EBITDA was up by 7%. EBIT rose to CHF 88.6 million (previous year: CHF 82.2 million), while net income increased to CHF 62.6 million (previous year: CHF 60.3 million).

Operating cash flow came to about CHF 104 million, equivalent to a year-on-year increase of more than 70%. Cash and cash equivalents rose to around CHF 116 million following a dividend distribution of approximately CHF 57 million. At the General Meeting on April 8, 2020, the Board of Directors will propose the payment of a dividend of CHF 40 per bearer share and the addition of Lars van der Haegen and Heinz Baumgartner to the Board of Directors.

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

The 2019 Annual Report and the investor presentation can be downloaded from: <http://www.schweiter.ch/s1a200/investoren/geschäftsberichte-präsentationen.html>

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Key figures

| <i>Schweiter Technologies Group (in CHF m)</i> | 2019 | 2018 | + / - |
|--|---------|---------|-------|
| Net revenues | 1,179.6 | 1,047.4 | +13% |
| EBITDA | 126.5 | 111.0 | +14% |
| <i>as a % of net revenues</i> | 10.7% | 10.6% | |
| EBIT | 88.6 | 82.2 | +8% |
| Net income | 62.6 | 60.3 | +4% |

Course of business

2019 was yet another challenging business year in which the various market segments and geographies reported quite disparate rates of growth. On the one hand, global demand grew for core materials for the wind energy sector, the North American architecture business, and European sales of structural components for road and rail vehicles. On the other hand, organic growth in both the European and the US Display business fell short of the previous year and missed the business units own targets. Although the Architecture business performed very well overall, it failed to repeat the strong showing from the previous year in Europe and Asia.

Display

Demand in the display market is linked to customers' assessment of the economic outlook. Simmering trade conflicts coupled with uncertainties about the further economic development in Europe and the USA therefore resulted in a weakening of display demand at the retail level, which is a crucial sales driver.

In addition, falling prices for acryl raw materials dampened demand for clear sheet products in Europe – anticipating a drop in

prices, customers scaled back or postponed orders and reduced inventories to a minimum along the entire supply chain.

A bright spot is the integration of the two Perspex companies, acquired at the end of 2018, into the European sales organization. Perspex, the leading manufacturer of cast acrylics, is a perfect fit for the existing product and brand portfolio and contributed substantially to sales and profit growth.

Architecture

ALUCOBOND® celebrated its 50th anniversary in 2019. Sales in the Architecture business in the year under review were very mixed regionally. Whereas the USA posted double-digit sales growth, the European and Asian markets lagged behind the strong figures from the previous year.

The European construction business registered a growth slowdown compared with the strong rise reported in earlier years. In regions with a high level of building activity, builders' capacity limitations held further expansion in check. Sales increases were reported in central and southern Europe and in the Benelux countries, whereas the UK

and Turkey saw revenues decline sharply in some cases. Uncertainty in connection with Brexit had a dampening effect on the construction industry in the UK, while economic turbulence led to a decline in sales revenue in Turkey.

The construction industry in the USA stayed on a growth trajectory in 2019. 3A Composites holds a leading position in architects' specifications for new builds and renovations and it outperformed the market by a wide margin in the year under review. Revenue was up by almost 20%, while profitability rose at an even higher rate. The growth in the US Architecture business was supported by strategically expanded partnerships with selected distribution partners and an improved service offering. Moreover, the sustained trend to high-value, flame-retardant or non-combustible cladding continues to favor 3A Composites' position as the market's quality leader.

Demand for architecture products in Asia and the Middle East was mixed. In India, overcapacity and financing bottlenecks in the private construction sector resulted in delays to current projects and a fall-off in the number of new builds. By contrast, sales revenues in Egypt, Saudi Arabia, Vietnam and Malaysia increased. Sales volume in China was also very gratifying, even though revenues did not quite reach the previous year's strong level – two major projects in 2018 could not be repeated on the same scale in 2019. Uncertainty concerning local building regulations led to a fall-off in demand in Australia.

Core Materials

The Core Materials business maintained its strong growth momentum from the first half of the year, closing out 2019 with an overall sales increase of almost 30%. The steep rise in demand for core materials for the wind energy sector resulted in a very high capacity utilization of production facilities and an even higher rate of earnings growth. 3A Composites remains the clear market leader for core materials for wind turbines, with a systematic focus on PET foams and balsa materials. 3A Composites is the world's largest balsa wood plantation owner, with efficiently managed plantations in Ecuador and Papua New Guinea, and this unique selling proposition enables it to provide a stable and reliable supply of balsa products to its customers.

In addition to the very satisfactory trend in the wind energy sector, the US marine market and the automotive and industry market segments reported higher sales revenue.

Transportation

The Transportation business posted the most successful year in its history to date. Sales grew by more than 20%, while profitability grew at a faster rate than it had the previous year thanks to ongoing firm demand for weight-saving solutions for buses, mobile homes and trains.

The Road Vehicles market segment, encompassing systems for buses, mobile homes and electromobility, made the largest contribution to sales growth. The success in this market segment was driven by various

factors: customers' good order backlog, a volume increase in new light-weight chassis for buses and mobile homes, and rising demand for light-weight components for electric buses.

Outlook

3A Composites has gotten off to a strong start in the new year. It expects its good performance to continue despite macroeconomic uncertainties.

The economic forecasts show a mixed outlook for the European and US display markets. On the one hand, digitization is driving a shift from brick-and-mortar retailing to online commerce. On the other hand, structural growth in the area of Hotel & Hospitality is expected to hold up, with a trend to increasingly higher-value and faster-changing interior fittings.

The Architecture business should also continue to perform strongly on the back of the buoyant construction industry in Europe, the USA, and Asia. The trend to non-combustible cladding panels, the strong market position of 3A Composites, and the full pipeline of infrastructure projects are driving medium-term sales growth in the Architecture business.

The Core Materials business is benefiting from sustained firm demand from the wind energy sector. Megatrends such as neoecology (renewable energies, reduction of waste and of CO₂ emissions, etc.) plus electromobility are lifting medium-term growth in the area of wind energy and in the Automotive and Marine segments.

The Transportation business has a good order backlog. Demand for weight-saving solutions for buses, mobile homes and rail vehicles should remain firm and act as a springboard for further growth.

The Board of Directors will propose paying an unchanged dividend of CHF 40 per bearer share at the General Meeting on April 8, 2020. This adds up to a total payout of about CHF 57 million. The company will continue to pay an attractive dividend in addition to its investments in its organic growth and acquisitions. The payout ratio is determined by the target ratio of equity to debt financing as well as by the amount of planned capital spending.

Addition to the Board of Directors

In addition to the already announced nomination of Lars van der Haegen, the Board of Directors, seeking a long-term succession plan, proposes that the General Meeting of April 8, 2020 elect its long-serving CEO Heinz Baumgartner to the Board.