
SEMI-ANNUAL REPORT 2023

SCHWEITER TECHNOLOGIES

LETTER TO SHAREHOLDERS

Dear Shareholder

In a difficult environment still characterized by economic and geopolitical challenges, Schweiter Technologies achieved net sales of CHF 559.5 million in the first half of 2023. Compared with the previous year's record high, sales fell by 14%, around one-third of which was due to the strong currency effects (at constant exchange rates: -9%). As anticipated, the consistent implementation of efficiency-enhancement and cost-reduction measures could only partly offset the negative effects of the lower sales volumes. Nevertheless, the impact of the measures is increasingly visible in the results. The Group achieved EBITDA of CHF 42.9 million or 7.7% of net sales (previous year: CHF 57.0 million; 8.8%), while EBIT came to CHF 23.4 million (previous year: CHF 37.8 million). Operating cash flow at CHF 30.1 million showed a significant increase (previous year: CHF 0.0 million).

In the face of a still volatile and dynamic market environment and increased foreign currency pressure, 3A Composites continued to make customer satisfaction a top priority. Despite subdued demand – which persisted from the second half of 2022 in the Display and Architecture business in the key European market in particular – there were gains in market share with an increase in profitability compared with the previous half-year (EBITDA +51%). The markets outside Europe performed reliably overall. The global wind business saw some growth, with the positive market development in China, in particular. The transport business also increased its volumes, thanks to projects in the rail and bus manufacturing. In addition, competitiveness and resilience were strengthened by the efficiency-enhancement and cost-reduction measures introduced, and the negative impact on profitability of lower volumes was offset to some extent.

As expected, results for the Display business were below the high levels of the previous year. European demand for non-transparent sheets had been brisk in the first half of 2022 before dropping off significantly in the second half and remaining at a lower level thereafter. The North American business was also unable to build on the previous year's success due to falling demand. It was pleasing that the sustainable paper-based products were being used increasingly for visual communica-

tions in indoor areas. Due to the challenging business environment and falling prices for raw materials and energy costs in Europe, customers showed restraint and reduced their inventories. Thanks to the agility developed throughout the value chain, the shift in the needs of the distributors towards smaller, more frequent orders could be met with short lead times. A particular advantage was the systematic development of the global sales organization and dynamic collaboration with the purchasing department.

The Architecture business had recorded growth in each of the preceding two years but the positive trend was arrested in the second half of 2022 by the economic challenges and the downturn in construction activity in Europe. In North America, revenues were at a level comparable with that of the successful previous year, while sales in Asia showed a slight decline due to reduced demand in India, despite the growth in China. In North America and Asia, profitability was up again, but in Europe it was affected by pressure on prices and the reduced utilization of production capacity.

The Core Materials business achieved growth compared with the previous year, both in balsa and PET products. In China, demand picked up in line with expectations, though the business was operating in a competitive market environment with the associated high pressure on prices. In Europe and North America, the willingness to develop wind energy remains strong, yet the next growth cycle has been further delayed by lengthy authorization processes. Sales were pleasing except for the wind segment. Profitability was boosted by the consolidation of the balsa production sites in Ecuador but was affected by the competitive environment in China and start-up costs for the new PET production line in Poland. At the end of May, the minority holding in JMB Wind Engineering was extended to a full acquisition. During June, this already made a positive contribution to the results for the half-year.

The Transport & Industry business saw year-on-year growth in the road and rail segments despite customers continuing to postpone projects. The Industry business continued to benefit from the trend in the vehicle manufacturing industry toward lightweight construction using composite materials. Profitability improved, one factor being increasing automation, although it was only possible to pass on part of the higher costs for long-term customer supply contracts.

Investment in the wind business

At the end of May 2023, Schweiter Technologies topped up its holding in JMB Wind Engineering from 40% to 100%. JMB Wind Engineering is a leading company in the development and production of core material kits and has subsidiaries in Poland, Portugal and Brazil. This addition to the value chain will enable 3A Composites to offer an even better portfolio of solutions to wind customers and to benefit further from the upcoming growth cycle in the wind energy industry, which will last for a number of years.

In addition, 3A Composites further expanded its global leading market position in balsa and PET core material solutions for the manufacture of wind turbine rotor blades with its Airex PET production line, which became operational at the JMB site in Poland at the beginning of 2023.

Outlook

The market environment will remain volatile in the second half of the year and continue to be affected by various uncertainties. Business visibility also remains limited. Schweiter Technologies' will therefore continue to focus on systematically increasing agility throughout the company in order to further enhance its resilience and competitiveness. The company will also further improve efficiency and pursue existing energy-saving projects. Operating results for the second half of the year are expected to be in line with those of the first half.

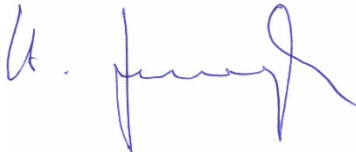
The Display business will still be very dependent on consumer confidence in Europe and the USA in the second half of the year. It is pleasing that Schweiter is well placed in the small but burgeoning market for paper-based products to benefit from the trend toward sustainable visual communications solutions.

The Architecture business is expected to see further healthy performance at a high level and with strong margins in North America. The new paint line for aluminum composite panels in the USA will contribute to this by increasing efficiency and flexibility. Based on the pleasing performance in China, Asia also expects to see profitable growth. On the other hand, Europe will remain challenging as investment in the construction industry has slowed significantly due to the current interest rates and market environment. The new lamination line will bring greater efficiency to the manufacturing process, however.

The Core Materials unit expects business performance to be sound. This is based particularly on the ever-increasing demand from wind customers in China and the pleasing performance in marine engineering, along with expansion in the kitting business thanks to acquisitions. In Europe and North America, the next major wind growth cycle is only expected to begin sometime in 2024, however.

The Transport business anticipates a slow recovery with delivery of the rail projects postponed by customers and a return to normal levels of demand in the business with bus manufacturers. Expectations remain positive in the Industry business, with structural growth in the vehicle segment a driving factor.

Steinhausen, 17 August 2023



Dr Heinz O. Baumgartner
Chairman of the Board of Directors



Roman Sonderegger
Group CEO

KEY FIGURES FIRST HALF OF 2023

NET SALES

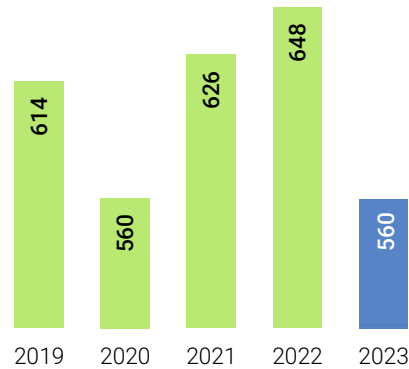
in CHF m

560

-14%

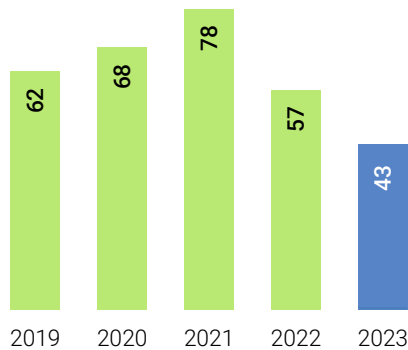
NET SALES

in CHF m



EBITDA

in CHF m



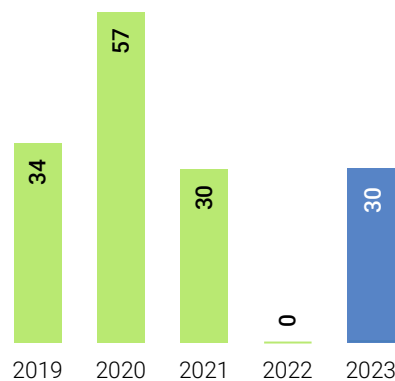
NET INCOME

in CHF m

12

CASH FLOW FROM OPERATING ACTIVITIES

in CHF m



SHAREHOLDERS' EQUITY

in CHF m

725

EQUITY RATIO

66%

CASH AND CASH EQUIVALENTS

in CHF m

80

CONSOLIDATED BALANCE SHEET

ASSETS (IN CHF M)	30 June 2023	%	31 December 2022	%
CURRENT ASSETS				
Cash and cash equivalents	79.5		85.9	
Trade receivables	193.7		171.3	5
Inventories	204.2		213.6	5
Other current assets	31.7		33.0	
Total current assets	509.1	46.0	503.8	46.5
NON-CURRENT ASSETS				
Property, plant and equipment	344.5		333.4	
Intangible assets (incl. goodwill)	194.3		174.2	
Other non-current assets	58.3		72.9	6
Total non-current assets	597.1	54.0	580.5	53.5
Total assets	1 106.2		1 084.3	
LIABILITIES AND SHAREHOLDERS' EQUITY (IN CHF M)				
LIABILITIES				
Current financial liabilities	83.1		52.1	
Trade payables	79.0		65.7	5
Prepayments received from customers	4.2		5.3	
Accrued expenses and deferred income	54.2		53.9	5
Other current liabilities	30.2		29.1	
Total current liabilities	250.7	22.7	206.1	19.0
Non-current financial liabilities	35.7		29.5	
Deferred tax liabilities	29.5		28.9	
Non-current provisions	11.6		12.0	
Employee benefits	53.8		55.0	
Total non-current liabilities	130.6	11.8	125.4	11.6
Total liabilities	381.3	34.5	331.5	30.6
SHAREHOLDERS' EQUITY				
Share capital	1.4		1.4	
Retained earnings	829.6		847.0	
Currency translation adjustments	-106.1		-95.6	
Total shareholders' equity	724.9	65.5	752.8	69.4
Total liabilities and shareholders' equity	1 106.2		1 084.3	

CONSOLIDATED INCOME STATEMENT

(IN CHF M)	First half of 2023	%	First half of 2022	%
Net sales	559.5	100.0	647.8	100.0
Change in inventories of semi-finished and finished goods	-7.4	-1.3	-1.2	-0.2
Material expenses	-299.5	-53.5	-360.1	-55.6
Personnel expenses	-105.2	-18.8	-114.4	-17.7
Other operating expenses	-106.4	-19.0	-116.9	-18.0
Other operating income	1.9	0.3	1.8	0.3
Depreciation and amortization	-19.5	-3.5	-19.2	-3.0
Operating result (EBIT)	23.4	4.2	37.8	5.8
Financial income	0.4	0.1	1.1	0.2
Financial expenses	-7.1	-1.3	-3.2	-0.5
Income before taxes	16.7	3.0	35.7	5.5
Income taxes	-4.8	-0.9	-8.4	-1.3
Net income	11.9	2.1	27.3	4.2
EARNINGS PER SHARE (IN CHF)				
- undiluted	8.3		19.1	
- diluted	8.3		19.1	

 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IN CHF M)	First half of 2023	First half of 2022
Net income	11.9	27.3
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	–11.1	–7.9
– Tax effects	0.0	0.0
Exchange differences reclassified to the statement of income	0.6	0.0
Total	–10.5	–7.9
Items that will not be reclassified subsequently to the statement of income:		
– Revaluation of defined benefit plans	–0.8	33.1
– Tax effects	0.2	–7.6
Total	–0.6	25.5
Total other comprehensive income	–11.1	17.6
Comprehensive income	0.8	44.9

 CONSOLIDATED STATEMENT OF CASH FLOWS

(IN CHF M)	First half of 2023	First half of 2022
Net income	11.9	27.3
Depreciation and amortization	19.5	19.2
Change in provisions and employee benefits	-2.6	0.2
Other positions not impacting cash	-1.2	-1.5
Income taxes	4.8	8.4
Financial result	6.7	2.7
Change in working capital	-5.9	-46.7
Income taxes paid	-3.1	-9.6
Cash flow from operating activities	30.1	0.0
Purchase of subsidiaries	-15.5	-1.9
Purchase of associated companies	0.0	-2.6
Purchase of property, plant and equipment	-14.9	-21.1
Proceeds from sale of property, plant and equipment	0.0	0.2
Purchase of intangible assets	-0.3	-0.1
Repayment of financial assets	0.6	0.0
Increase in financial assets	-0.2	-1.2
Interest received	0.2	0.1
Cash flow from investing activities	-30.1	-26.6
Increase in financial liabilities	30.3	40.0
Repayment of financial liabilities	-4.9	-5.5
Interest paid	-1.8	-1.3
Dividend paid	-28.6	-57.3
Cash flow from financing activities	-5.0	-24.1
Currency exchange differences on cash and cash equivalents	-1.4	-0.8
Change in cash and cash equivalents	-6.4	-51.5
Cash and cash equivalents as of 1 January	85.9	123.1
Cash and cash equivalents as of 30 June	79.5	71.6

 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IN CHF M)	Share capital	Retained earnings	Currency translation adjustments	Total share- holders' equity
Balance as of 1 January 2022	1.4	844.2	-69.0	776.6
Net income		27.3		27.3
Other comprehensive income		25.5	-7.9	17.6
Comprehensive income		52.8	-7.9	44.9
Share-based remuneration		-0.2		-0.2
Dividend		-57.3		-57.3
Balance as of 30 June 2022	1.4	839.5	-76.9	764.0
Balance as of 1 January 2023	1.4	847.0	-95.6	752.8
Net income		11.9		11.9
Other comprehensive income		-0.6	-10.5	-11.1
Comprehensive income		11.3	-10.5	0.8
Share-based remuneration		-0.1		-0.1
Dividend		-28.6		-28.6
Balance as of 30 June 2023	1.4	829.6	-106.1	724.9

NOTES TO THE SEMI-ANNUAL STATEMENTS

1. CONSOLIDATION PRINCIPLES

These condensed, unaudited semi-annual statements of the Swiss-domiciled Schweiter Technologies AG and its subsidiaries have been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the consolidated annual financial statements 2022.

They are based on the accounting principles presented in the Annual Report 2022, which were applied with no changes other than the following new or amended standards and interpretations.

2. ADOPTION OF NEW OR REVISED ACCOUNTING POLICIES
New standards

IFRS 17	Insurance Contracts	1
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¹ There are no or no material impacts on the consolidated financial statements of Schweiter Technologies.

Amendments to standards

IAS 1	Disclosure of Accounting Policies	1
IAS 8	Definition of Accounting Estimate	1
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1

¹ There are no or no material impacts 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.

Amendments to standards

		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies	
IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	Financial year 2024	1
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024	Financial year 2024	1
IAS 1	Non-current Liabilities with Covenants	1 January 2024	Financial year 2024	1
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely	N/A	1

¹ No or no material impact is 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 businesses whose income statements are not characterized by major 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. OPERATING SEGMENTS

FIRST HALF OF 2023 (IN CHF M)	3A Composites	Other/Eliminations	Group
Net sales	559.5	0.0	559.5
Operating result	24.4	-1.0	23.4
Net income	11.7	0.2	11.9
Assets	1 104.1	2.1	1 106.2
Liabilities	688.4	-307.1	381.3
Employees at 30 June	4 663 ¹	7	4 670

¹⁾ Of which 1 358 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea and 420 employees in JMB Wind Engineering, acquired as of 31 May 2023

Regions	Europe	Americas	Asia	Other	Total
Net sales	343.0	146.2	60.9	9.4	559.5

First half of 2022 (in CHF m)	3A Composites	Other/Eliminations	Group
Net sales	647.8	0.0	647.8
Operating result	39.3	-1.5	37.8
Net income	26.6	0.7	27.3
Assets	1 133.4	1.6	1 135.0
Liabilities	666.4	-295.4	371.0
Employees at 30 June	4 503 ¹	8	4 511

¹⁾ Of which 1 472 employees in balsa plantations and sawmills in Ecuador and Papua New Guinea

Regions	Europe	Americas	Asia	Other	Total
Net sales	397.7	171.0	62.0	17.1	647.8

4. CHANGE IN SCOPE OF CONSOLIDATION

On 31 May 2023, Schweiter Technologies increased its 40% minority holding in JMB Wind Engineering, headquartered in Goleniów, Poland, by taking over the remaining 60% of the stock. The company, with operations in Poland, Portugal and Brazil, is a leading developer and producer of core material kits – primarily balsa and PET products for wind turbines.

The goodwill arising from the acquisition essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible. The transaction costs of CHF 0.3 million are included in other operating expenses.

Had the business combination already taken place on 1 January 2023, management estimates that the Group's revenues would have reached CHF 584.5 million and the net income CHF 12.5 million in the first half of 2023.

In connection with the first-time consolidation of JMB Wind Engineering, the revaluation of the Group's existing 40% interest and the reclassification of exchange differences to the income statement resulted in a loss of CHF 3.2 million which is included in the financial expenses.

Overview of the acquired assets and liabilities provisionally recognized at the time of acquisition

(in CHF m)	JMB Wind
Cash and cash equivalents	6.2
Trade receivables	6.2
Inventories	6.2
Other current assets	1.1
Total current assets	19.7
Property, plant and equipment	16.5
Intangible assets	6.2
Total non-current assets	22.7
Total assets	42.4
Current financial liabilities	-0.2
Trade payables	-10.3
Accrued expenses and deferred income	-0.7
Other current liabilities	-0.5
Total current liabilities	-11.7
Non-current financial liabilities	-7.2
Deferred tax liabilities	-1.5
Employee benefits	-0.1
Total non-current liabilities	-8.8
Total liabilities	-20.5
Total fair value of net assets acquired	21.9
Goodwill	14.3
Total	36.2
Cash and cash equivalents acquired	-6.2
Fair value of pre-existing 40% interest in JMB Wind Engineering	-14.5
Cash outflow from purchase of subsidiaries	15.5

5. CHANGE IN WORKING CAPITAL

The increase in working capital results mainly from higher trade receivables – mainly driven by seasonal and temporary effects as well as the first-time consolidation of JMB Wind Engineering.

6. OTHER NON-CURRENT ASSETS

The change in other non-current assets mainly comprises the reclassification of the 40% share in JMB Wind Engineering. The remaining 60% stake was acquired as of 31 May 2023, and the companies have been fully consolidated since then (see note 4).

7. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the period under review, the commitments to take delivery under purchase contracts for raw materials have decreased by CHF 117.3 million from CHF 575.9 million to CHF 458.6 million. Outstanding commitments to take delivery of property, plant and equipment increased by CHF 1.5 million from CHF 8.9 million to CHF 10.4 million.

8. 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 2023.

This interim report was approved and released for publication by the Board of Directors of Schweiter Technologies AG on 15 August 2023 by way of a circular resolution.

DATES AND CONTACTS

PUBLICATIONS AND DATES

7 March 2024
Publication Annual Report 2023

10 April 2024
General Meeting at the Theater Casino Zug

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Concept/Design/Production

Linkgroup AG, Zurich
www.linkgroup.ch

Print

Printlink AG, Zurich
www.printlink.ch

08/2023

Printed in Switzerland

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English translation

This is an English translation of the German Semi-Annual Report. The German text is the official version.

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