

Ad hoc announcement pursuant to article 53 LR

Schlatter Group returns to profit in the first half of 2021

Schlieren, 17 August 2021. **The Schlatter Group posted an order intake of CHF 59.6 million in the first half of 2021, a substantial increase on the same period of the previous year (first half of 2020: CHF 39.1 million). Net sales were up by about 22% at CHF 44.8 million (first half of 2020: CHF 36.6 million). At CHF 45.5 million, the order backlog as at 30 June 2021 is also a significant 48% higher than in the previous year (31.12.2020: CHF 30.8 million). Operating profit (EBIT) for the first half of 2021 totalled CHF 1.6 million, compared with a loss of CHF -3.6 million in the first half of 2020. For the first half of the year the Schlatter Group is reporting positive consolidated net result of CHF 1.9 million (first half of 2020: CHF -4.0 million).**

The Schlatter Group has returned to profitability, making a positive start to the 2021 financial year in both its welding and weaving segments. Demand for Schlatter products slumped in the past financial year because of the pandemic, but it recovered in many regions in the first half of this year. The welding segment is benefiting from pent-up customer demand for sales of new systems and spare parts and, although the weaving segment still has lost ground to make up in this regard, net sales rose substantially and operating profit (EBIT) came to CHF 1.6 million in the first half of 2021 (first half of 2020: CHF -3.6 million). The markets in Europe and the USA in particular contributed to the improvement. In Asia pandemic-related travel restrictions continue to hamper sales and plant commissioning. Most of our customers are producing at full capacity again after the numerous plant shutdowns in the previous year, so after-sales business has also returned to pre-pandemic levels.

Welding segment increases volume and posts profits

In the welding segment, order intake in the first half of 2021 amounted to CHF 52.0 million (first half of 2020: CHF 28.4 million). Net sales amounted to CHF 37.3 million (first half of 2020: CHF 30.0 million). The order backlog as 30 June 2021 was CHF 40.2 million (31.12.2020: CHF 25.4 million).

Order intake in the welding segment recovered in the first quarter of 2021, and rose significantly once again in the second quarter. The segment returned to profitability in the first half of the year. The higher number of sales of new plants and spare parts contributed to this.

There is lost ground to be made up in sales of new equipment and spare parts after last year's pandemic-related slump from the second quarter onwards. The challenge lies in the supply chains of our suppliers, which are currently interrupted, as well as in price increases for bought-in components.

The new machine platform for the "Welding" core module was sold to several customers and tested by them under production conditions. All tests were successful, so the machine platform for this core module now replaces all previous welding machines. Other modules have also been converted to this machine platform.

The Schlatter Group expects the environment in the second half of 2021 to be positive. In the coming months Schlatter will profitably work through the high order backlog, and continue to invest in product development.

Weaving segment drives innovation into new market segments

In the weaving segment, order intake in the first half of 2021 amounted to CHF 7.6 million (first half of 2020: CHF 10.7 million). Net sales amounted to CHF 7.5 million (first half of 2020: CHF 6.6 million). The order backlog as at 30 June 2021 was CHF 5.4 million (31.12.2020: CHF 5.4 million).

In the weaving segment some customer projects at the Münster site that had been postponed owing to the pandemic were approved, but order intake in the first half of 2021 was still below expectations. The weaving segment posted a loss in the first half of 2021. The reasons for this were insufficient sales and an excessive cost base due to high product costs. Comprehensive measures to reduce the cost base and make it more flexible are currently being implemented, including a reduction in the headcount and temporary salary cuts.

The volatile market for weaving machines for paper machine clothing production is causing substantial fluctuations in capacity utilisation at the Münster site. A development project that will enable the Schlatter Group to enter growth markets for the production of other technical fabrics was launched in 2019. The development of the new generation of machines is nearing completion, and marketing and initial customer demonstrations will begin at the Münster site in August 2021. Schlatter expects this to reduce its dependence on the volatile market for weaving machines used in the production of paper machine clothing, and hence to generate additional growth.

Reducing the production costs of weaving machines for the paper industry is a further priority. This project will be prioritised after the market launch of the new generation of technical weaving machines, and it will include a completely new product design. Development will begin in the first quarter of 2022.

The first fruits of the Schlatter Group's reorganisation of its wire weaving machine sales can now be seen. Targeted product developments are now being approved for the further growth of this business area, which has been less highly prioritised in recent years.

After-sales business is also important in the weaving segment, and a package of measures to expand it has been initiated. The two after-sales organisations in Münster and Schlieren are to be merged to make better use of synergies.

The order backlog in the weaving segment was below expectations at the end of the first half of the year, leading the Schlatter Group to expect increases in both orders and sales in the second half. Capacity utilisation at the Münster site, the competency centre for weaving, is currently driven by orders for reinforcing mesh modules from Schlieren and the demand for machines to manufacture mobile fences. Work continues on raising productivity and cutting costs, but the return to profitability will not be achieved before the 2022 financial year.

Outlook

Markets in the welding segment have recovered from last year's pandemic-related slump, but the weaving segment still has lost ground to make up. The Schlatter Group continues to invest significant resources in product development to improve its market position. Comprehensive measures currently being implemented include intensified marketing, projects to cut costs and improve productivity, and initiatives in the service business.

The market environment in the welding segment remains positive, at least over the next few months, and in the weaving segment there are major projects in the pipeline that Schlatter hopes to secure. The success of the new technical weaving machine will be ground-breaking for the Münster site.

The Board of Directors and management expect the Schlatter Group to post a profit in the second half of 2021 as well, whereas the weaving segment is not set to break even before the next financial year.

The full 2021 half-year report can be downloaded from the Schlatter Group website:

http://www.schlattergroup.com/en/investor-relations/annual_and_semester_reports/

Further information

Schlatter Industries AG

Werner Schmidli

Chief Executive Officer

Telephone +41 44 732 71 70

Mobile +41 79 343 62 62

werner.schmidli@schlattergroup.com

Agenda

17.08.2021	Publication of half-year results 2021
26.01.2022	Publication of first financial data for the 2021 financial year
29.03.2022	Publication of the detailed annual result for 2021 through a media information and publication of the annual report on the company's Website
03.05.2022	Annual General Meeting

Schlatter Group (www.schlattergroup.com)

The Schlatter Group is one of the leading specialists in plant engineering for resistance welding systems as well as weaving and finishing equipment for the production of paper machine clothing, wire fabrics and wire mesh. Thanks to its many years of experience in the field of plant technology, its innovative strength and its reliable service, the Schlatter Group – which is listed on the Swiss Reporting Standard of SIX Swiss Exchange – guarantees its customers a range of powerful and high-quality production equipment.

This media information contains certain forward-looking statements, e.g. statements using the words "believes," "assumes," "anticipates," or formulations of a similar nature. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which could lead to substantial differences between the actual future results, the financial situation, the development or performance of the Company and those either expressed or implied by such statements. Such factors include, among other things: competition from other companies, the effects and risks of new technologies, the Company's continuing capital requirements, financing costs, delays in the integration of acquisitions, changes in the operating expenses, the Company's ability to recruit and retain qualified employees, unfavorable changes in the applicable tax laws, and other factors identified in this communication. In view of these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company accepts no obligation to continue to report or update such forward-looking statements or adjust them to future events or developments.

Key figures of the Schlatter Group

		1st half of 2021	1st half of 2020	2nd half of 2020	2020
Net sales	CHF million	44.8	36.6	42.2	78.8
Change from previous year	%	22.4	-33.1	8.5	-15.8
Operating performance¹	CHF million	45.7	32.6	40.9	73.5
Change from previous year	%	40.2	-39.3	-2.2	-23.0
Operating result (EBIT)	CHF million	1.6	-3.6	-1.3	-4.9
in % of net sales	%	3.5	-10.0	-2.3	-6.2
Consolidated net result (incl. minorities)	CHF million	1.9	-4.0	-1.5	-5.5
in % of net sales	%	4.2	-10.9	-2.2	-7.0
Consolidated net result (excl. minorities)	CHF million	1.9	-4.0	-1.5	-5.5
in % of net sales	%	4.2	-10.9	-2.2	-7.0
Consolidated net result per registered share	CHF	1.70	-3.60	-0.77	-4.96
Order intake	CHF million	59.6	39.1	44.2	83.3
Order backlog at period end	CHF million	45.5	28.8	30.8	30.8
Free cash flow²	CHF million	4.5	-2.5		
Headcount at period end³	FTE	328	325	323	
Average headcount	FTE	325	334	325	
		30.06.2021	31.12.2020		
Interest-bearing liabilities	CHF million	8.4	9.1		
Net financial assets/(debt)⁴	CHF million	-1.8	-6.0		
Gearing⁵	%	7.0	25.5		
Current assets	CHF million	40.4	35.2		
Non-current assets	CHF million	20.8	20.8		
Liabilities	CHF million	35.8	32.6		
Equity (incl. minorities)	CHF million	25.4	23.4		
Equity (excl. minorities)	CHF million	25.4	23.4		
Equity ratio (incl. minorities)	%	41.5	41.8		

1 Operating performance: net sales from goods and services plus other operating income plus change in inventories of finished/unfinished goods, work in progress

2 Free cash flow: cash flow from operating activities less the purchase of tangible, intangible and financial assets, plus sale of tangible, intangible and financial assets

3 Total full-time positions incl. Temporary employees, excluding apprentices

4 Net financial assets (debt): cash and cash equivalents less interest-bearing liabilities

5 Gearing: Net debt divided by equity