

Ad hoc announcement pursuant to article 53 LR

Schlatter Group records good business performance in the first half of 2022

Schlieren, 11 August 2022 The Schlatter Group posted an order intake of CHF 94.6 million in the first half of 2022, an increase of 59% on the same period of the previous year (first half of 2021: CHF 59.6 million). Net sales were up by 14.6% at CHF 51.3 million (first half of 2021: CHF 44.8 million). At CHF 115.0 million, the order backlog as at 30 June 2022 is also a significant 160% higher than in the previous year (31.12.2021: CHF 71.8 million). Operating profit (EBIT) for the first half of 2022 totalled CHF 2.9 million corresponding to an EBIT margin of 5.7% (first half of 2021: EBIT CHF 1.6 million; EBIT margin of 3.5%). For the first half of the year the Schlatter Group is reporting a positive net result of CHF 2.0 million (first half of 2021: CHF 1.9 million).

Following a substantial rise in demand for Schlatter products in 2021, accompanied by high order intake, new orders continued to rise in the first half of 2022. In particular, orders for reinforcing mesh systems were high due to steel prices and above-average demand was registered for weaving machinery for the paper industry. However, sales growth was held back by our suppliers' delivery problems. Also, a sharp rise in prices of sourced materials led to higher costs. Nevertheless, in the first half of 2022 net sales were considerably higher than in the comparable prior-year period and the operating profit (EBIT) increased to CHF 2.9 million (first half of 2021: CHF 1.6 million). The Schlatter Group ended the first half of 2022 with a very high order backlog, which ensures capacity utilization even at this early stage until well into the second half of 2023. The economic situation points to a more challenging market environment in the second half of 2022. A sharp hike in material prices, delays in supply chains on the procurement side and the strength of the Swiss franc will weigh on profitability in the second half of the year. In addition, the Group expects a significantly higher need for provisions for pension obligations due to high inflation in Germany.

The Schlatter Group assumes that the sanctions imposed on Russia will not have a impact on its business development, as Russia is not one of its main markets.

Welding segment in the first half of 2022

Key performance indicators

Order intake: CHF 71.7 million (first half of 2021: CHF 52.0 million)

Net sales: CHF 44.5 million (first half of 2021: CHF 37.3 million)

Order backlog: CHF 85.8 million. (31.12.2021: CHF 58.7 million)

Enhancement of the versatile machinery platform

This platform is constantly being expanded for new applications. With a few exceptions, in the area of reinforcing mesh the latest modules will completely replace the previous modules during 2022; industrial mesh systems were transferred entirely to the platform in the previous year.

Reinforcing mesh production systems

This product area generates the highest sales in the Schlatter Group and order intake has already increased substantially from the high level registered in 2021. Steel prices are declining moderately and this will slow investment in reinforcing mesh production systems to some extent.

Industrial mesh production systems

The business of producing industrial mesh is less volatile than that for reinforcing mesh systems, and has returned to the level recorded prior to the pandemic.

Sector-specific solutions are continuing to be developed for the flexible, productive MG950 family of industrial mesh products – i.e. integrated system solutions for the manufacture of end products. These manufacturing concepts integrate machines and equipment not dedicated solely to mesh production.

Digitalization drive continues

Schlatter is continuing to focus on digitalization. Renewal of the control platform and the operating interface on machinery is being driven forward steadily.

Rail welding product area

Competition in mobile rail welding systems has intensified over the last few years, as large corporations that cover the broader area of rail-track superstructure have extended their product portfolios into this market. Our mobile rail welding systems are designed primarily for West European markets. However, as few new railways are being built in these regions, sales are declining.

Through the newly established joint venture in India with our distribution partner Maco, we are also seeking to gain a stronger foothold in the emerging markets; localization of the mobile rail welding systems business is progressing as planned.

Outlook for the welding segment

Given the high order backlog, utilization of existing capacities in the welding segment is already secured into the second half of 2023. However, the difficult economic conditions are likely to slow order intake in the second half of 2022. The lack of availability of materials accompanied by a sharp rise in their prices will remain a big challenge in the second half of the year. Moreover, the continued appreciation of the Swiss franc is putting pressure on profitability. The Schlatter Group will press on with innovations and continue to invest in product development to strengthen its market position.

Weaving segment in the first half of 2022

Key performance indicators

Order intake: CHF 22.9 million (first half of 2021: CHF 7.6 million)

Net sales: CHF 6.8 million (first half of 2021: CHF 7.5 million)

Order backlog: CHF 29.2 million (31.12.2021: CHF 13.1 million).

Capacity utilization in the weaving segment is secured into the second half of 2023. The measures implemented at the Münster site in the last financial year have had the desired effect on earnings. These measures are not, however, sufficient on a medium-term view and costs have to be reduced further and put on a more flexible basis. A range of measures have been approved for this.

Weaving machines for the production of paper machine clothing

One priority is to reduce the production costs of weaving machines for the paper industry and to increase their level of performance. Among other things, costs will be reduced through comprehensive value analyses, internal process optimization in project implementation, and the development of procurement-oriented product designs.

C-Tec technical textiles (contactless)

The development of the first C-Tec machines to enter new growth markets for the production of technical textiles (C-Tec) other than paper machine clothing for the paper industry has been completed. We have received numerous suggestions from our customers for application enhancements. We will examine these and integrate them into the platform.

Wire weaving

Winning back lost clients is proving a challenge, but Schlatter has landed contracts for the first major projects this year. The main applications are for screens.

Spare parts and after-sales services

Restructuring of after-sales in Münster will help consolidate this location's long-term orientation. This includes harmonizing the after-sales areas of the welding and weaving segments from an organizational standpoint, and stepping up the exploitation of synergies in the service portfolio. The after-sales organization is being expanded into a Weaving Service Centre to position it closer to customers.

Outlook for the weaving segment

The weaving segment is embarking on the second half of 2022 with a healthy order backlog. Taking into account the welding modules for reinforcing mesh systems and the machinery for producing mobile fences in Münster, capacity utilization at this location remains high into the second half of 2023. The focus is on implementing medium-term and long-term measures. Key aspects here include the marketing of the new technical C-Tec machine generation for technical fabrics, the establishment of the Weaving Service Centre, cost reduction and performance improvement for weaving machinery, and the introduction of more flexible cost structures at the Münster location. The market for PMC weaving machines is good at present but the substantial rise in material prices and the availability of parts – especially electrical components – are adverse factors.

Outlook

The Schlatter Group has successfully launched product innovations and greatly intensified marketing operations in regions where the company was previously under-represented. The sales organization has been stepped up massively with the new acquisition in Italy, the joint venture in India and an increase in staff. In addition, the service business has been expanded. The significant profit recorded in the first half of 2022 has also enabled the company to strengthen its capital base.

Following last year's market recovery, there has been a further sharp increase in order intake in the main regions. The Schlatter Group ended the first half of 2022 with a very high order backlog, which ensures a high level of capacity utilization into the second half of 2023. The priority is the prompt implementation of customer projects, despite the challenging situation on the procurement side. Other focal areas are the implementation of innovations and the introduction of more flexible cost structures. Downside factors are the higher material prices, which could not be passed on fully to customers, and the renewed appreciation of the Swiss franc. In addition, there will be significantly higher provisions for pension liabilities in Germany in the second half of the year due to high inflation. We expect the operating result in the second half of the year to be below the first half despite the high capacity utilisation.

The full 2022 half-year report can be downloaded from the Schlatter Group website:

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

Further information

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Agenda

11.08.2022	Publication of half-year report 2022
26.01.2023	Publication of first financial data for the financial year 2022
31.03.2023	Publication of the detailed annual result for 2022 through a media information and publication of the annual report on the company's Website
04.05.2023	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 2022	1st half of 2021	2nd half of 2021	2021
Net sales	CHF million	51.3	44.8	49.8	94.6
Change from previous year	%	14.6	22.4	18.0	20.0
Operating performance¹	CHF million	52.0	45.7	51.0	96.7
Change from previous year	%	13.6	40.2	24.7	31.5
Operating result (EBIT)	CHF million	2.9	1.6	4.1	5.7
In % of net sales	%	5.7	3.5	8.2	6.1
Consolidated net result (incl. minorities)	CHF million	2.0	1.9	3.0	4.9
In % of net sales	%	4.0	4.2	6.0	5.2
Consolidated net result (excl. minorities)	CHF million	2.0	1.9	2.9	4.8
in % of net sales	%	3.9	4.2	5.8	5.1
Consolidated net result per registered share	CHF	1.83	1.70	2.66	4.36
Order intake	CHF million	94.6	59.6	75.9	135.5
Order backlog at period end	CHF million	115.0	45.5	71.8	71.8
Free cash flow²	CHF million	1.3	4.5		
Headcount at period end³	FTE	342	328	331	
Average headcount	FTE	334	325	329	
		30.06.2022	31.12.2021		
Interest-bearing liabilities	CHF million	7.7	7.0		
Net financial assets/(debt)⁴	CHF million	9.3	8.1		
Gearing⁵	%	0.0	0.0		
Current assets	CHF million	66.1	52.1		
Non-current assets	CHF million	19.2	19.6		
Liabilities	CHF million	55.6	43.5		
Equity (incl. minorities)	CHF million	29.8	28.2		
Equity (excl. minorities)	CHF million	29.6	28.1		
Equity ratio (incl. minorities)	%	34.9	39.2		

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 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