

Press Release

May 09, 2019

Schweizer Electronic AG: Turnover declined by 8.5 percent in Q1/2019

- **Order book stable at 164.2 million euro**
- **EBITDA at -0.1 million euro**
- **EBIT reduced to -1.7 million euro**

Schramberg, May 09, 2019 – The SCHWEIZER Group achieved a turnover of 29.1 million euro in the first quarter 2019 (2018: 31.8 million euro), which corresponds to a turnover decline of 8.5 percent. The drop in demand for products from the site in Schramberg in combination with the increasing turnover through our partners in Asia had a noticeable negative impact on the operating profit margin. Due to these effects in connection with the overall turnover decline the gross margin was reduced to 3.3 million euro (2018: 5.4 million euro), which corresponds to a margin of 11.3 percent. The group's EBITDA (earnings before interest, taxes, depreciation and amortisation) decreased to -0.1 million euro (2018: 3.5 million euro) and corresponds to an EBITDA margin of -0.4 percent (2018: 10.9 percent). The EBIT (earnings before interest and taxes) shrank to -1.7 million euro (2018: 1.6 million euro), corresponding to an EBIT margin of -5.9 percent (2018: 4.9 percent). Cost increases triggered by start-up losses of the new production site in China as well as by foreign exchange losses resulting from the stake in the Schweizer Electronic (Jiangsu) Co., Ltd., China, contributed to this negative development.

The turnover decline in the first quarter spreads across all customer groups leaving the customer structure almost constant. The automotive sector represented 72 percent of the turnover (2018: 70 percent), industry customers' share was stable at 22 percent and the segment of other products at 6 percent. Despite the turnover decline the order book remained stable compared to previous year's period. By the end of March the outstanding orders amounted to 164.2 million euro (2018: 165.4 million euro), of which about 84 million euro are destined for delivery in 2019. By the end of March, the order book for the automotive sector showed a positive development amounting to 147.5 million euro, which is a plus of 8.6 percent compared to last year's quarter. The order backlog for industry and other segments, however, shrank noticeably.

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In order to counteract these developments, SCHWEIZER's Management Board had started a cost optimisation programme at the beginning of the current business year.

In the first quarter 2019 SCHWEIZER reported sales of 24.3 million euro in Europe, 3.2 million euro in Asia and 1.6 million euro in America and the rest of the world. While sales in Europe and America declined considerably, turnover in Asia increased by 23 percent. A significant shift in the turnover structure was also visible concerning the production site. Turnover achieved through our strategic partners WUS China as well as Meiko Vietnam and China amounted to 8.3 million euro in total, which is more than a doubling compared to the previous year. This is a clear sign of successful production ramp-ups for automobile customers in the high frequency and standard section.

The new high technology plant in Jintan/China is currently under construction and has not yet contributed to the group's turnover. Start of production and corresponding revenue generation is planned for the first quarter 2020. The construction works are largely on schedule so that this target can be achieved from today's perspective. The Asian as well as the European sales teams are actively acquiring new customers in order to ensure a smooth start of production at the beginning of 2020.

SCHWEIZER's balance sheet figures and the operative cash flow remain at a solid level. Due to the first quarter loss, the equity capital was reduced to 61.7 million euro (December 31, 2018: 63.0 million euro), the equity ratio amounted to 44.6 percent (December 31, 2018: 46.6 percent). The operative cash flow amounted to -0.8 million euro in the first quarter 2019. Net gearing remains negative at -3.2 percent.

Breakthrough of the embedding technology and forecast for 2019

One of our central projects is the embedding technology. The embedding of power semiconductors into the printed circuit board offers the customers significant advantages in the field of 48 V board nets enabling the reduction of CO₂ emissions. Together with Infineon, SCHWEIZER could win a very important key project with the automotive supplier Continental. Start of mass production is planned for 2021 and will be executed in the production site in Schramberg as well as in SCHWEIZER's new factory in China.

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Based on the current overall economic forecasts we expect a weak first half year followed by a slight recovery in the second half year 2019. With a view to internal optimisation processes we still pursue our target of achieving a turnover of 125 million euros with a variance of +/- 5 percent and an EBITDA margin of 4 to 6 percent in the current business year, despite the currently reduced utilisation of capacities.

About SCHWEIZER

Schweizer Electronic AG stands for state-of-the-art technology and consultancy competence. SCHWEIZER's premium printed circuit boards and innovative solutions and services for automotive, solar, industry and aviation electronics address key challenges in the areas of Power Electronics, Embedding and System Cost Reduction. Its products are distinguished for their superior quality and their energy-saving and environmentally-friendly features. Together with its partners WUS Printed Circuit (Kunshan) Co., Ltd., Meiko Electronics Co. Ltd. and Elekonta Marek GmbH & Co. KG the company offers in its division electronics cost- and production- optimised solutions for small, medium and large series. Together with its partner Infineon Technologies AG, SCHWEIZER plans to jointly tap the chip embedding market in future.

The company was founded by Christoph Schweizer in 1849 and is listed at the Stuttgart and Frankfurt Stock Exchanges (ticker symbol „SCE“, „ISIN DE 000515623“).

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