

SCHWEITER TECHNOLOGIES

Semi-Annual Report 2014

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Report of the Board of Directors on the results for the first half of 2014

Dear Shareholders

Group net revenues amounted to CHF 375.5 million in the first half of 2014, which represents an increase of 11%. The increase in local currencies amounted to 13%. Both divisions contributed to the revenue growth. The results showed above-average rises. Group EBITDA was up 15% to CHF 40.3 million, EBIT increased by 28% to CHF 28.7 million, and net income grew by 20% to CHF 20.8 million. The Group's cash position stood at CHF 283 million after distribution of approx. CHF 57 million to the shareholders.

3A Composites reported a figure of CHF 349.9 million for orders received (1H 2013: 306.1 million). Net revenues rose by 10% to CHF 333.1 million (1H 2013: 301.9 million). This resulted in EBITDA of CHF 33.8 million (1H 2013: 31.3 million), representing a return on sales of at least 10%. EBIT came to CHF 22.8 million (1H 2013: 19.2 million).

This growth was driven primarily by the architecture and display business in Europe. To some extent this can be attributed to the favorable weather conditions at the beginning of the year. Besides a stable trend in Western European countries, revenues in Southern Europe recovered slightly, although at a low level.

Architecture continued to post encouraging results in Asia, with growth driven in part by the successful integration of the Indian-based production facilities acquired at the end of 2013. After a weak prior-year period, architecture revenues increased in the US.

Demand for core materials was solid in both the wind power industry and the marine market. The considerable pressure on prices seen in this segment in recent years also eased.

Business fell short of expectations in the transport segment. Due to project delays and partially due to long certification processes, existing customer interest could not be sufficiently translated into revenues.

SSM Textile Machinery achieved a sound figure for orders received of CHF 41.4 million (1H 2013: 39.1 million). Net revenues rose by 15% to CHF 42.2 million (1H 2013: 36.7 million).

SSM benefited from its strong market position in the man-made fibers segment and the success of its subsidiary SSM Giudici, acquired in 2012. Among the most important sales markets, Turkey and the Southeast Asian countries developed encouragingly, while investment activity remained below average in China.

EBITDA showed a significant improvement, growing to CHF 7.7 million (1H 2013: 4.8 million). This corresponds to a margin of 18%.

Outlook

3A Composites is expected to see its overall business performance continue along similar lines in the second half. Architecture and display business will remain solid in Europe and the US. Due to its strong market position and an improved production base, the architecture business in Asia is expected to grow further.

SSM Textile Machinery business is expected to remain sound, though slowing down slightly in the second half.

Yours sincerely

Board of Directors Schweiter Technologies

Key figures

(in CHF m)	First half of 2014	First half of 2013	Change
Orders received	391.3	345.2	13%
SSM Textile Machinery	41.4	39.1	6%
3A Composites	349.9	306.1	14%
Net revenue	375.5	338.9	11%
SSM Textile Machinery	42.2	36.7	15%
3A Composites	333.1	301.9	10%
EBITDA	40.3	35.1	15%
SSM Textile Machinery	7.7	4.8	60%
3A Composites	33.8	31.3	8%
EBIT	28.7	22.5	28%
SSM Textile Machinery	7.1	4.2	69%
3A Composites	22.8	19.2	19%
Net income	20.8	17.3	20%

Orders received (in CHF m)**Net revenues** (in CHF m)**EBITDA** (in CHF m)**Net income** (in CHF m)

Consolidated balance sheet as at 30 June 2014

	30 June		31 Dec.	
Assets (in CHF m)	2014	%	2013	%
Current assets				
Cash and cash equivalents	282.9		352.1	
1 Trade receivables	106.3		77.7	
1 Inventories and work in progress	120.9		112.5	
Other current assets	36.9		37.0	
Total current assets	547.0	66.1	579.3	67.9
Non-current assets				
Property, plant and equipment	171.1		167.6	
Investment property	21.0		21.3	
Intangible assets (incl. Goodwill)	50.6		51.1	
Other non-current assets	37.4		34.1	
Total non-current assets	280.1	33.9	274.1	32.1
Total assets	827.1		853.4	
Liabilities (in CHF m)				
Short-term liabilities				
Short-term financial liabilities	2.7		2.6	
1 Trade payables	50.6		46.0	
1 Prepayments received from customers	7.6		10.6	
Accrued expenses and deferred income	41.0		35.1	
Other short-term liabilities	19.0		18.7	
Total short-term liabilities	120.9	14.6	113.0	13.2
Long-term financial liabilities	2.2		2.8	
Deferred income tax liabilities	23.8		22.7	
Long-term provisions	14.8		15.8	
Pension obligations	66.5		50.7	
Long-term liabilities	107.3	13.0	92.0	10.8
Total liabilities	228.2	27.6	205.0	24.0
Shareholders' equity				
Share capital	1.4		1.4	
2 Treasury shares	- 7.4		- 7.4	
Reserves from capital contributions	0.1		0.1	
Retained earnings	636.9		685.0	
Currency translation adjustments	- 32.1		- 30.7	
Total shareholders' equity	598.9	72.4	648.4	76.0
Total liabilities and shareholders' equity	827.1		853.4	

▲ For additional details see notes to the semi-annual statements as at 30 June 2014

Consolidated income statement for the first half of 2014

(in CHF m)	First half of 2014		First half of 2013	
		%		%
Net revenues	375.5	98.3	338.9	99.6
Change in inventories of semi-finished and finished goods	6.4	1.7	1.2	0.4
Total operating income	381.9	100.0	340.1	100.0
Cost of materials	- 204.8	- 53.6	- 173.4	- 51.0
Personnel expenses	- 74.4	- 19.5	- 71.9	- 21.1
Other operating expenses	- 69.3	- 18.2	- 64.4	- 19.0
Other operating income	6.9	1.8	4.7	1.4
Depreciation and amortization of intangible assets	- 11.6	- 3.0	- 12.6	- 3.7
Operating result	28.7	7.5	22.5	6.6
Financial income	0.7	0.2	1.1	0.3
Financial expenses	- 1.5	- 0.4	- 2.1	- 0.6
Income before taxes	27.9	7.3	21.5	6.3
Income taxes	- 7.1	- 1.9	- 4.2	- 1.2
Net income	20.8	5.4	17.3	5.1
Result per share (in CHF)				
- undiluted	14.58		12.08	
- diluted	14.56		12.06	

Consolidated statement of comprehensive income for the first half of 2014

(in CHF m)	First half of 2014	First half of 2013
Net income	20.8	17.3
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	– 1.4	8.4
– Tax effect	0.0	0.0
Total	– 1.4	8.4
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial gains / (losses) on defined benefit plans	– 15.0	1.5
– Tax effect	3.0	– 0.4
Total	– 12.0	1.1
Total other comprehensive income	– 13.4	9.5
Comprehensive income	7.4	26.8

Consolidated statement of cash flows for the first half of 2014

(in CHF m)	First half of 2014	First half of 2013
Net income	20.8	17.3
Depreciation and amortization of intangible assets	11.6	12.6
Other positions not impacting on cash	– 1.8	– 4.0
Income taxes	7.1	4.2
Financial result	0.5	1.0
1 Change in net current assets	– 30.1	– 22.4
Interest paid	– 0.1	– 0.2
Income taxes paid	– 6.7	– 2.5
Cash flow from operating activity	1.3	6.0
Purchase of subsidiaries	0.0	– 1.0
Purchase of property, plant and equipment	– 15.3	– 6.8
Sale of property, plant and equipment	2.9	1.3
Purchase of intangible assets	– 0.4	0.0
Investments in investment property	0.0	– 0.6
Increase in financial assets	0.0	– 0.2
Repayment of financial assets	0.2	0.0
Interest received	0.4	0.5
Cash flow from investment activity	– 12.2	– 6.8
Increase of short-term financial liabilities	0.0	0.6
Repayment of short-term financial liabilities	– 0.6	0.0
2 Purchase of treasury shares	0.0	– 4.9
Repayment of reserves from capital contributions	0.0	– 39.8
3 Dividend paid	– 57.2	– 17.5
Cash flow from financing activity	– 57.8	– 61.6
Currency exchange differences on cash and cash equivalents	– 0.5	3.4
Change in cash and cash equivalents	– 69.2	– 59.0
Cash and cash equivalents as at 1 January	352.1	382.6
Cash and cash equivalents as at 30 June	282.9	323.6

Consolidated statement of changes in equity

(in CHF m)	Share capital	Treasury shares	Reserves capital contributions	Retained earnings	Currency translation difference	Total shareholders' equity
Balance as at 1 January 2013	1.4	- 2.5	39.9	657.7	- 29.3	667.2
Net income				17.3		17.3
<i>Other comprehensive income</i>	0	0	0	1.1	8.4	9.5
Comprehensive income	0	0	0	18.4	8.4	26.8
Share-based remuneration				0.2		0.2
Repayment of reserves from capital contributions		- 4.9				- 4.9
- Distribution in cash			- 39.8			- 39.8
- Distribution in form of treasury shares				- 17.5		- 17.5
Balance as at 30 June 2013	1.4	- 1.1	39.9	624.7	- 29.2	635.7
Balance as at 1 January 2014	1.4	- 7.4	0.1	685.0	- 30.7	648.4
Net income				20.8		20.8
<i>Other comprehensive income</i>	0	0	0	- 12.0	- 1.4	- 13.4
Comprehensive income	0	0	0	8.8	- 1.4	7.4
Share-based remuneration				0.3		0.3
³ Dividend				- 57.2		- 57.2
Balance as at 30 June 2014	1.4	- 7.4	0.1	636.9	- 32.1	598.9

▲ For additional details see notes to the semi-annual statements as at 30 June 2014

Operating segments

First half of 2014 (in CHF m)	SSM Textile Machinery	3A Composites	Other/ Eliminations	Group
Net revenues ¹⁾	42.2	333.1	0.2	375.5
Operating result	7.1	22.8	– 1.2	28.7
Net income	6.1	13.4	1.3	20.8
Assets	60.2	560.6	206.3	827.1
Liabilities	46.0	397.0	– 214.8	228.2
Employees at 30 June	240	2 232	6	2 478

¹⁾ There are no revenues between the divisions. The product groups correspond to the operating segments

First half of 2013 (in CHF m)	SSM Textile Machinery	3A Composites	Other/ Eliminations	Group
Net revenues ¹⁾	36.7	301.9	0.3	338.9
Operating result	4.2	19.2	– 0.9	22.5
Net income	3.9	11.5	1.9	17.3
Assets	57.0	549.0	250.7	856.7
Liabilities	49.4	381.9	– 206.6	224.7
Employees at 30 June	244	2 193	6	2 443

¹⁾ There are no revenues between the divisions. The product groups correspond to the operating segments

Notes to the semi-annual statements as at 30 June 2014

Consolidation principles

These condensed, unaudited semi-annual statements of the Swiss-domiciled Schweiter Technologies AG and its subsidiaries were prepared in accordance with IAS 34 "Interim Financial Reporting".

They are based on the accounting principles presented in the 2013 Annual Report, which were applied with no changes other than the following new or amended standards and interpretations:

New interpretation

IFRIC 21 Levies

Amendments to standards

IAS 32	Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39	Novation of Derivatives
Misc.	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

Standards issued but 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.

The following table shows the impact estimated by the Executive Management:

New standards		Effective for annual periods beginning on or after	Planned adoption by Schweiter Technologies
IFRS 14	Regulatory Deferral Accounts	1 January 2016	Financial year 2016 ¹⁾
IFRS 15	Revenues from Contracts with Customers	1 January 2017	Financial year 2017 ³⁾
IFRS 9	Financial Instruments	1 January 2018	Financial year 2018 ¹⁾
Amendments to standards			
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014	Financial year 2015 ²⁾
IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	Financial year 2016 ²⁾
IAS 16 and IAS 41	Agriculture: Bearer Plants	1 January 2016	Financial year 2016 ²⁾
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	Financial year 2016 ²⁾
Miscellaneous	Amendments resulting from the Annual Improvement Project	1 July 2014	Financial year 2015 ²⁾

¹⁾ No or no material effects are expected on the consolidated financial statements of Schweiter Technologies

²⁾ No effects are expected on the consolidated financial statements of Schweiter Technologies

³⁾ The impact on the consolidated financial statements of Schweiter Technologies has not yet been analyzed

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 areas whose income statements are not characterized by 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.

Change in scope of consolidation

In the reporting period there were no changes in the scope of consolidation.

Notes

1 Change in net working capital

Net current assets (trade receivables, inventories and work in progress, trade payables and payments on account received from customers) rose by around 26%. The increase is mainly attributable to higher trade receivables and the increase of semi-finished and finished goods resulting from a higher sales volume as well as temporary effects.

2 Treasury shares

In the first half of the financial year 2014, no shares under the share repurchase program were purchased. As of 30 June 2014, 14 748 treasury shares were held, including 2 085 shares which are used for share-based payments.

3 Dividend

At the Annual General Meeting on 7 May 2014, the shareholders approved a dividend payment of CHF 40.00 per share. No payment was made on treasury shares. The distribution amounts to a total of CHF 57.2 million.

4 Contingent liabilities

The law suit mentioned in the 2013 annual report of 3A Composites (China) Ltd. against the former distributor Sino Composites Co. Ltd. in respect to a breach of contract (failure to fulfill a purchase guarantee) was legally ruled in favor of the 3A Composites (China) Ltd. The counterclaim of Sino Composites Co. Ltd. against 3A Composites (China) Ltd. was legally ruled in favor of Sino Composites Co. Ltd. Based on the counterclaim, 3A Composites (China) Ltd. has to take over material which can be sold to other customers. The compensation from the lawsuit won as well as the expected loss from the legal case lost have been accounted for in the half-year results.

5 Events after the balance sheet date

Between the balance sheet date and the date of publication of this semi-annual report, no events occurred which could have a material impact on the consolidated semi-annual financial statements for 2014.

This semi-annual report was approved by the Board of Directors of Schweiter Technologies AG on 11 August 2014 and released for publication.

Information for shareholders

Bearer shares are listed on the main stock exchange in Zurich. Security number: 1075492;
ISIN: CH0010754924; Telekurs: SWTQ; Reuters: SWTZ.

(in CHF 1000s)	30 June 2014	31 Dec. 2013
Share capital – divided into bearer shares with a par value of CHF 1 each	1 444	1 444
Conditional capital	133	133
Approved capital	0	300
Stock market capitalization as at reference date	925 394	977 366
Holdings of treasury shares	14 748	14 748
Treasury shares as % of share capital	1.02	1.02

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The next General Meeting will take place in Horgen
on 6 May 2015.

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Disclaimer

All statements in this semi-annual report that do not refer to historical facts are forward-looking statements which are no guarantee of future performance. They are based on assumptions and involve risks and uncertainties as well as other factors beyond the control of the company.

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