

SCHWEITER TECHNOLOGIES

Semi-Annual Report as at June 30, 2005

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Report of the Board of Directors on results for the first half of 2005

Dear shareholders

In the first half of 2005, the Group's order intake amounted to CHF 174.3 million (-3%). However, the decline in continuing operations was 40% on a like-for-like consolidation basis (excluding Loh, acquired in November 2004). Gross revenues came to CHF 154.0 million (+7%), but declined by 31% when Loh and Ismeca Automation are factored out. The falling volumes originate primarily from Ismeca Semiconductor, followed by SSM Textile Machinery and to a lesser extent from the former Satis.

As a result, operating profit fell to CHF 0.1 million from CHF 20.7 million for the first half of 2004. Net income from continuing operations was CHF 1.6 million (previous year: 17.4), including positive net financial income of CHF 4.3 million. Net income overall was CHF 9.6 million (previous year: 18.1). The difference of CHF 8 million compared with net income from continuing operations results from the sale of Ismeca Automation as at 31 March 2005.

As at the end of June 2005, the Group reported a net cash position of CHF 42.8 million and an equity ratio of 58%.

Following the nominal value repayment of CHF 6 per bearer share that was approved by the General Meeting on May 18, 2005, the last trading day for the old shares was August 2, 2005.

SSM Textile Machinery recorded a sharp fall in new orders and sales. Healthy order intake from the Indian subcontinent was not enough to offset the slump in orders from China and Turkey. Prospects for the second half of the year look brighter. The ongoing expansion of the own production and customer service sites in China will lower our cost base.

Satisloh posted sales on a par with the previous year's level for its two component companies combined (Satis and Loh merged in November 2004). While new orders at the former Satis were down, those at Loh were higher year-on-year. Earnings will also remain more or less at the year-back level. As anticipated at the beginning of the year, this will mean that the former Loh will still be contributing relatively little, but that the former Satis will produce a good result.

Ismeca Semiconductor lost substantial ground on both the new order and sales fronts. Looking ahead to the second half, visibility remains clouded by uncertainty about sector growth, as well as sparsely filled order books. The operating loss of CHF 6.6 million includes non-recurring expenditure of CHF 2.0 million in connection with streamlining the product range. The cost structure will improve over the next two years as our own production site in Malaysia is expanded.

Outlook

Order intake has risen significantly compared with the second half of 2004, especially at SSM Textile Machinery. We therefore expect business to be more robust in the coming six months. This also applies to Ismeca Semiconductor, despite persistent uncertainty factors. Both divisions will close the year significantly down on figures for 2004, however. Meanwhile, Satisloh is well on track to repeat the record result of the former Satis.

Yours sincerely

Board of Directors, Schweiter Technologies

Segment reporting

Schweiter Technologies Group (in CHF m)	First half of 2005	First half of 2004	Change
Orders received – continuing operations	174.3	180.3	- 3%
Gross revenues – continuing operations	154.0	144.3	7%
Operating profit – continuing operations	0.1	20.7	-
Net income from continuing operations	1.6	17.4	- 91%
Net income	9.6	18.1	- 47%

Segment information by divisions (in CHF m)	First half of 2005	First half of 2004	Change
Continuing operations:			
SSM Textile Machinery			
Orders received	45.9	58.2	- 21%
Gross revenues	37.5	58.2	- 36%
Operating profit	2.3	11.5	- 80%
Satisloh (formerly Satis Vacuum)			
Orders received	101.5 ¹⁾	45.0	126%
Gross revenues	89.8 ¹⁾	33.3	170%
Operating profit	4.8 ¹⁾	4.6	4%
Ismeca Semiconductor			
Orders received	26.9	77.1	- 65%
Gross revenues	26.4	52.7	- 50%
Operating result	- 6.6	4.6	-
Other / eliminations			
Orders received	-	-	-
Gross revenues	0.3	0.1	-
Operating result	- 0.4	- 0.1	-
Discontinued operation:			
Ismeca Automation			
Orders received	10.8 ²⁾	20.0	-
Gross revenues	8.5 ²⁾	22.2	-
Operating profit	0.2 ²⁾	0.9	-

¹⁾ The first half of 2005 includes the LOH Group, acquired as at November 1, 2004.

²⁾ Figures for the period from January 1 to March 31, 2005 (effective date of sale).

Consolidated balance sheet as at June 30, 2005

Assets (in CHF m)	June 30, 2005	%	Dec. 31, 2004	%
Current assets				
Cash and cash equivalents	49.6		45.7	
Trade receivables	75.5		68.0	
Inventories and work in progress	85.7		74.2	
Other current assets	17.0		20.7	
Total current assets	227.8	76.6	208.6	74.0
Fixed assets				
Property, plant and equipment	48.1		49.4	
Intangible assets	6.1		6.3	
Other fixed assets	15.3		17.6	
Total fixed assets	69.5	23.4	73.3	26.0
Total assets	297.3		281.9	
Liabilities (in CHF m)				
Short-term liabilities				
Short-term interest-bearing liabilities	6.2		1.0	
Commission payments	4.5		4.7	
Trade liabilities	28.0		21.5	
Other short-term liabilities	51.0		56.0	
Total short-term liabilities	89.7	30.2	83.2	29.5
Long-term interest-bearing liabilities	0.6		4.8	
Pension obligations	22.5		22.4	
Other long-term liabilities	11.1		11.1	
Long-term liabilities	34.2	11.5	38.3	13.6
Total liabilities	123.9	41.7	121.5	43.1
Shareholders' equity				
Share capital	10.1 ¹⁾		10.1	
Treasury shares	-		- 2.2	
Premium	107.4		107.4	
Profit reserves	63.7		53.2	
Hedging reserves	0.0		0.5	
Currency translation differences	- 8.0		- 8.9	
Equity attributable to parent company shareholders	173.2		160.1	
Minority interest	0.2		0.2	
Total shareholders' equity	173.4	58.3	160.3	56.9
Total liabilities	297.3		281.9	

¹⁾ After the entry in the Commercial Register of the reduction in nominal value decided upon at the General Meeting on May 18, 2005, the share capital now amounts to CHF 1.4 million (see also notes to the semi-annual statements dated June 30, 2005).

Consolidated income statement for the first half of 2005

(in CHF m)	First half of 2005		First half of 2004	
		%		%
Continuing operations:				
Gross revenues	154.0	102.8	144.3	97.5
Sales deductions	- 8.6	- 5.7	- 6.7	- 4.5
Net revenues	145.4	97.1	137.6	93.0
Change in inventories of semi-finished and finished goods	4.4	2.9	10.4	7.0
Total operating income	149.8	100.0	148.0	100.0
Cost of materials	- 76.1	- 50.8	- 74.2	- 50.1
Personnel expenses	- 39.2	- 26.1	- 28.0	- 18.9
Development expenses	- 13.4	- 8.9	- 9.2	- 6.2
Other operating expenses	- 18.8	- 12.6	- 13.8	- 9.3
Other operating income	0.4	0.2	0.1	0.1
Depreciation & amortization of other intangible assets	- 2.6	- 1.7	- 2.0	- 1.4
1 Amortization of goodwill	-	-	- 0.2	- 0.2
Operating profit	0.1	0.1	20.7	14.0
6 Financial income	6.1	4.0	1.7	1.0
6 Financial expenses	- 1.8	- 1.2	- 1.7	- 1.0
Income before taxes	4.4	2.9	20.7	14.0
Income taxes	- 2.8	- 1.9	- 3.3	- 2.2
Net income from continuing operations	1.6	1.0	17.4	11.8
Discontinued operation:				
2 Net income from discontinued operation	8.0	5.3	0.7	0.4
Net income	9.6	6.4	18.1	12.2
Attributable to:				
Parent company shareholders	9.6	6.4	18.1	12.2
Minority interest	0.0	-	-	-
Earnings per share (in CHF)				
From continuing operations:				
Before dilution	1.14		12.14	
After dilution	1.14		12.14	
From continuing and discontinued operations:				
Before dilution	6.68		12.62	
After dilution	6.68		12.62	

▲ For additional details see notes to the semi-annual statements dated June 30, 2005

Consolidated cash flow statement for the first half of 2005

(in CHF m)	First half of 2005	First half of 2004
Income before taxes	12.4	21.6
Depreciation and amortization	2.6	2.0
5 Gain from sale of subsidiaries	- 8.0	-
Positions not impacting on liquidity/change in net current assets	- 22.8	- 12.2
Interest and income taxes paid	- 3.8	- 2.4
Net cash flow from operating activity	- 19.6	9.0
5 Sale of subsidiaries	16.3	-
Purchase / sale of property plant and equipment	- 1.4	- 2.5
Interest received	0.3	0.2
Cash flow from investment activity	15.2	- 2.3
Change in long-term receivables	2.4	- 6.1
Change in financial debt	1.1	- 8.1
Purchase / sale of treasury shares	3.1	0.3
Cash flow from financing activity	6.6	- 13.9
Currency translation differences on cash and cash equivalents	1.7	- 0.1
Change in cash and cash equivalents	3.9	- 7.3
Cash and cash equivalents at as January 1	45.7	48.9
Cash and cash equivalents at as June 30	49.6	41.6
The figures given above include the following cash flows from discontinued activities:		
Net cash flow from operating activity	1.1	0.8
Cash flow from investment activity	16.3	0.0
Cash flow from financing activity	0.0	0.0

▲ For additional details see notes to the semi-annual statements dated June 30, 2005

Change in consolidated shareholders' equity

(in CHF m)	Equity attributable to parent company shareholders						Total	Minority interest	Total shareholders' equity
	Share capital	Treasury shares	Premium	Profit reserve	Hedging reserve	Currency translation difference			
Balance as at Jan. 1, 2004	14.4	-2.4	107.4	18.0	0.5	-8.4	129.5	-	129.5
Change in market value of cash flow hedges						-			
Foreign currency translation differences						-0.2	-0.2		-0.2
Net income				18.0			18.0		18.0
Change in treasury shares		0.2		0.1			0.3		
Balance as at June 30, 2004	14.4	-2.2	107.4	36.1	0.5	-8.6	147.6	-	147.6
Balance as at Jan. 1, 2005	10.1	-2.2	107.4	53.2	0.5	-8.9	160.1	0.2	160.3
Change in market value of cash flow hedges					-0.5		-0.5		
Foreign currency translation differences						0.9	0.9		
Net income				9.6			9.6		
Change in treasury shares		2.2		0.9			3.1		
Balance as at June 30, 2005	10.1	-	107.4	63.7	0.0	-8.0	173.2	0.2	173.4

Notes to the semi-annual statements dated June 30, 2005

1 Consolidation principles

The present, unaudited semi-annual statements of the Schweiter Technologies Group were prepared in accordance with International Financial Reporting Standards IFRS, with particular reference to IAS 34 "Interim Financial Reporting". The statements are based on the accounting principles set out in the 2004 Annual Report, which were applied with following changes:

IFRS 2 – Share based compensation

IFRS 2 requires the fair value of any equity instruments granted to employees to be recognized as an expense. As there were no share option schemes within the Schweiter Technologies Group during the 2004 and 2005 financial years, the introduction of this standard does not affect the results for these years.

IFRS 3 – Business combinations

Under IFRS 3, with effect from January 1, 2005, all goodwill is considered to have an indefinite life and is not amortized, but is subject to annual impairment testing. The goodwill amortization for the prior year period was CHF 0.2 million for continuing operations.

IFRS 5 – Discontinued operations

In accordance with IFRS 5 the income statement for the six months to June 30, 2004 has been restated to show the results of discontinued operations separately in one line.

IAS 1 – Associated companies, minority interests

IAS 1 (revised) requires minority interests to be included in the Group's equity in the consolidated balance sheet instead of as a separate category in the balance sheet. They are no longer deducted in arriving at the Group's net income.

The implementation of the other standards had no significant effect on the condensed consolidated financial statements

The Group operates in sectors which are not affected by seasonal fluctuations.

2 Changes in the scope of consolidation

The Group sold its wholly-owned subsidiary Ismeca Automation Holding AG to the Komax Group as at April 1, 2005.

The results of the sold "Ismeca Automation" division that appear in the consolidated financial statements for the period from January 1 to March 31, 2005, are composed as follows (in CHF m):

Gross revenues	8.5
Expenses	- 8.5
Income before taxes	0.0
Income taxes	-
Income from the sale of discontinued activities	8.0
Allowable tax expenses	-
Income from discontinued activities	8.0

3 Changes within the scope of consolidation

The companies that make up the Satis Vacuum and LOH groups were reorganized during the first half of 2005.

The "Satis Vacuum" division is now operated as "Satisloh".

4 Segment reporting

Information on segment reporting is given on page 4.

5 Sale of subsidiaries

As stated under note 2, the Group has sold its holding in Ismecca Automation.

The net assets of Ismecca Automation were as follows as at March 31, 2005 (effective date of sale) and December 31, 2004:

Market value of net assets sold: (in CHF m)	March 31, 2005	Dec. 31, 2004
Cash and cash equivalents	7.4	6.3
Trade receivables	4.9	4.5
Other receivables	11.5	10.6
Inventories	1.2	1.8
Trade liabilities	- 1.1	- 1.1
Other liabilities	- 4.3	- 2.8
Accrued expenses and deferred income	- 2.6	- 2.2
Current income taxes	- 0.5	- 0.6
Deferred income tax liabilities	- 0.4	- 0.4
Total net assets sold	16.1	16.1
Gain from sale	8.0 ¹⁾	
Total sale proceeds	24.1 ¹⁾	
Set off by: – Cash payment	24.0	
– Directly allowable sale costs	- 0.3	
– Realized foreign currency gains from translations and cash flow hedges	0.4	
Total sale proceeds	24.1	
Cash payment after deduction of sale costs, less cash and cash equivalents sold	23.7 - 7.4	
Cash flow from sale of subsidiaries	16.3	

The effect of the sale of the Ismecca Automation division on the Group's results for the present reporting period is shown under note 2, "Changes in the scope of consolidation" and in the "Segment reporting" section on page 4.

¹⁾ A modest additional payment, on top of the purchase price, may be made by the purchaser conditional upon the acquisition by Ismecca Automation of a major order.

6 Special events during the reporting period

The financial result for the first half of 2005 includes exchange rate gains of CHF 4.3 million which resulted primarily from the rise of the US dollar against the Swiss franc.

Ismecca Semiconductor adjusted the value of its inventories downward by CHF 2.0 million in connection with the streamlining of its range of products. This charge has been debited to the semi-annual result.

7 Capital reduction and adjustment to authorized capital

The General Meeting on May 18, 2005 adopted a nominal value repayment of CHF 6 per bearer share in place of a dividend. The date for the nominal value repayment and the last day of trading at the old nominal value was August 2, 2005.

While the number of shares remains the same, the nominal value of approved capital fell following the General Meeting's adoption of a nominal value reduction to CHF 300 000. The nominal value of conditional capital has also fallen, to CHF 132 600.

8 Contingent liabilities

Contingent liabilities have remained essentially unchanged.

9 Events occurring after the balance sheet date

On July 28, 2005, the reduction in share capital from CHF 10 105 704 to CHF 1 443 672 adopted at the General Meeting on May 18, 2005 was entered in the Commercial Register.

Apart from this, no 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 2005 consolidated semi-annual financial statements.

This semi-annual report has been approved by the Board of Directors of Schweiter Technologies and authorized for issue on August 3, 2005.

Information for shareholders

Bearer shares are listed on the main stock exchange in Zurich. Security number: 1 075 492; Telekurs: SWTQ; Reuters: SWTZ.

(in CHF 1 000s)	June 30, ¹⁾ 2005	Dec. 31 2004
Share capital – divided into bearer shares with a par value of CHF 1 each (previous year CHF 7)	1 444	10 106
Conditional capital	133	928
Approved capital	300	2 100
Stock market capitalization as at reference date	316 886	320 351

¹⁾ After taking account of the capital reduction adopted at the General Meeting on May 18, 2005 and its entry in the Commercial Register on July 28, 2005.

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