

# SCHWEITER TECHNOLOGIES

**Semi-annual Report as at June 30, 2003**

## Report of the Board of Directors on the results for the first half of 2003

Dear shareholders

In the first half of the year, orders received amounted to CHF 142.1 million (-6%), while sales came to CHF 130.4 million (-20%). The decline in comparison with the previous year is primarily attributable to the continuing difficult market conditions affecting Ismeca Semiconductor and Ismeca Automation. Satis Vacuum reported gratifying sales and SSM Textile Machinery maintained its year-back level.

For the Group, this resulted in an operating profit of CHF 2.7 million and net income of CHF 3.9 million. The operating profit includes value adjustments totalling CHF 3.1 million on inventories at Ismeca Semiconductor. Currency gains and a low tax rate had a positive impact on net profit.

The solid balance sheet ratios showed a further improvement in comparison with the end of 2002: as of June 30, 2003, cash and cash equivalents amounted to CHF 51 million, while net cash stood at CHF 19 million (+CHF 13 million compared with the end of 2002). Interest-bearing liabilities were further reduced by around CHF 10 million. The equity ratio increased to 54%.

### SSM Textilmaschinen

Orders received decreased by 14%, primarily because of a weaker market in China. However, sales were close to the previous year's level at CHF 57 million. Indeed, the operating profit of CHF 8.7 million actually represented a slight increase in the EBIT margin to more than 15%. For the second half of the year, earnings are expected to be slightly weaker on a similar sales volume.

### Satis Vacuum

At CHF 33 million, orders received were on a par with the previous year. Sales came to CHF 31 million, which represents a 25% decline in comparison with the exceptionally strong previous year.

Cost-cutting programmes and the absence of restructuring costs relating to the precision optics business led to an improvement in operating profit by more than 40% to CHF 3.7 million. This corresponds to an EBIT margin of more than 12%. The positive business trend is expected to continue into the second half of the year.

### Ismeca Automation

Because of the economic situation, orders received fell short of expectations, as did sales. As a result, the division failed to reach break-even, although the cost-cutting programmes introduced made it possible to keep the operating loss within limits at CHF 3.4 million. Sales and earnings are expected to show an improvement in the second half of the year. However, the full year is expected to close with a loss.

### Ismeca Semiconductor

Orders received increased by 25% to CHF 30 million, but still persisted at a low level. The sales volume of CHF 28 million was below break-even, resulting in a negative operating result of CHF -5.7 million (including a CHF 3.1 million value adjustment on inventories). Business is expected to be similar in the second half of the year, albeit without further value adjustments on this scale. There are still no signs of any rapid upturn.

### Outlook

By and large, the second half of the year is expected to see a continuation of the trend to date. As most structural adjustments have now been completed, an economic recovery would have a particularly major impact on earnings.

Yours sincerely

Board of Directors, Schweiter Technologies

## Key figures according to IFRS

<b>Schweiter Technologies Group</b> (in CHF m)	first half of <b>2003</b>	first half of 2002	Change
Orders received	142.1	151.6	- 6%
Gross revenues	130.4	163.4	- 20%
Operating profit	2.7	10.9	- 75%
<b>Net income</b>	<b>3.9</b>	<b>6.4</b>	<b>- 39%</b>
<b>Segment information by divisions</b> (in CHF m)			
	first half of <b>2003</b>	first half of 2002	Change
<b>SSM Textil Machinery</b>			
Orders received	58.3	67.6	- 14%
Gross revenues	57.0	59.1	- 4%
Operating profit	8.7	8.9	- 2%
<b>Satis Vacuum</b>			
Orders received	33.2	33.0	1%
Gross revenues	30.6	41.0	- 25%
Operating profit	3.7	2.6	42%
<b>Ismeca Automation</b>			
Orders received	20.2	26.7	- 24%
Gross revenues	14.1	21.6	- 35%
Operating loss	- 3.4	- 2.2	- 55%
<b>Ismeca Semiconductor</b>			
Orders received	30.4	24.3	25%
Gross revenues	28.5	41.7	- 32%
Operating loss / profit	- 5.7	2.0	-
<b>Other / transition</b>			
Orders received	-	-	-
Gross revenues	0.2	-	-
Operating loss	- 0.6	- 0.4	- 50%

## Consolidated balance sheet

<b>Assets</b> (in CHF m)	June 30 <b>2003</b>	%	Dec. 31 2002	%
<b>Current assets</b>				
Cash and cash equivalents	51.6		48.2	
Receivables & prepaid expenses and accruals	65.2		68.2	
Inventories	59.3		60.6	
<b>Total current assets</b>	<b>176.1</b>	80.3	<b>177.0</b>	80.4
<b>Fixed assets</b>				
Property, plant and equipment	32.7		34.4	
Long-term receivables	0.8		0.8	
Deferred taxes assets	3.7		1.8	
Intangible assets, goodwill	6.0		6.2	
<b>Total fixed assets</b>	<b>43.2</b>	19.7	<b>43.2</b>	19.6
<b>Total assets</b>	<b>219.3</b>		<b>220.2</b>	
<b>Liabilities</b> (in CHF m)				
<b>Short-term liabilities</b>				
Short-term interest-bearing liabilities	21.7		31.0	
Commission payments	6.5		7.0	
Trade liabilities	14.1		13.5	
Other liabilities	32.7		29.0	
<b>Total short-term liabilities</b>	<b>75.0</b>	34.2	<b>80.5</b>	36.5
Long-term interest-bearing liabilities	10.5		10.7	
Provisions and deferred tax liabilities	15.1		14.6	
<b>Total long-term liabilities</b>	<b>25.6</b>	11.7	<b>25.3</b>	11.5
<b>Total liabilities</b>	<b>100.6</b>	45.9	<b>105.8</b>	48.0
<b>Shareholders' equity</b>				
Share capital	14.4		14.4	
Premium	107.4		107.4	
Profit reserves	0.2		48.9	
Net income	3.9		- 48.7	
Currency translation differences / OCI	- 7.2		- 7.6	
<b>Total shareholders' equity</b>	<b>118.7</b>	54.1	<b>114.4</b>	52.0
<b>Total liabilities</b>	<b>219.3</b>		<b>220.2</b>	

## Consolidated income statement

(in CHF m)	first half of <b>2003</b>		first half of 2002	
		%		%
<b>Gross revenues</b>	<b>130.4</b>	103.7	<b>163.4</b>	107.1
Sales deductions	- 6.1	4.8	- 6.8	4.4
Net revenues	124.3	98.9	156.6	102.7
Change in inventories of semi-finished and finished goods	1.4	1.1	- 4.1	2.7
<b>Total operating income</b>	<b>125.7</b>	100.0	<b>152.5</b>	100.0
Cost of materials	- 62.4	49.6	- 70.4	46.2
Personnel expenses	- 33.7	26.8	- 42.0	27.5
Development expenses	- 7.9	6.3	- 7.8	5.1
Depreciation	- 1.8	1.5	- 2.3	1.5
Other operating expenses	- 17.2	13.7	- 19.1	12.5
<b>Operating profit</b>	<b>2.7</b>	2.1	<b>10.9</b>	7.2
Financial income / expenses	1.8	1.5	- 1.6	1.0
Other income / expenses	-	-	- 0.1	0.1
Amortization of goodwill	- 0.2	0.2	- 1.3	0.9
<b>Income before taxes</b>	<b>4.3</b>	3.4	<b>7.9</b>	5.2
Income taxes	- 0.4	0.3	- 1.5	1.0
<b>Net income</b>	<b>3.9</b>	3.1	<b>6.4</b>	4.2
Earnings per share (in CHF)	2.71		4.78	
Earnings per share after dilution (in CHF)	2.71		4.39	

## Consolidated cash flow statement

(in Mio. CHF)	first half of <b>2003</b>	first half of 2002
Income before taxes	4.3	7.9
Depreciation and amortization	2.0	3.6
Positions not impacting on liquidity/ change in net current assets	6.6	10.1
<b>Cash flow from operating activity</b>	<b>12.9</b>	<b>21.6</b>
Purchase / sale of property plant and equipment/intangible assets	- 0.3	- 0.1
Purchase of investment in subsidiaries	-	- 0.9
Repayment of purchase price liability for investment in subsidiaries	-	- 30.2
Interest received	0.6	0.5
<b>Cash flow from investment activity</b>	<b>0.3</b>	<b>- 30.7</b>
Decrease in long-term receivables	0.1	0.7
Decrease in financial debt	- 10.2	- 9.7
<b>Cash flow from financing activity</b>	<b>- 10.1</b>	<b>- 9.0</b>
Currency translation differences on cash holdings	0.3	- 0.2
<b>Change in cash and cash equivalents</b>	<b>3.4</b>	<b>- 18.3</b>
Cash and cash equivalents at as January 1	48.2	67.5
<b>Cash and cash equivalents at as June 30</b>	<b>51.6</b>	<b>49.2</b>

## Change in consolidated shareholders' equity

(in CHF 1000s)	Share capital	Treasury shares	Premium	Profit reserve	Profit carried forward	Translation difference/OCI	Shareholders' equity
<b>Position as at Dec. 31, 2001</b>	<b>11 924</b>	<b>-54</b>	<b>71 608</b>	<b>4 450</b>	<b>43 363</b>	<b>-4 168</b>	<b>127 123</b>
Reclassification of unappropriated reserves from premium			-1 071	1 071			-
Combination of profit reserves/profit carried forward				43 363	-43 363		-
<b>Position as at Jan. 1, 2002</b>	<b>11 924</b>	<b>-54</b>	<b>70 537</b>	<b>48 884</b>	<b>-</b>	<b>-4 168</b>	<b>127 123</b>
Capital increase	2 513		36 436				38 949
Net income				6 384			6 384
Sale of treasury shares		11		2			13
Foreign currency differences						-2 879	-2 879
<b>Position as at June 30, 2002</b>	<b>14 437</b>	<b>-43</b>	<b>106 973</b>	<b>55 270</b>	<b>-</b>	<b>-7 047</b>	<b>169 590</b>
<b>Position as at Jan. 1, 2003</b>	<b>14 437</b>	<b>-</b>	<b>107 381</b>	<b>221</b>	<b>-</b>	<b>-7 586</b>	<b>114 453</b>
Net income				3 917			3 917
Foreign currency differences						308	308
<b>Position as at June 30, 2003</b>	<b>14 437</b>	<b>-</b>	<b>107 381</b>	<b>4 138</b>	<b>-</b>	<b>-7 278</b>	<b>118 678</b>

**Notes to the semi-annual statements dated 30 June 2003****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 2002 Annual Report, which were applied without changes.

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

**Operating profit**

As part of the continuous valuation of inventories, the semi-annual result was depressed by a CHF 3.1 million value adjustment on inventories at Ismeca Semiconductor.

The full costs incurred by Ismeca Semiconductor for the acquisition of PacVision product developments from Agilent as part of an asset deal were charged as development costs to the income statement for the first half of 2003.

**Dividend payment**

The General Meeting on May 14, 2003 decided not to distribute a dividend for the 2002 financial year.

**Segment reporting**

The information on segment reporting can be found in the breakdown of key figures by divisions (page 2 of the semi-annual report).

**Contingent liabilities**

The contingent liabilities have remained essentially unchanged.

**Events occurring after the balance sheet date**

Between the balance sheet date and the date of publication of the present semi-annual report no events occurred which could have a significant influence on the consolidated 2003 semi-annual statements.

**Information for shareholders**

Bearer shares are listed on the main stock exchange in Zurich. Security number: 1075 492; Telekurs: SWTQ; Reuters: SWTZ.

(in CHF 1 000s)	June 30 2003	Dec. 31 2002
Share capital (divided into bearer shares with a par value of CHF 10 each)	14 437	14 437
Conditional capital	1 326	1 326
Approved capital	3 000	3 000
Stock market capitalization per reference date	142 924	115 494

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