Schweiter Technologies

Semi-Annual Report 2011

Report of the Board of Directors on the results for the first half of 2011

Dear Shareholders,

Net revenues amounted to CHF 425.0 million in the first half of 2011 (1H 2010: 465.5 million), which represents 3% growth in local currencies. 3A Composites and Ismeca Semiconductor increased their net revenues in local currency, while SSM Textile Machinery managed to hold net revenues almost on a par with the previous year's gratifying result. Orders received reached CHF 480.3 million (1H 2010: 536.6 million). Expressed in local currencies, the figure was as high as in the previous year.

The Group posted EBITDA of CHF 46.3 million (1H 2010: 48.5 million) and EBIT of CHF 31.5 million (1H 2010: 33.7 million). Net earnings amounted to CHF 20.3 million (1H 2010: 23.6 million). The result includes currency losses of around CHF 9 million. Staff adjustments at 3A Composites led to income of just under CHF 4 million arising from a reduction in the actuarially determined staff pension obligations.

In a positive sector environment, **SSM Textile Machinery** reported new orders amounting to CHF 40.1 million (1H 2010: 47.2 million), resulting in net revenues of CHF 39.3 million (1H 2010: 42.5 million). After currency translation adjustments, this corresponds to a slight decrease of 2%. All regions – in particular India – reported healthy demand. Despite unfavorable exchange rates, margins were held, thanks in part to consistent efforts to cut costs. The operating result (EBIT) amounted to CHF 5.2 million (1H 2010: 7.2 million), which corresponds to a net profit ratio of approximately 13%. The lower result compared to the first half of 2010 was due to the slight decline in revenues and to upward revaluations of material inventories during the year-back period.

Amid buoyant demand, **Ismeca Semiconductor** reported new orders of CHF 50.9 million (1H 2010: 73.1 million). Around half of the considerable decrease compared with the previous year's record level is due to currency effects. Revenues amounted to CHF 50.8 million (1H 2010: 50.4 million). As Ismeca invoices practically all its revenues in USD, in local currency this equates to a year-on-year increase of 18%. Despite unfavorable exchange rates, the gross margin was held thanks to Ismeca's technological leadership. An operating result of CHF 4.8 million (1H 2010: 6.0 million) was reported, representing an EBIT margin of just over 10%.

3A Composites recorded new orders amounting to CHF 389.3 million (1H 2010: 416.3 million) and revenues of CHF 334.7 million (1H 2010: 372.4 million), corresponding to an increase of 2% in local currency. This translated into an EBITDA of CHF 36.7 million (1H 2010: 35.9 million) and an EBIT of CHF 22.6 million (1H 2010: 21.8 million). These figures include income of around CHF 4 million from write-backs of staff pension obligations. The result was impaired by rises in the price of raw materials as well as restructuring costs of around CHF 4 million.

While progress in the European wind power market was consistently subdued, the robust demand in China continued thanks to strong footholds established in local OEMs. The marine market, which fell sharply during the financial crisis, showed some signs of recovering. Despite the more uncertain economic outlook, the cyclical Display business made encouraging progress in the US. In Europe in particular, Architecture suffered from rises in the cost of raw materials at the beginning of the year which could only be passed on to the market with some delay. In Asia, the Architecture and Display businesses were reorganized. Demand in China was reassuring, particularly for high-end façade cladding units.

Outlook

In the second half of the year, SSM Textile Machinery and, in particular, Ismeca Semiconductor are expected to experience a strong slowdown.

The development of the Chinese wind power market going forward will be a key factor in the performance of 3A Composites' core materials business. From the end of the year on, the possibility of a temporary slowdown owing to government measures will be offset by the positive impact of the joint venture concluded with a Chinese manufacturer of structural foams and a potential increase in demand in Europe and the US. Whereas in the US in particular, Architecture and Display are dependent on the economic cycle, business in Europe is not expected to change.

In all divisions, doggedly negative currency effects are to be offset by the positive impact of restructuring and cost-cutting programs, which will come fully into play at 3A Composites from Q4 onward. Overall, the result for the 2nd half will be lower.

Yours sincerely

Board of Directors Schweiter Technologies

Key figures

Schweiter Technologies Group (in CHF m)	First half of **2011**	First half of 2010 (adjusted)	Change
Orders received	480.3	536.6	– 10.5 %
Net revenues	425.0	465.5	– 8.7 %
Operating result before depreciation/amortization (EBITDA)	46.3	48.5	– 4.5 %
Operating result (EBIT)	31.5	33.7	– 6.5 %
Net income	20.3	23.6	– 14.0 %

Result by divisions (in CHF m)	First half of **2011**	First half of 2010 (adjusted)	Change
SSM Textile Machinery			
Orders received	40.1	47.2	– 15.0 %
Net revenues	39.3	42.5	– 7.5 %
Operating result before depreciation/amortization (EBITDA)	5.4	7.4	– 27.0 %
Operating result (EBIT)	5.2	7.2	– 27.8 %
Ismeca Semiconductor			
Orders received	50.9	73.1	– 30.4 %
Net revenues	50.8	50.4	0.8 %
Operating result before depreciation/amortization (EBITDA)	5.3	6.5	– 18.5 %
Operating result (EBIT)	4.8	6.0	– 20.0 %
3A Composites			
Orders received	389.3	416.3	– 6.5 %
Net revenues	334.7	372.4	– 10.1 %
Operating result before depreciation/amortization (EBITDA)	36.7	35.9	2.2 %
Operating result (EBIT)	22.6	21.8	3.7 %

Consolidated balance sheet as at June 30, 2011

	Assets (in CHF m)	June 30, **2011**	%	Dec. 31, 2010	%
	Current assets				
	Cash and cash equivalents	248.5		275.2	
1	Trade receivables	127.9		133.5	
1	Inventories and work in progress	127.1		115.4	
	Other current assets	24.7		35.3	
	Total current assets	**528.2**	64.0	**559.4**	63.7
	Non-current assets				
2	Property, plant and equipment	207.0		218.4	
	Intangible assets	56.6		62.8	
	Other non-current assets	34.1		37.5	
	Total non-current assets	**297.7**	36.0	**318.7**	36.3
	Total assets	**825.9**		**878.1**	

	Liabilities (in CHF m)	June 30, **2011**	%	Dec. 31, 2010	%
	Short-term liabilities				
	Short-term financial liabilities	2.3		3.6	
1	Trade liabilities	45.8		58.6	
1	Prepayments received from customers	13.6		12.3	
	Accrued expenses and deferred income	43.0		48.4	
	Other short-term liabilities	14.0		20.3	
	Total short-term liabilities	**118.7**	14.4	**143.2**	16.3
	Long-term financial liabilities	3.9		4.5	
	Deferred income tax liabilities	23.2		28.5	
	Long-term provisions	11.7		13.8	
3	Pension obligations	44.6		49.0	
	Long-term liabilities	**83.4**	10.1	**95.8**	10.9
	Total liabilities	**202.1**	24.5	**239.0**	27.2
	Shareholders' equity				
	Share capital	1.4		1.4	
4	Treasury shares	– 28.7		– 28.7	
5	Reserves from capital contributions / share premium	93.7		107.4	
	Retained earnings	587.4		536.4	
	Net income	20.3		51.0	
	Currency translation adjustments	– 50.3		– 28.4	
	Total shareholders' equity	**623.8**	75.5	**639.1**	72.8
	Total liabilities and shareholders' equity	**825.9**		**878.1**	

▲ For additional details see notes to the semi-annual statements as at June 30, 2011

Consolidated income statement for the first half of 2011

	(in CHF m)	First half of **2011**	%	First half of 2010 (adjusted)	%
	Net revenues	425.0	101.6	465.5	99.5
	Change in inventories of semi-finished and finished goods	– 6.5	– 1.6	2.2	0.5
	Total operating income	**418.5**	100.0	**467.7**	100.0
	Cost of materials	– 204.6	– 48.9	– 234.1	– 50.1
3	Personnel expenses	– 92.8	– 22.2	– 101.1	– 21.6
	Other operating expenses	– 76.9	– 18.4	– 85.3	– 18.2
	Other operating income	2.1	0.5	1.3	0.3
	Depreciation and amortization of intangible assets	– 14.8	– 3.5	– 14.8	– 3.2
	Operating result	**31.5**	7.5	**33.7**	7.2
	Financial income	1.4	0.3	1.3	0.3
6	Financial expenses	– 9.3	– 2.2	– 5.4	– 1.2
	Income before taxes	**23.6**	5.6	**29.6**	6.3
	Income taxes	– 3.3	– 0.8	– 6.0	– 1.3
	Net income	**20.3**	4.8	**23.6**	5.0
	Result per share (in CHF)				
	Undiluted and diluted	14.88		17.25	

Consolidated statement of comprehensive income for the first half of 2011

(in CHF m)	First half of **2011**	First half of 2010
Net income	**20.3**	**23.6**
Other items of comprehensive income:		
Foreign currency translation differences	– 21.9	9.0
Total other items of comprehensive income after income taxes	– 21.9	9.0
Comprehensive income	**– 1.6**	**32.6**

▲ For additional details see notes to the semi-annual statements as at June 30, 2011

Consolidated cash flow statement for the first half of 2011

	(in CHF m)	First half of **2011**	First half of 2010
	Net income	20.3	23.6
	Depreciation and amortization of intangible assets	14.8	14.8
	Other positions not impacting on liquidity	– 9.2	– 1.3
	Income taxes	3.2	6.0
	Financial result	8.6	4.8
1	Change in net current assets	– 30.2	– 47.2
	Interest paid	– 0.3	– 0.6
	Income taxes paid	– 6.0	– 5.3
	Cash flow from operating activity	**1.2**	**– 5.2**
	Purchase of subsidiaries	–	– 0.2
	Purchase of property, plant and equipment and intangible assets	– 9.7	– 8.4
	Sale of property, plant and equipment	0.1	0.1
	Increase in financial assets	– 0.3	–
	Dividend of associated companies	0.5	0.5
	Interest received	0.6	0.6
	Cash flow from investment activity	**– 8.8**	**– 7.4**
5	Repayment from reserves from capital contributions	– 13.7	–
	Dividend	–	– 12.3
	Repayment of short-term financial liabilities	– 1.0	– 8.7
	Repayment of long-term financial liabilities	– 0.6	– 0.6
	Cash flow from financing activity	**– 15.3**	**– 21.6**
	Currency exchange differences on cash and cash equivalents	– 3.8	– 5.5
	Change in cash and cash equivalents	**– 26.7**	**– 39.7**
	Cash and cash equivalents as at January 1	275.2	301.6
	Cash and cash equivalents as at June 30	**248.5**	**261.9**

▲ For additional details see notes to the semi-annual statements as at June 30, 2011

Change in consolidated shareholders' equity

(in CHF m)	Share capital	Treasury shares	Reserves from capital contributions	Retained earnings	Currency translation difference	Total share-holders' equity
Balance as at January 1, 2010	**1.4**	**– 28.7**	**107.4**	**548.7**	**– 5.4**	**623.4**
Net income				23.6		23.6
Other items of comprehensive income:						
Foreign currency translation differences					9.0	9.0
Total other items of comprehensive income after income taxes	*0*	*0*	*0*	*0*	*9.0*	*9.0*
Comprehensive income	*0*	*0*	*0*	*23.6*	*9.0*	*32.6*
Dividend				– 12.3		– 12.3
Balance as at June 30, 2010	**1.4**	**– 28.7**	**107.4**	**560.0**	**3.6**	**643.7**
Balance as at January 1, 2011	**1.4**	**– 28.7**	**107.4**	**587.4**	**– 28.4**	**639.1**
Net income				20.3		20.3
Other items of comprehensive income:						
Foreign currency translation differences					– 21.9	– 21.9
Total other items of comprehensive income after income taxes	*0*	*0*	*0*	*0*	*– 21.9*	*– 21.9*
Comprehensive income	*0*	*0*	*0*	*20.3*	*– 21.9*	*– 1.6*
5 Repayment from reserves from capital contributions			– 13.7			– 13.7
Balance as at June 30, 2011	**1.4**	**– 28.7**	**93.7**	**607.7**	**– 50.3**	**623.8**

▲ For additional details see notes to the semi-annual statements as at June 30, 2011

Operating segments

First half of 2011 (in CHF m)	SSM Textile Machinery	Ismeca Semiconductor	3A Composites	Other / Eliminations	Group
Net revenues [1]	39.3	50.8	334.7	0.2	425.0
Operating result	5.2	4.8	22.6 [2]	– 1.1	31.5
Net income	**3.2**	**2.5**	**13.6** [2]	**1.0**	**20.3**
Assets	55.2	88.4	485.0	197.3	825.9
Liabilities	40.4	22.8	372.7	– 233.8	202.1
Employees at as June 30	240	386	3 083	6	3 715

First half of 2010 (in CHF m) (adjusted)	SSM Textile Machinery	Ismeca Semiconductor	3A Composites	Other / Eliminations	Group
Net revenues [1]	42.5	50.4	372.4	0.2	465.5
Operating result	7.2	6.0	21.8	–1.3	33.7
Net income	**5.0**	**8.7**	**10.0**	**– 0.1**	**23.6**
Assets	54.8	82.1	554.3	200.8	892.0
Liabilities	38.6	22.4	410.2	– 222.9	248.3
Employees at as June 30	210	349	3 301	3	3 863

[1] There are no revenues between the divisions

[2] The results are affected by the plan curtailment (see Note 3)

Notes to the semi-annual statements as at June 30, 2011

Consolidation principles

These abridged, 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 2010 Annual Report, which were applied with no changes other than the following new standards and interpretations:

Adopted new and revised standards

IAS 24	(amendment) Related Party Disclosures
IAS 32	(amendment) Financial Instruments – Presentation of Financial Statements
IFRS 1	(amendment) Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRIC 14	IAS 19 – The Limit on a Defined Benefit, Minimum Funding Requirements and their Interaction – Voluntary Prepaid Contributions under a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Misc.	Amendments resulting from the Annual Improvement Project

Application of the new and revised standards and interpretations have no effect on these semi-annual statements.

Issued standards 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 adopted prematurely 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 9	Financial Instruments	January 1, 2013	Financial year 2013	1)
IFRS 10	Consolidated Financial Statements	January 1, 2013	Financial year 2013	1)
IFRS 11	Joint Arrangements	January 1, 2013	Financial year 2013	1)
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013	Financial year 2013	2)
IFRS 13	Fair Value Measurement	January 1, 2013	Financial year 2013	1)
Amendments to standards				
IAS 1	Presentation of Items of Other Comprehensive Income	July 1, 2012	Financial year 2013	2)
IAS 12	Deferred Tax: Recovery of Underlying Assets	January 1, 2012	Financial year 2012	1)
IAS 19	Employee Benefits	January 1, 2013	3)	4)
IAS 27	Separate Financial Statements	January 1, 2013	Financial year 2013	1)
IAS 28	Interests in Associates and Joint Ventures	January 1, 2013	Financial year 2013	5)
IFRS 7	Transfers of Financial Assets	July 1, 2011	Financial year 2012	1)

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

2) The effects on the consolidated financial statements of Schweiter Technologies can not yet be reliably determined

3) The Executive Management is currently examining early application

4) The consequence would be that actuarial losses from the corridor would have to be restated in the balance sheet (CHF 20.8 million as at January 1, 2011). Against the background of the pension fund change for 3A Composites in Switzerland necessitated by the termination of the affiliation agreements effective December 31, 2011, the precise impact on the income statement and the statement of comprehensive income cannot yet be sufficiently reliably determined (see Note 2).

5) Additional disclosures or changes in the presentation of the consolidated financial statements of Schweiter Technologies are mainly expected

Notes to the semi-annual statements as at June 30, 2011

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 sectors which are not affected 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.

Restatement of previous year's figures

The only revenue figure now reported in the income statement is net revenues. Freight costs for deliveries to customers and sales commissions, which in the 2010 semi-annual report were included in sales deductions, are now reported as direct sales and distribution costs under other operating expenditure. For better comparability, in the present semi-annual report the previous year's figures were restated accordingly. The change in the relevant income statement positions is as follows:

First half of (in CHF m)	2010 (adjusted)	2010 (published)
Gross revenues	–	481.5
Sales deductions	–	– 40.4
Net revenues	465.5	441.1
Operating income	467.7	443.3
Other operating expenses	– 85.3	– 60.9

Scope of consolidation

There was no change in the scope of consolidation in the reporting period.

Notes

1 Change in net current assets

Net current assets (trade receivables, inventories and work in progress, trade liabilities and payments on account received from customers) rose by around 10%. The rise is due mainly to the increase in semi-finished and finished goods and the reduction in trade liabilities. This rise was partly offset by currency effects.

2 Property, plant and equipment / Neuhausen site

Owing to the reorganization of research and development activities at the Neuhausen site, use of this site for the company’s own operations will assume a subordinated significance in the second half. Following the change in usage, the land and buildings will be reclassified in the second half of the year as property held as financial assets with a book value totaling around CHF 23 million. They will continue to be stated at amortized cost. The book value of the investment property is below the present estimated current value. There are plans to develop the Neuhausen site jointly with a partner and broaden its usage and utilization. The property does not presently qualify as “held for sale”.

3 Pension obligations / Personnel expenses

The decrease in personnel at 3A Composites led to a plan curtailment. The resulting reduction in actuarially determined pension obligations amounts to CHF 3.6 million – this amount was recognized as a deduction from personnel expenses. The pension fund and supplementary fund of Alcan Switzerland have terminated effective December 31, 2011 the affiliation agreements in force with all companies not belonging to Rio Tinto. Pensioners will remain with the Alcan funds in accordance with their contracts. A new solution is currently being sought for the approximately 300 employees of the three companies affected (3A Technology & Management AG, Airex AG, 3A Composites International AG). The selection and structure of the new pension fund solution may have a significant impact on the amount of pension obligations.

4 Treasury shares

Holdings of treasury shares remained unchanged in the first half of 2011. As at June 30, 2011, 77 809 treasury shares were held.

5 Repayment from reserves from capital contributions

At the General Meeting of May 12, 2011, shareholders approved the conversion of reserves from capital contributions and the payment of CHF 10.00 per bearer share. No repayment was made on treasury shares.

6 Financial expenses

The position financial expenses includes foreign currency losses of CHF 8.7 million (1H 2010: CHF 4.8 million.).

7 Contingent liabilities

Contingent liabilities have remained essentially unchanged.

8 Events occurring after the balance sheet date

On April 18, 2011, a joint venture agreement was signed with the Chinese group Tiansheng New Materials Ltd with the aim of jointly marketing structural core materials in China. The new joint company filed an application for registration under the name 3T Composites (Shanghai) Co., Ltd. in Shanghai Pudong on July 13, 2011. 3A Composites is bringing the relevant sales operations into the new company. The joint venture will be recognized using the equity method.

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 consolidated annual financial statements.

This semi-annual report has been approved by the Board of Directors of Schweiter Technologies and authorized for publication on August 17, 2011.

Information for shareholders

Bearer shares are listed on the main stock exchange in Zurich. Security number: 1075492; ISIN: CH00 10754924; Telekurs: SWTQ; Reuters: SWTZ.

(in CHF 1000s)	June 30, **2011**	Dec. 31, 2010
Share capital – divided into bearer shares with a par value of CHF 1 each	1 444	1 444
Conditional capital	133	133
Approved capital	300	300
Stock market capitalization as at reference date	841 661	1 082 754
Holdings of treasury shares	77 809	77 809
Treasury shares as % of share capital	5.39	5.39

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The next General Meeting will take place in Horgen on May 9, 2012.

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