Schweiter Technologies

Semi-Annual Report as at June 30, 2010

Report of the Board of Directors on the results for the first half of 2010

Dear shareholders,

Orders received reached CHF 536.6 million in the first half. Gross revenues amounted to CHF 481.5 million. The significant increase in volume is attributable to the acquisition of 3A Composites, completed at the end of November 2009, and to the positive business performance in all divisions. 3A Composites posted a 14% increase in like-for-like revenue and SSM Textile Machinery and Ismeca Semiconductor have already posted higher revenues for the first six months of the year than for the whole of 2009.

The Group posted EBITDA of CHF 48.5 million (previous year: –13.0) and EBIT of CHF 33.7 million (previous year: –13.7). Net earnings amounted to CHF 23.6 million (previous year: –10.5). This includes currency losses of around CHF 5 million and one-time extraordinary expenses amounting to some CHF 3 million for the spin-off of 3A Composites and its establishment as an independent entity.

In a much improved sector environment, **SSM Textile Machinery** saw new orders increase significantly to CHF 47.2 million (+250%) – albeit starting from a unique historic low base. Revenues more than tripled compared with the year-back period to CHF 43.8 million (+227%). All regions – led by China – recorded substantial recoveries in demand. Thanks to a significantly higher gross margin and low cost structures, the operating result (EBIT) came to CHF 7.2 million, after a loss of just under CHF 6 million. The EBIT margin stood at a very impressive 18%.

Ismeca Semiconductor – also starting from a low baseline – posted a similar marked increase in volumes. New orders reached CHF 73.1 million (+267%) and revenues came to CHF 50.2 million (+204%). The positive gross margin and similar strict cost management led to an operating result of CHF 6.0 million (previous year:–7.1), which is equivalent to an EBIT margin of 12% – this includes income of CHF 1.2 million for patents and licenses. An amount of the same magnitude will be due in the second half. Gains on foreign currency positions produced a positive financial result which, gratifyingly, led to net income of CHF 8.7 million (previous year: –5.5).

3A Composites recorded new orders amounting to CHF 416.3 million and revenues of CHF 387.3 million, corresponding to an increase of 14% (on a like-for-like basis). This produced EBITDA of CHF 35.9 million and EBIT of CHF 21.8 million. An increase in raw material costs prevented an even better result.

Core Materials posted a very good result, favored by strong demand from China in the wind power sector. Display showed a strong recovery in both Europe and the US, as many customers replenished their low inventories. Architecture is recovering with a time lag. Revenues were particularly strong in India, the Middle East and in Asia generally.

Outlook

The encouraging pace of business is expected to continue in the second half of the year. All divisions reported a sustained healthy order intake. Given that some inventories were still at low levels at the beginning of the year, the second half looks set to be at least equally positive.

Cash and cash equivalents and treasury shares worth some CHF 300 million, plus a virtually debt-free balance sheet, are still available for acquisition projects.

Yours sincerely

Board of Directors, Schweiter Technologies

Key figures

Schweiter Technologies Group (in CHF m)	First half of **2010**	First half of 2009	Change
Orders received	536.6	33.4	1 507 %
Gross revenues	481.5	30.1	1 500 %
Operating result before depreciation/amortization (EBITDA)	48.5	– 13.0	
Operating result (EBIT)	33.7	– 13.7	
Net income / loss	23.6	– 10.5	

Result by divisions (in CHF m)	First half of **2010**	First half of 2009	Change
SSM Textile Machinery			
Orders received	47.2	13.5	250 %
Gross revenues	43.8	13.4	227 %
Operating result before depreciation/amortization (EBITDA)	7.4	– 5.5	
Operating result (EBIT)	7.2	– 5.7	
Ismeca Semiconductor			
Orders received	73.1	19.9	267 %
Gross revenues	50.2	16.5	204 %
Operating result before depreciation/amortization (EBITDA)	6.5	– 6.5	
Operating result (EBIT)	6.0	– 7.1	
3A Composites			
Orders received	416.3	–	
Gross revenues	387.3	–	
Operating result before depreciation/amortization (EBITDA)	35.9	–	
Operating result (EBIT)	21.8	–	

Consolidated balance sheet as at June 30, 2010

	Assets (in CHF m)	June 30, **2010**	%	Dec. 31, 2009 (adjusted)	%
	Current assets				
	Cash and cash equivalents	261.9		301.6	
1	Trade receivables	148.5		101.6	
1	Inventories and work in progress	114.3		96.8	
	Other current assets	35.0		23.9	
	Total current assets	**559.7**	62.7	**523.9**	60.7
	Non-current assets				
	Property, plant and equipment	233.8		241.0	
	Intangible assets	70.2		71.0	
	Other non-current assets	28.3		27.6	
	Total non-current assets	**332.3**	37.3	**339.6**	39.3
	Total assets	**892.0**		**863.5**	
	Liabilities (in CHF m)				
	Short-term liabilities				
	Short-term financial liabilities	4.9		13.4	
1	Trade liabilities	63.7		47.0	
1	Prepayments received from customers	14.6		9.3	
	Accrued expenses and deferred income	44.9		44.6	
	Other short-term liabilities	14.8		22.2	
	Total short-term liabilities	**142.9**	16.0	**136.5**	15.8
	Long-term financial liabilities	4.5		5.0	
	Deferred income tax liabilities	33.5		31.1	
	Pension obligations	50.5		51.3	
	Long-term provisions	16.9		16.2	
	Long-term liabilities	**105.4**	11.8	**103.6**	12.0
	Total liabilities	**248.3**	27.8	**240.1**	27.8
	Shareholders' equity				
	Share capital	1.4		1.4	
2	Treasury shares	– 28.7		– 28.7	
	Share premium	107.4		107.4	
	Retained earnings	536.4		569.1	
	Net income / loss	23.6		– 20.4	
	Currency translation adjustments	3.6		– 5.4	
	Total shareholders' equity	**643.7**	72.2	**623.4**	72.2
	Total liabilities and shareholders' equity	**892.0**		**863.5**	

▲ For additional details see notes to the semi-annual statements as at June 30, 2010

Consolidated income statement for the first half of 2010

(in CHF m)	First half of 2010	%	First half of 2009	%
Gross revenues	**481.5**	108.6	**30.1**	107.5
Sales deductions	– 40.4	– 9.1	– 2.0	– 7.1
Net revenues	441.1	99.5	28.1	100.4
Change in inventories of semi-finished and finished goods	2.2	0.5	– 0.1	– 0.4
Total operating income	**443.3**	100.0	**28.0**	100.0
Cost of materials	– 234.1	– 52.8	– 15.7	– 56.1
Personnel expenses	– 101.1	– 22.8	– 17.1	– 61.1
Other operating expenses	– 60.9	– 13.8	– 8.2	– 29.2
Other operating income	1.3	0.3	0.0	0.0
Depreciation and amortization of intangible assets	– 14.8	– 3.3	– 0.7	– 2.5
Operating result	**33.7**	7.6	**– 13.7**	– 48.9
Financial income	1.3	0.3	3.4	12.2
Financial expenses	– 5.4	– 1.2	– 0.1	– 0.4
Income before taxes	**29.6**	6.7	**– 10.4**	– 37.1
Income taxes	– 6.0	– 1.4	– 0.1	– 0.4
Net income / loss	**23.6**	5.3	**– 10.5**	– 37.5
Result per share (in CHF)				
Undiluted and diluted	17.25		– 7.72	

Consolidated statement of comprehensive income for the first half of 2010

(in CHF m)	First half of 2010	First half of 2009
Net income / loss	**23.6**	**–10.5**
Other items of comprehensive income:		
Foreign currency translation differences	9.0	0.4
Total other items of comprehensive income after income taxes	9.0	0.4
Comprehensive income	**32.6**	**–10.1**

▲ For additional details see notes to the semi-annual statements as at June 30, 2010

Consolidated cash flow statement for the first half of 2010

(in CHF m)	First half of **2010**	First half of 2009
Net income / loss	23.6	– 10.5
Depreciation and amortization of intangible assets	14.8	0.7
Other positions not impacting on liquidity	– 1.3	– 1.0
Income taxes	6.0	0.1
Financial result	4.8	– 3.2
Operating result before change in net current assets	**47.9**	**– 13.9**
Change in net current assets	– 47.2	14.0
Cash flow from operating activity	**0.7**	**0.1**
Interest paid	– 0.6	0.0
Income taxes paid	– 5.3	– 0.6
Net cash flow from operating activity	**– 5.2**	**– 0.5**
Purchase of subsidiaries	– 0.2	0.0
Purchase of property, plant and equipment and intangible assets	– 8.4	– 0.2
Sale of property, plant and equipment	0.1	0.0
Dividend of associated companies	0.5	0.0
Interest received	0.6	0.8
Cash flow from investment activity	**– 7.4**	**0.6**
3 Dividend	– 12.3	– 12.3
Repayment of short-term financial liabilities	– 8.7	0.0
Repayment of long-term financial liabilities	– 0.6	0.0
Cash flow from financing activity	**– 21.6**	**– 12.3**
Currency exchange differences on cash and cash equivalents	– 5.5	1.2
Change in cash and cash equivalents	**– 39.7**	**– 11.0**
Cash and cash equivalents as at January 1	301.6	596.1
Cash and cash equivalents as at June 30	**261.9**	**585.1**

▲ For additional details see notes to the semi-annual statements as at June 30, 2010

Change in consolidated shareholders' equity

(in CHF m)	Share capital	Treasury shares	Share premium	Retained earnings	Currency translation difference	Total shareholders' equity
Balance as at January 1, 2009	**1.4**	**– 28.7**	**107.4**	**581.4**	**– 8.9**	**652.6**
Loss				– 10.5		– 10.5
Other items of comprehensive income:						
Foreign currency translation differences					0.4	0.4
Total other items of comprehensive income after income taxes	*0*	*0*	*0*	*0*	*0.4*	*0.4*
Comprehensive income	*0*	*0*	*0*	*– 10.5*	*0.4*	*– 10.1*
Dividend				– 12.3		– 12.3
Balance as at June 30, 2009	**1.4**	**– 28.7**	**107.4**	**558.6**	**– 8.5**	**630.2**
Balance as at December 31, 2009	**1.4**	**– 28.7**	**107.4**	**548.7**	**– 5.4**	**623.4**
4 Adjustment from final purchase price allocation				0.0		0.0
Balance as at January 1, 2010 (adjusted)	**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**

▲ For additional details see notes to the semi-annual statements as at June 30, 2010

Operating segments

First half of 2010 (in CHF m)	SSM Textile Machinery	Ismeca Semiconductor	3A Composites	Other / Eliminations	Group
Gross revenues [1]	43.8	50.2	387.3	0.2	481.5
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

First half of 2009 (in CHF m)	SSM Textile Machinery	Ismeca Semiconductor		Other / Eliminations	Group
Gross revenues [1]	13.4	16.5		0.2	30.1
Operating result	– 5.7	– 7.1		– 0.9	– 13.7
Loss / net income	**– 5.7**	**– 5.5**		**0.7**	**– 10.5**
Assets	27.2	59.9		565.8	652.9
Liabilities	14.1	8.0		0.6	22.7
Employees at as June 30	195	290		3	488

[1] There are no revenues between the divisions

Notes to the semi-annual statements as at June 30, 2010

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 2009 Annual Report, which were applied with no changes other than the following new standards and interpretations:

Adopted new and revised standards

IAS 27	(revised) Consolidated and Separate Financial Statements
IAS 39	(revised) Financial Instruments: Recognition and Measurement
IFRS 1	(amendment) First-time Adoption of International Financial Reporting Standards
IFRS 2	Group Cash-settled Share-based Payment Transactions
IFRS 3	(revised) Business Combinations
IFRS 5	(amendment) Non-current Assets Held for Sale and Discontinued Operations
IFRIC 17	Distributions of Non-cash Assets to Owners

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: Measurement and Classification	January 1, 2013	Financial year 2013	3)
Amendments to Standards				
IAS 24 (rev. 2009)	Related Party Disclosures	January 1, 2011	Financial year 2011	2)
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues	February 1, 2010	Financial year 2011	1)
Misc.	Changes in IFRS (Annual improvements, May 2010)	January 1, 2011	Financial year 2011	3)
New interpretations				
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010	Financial year 2011	1)
Amendments to Interpretations				
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement	January 1, 2011	Financial year 2011	3)

1) No or no material effects are expected on the consolidated financial statements of Schweiter Technologies
2) Additional disclosures or changes in the presentation of the consolidated financial statements of Schweiter Technologies are mainly expected
3) The effects on the consolidated financial statements of Schweiter Technologies can not yet be reliably determined

Notes to the semi-annual statements as at June 30, 2010

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.

Scope of consolidation

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

Notes

1 Change in net current assets

As a result of the significant rise in gross revenues, net current assets (trade receivables, inventories and work in progress, trade liabilities and payments on account received from customers) increased by around 30%. While the increase in inventories was held at a relatively low level of 18%, growth in revenues led to a corresponding rise in receivables.

2 Treasury shares

Holdings of treasury shares remained unchanged in the first half of 2010. As at June 30, 2010, 77 809 treasury shares were held.

3 Dividend payout

At the Annual General Meeting of May 12, 2010 shareholders approved distribution of a dividend of CHF 9.00 per share.

4 Purchase of subsidiaries

As of November 30, 2009 Schweiter Technologies AG acquired Alcan Composites and subsequently renamed it 3A Composites. As this company was acquired close to the balance sheet date of December 31, 2009, the figures given for net assets under Note 31 in the 2009 Annual Report were still provisional. In 2010, final calculations were performed for the valuation and purchase price allocation in accordance with IFRS 3.

	Provisional Purchase Price Allocation November 30, 2009			Final Purchase Price Allocation November 30, 2009		
(in CHF 1000s)	Book value before takeover	Fair value adjustments	Fair value	Book value before takeover	Fair value adjustments	Fair value
Market value of the net assets acquired:						
Cash and cash equivalents	21.0		21.0	21.0		21.0
Trade receivables	80.5		80.5	80.5		80.5
Other receivables	11.6		11.6	11.6		11.6
Inventories	81.5	3.8	85.3	81.5	3.8	85.3
Other current assets	1.6		1.6	1.6		1.6
Property, plant and equipment	180.6	45.0	225.6	178.1	45.0	223.1
Biological assets	10.2		10.2	10.2		10.2
Financial assets	1.3		1.3	1.3		1.3
Deferred income tax assets	10.8		10.8	11.1	1.4	12.5
Intangible assets	43.0	19.5	62.5	43.0	19.5	62.5
Other non-current assets	1.6		1.6	1.6	1.3	2.9
Short-term financial liabilities	– 13.8		– 13.8	– 13.8		– 13.8
Trade liabilities	– 38.5		– 38.5	– 38.5		– 38.5
Short-term liabilities towards seller	– 35.9		– 35.9	– 35.9		– 35.9
Other liabilities	– 11.5		– 11.5	– 11.5		– 11.5
Accrued expenses and deferred income	– 38.0		– 38.0	– 38.0		– 38.0
Current income taxes	– 3.5		– 3.5	– 3.5		– 3.5
Long-term financial liabilities	– 5.0		– 5.0	– 5.0		– 5.0
Deferred income tax liabilities	– 13.5	– 18.1	– 31.6	– 13.5	– 18.6	– 32.1
Provisions	– 18.5		– 18.5	– 18.5		– 18.5
Pension obligations	– 44.0		– 44.0	– 44.0	– 7.0	– 51.0
Total net assets acquired	**221.5**	**50.2**	**271.7**	**219.3**	**45.4**	**264.7**
Goodwill [1)]			4.4			2.3
Purchase price including transaction costs			**276.1**			**267.0**

[1)] Difference between newly valued net assets and purchase price

The cash flow from the acquisition of shareholdings in the first half of 2010 for further acquisition costs amounted to CHF 0.2 million net. The balance of the final settlement was paid on July 1, 2010.

Notes to the semi-annual statements as at June 30, 2010

The comparative figures as of December 31, 2009 were accordingly adjusted retroactively to reflect the adjustment of fair value. This led to the following changes in balance sheet positions:

(in CHF 1000s)	31.12.2009	31.12.2009 (adjusted)
Other receivables	10.9	19.5
Property, plant and equipment	243.4	241.0
Investment in associated companies	1.7	2.9
Deferred income tax assets	10.8	12.5
Intangible assets	73.1	71.1
Other liabilities	– 9.7	– 9.0
Accrued expenses and deferred income	– 44.5	– 44.6
Deferred income tax liabilities	– 30.6	– 31.1
Pension obligations	– 44.1	– 51.3

The final settlement with the seller took place as of June 30, 2010, resulting in a reduction in the purchase price and an adjustment of the other receivables and liabilities. Owing to a calculation error made when drawing up the acquisition balance sheet, property, plant and equipment were reduced by CHF 2.4 million. As a result of the fair valuation of the Windkits LLC joint venture, the value of the investments in associated companies increased by CHF 1.2 million as of December 31, 2009.

The pension obligations calculated on the basis of the group-wide assumptions made by Rio Tinto (seller) at the time of the takeover were re-calculated in 2010 using the assumptions applicable to 3A Composites. This adjustment led to a CHF 7.2 million increase in these obligations as of December 31, 2009. The aforementioned corrections led to a corresponding adjustment of the deferred income tax assets and liabilities.

The final purchase price allocation led to a CHF 2.1 million reduction in goodwill reported in the balance sheet.

The loss and comprehensive income for the 2009 financial year were impacted positively in the amount of CHF 30,000 (writedown reduced by CHF 34,000 and tax expenditure increased by CHF 4,000). The corrections improved the undiluted and diluted result per share for 2009 by CHF 0.02.

If the purchase of 3A Composites had been completed on the first day of the 2009 financial year, sales of the Schweiter Technologies Group would have amounted to CHF 369.7 million and the operating result CHF 5.7 million.

5 Contingent liabilities

Contingent liabilities have remained essentially unchanged.

6 Events occurring after the balance sheet date

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 18, 2010.

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, **2010**	Dec. 31, 2009
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	786 801	783 914
Holdings of treasury shares	77 809	77 809
Treasury shares as % of share capital	5.39	5.39

The address for investor relations matters is:

Schweiter Technologies AG
Dr. Heinz O. Baumgartner
P.O. Box
8812 Horgen
Tel. +41 44 718 33 03
Fax +41 44 718 34 51
info@schweiter.com
www.schweiter.com

The next General Meeting will take place in Horgen on May 12, 2011.

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Schweiter Technologies AG
Neugasse 10
CH-8812 Horgen
Tel. +41 44 718 33 03
Fax +41 44 718 34 51
info@schweiter.com
www.schweiter.com