

SCHWEITER TECHNOLOGIES

Semi-Annual Report 2015

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Report of the Board of Directors on the results for the first half of 2015

Dear Shareholders

Schweiter Technologies posted sharp growth in revenues and earnings in the first half of 2015. The Group's net revenues amounted to CHF 431.0 million in the first half of the year, an increase of 15% (in local currencies: +18%). This includes the results for three months of the acquirees Polycasa and Plastwag, which both performed well. 3A Composites achieved a notable increase of 22% in local currencies (organic growth: 5%). SSM posted a cyclical decline of 9% compared with the high prior-year figure. The appreciation of the Swiss franc and the costs associated with the acquisition and integration of the acquirees reduced operating income by around CHF 8 million. Nevertheless, the Group's EBITDA rose by 9% to CHF 43.8 million and EBIT increased by 10% to CHF 31.5 million. Net income declined by 10% to CHF 18.7 million due to currency movements. After using CHF 115 million for acquisitions and distributing a dividend of around CHF 57 million, the Group has cash holdings of CHF 120 million.

3A Composites recorded orders received of CHF 427.4 million (H1 2014: 349.9 million). Net revenues rose by 18% to CHF 392.5 million (H1 2014: 333.1 million). This resulted in EBITDA of CHF 40.6 million (H1 2014: 33.8 million), which translates into a return on sales of over 10%. EBIT amounted to CHF 28.9 million (H1 2014: 22.8 million).

One notable contributor to growth was the strong demand in the core materials business for wind energy, primarily in China. The architecture and display business in Europe continued to perform well. Along-side a stable trend in western European countries, revenues in southern Europe continued to recover slightly.

In the Middle East and the Asia-Pacific region, the architecture business failed to sustain the gratifying growth of recent years in the first half of 2015. Political uncertainty and project postponements into the second half of the year depressed revenue performance but do not cloud the positive long-term outlook.

In the USA, the architecture business made a modest start in the first quarter due to difficult weather conditions, although this was offset by a

good second quarter. The display business turned in a solid performance.

Business in the transportation segment was on a positive track – compared with a weak prior-year period due to project postponements, revenues in the two main lines of business, rail vehicles and buses, increased sharply. However, margins were depressed by exchange rate effects.

The business and integration of Polycasa and Plastwag, the companies acquired at the end of March 2015, proceeded in line with expectations. The acquisition of PNG Balsa was completed on 30 June 2015. The costs associated with the acquisition and integration of these acquirees depressed half-year earnings by around CHF 2 million.

SSM Textile Machinery posted an orders received figure of CHF 36.3 million (H1 2014: 41.4 million). As expected, net revenues were down by 9% compared with the strong prior-year period to CHF 38.3 million (–8% in local currency).

The markets in India and Bangladesh performed well, while the high prior-year revenues in Turkey and the countries of South East Asia could not be matched. China continued to experience lower-than-average investment activity.

EBITDA declined to CHF 4.5 million (H1 2014: 7.7 million), which translates in-to a return on net revenues of 12% despite a fall in volumes and the negative impact of currency movements.

Outlook

Overall, business performance in the second half of the year is expected to be at least on a par with the first six months. The measures initiated to offset the negative impact of the appreciation of the Swiss franc will take full effect in the second half of the year. In addition, the revenues and earnings of all acquirees will be fully effective in the second half of the year.

Yours sincerely

Board of Directors Schweiter Technologies

Key figures

(in CHF m)	First half of 2015	First half of 2014	Change
Orders received	463.7	391.3	19%
3A Composites	427.4	349.9	22%
SSM Textile Machinery	36.3	41.4	- 12%
Net revenue	431.0	375.5	15%
3A Composites	392.5	333.1	18%
SSM Textile Machinery	38.3	42.2	- 9%
EBITDA	43.8	40.3	9%
3A Composites	40.6	33.8	20%
SSM Textile Machinery	4.5	7.7	- 41%
EBIT	31.5	28.7	10%
3A Composites	28.9	22.8	27%
SSM Textile Machinery	3.9	7.1	- 45%
Net income	18.7	20.8	- 10%

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 2015

	30 June		31 Dec.	
Assets (in CHF m)	2015	%	2014	%
Current assets				
Cash and cash equivalents	120.3		305.9	
Trade receivables	160.9		109.9	
Inventories and work in progress	140.7		130.4	
Other current assets	35.9		30.1	
Total current assets	457.8	51.9	576.3	64.8
Non-current assets				
Property, plant and equipment	236.9		191.7	
Investment property	20.6		20.8	
2 Intangible assets (incl. Goodwill)	116.9		54.2	
Other non-current assets	50.0		46.7	
Total non-current assets	424.4	48.1	313.4	35.2
Total assets	882.2		889.7	
Liabilities (in CHF m)				
Current liabilities				
Current financial liabilities	2.1		2.9	
Trade payables	65.8		53.8	
Prepayments received from customers	7.3		8.8	
Accrued expenses and deferred income	47.2		43.5	
Other current liabilities	43.4		26.5	
Total current liabilities	165.8	18.8	135.5	15.2
Non-current financial liabilities	5.1		3.6	
Deferred tax liabilities	26.5		24.9	
Non-current provisions	14.8		12.0	
Pension obligations	100.6		77.5	
Total non-current liabilities	147.0	16.7	118.0	13.3
Total liabilities	312.8	35.5	253.5	28.5
Shareholders' equity				
3 Share capital	1.4		1.4	
3 Treasury shares	- 6.6		- 7.4	
Reserves from capital contributions	0.1		0.1	
Retained earnings	616.2		654.5	
Currency translation adjustments	- 41.7		- 12.4	
Total shareholders' equity	569.4	64.5	636.2	71.5
Total liabilities and shareholders' equity	882.2		889.7	

▲ For additional details see notes to the semi-annual statements as at 30 June 2015

Consolidated income statement for the first half of 2015

(in CHF m)	First half of 2015		First half of 2014	
		%		%
Net revenues	431.0	100.5	375.5	98.3
Change in inventories of semi-finished and finished goods	- 2.2	- 0.5	6.4	1.7
Total operating income	428.8	100.0	381.9	100.0
Cost of materials	- 233.2	- 54.4	- 204.8	- 53.6
Personnel expenses	- 82.9	- 19.3	- 74.4	- 19.5
Other operating expenses	- 72.7	- 16.9	- 69.3	- 18.2
1 Other operating income	3.8	0.9	6.9	1.8
Depreciation and amortization	- 12.3	- 2.9	- 11.6	- 3.0
Operating result	31.5	7.4	28.7	7.5
Financial income	0.4	0.1	0.7	0.2
5 Financial expenses	- 5.6	- 1.3	- 1.5	- 0.4
Income before taxes	26.3	6.2	27.9	7.3
Income taxes	- 7.6	- 1.8	- 7.1	- 1.9
Net income	18.7	4.4	20.8	5.4
Earnings per share (in CHF)				
- undiluted	13.05		14.58	
- diluted	13.04		14.56	

Consolidated statement of comprehensive income for the first half of 2015

(in CHF m)	First half of 2015	First half of 2014
Net income	18.7	20.8
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
– Exchange differences on translation of foreign operations	– 29.3	– 1.4
– Tax effect	0.0	0.0
Total	– 29.3	– 1.4
Items that will not be reclassified subsequently to the statement of income:		
– Actuarial gains / (losses) on defined benefit plans	1.4	– 15.0
– Tax effect	– 0.3	3.0
Total	1.1	– 12.0
Total other comprehensive income	– 28.2	– 13.4
Comprehensive income	– 9.5	7.4

Consolidated statement of cash flows for the first half of 2015

(in CHF m)	First half of 2015	First half of 2014
Net income	18.7	20.8
Depreciation and amortization	12.3	11.6
Other positions not impacting on cash	– 1.4	– 1.8
Income taxes	7.6	7.1
Financial result	5.2	0.5
Change in net current assets	– 26.2	– 30.1
Interest paid	– 0.1	– 0.1
Income taxes paid	– 7.3	– 6.7
Cash flow from operating activity	8.8	1.3
1 Purchase of subsidiaries, net of cash acquired	– 115.4	0.0
Purchase of property, plant and equipment	– 13.3	– 15.3
Sale of property, plant and equipment	1.0	2.9
Purchase of intangible assets	– 0.4	– 0.4
Repayment of financial assets	1.6	0.2
Interest received	0.1	0.4
Cash flow from investment activity	– 126.4	– 12.2
Repayment of non-current financial liabilities	– 0.6	0.0
Repayment of current financial liabilities	– 0.9	– 0.6
4 Dividend paid	– 57.2	– 57.2
Cash flow from financing activity	– 58.7	– 57.8
Currency exchange differences on cash and cash equivalents	– 9.3	– 0.5
Change in cash and cash equivalents	– 185.6	– 69.2
Cash and cash equivalents as at 1 January	305.9	352.1
Cash and cash equivalents as at 30 June	120.3	282.9

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 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
Dividend				- 57.2		- 57.2
Balance as at 30 June 2014	1.4	- 7.4	0.1	636.9	- 32.1	598.9
Balance as at 1 January 2015	1.4	- 7.4	0.1	654.5	- 12.4	636.2
Net income				18.7		18.7
<i>Other comprehensive income</i>	0	0	0	1.1	- 29.3	- 28.2
Comprehensive income	0	0	0	19.8	- 29.3	- 9.5
Share-based remuneration		0.8		- 0.8		0
⁴ Dividend				- 57.3		- 57.3
Balance as at 30 June 2015	1.4	- 6.6	0.1	616.2	- 41.7	569.4

▲ For additional details see notes to the semi-annual statements as at 30 June 2015

Operating segments

First half of 2015 (in CHF m)	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
Net revenues ¹⁾	392.5	38.3	0.2	431.0
Operating result	28.9	3.9	- 1.3	31.5
Net income	17.7	2.7	- 1.7	18.7
Assets	791.8	56.1	34.3	882.2
Liabilities	603.7	40.1	- 331.0	312.8
Employees at 30 June	4552 ²⁾	252	6	4810

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

²⁾ Of which 2 120 employees in balsa wood plantations and sawmills in Ecuador and Papua New Guinea

First half of 2014 (in CHF m)	3A Composites	SSM Textile Machinery	Other/ Eliminations	Group
Net revenues ¹⁾	333.1	42.2	0.2	375.5
Operating result	22.8	7.1	- 1.2	28.7
Net income	13.4	6.1	1.3	20.8
Assets	560.6	60.2	206.3	827.1
Liabilities	397.0	46.0	- 214.8	228.2
Employees at 30 June	2232 ²⁾	240	6	2478

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

²⁾ Of which 560 employees in balsa wood plantations and sawmills in Ecuador

Notes to the semi-annual statements as at 30 June 2015

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 2014 Annual Report, which were applied with no changes other than the following new or amended standards and interpretations:

Amendments to standards

IAS 19	Defined Benefit Plans: Employee Contributions
Miscellaneous	Amendments resulting from the Annual Improvement Projects

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 ²⁾
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 10 and IAS 28	Amendments regarding the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016	Financial year 2016 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 Projects	1 January 2016	Financial year 2016 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

Notes to the semi-annual statements as at 30 June 2015

Overview of the acquired assets and liabilities recognized at the time of acquisition

(in CHF m)	Polycasa ¹⁾	Plastwag ¹⁾	PNG Balsa ¹⁾	Total
Cash and cash equivalents	4.9	0.6	0.0	5.5
Trade receivables	34.7	2.2	0.0	36.9
Inventories and work in progress	21.7	0.4	1.7	23.8
Other current assets	3.2	0.0	0.2	3.4
Total current assets	64.5	3.2	1.9	69.6
Non-current assets				
Property, plant and equipment	38.8	7.5	8.4	54.7
Intangible assets	7.0	0.9	0.0	7.9
Other non-current assets	1.1	0.0	5.2	6.3
Total non-current assets	46.9	8.4	13.6	68.9
Current financial liabilities	- 3.2	- 0.2	0.0	- 3.4
Trade payables	- 12.8	- 0.6	0.0	- 13.4
Accrued expenses and deferred income	- 9.1	- 3.0	0.0	- 12.1
Other current liabilities	- 11.5	- 0.4	- 0.4	- 12.3
Total current liabilities	- 36.6	- 4.2	- 0.4	- 41.2
Non-current financial liabilities	0.0	- 0.8	- 1.9	- 2.7
Deferred tax liabilities	0.0	0.0	- 1.5	- 1.5
Non-current provisions	- 3.0	- 0.5	0.0	- 3.5
Pension obligations	- 25.9	0.0	0.0	- 25.9
Total non-current liabilities	- 28.9	- 1.3	- 3.4	- 33.6
Total fair value of net assets acquired	45.9	6.1	11.7	63.7
Goodwill	50.5	9.6	0.0	60.1
Bargain purchase	0.0	0.0	- 2.0	- 2.0
Total consideration paid	96.4	15.7	9.7	121.8
Cash and cash equivalents acquired	- 4.9	- 0.6	0.0	- 5.5
Consideration payables	0.0	- 3.6 ²⁾	- 0.5	- 4.1
Repayment of pre-existing loans	3.2	0.0	0.0	3.2
Cash out flow from purchase of subsidiaries	94.7	11.5	9.2	115.4

¹⁾ The acquisitions were only reported provisionally on the balance sheet at the end of the period under review. When the semi-annual report was being prepared, the final purchase prices had not yet been determined and the necessary market valuations had not yet been completed. They were therefore determined on the basis of management's best estimates of the likely values.

²⁾ The deferred purchase price is in the range of CHF 0.0–4.0 million

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

The Polycasa Group and Plastwag S.A. were acquired on 31 March 2015 and the balsa operations of PNG Balsa Ltd. on 30 June 2015; all three were integrated into the 3A Composites division.

Notes

1 Acquisition of subsidiaries

Acquisition of the Polycasa Group

On 31 March 2015, Schweiter Technologies acquired 100% of the shares in the Polycasa Group, one of Europe's leading manufacturers of transparent plastic sheeting. This acquisition by the Group strengthens the display activities of the 3A Composites division.

The provisional purchase price is CHF 96.4 million. The final purchase price will be determined on the basis of the net assets accepted by the contracting parties. There are no variable purchase price components over and above this. The provisional goodwill arising on the acquisition amounts to CHF 50.5 million and essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible.

Since the acquisition date, the Polycasa Group had generated revenues of CHF 54.1 million and net income of CHF 2.6 million.

Acquisition of Plastwag S.A.

Also on 31 March 2015, 100% of the shares were acquired in Plastwag S.A. in Poland. Plastwag manufactures high-quality fibre-reinforced and thermoformed plastic components. The Group's acquisition of Plastwag strengthens the transportation business of the 3A Composites division.

The provisional purchase price is CHF 15.7 million. The final purchase price will be determined on the basis of the net assets accepted by the contracting parties and the operating results for financial years 2015 and 2016. The provisional goodwill arising on the acquisition amounts to CHF 9.6 million and essentially reflects the value of the expected buyer-specific synergies. The goodwill is not tax-deductible.

Since the acquisition date, Plastwag S.A. had generated revenues of CHF 2.3 million and net income of CHF 0.3 million.

Acquisition of PNG Balsa Ltd.

Effective 30 June 2015, Schweiter Technologies acquired the balsa operations of PNG Balsa Ltd. in Papua New Guinea by way of an asset deal. PNG Balsa specializes in the planting, harvesting and processing of balsa wood. This acquisition extends 3A Composites' leading market position in core materials.

The provisional purchase price for the company is CHF 9.7 million. The final purchase price will be determined on the basis of the net assets accepted by the contracting parties. There are no variable purchase price components over and above this.

The provisionally remeasured net assets acquired exceed the provisional purchase price, resulting in negative goodwill (bargain purchase). Following the first-time calculation of this excess, the measurement of all assets acquired and liabilities and contingent liabilities assumed were therefore reassessed. The CHF 2.0 million excess resulting from the bargain purchase was recognized in profit or loss within other operating income.

The transaction costs of CHF 1.5 million related to the acquisitions are included in other operating expenses.

Notes to the semi-annual statements as at 30 June 2015

Had the business combinations already taken place on 1 January 2015, management estimates that the Group's revenues would have reached CHF 491.2 million and net income CHF 20.3 million in the first half of 2015.

2 Goodwill (in CHF m)

Cost

Balance as at 1 January 2015	10.2
Additions from acquisitions	60.1
Exchange rate differences	-1.0
Balance as at 30 June 2015	69.3

Accumulated amortization

Balance as at 1 January 2015	0.0
Amortization for the year	0.0
Exchange rate differences	0.0
Balance as at 30 June 2015	0.0

Net book value at as 30 June 2015	69.3
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3 Share capital / treasury shares

As at 30 June 2015, a total of 12 663 treasury shares were held, of which 605 shares were held separately for share-based payment and 11 864 relate to the 2012–2014 share buyback program.

The Annual General Meeting on 6 May 2015 resolved to cancel the 11 864 shares repurchased under the 2012–2014 share buyback program and reduce the share capital by CHF 11 864, from CHF 1 443 672 to CHF 1 431 808. The capital reduction was entered on 16 July 2015.

4 Dividend

At the Annual General Meeting on 6 May 2015, 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 57.3 million.

5 Net financial income / financial expenses

Financial expenses include foreign currency losses of CHF 4.4 million (financial income in the prior-year period includes a foreign currency gain of CHF 0.3 million).

6 Contingent liabilities

Contingent liabilities have remained essentially unchanged.

7 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 2015.

This interim report was approved and released for publication by the Board of Directors of Schweiter Technologies AG on 17 August 2015 by way of a circular resolution.

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 2015	31 Dec. 2014
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	0
Stock market capitalization as at reference date	1 087 085	1 126 064
Holdings of treasury shares	12 663	14 748
Treasury shares as % of share capital	0.88	1.02

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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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The German text is the official version.

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