

Sales decline sharply in 2009 financial year – expected to stabilize at a low level in 2010

The Schlatter Group was severely impacted by the economic crisis in the 2009 financial year. The order intake declined to CHF 85.4 million and net sales fell by 49 percent to CHF 126.7 million. The order backlog totaled CHF 48.6 million as of the balance sheet date. Despite far-reaching cost-reduction measures, the Schlatter Group recorded a negative operating result (EBIT) of CHF –18.9 million. Net profit for the period of CHF –17.0 million included a positive financial result of CHF 1.8 million. Thanks to its lean cost structures, solid balance sheet and considerable innovative strength, the Schlatter Group is well positioned for the 2010 financial year.

Dear shareholders

Following the slowdown in the markets that began at the end of 2008, the Schlatter Group's order intake declined sharply to CHF 85.4 million (2008: CHF 154.1 million) in the 2009 financial year, although there was an improvement in the second half of the year with orders totaling CHF 55 million. The strong reduction in the order intake started to impact net sales in the second quarter of 2009, resulting in a 49 percent decrease to CHF 126.7 million (CHF 247.4 million). The order backlog as of the balance sheet date declined from CHF 89.9 million to CHF 48.6 million. Despite the prompt implementation of a far-reaching cost-reduction program, the Schlatter Group ended the year under review with a negative operating result (EBIT) of CHF –18.9 million (CHF 10.2 million). Net profit for the period of CHF –17.0 million (CHF 6.3 million) included a positive financial result of CHF 1.8 million, which was mainly attributable to currency effects.

Although a net debt position of CHF –2.2 million was recorded in the previous year, a net financial position of CHF 1.1 million was achieved in the year under review.

Welding segment

The Welding segment, which combines the product areas Wire, Profiles and Radiators, saw net sales decline by 45 percent from CHF 180.5 million to CHF 98.8 million in the 2009 financial year. The order intake decreased from CHF 114.2 million to CHF 72.7 million. The order backlog as of December 31, 2009 was CHF 38.2 million (CHF 64.3 million). The outlook in respect of the order intake remains unclear.

The Wire product area, which manufactures equipment for the production of reinforcing mesh and industrial mesh and accounts for the largest proportion of the segment's sales, was most severely impacted by the crisis. In 2009, many clients halted all investments and closed down parts of their production sites for a period of several months. However, positive developments were recorded in the Profiles product area, which achieved growth in sales and increased its order intake thanks to its mobile and stationary rail welding plants.

A significant negative segment result (EBIT) of CHF –18.5 million (CHF 6.2 million) was reported. The Welding segment was more severely impacted by the weak euro than the Weaving segment because a substantial proportion of its costs are incurred in Swiss francs.

Weaving segment

As a result of the marked expansion of capacity in Asia, the Weaving segment succeeded in doubling its net sales in the period from 2005 to 2008. The end of the investment phase in Asia and the global economic and financial market crisis were reflected by the decline in net sales in the Weaving segment from CHF 66.9 million to CHF 27.9 million in the 2009 financial year. The order intake fell from CHF 39.9 million to CHF 12.7 million. Despite the massive reduction in sales, the segment almost achieved break-even with a segment result (EBIT) of CHF –0.5 million (CHF 4.2 million) thanks to the flexible cost structures it implemented in recent years. In view of the order backlog of CHF 10.4 million (CHF 25.6 million) and the slight recovery in the order intake during recent months, sales are expected to stabilize in the 2010 financial year.

Adjustment of cost structures

To ensure that the Schlatter Group is ideally positioned for the 2010 financial year, it gradually aligned its cost structures to the changed economic environment in 2009. As a result, personnel expenses decreased by CHF 14.1 million (21 percent). This includes the short-time working introduced in Schlieren and Münster. The Schlatter Group carefully retained the necessary technical expertise to make sure that it is well prepared for the anticipated recovery in the market environment.

Investments in new products and markets

Schlatter's long-term success is driven by its close contact with customers, its highly motivated employees and their proven expertise, and its state-of-the-art products. In the year under review, the Schlatter Group therefore made significant investments in the development of new products and technologies across all product areas. To ensure it can address customer needs even more effectively, it also intensified its cooperation with partners in various markets.

Its solid balance sheet and disciplined cash management will enable the Schlatter Group to continue investing in the business in 2010, despite the challenging environment.

Walter Gränicher appointed Chairman of the Board of Directors

Walter Gränicher was elected to the Board of Directors of Schlatter Holding AG at an Extraordinary General Meeting on January 15, 2010. He took over as Chairman of the Board of Directors immediately after his election. His appointment and immediate assumption of this role has ensured the smooth handover of the chairmanship from Hans Ziegler, who is not standing for re-election at the forthcoming Annual General Meeting, to his successor.

The Board of Directors wishes to express its considerable thanks to Hans Ziegler for the valuable contribution he has made to the Schlatter Group in the role of Chairman of the Board of Directors since 2006.

Outlook and thanks

Despite the enormous challenges it faced in the previous year, the Schlatter Group is well positioned for the 2010 financial year. Its cost base has been continuously reduced in recent months, it has a solid balance sheet and it made above-average investments in new products and technologies during the 2009 financial year. However, it will preserve its flexible approach and continue to manage costs strictly due to the volatile operating environment. In view of the current order intake, we do not expect to see any significant growth in our markets in the short term. However, we aim to achieve a moderate increase in sales and a break-even result for the 2010 financial year overall.

Based on the negative operating result for the 2009 financial year, the Board of Directors will propose to the Annual General Meeting on May 11, 2010, that no dividend be paid for the 2009 financial year.

We would like to express our sincere thanks to our shareholders for the trust you have placed in the Schlatter Group. We would be very pleased to welcome you to the Annual General Meeting.

The full version of the 2009 Annual Report (in German only) is available on the Schlatter Group's website at: www.schlattergroup.com or can be ordered using the attached form.

Schlieren, March 17, 2010



Walter Gränicher
Chairman of the Board of Directors



Jost Sigrist
Chief Executive Office

Schlatter Group key figures

		2009	2008
Net sales	CHF million	126.7	247.4
Change compared to previous year	%	-48.8	3.1
Output	CHF million	127.8	267.3
Operating result (EBIT)	CHF million	-18.9	10.2
in % of net sales	%	-15.0	4.1
Net profit (incl. minorities)	CHF million	-17.0	6.3
in % of net sales	%	-13.4	2.6
Net profit (excl. minorities)	CHF million	-17.0	5.3
in % of net sales	%	-13.4	2.1
Order intake	CHF million	85.4	154.1
Order backlog	CHF million	48.6	89.9
Number of employees as of December 31¹	Full-time equivalents (FTEs)	488	570
average number of employees ¹	Full-time equivalents (FTEs)	511	574
Net sales per employee	CHF 1,000	248	431
Interest-bearing liabilities	CHF million	15.6	13.6
Net financial position (debt)²	CHF million	1.1	-2.2
Gearing³	%	0.0	4.3
Free cash flow⁴	CHF million	3.4	-16.2
Current assets	CHF million	68.5	106.0
Non-current assets	CHF million	25.1	25.8
Liabilities	CHF million	59.2	80.9
Equity (incl. minorities)	CHF million	34.5	50.8
Equity ratio (incl. minorities)	%	36.8	38.5
Return on equity (ROE)⁵	%	-39.8	11.4
Share data			
Share capital as of December 31	CHF 1,000	17,575	17,575
Total registered shares	Number	292,917	292,917
of which entitled to dividend payments	Number	291,474	289,999
Net profit per registered share ⁶	CHF	-58.26	18.25
Equity per registered share ⁶	CHF	118.26	175.02
Dividend per registered share	CHF	0⁷	0
Payout ratio	%	0⁷	0
Share price development			
High	CHF	305.00	470.00
Low	CHF	177.80	270.00
Year-end	CHF	205.00	305.00
Market capitalization			
High	CHF million	89.3	137.7
Low	CHF million	52.1	79.1
Year-end	CHF million	60.0	89.3

¹ Restatement 2005 to 2008: Headcount now includes temporary employees

² Net financial position (debt): cash and cash equivalents less interest-bearing liabilities

³ Gearing: net debt position divided by equity

⁴ Cash flow from operating activities less purchase of property, plant and equipment and intangible assets

⁵ Net profit divided by average equity with the exception of 31.12.2005 (equity as of value date due to new share issue)

⁶ Determined on the basis of dividend-entitled shares

⁷ In accordance with the proposal to the Annual General Meeting of 11.5.2010

2009 Annual Report of Schlatter Holding AG

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