

## Schlatter Group's performance in the 2010 financial year: positive operating result with an increasing order intake and a slight decline in net sales

The Schlatter Group recorded a significant increase in the order intake to CHF 109.7 million in the 2010 financial year compared to the previous year (CHF 85.4 million). Net sales totaled CHF 119.7 million and were thus slightly lower than in 2009 (CHF 126.7 million). At the end of 2010, the order backlog amounted to CHF 38.6 million (CHF 48.6 million). The operating result (EBIT) of CHF 0.4 million (CHF –18.9 million) includes a gain on the sale of real estate in the amount of CHF 4.7 million. Net profit for the 2010 financial year totaled CHF 0.2 million (CHF –17.0 million.). Thanks to its substantial investments in new products and markets, the Group is well positioned to achieve profitable growth again in the coming years.

Dear shareholders

Following the dramatic decline in sales recorded by the Schlatter Group in the previous year, the markets did not recover as strongly as was hoped. Another reduction in net sales was reported in the 2010 financial year. The slight decrease of 5.5 per cent is mainly attributable to the severe impact of the euro exchange rate on Schlatter as an export-oriented company. Targeted measures such as the expansion of global sourcing, the entry into new markets, the hedging of customer orders and the optimization of the value chain did not eliminate the negative impacts of the strong Swiss franc but partly compensated for them.

While the Group had reported a large operating loss of CHF –18.9 million for the 2009 financial year, an operating profit (EBIT) of CHF 0.4 million and profit after taxes of CHF 0.2 million were generated in 2010 despite the reduction in sales. This improvement in the result was driven by the comprehensive restructuring measures implemented over the last two years, which have provided the Group with a very lean and flexible cost structure. The result also benefited from the gain on the sale of a plot of land in Schlieren not required for operational purposes in the amount of CHF 4.7 million.

The Schlatter Group significantly strengthened its balance sheet despite the continued difficult environment in the 2010 financial year. As of December 31, 2010, it reported a net financial position of CHF 6.1 million (CHF 1.1 million). The equity ratio increased from 33.5 per cent in 2009 to 44.3 per cent in 2010. The stable balance sheet and flexible and efficient cost structure will provide the necessary basis for future profitable growth.

### **Emerging markets offer opportunities for success**

The Schlatter Group previously placed a strong focus on Europe and on Western markets – especially in the reinforcing mesh and industrial mesh business. However, over the last two years it has increasingly targeted the emerging markets in Asia, South America and India. This has enabled it to exploit new customer segments and to compensate for part of the decline in sales in traditional markets prompted by the economic climate. In China, Schlatter recorded a high level of demand for both its weaving machines and its rail welding equipment, while in South America, the Group was especially successful in marketing its mesh welding machines. In addition, the new partnerships in the area of mobile rail welding systems established in India and China in 2010 will enable the Group to significantly expand its market position in both countries.

The key factors driving Schlatter's success are its technically superior products and its broad service offering and spare parts service, which can be offered worldwide. The Schlatter Group therefore wants to further expand its activities and strengthen its global presence in 2011.

### **Investments in new products**

In line with its focus on enhancing efficiency for its customers, Schlatter continued to make targeted investments in the development of new products and applications in 2010. The Welding segment launched its first new product in the market for precast concrete elements, thus enabling it to broaden the range of applications for its highly automated welding technology.

Both the Welding and Weaving segments are currently in the final development phase of further projects. It is planned that they will unveil four new types of machine in various markets in 2011. This comprises the further development of two existing types of machine as well as the launch of a new weaving machine and new welding equipment with a range of innovative applications – representing a promising expansion of its product range. The development of these products is carried out by internal specialists as well as in conjunction with external partners. This market offensive is designed to clearly position the Schlatter Group as a technology leader both globally and in all areas of the manufacturing of welding and special weaving machines, thus further consolidating its role in the market.

### **Welding segment**

In view of its very low order backlog and the impact of the euro exchange rate, the Welding segment faced a number of challenges in the 2010 financial year. While the order intake rose from CHF 72.7 million to CHF 77.9 million during the period under review, net sales declined slightly to CHF 91.3 million compared to the previous year (CHF 98.8 million) and the order backlog totaled CHF 24.8 million at the end of 2010 (CHF 38.2 million). The segment reduced its operating loss to CHF –4.7 million compared to 2009 (CHF –18.5 million.) Its earning position should improve in the 2011 financial year as a result of new products and its entry into new regions.

### **Weaving segment**

The Weaving segment stabilized in the 2010 financial year, as expected. The segment more than doubled its order intake to CHF 31.8 million compared to the previous year (CHF 12.7 million) and generated slightly higher net sales of CHF 28.4 million (CHF 27.9 million). The order backlog was CHF 13.8 million at the end of 2010 (CHF 10.4 million). Thanks to its flexible cost structure, a positive segment result (EBIT) of CHF 0.5 million was recorded (CHF –0.5 million). Based on market indicators, a continuation of this positive trend is expected in 2011.

### **New composition of the Board of Directors**

Walter Gränicher was elected to the Board of Directors of the Schlatter Group at an Extraordinary General Meeting on January 15, 2010. He assumed the role of Chairman of the Board of Directors immediately after his election, succeeding Hans Ziegler, who remained on the Board of Directors until the Annual General Meeting in May 2010. The members of the Board of Directors wish to express their considerable thanks to Hans Ziegler, who had expertly managed the Schlatter Group since 2006 and played an instrumental role in the realignment of the company.

At the Annual General Meeting of May 11, 2010, Ruedi Huber was elected as a new member of the Board of Directors of Schlatter Holding AG.

### **Increase in authorized capital**

The Annual General Meeting of May 11, 2010, approved the creation of a maximum of CHF 8,787,480 of authorized share capital. This capital, which is intended to be used for the acquisition of companies and/or to finance major innovative steps in the development of the business, will provide the necessary basis to allow the Schlatter Group to further consolidate its leading market position in the long term.

### **Outlook and thanks**

The revival of demand across all markets and product areas, as well as the current development of the order intake, provides grounds for optimism that the Schlatter Group will once again achieve growth in the 2011 financial year. After two years of very limited capital spending by our customers, there is now a need in many markets for them to invest in new production equipment. The growth in the sale of spare parts and services also points to the better capacity utilization of our customers' equipment. However, since the development of their business is directly dependent on global economic trends, any fluctuations in the price of raw materials, currencies or interest rates could affect their capital spending in the short term. The Schlatter Group has therefore drawn up a prudent plan to ensure it can respond to new developments rapidly and flexibly. By expanding its global presence and making targeted investments in new products and in its employees, the Schlatter Group will continue to pursue its strategy – which is focused on achieving long-term success – in the 2011 financial year.

A stable balance sheet with an adequate supply of capital and liquidity will form the basis for the Schlatter Group's future success. To preserve our strong capital base, the Board of Directors will propose to the Annual General Meeting on May 10, 2011, that no dividend be paid for the 2010 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 2010 Annual Report (in German only) is available on our website [www.schlattergroup.com](http://www.schlattergroup.com) or can be ordered using the attached form.

Schlieren, March 16, 2011



Walter Gränicher  
Chairman of the Board of Directors



Jost Sigrist  
Chief Executive Office

## Schlatter Group key figures

		2010	2009
<b>Net sales</b>	CHF million	<b>119.7</b>	<b>126.7</b>
Change compared to previous year	%	<b>-5.5</b>	-48.8
<b>Operating result (EBIT)</b>	CHF million	<b>0.4</b>	<b>-18.9</b>
in % of net sales	%	<b>0.4</b>	-15.0
<b>Net profit</b>	CHF million	<b>0.2</b>	<b>-17.0</b>
in % of net sales	%	<b>0.2</b>	-13.4
<b>Order intake</b>	CHF million	<b>109.7</b>	<b>85.4</b>
<b>Order backlog</b>	CHF million	<b>38.6</b>	<b>48.6</b>
<b>Headcount as of December 31</b>	FTEs	<b>444</b>	<b>488</b>
Average headcount	FTEs	<b>455</b>	511
<b>Net sales per employee</b>	CHF 1,000	<b>263</b>	<b>248</b>
<b>Interest-bearing liabilities</b>	CHF million	<b>5.4</b>	<b>15.6</b>
<b>Net financial position<sup>1</sup></b>	CHF million	<b>6.1</b>	<b>1.1</b>
<b>Gearing<sup>2</sup></b>	%	<b>0.0</b>	<b>0.0</b>
<b>Free cash flow<sup>3</sup></b>	CHF million	<b>6.4</b>	<b>3.4</b>
<b>Current assets</b>	CHF million	<b>52.6</b>	<b>68.5</b>
<b>Non-current assets</b>	CHF million	<b>21.5</b>	<b>25.1</b>
<b>Liabilities</b>	CHF million	<b>41.2</b>	<b>59.2</b>
<b>Equity</b>	CHF million	<b>32.9</b>	<b>34.5</b>
<b>Equity ratio</b>	%	<b>44.3</b>	<b>36.8</b>
<b>Return on equity (ROE)<sup>4</sup></b>	%	<b>0.7</b>	<b>-39.8</b>
<b>Share data</b>			
Share capital as of December 31	CHF 1,000	<b>17,575</b>	17,575
Total registered shares	Number	<b>292,917</b>	292,917
of which entitled to dividend payments	Number	<b>291,786</b>	291,474
Net profit per registered share <sup>5</sup>	CHF	<b>0.81</b>	-58.26
Equity per registered share <sup>5</sup>	CHF	<b>112.50</b>	118.26
Dividend per registered share	CHF	<b>0<sup>6</sup></b>	0
Payout ratio	%	<b>0<sup>6</sup></b>	0
<b>Share price development</b>			
High	CHF	<b>270.00</b>	305.00
Low	CHF	<b>208.00</b>	177.80
Year-end	CHF	<b>249.00</b>	205.00
<b>Market capitalization</b>			
High	CHF million	<b>79,1</b>	89.3
Low	CHF million	<b>60,9</b>	52.1
Year-end	CHF million	<b>72,9</b>	60.0

<sup>1</sup> Net financial position: cash and cash equivalents less interest-bearing liabilities

<sup>2</sup> Gearing: net debt position divided by equity; negative gearing = 0

<sup>3</sup> Cash flow from operating activities less purchase of property, plant and equipment and intangible assets, plus sale of property, plant and equipment and intangible assets

<sup>4</sup> Net profit divided by average equity

<sup>5</sup> Determined on the basis of dividend-entitled shares

<sup>6</sup> In accordance with the proposal to the Annual General Meeting of May 10, 2011

## 2010 Annual Report of Schlatter Holding AG

**Please send me:**

\_\_\_\_\_ copy/copies of the Annual Report  
(available in German only)

Title  Ms  Mr

First name, last name \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

P.O. Box \_\_\_\_\_

Postcode, town \_\_\_\_\_

Country \_\_\_\_\_

**Please send your order to:**

Fax +41 44 732 45 01

or:

**Schlatter Holding AG**  
**Brigitte Gutknecht**  
**Brandstrasse 24**  
**CH-8952 Schlieren**

Alternatively, you can order the Annual Report by sending an e-mail to:  
[brigitte.gutknecht@schlattergroup.com](mailto:brigitte.gutknecht@schlattergroup.com)

**Schlatter Holding AG**

Brandstrasse 24  
8952 Schlieren | Switzerland  
T +41 44 732 71 11  
F +41 44 732 45 50  
[www.schlattergroup.com](http://www.schlattergroup.com)