To our shareholders

“Slight increase in sales in a challenging environment”

The Schlatter Group reported another slight increase in net sales from CHF 240.0 million to CHF 247.4 million in the 2008 financial year. The operating result (EBIT) declined to CHF 10.2 million compared to 2007 (CHF 12.3 million). Excluding special items, the operating result was, however, in line with the previous year. Significant currency losses during the year under review impacted the Group’s financial result, leading to a net profit of CHF 6.3 million (CHF 8.4 million). Like other companies, the Schlatter Group was not immune to the negative global trends in recent months. The effects of the downturn were reflected by the order backlog of CHF 89.9 million at the end of 2008, which was significantly lower than in the previous year (CHF 183.2 million). Thanks to its solid balance sheet and attractive products, the Schlatter Group is well positioned for the 2009 financial year despite the uncertain outlook.

Dear shareholders

In the year under review, the Schlatter Group reported another slight increase in net sales, which rose by 3.1%. However, the order backlog decreased by 50.9 percent to CHF 89.9 million compared to the previous year.

The operating result (EBIT) of CHF 10.2 million (CHF 12.3 million) was impacted by special items of CHF 1.3 million, net, including write-offs of outstanding payments in the amount of CHF 1.9 million as well as a charge of CHF 4.2 million for commercial settlements in connection with project-related legacy issues. At the same time, a net book gain of CHF 5.7 million was realized as a result of the sale and leaseback of the property in Münster. Excluding the negative effects, the EBIT generated by the Schlatter Group in 2008 was in line with the previous year. Additionally, the strengthening of the Swiss franc against the euro – particularly in the fourth quarter of 2008 – reduced the operating result by CHF 2.5 million.

Net profit of CHF 6.3 million (CHF 8.4 million) includes negative currency effects totaling CHF 6.4 million. This result was below expectations and mainly reflected the adverse impact of the economic environment in the fourth quarter of 2008.

The average number of employees increased to 516 in the 2008 financial year (previous year: 502) and net sales per employee totaled CHF 479,000.

Welding segment The level of demand, which had remained strong in previous years, declined significantly – particularly in the fourth quarter of 2008 – although certain individual product areas such as rail welding were less severely affected. In the 2008 financial year, the welding segment achieved another slight increase in net sales from CHF 179.0 million to CHF 180.5 million. The segment result (EBIT) of CHF 6.2 million was significantly lower than in the previous year (CHF 8.7 million) due to negative currency effects. Unlike the weaving segment, the welding segment was impacted by the weak euro, since a substantial proportion of its costs are incurred in Swiss francs. The order backlog totaled CHF 64.3 million as of December 31, 2008 (CHF 130.6 million), which will allow for a good level of capacity utilization during the first few months of 2009.

Weaving segment The weaving segment secured a number of large orders for the new production facilities of major clients in Asia – particularly at the start of the 2008 financial year.

However, growth has flattened out considerably, especially in the Asian markets. During the year under review, the weaving segment increased its net sales by almost 10 percent to CHF 66.9 million (CHF 61.0 million). The segment result (EBIT) of CHF 4.2 million (CHF 3.7 million) reflected a negative impact of CHF 0.9 million due to the insolvency of a client in the first half of the year. As of December 31, 2008, the segment had an order backlog of CHF 25.6 million (CHF 52.6 million), thus ensuring a good level of capacity utilization in the first half of 2009.

Schlatter acquires full control of Emil Jäger GmbH & Co. KG In October 2008, Schlatter Holding AG acquired the remaining 25 percent of shares in Emil Jäger GmbH & Co. KG, Münster (Germany) from the Schröter Brothers. The completion of the acquisition will allow for a unified market presence, particularly in the area of wire welding. The merger is also aimed at achieving sustained operational improvements and at optimizing the cost base. Following the start of the integration processes in October 2008, it is planned that most of the necessary changes will be performed in the 2009 financial year.

Expansion of the service business The Schlatter Group strengthened its presence in South East Asia in November 2008 through the acquisition of NSE Machinery in Ipoh, Malaysia. NSE Machinery specializes in the maintenance and installation of resistance welding machines and has an experienced workforce with valuable expertise based on many years of cooperation as service agents, particularly in the maintenance of Schlatter welding equipment. Through its acquisition of the well-established service provider, the Schlatter Group has created a platform for the regional expansion of its activities in the welding segment. Under the new name of Schlatter South East Asia, the subsidiary will also be developed into a regional service hub for the weaving sector.

Renovation of premises in Schlieren
The Schlatter Group completed the renovation of its premises in Schlieren in mid-2008. The transfer of departments and the consolidation of activities were achieved without any interruption to operations.

Sustained improvements in internal processes The Schlatter Group already began focusing its internal processes more intensively on the complex plant and equipment manufacturing business in 2007. As well as settling project-related legacy issues, the Schlatter Group succeeded in reducing risks associated with its order backlog in 2008. The adjustment of organizational processes has allowed for continuous improvements in project and risk management. Larger risks are monitored by the Board of Directors. The Schlatter Group has also made progress in its efforts to develop a corporate culture that will promote open and intensive cooperation between all departments and thus create the basis for success in the manufacturing of plant and equipment.

Outlook and thanks It is not possible to provide a reliable outlook for the 2009 financial year due to the lack of clarity regarding market trends at the present time. The order backlog at the end of 2008 will ensure that the Schlatter Group has a good level of capacity utilization during the first few months of 2009. However, it is impossible to predict how the second half of the year will develop in view of the extremely uncertain climate. While clients in individual regions and markets have been severely impacted by the financial crisis, we also work for sectors in which we have been able to secure a number of projects in recent months. In particular, large-scale state infrastructure projects are continuing to generate orders in areas such as rail welding.

As a result of the uncertainty about economic developments and the significant decline in the order backlog, strict but sustainable cost management is necessary to ensure the Schlatter Group can adopt a flexible approach and implement appropriate measures in response to changes in its operating environment. We will continue to pursue our long-term objectives, which include the successful positioning of our company based on excellent products and services, in the 2009 financial year. The Schlatter Group will therefore maintain its focus on delivering targeted innovations and will invest in new plant and equipment concepts in 2009 to ensure it is well positioned to benefit from an economic recovery.

As an export-oriented company, the Schlatter Group is exposed to investment cycles in the international markets, and the safeguarding of liquidity remains our first priority in times of economic uncertainty.

The Board of Directors will therefore propose to the Annual General Meeting on May 14, 2009, that no dividend be paid for the 2008 financial year. This measure is intended to maintain a solid basis, thus ensuring that the Schlatter Group can continue to develop successfully in the future in a challenging environment.

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

The full version of the 2008 Annual Report can be accessed online at *www.schlatter.ch* or can be ordered using the enclosed form.

Schlieren, March 26, 2009

Hans Ziegler
Chairman of the Board of Directors

Jost Sigrist
Chief Executive Officer

Schlatter Group key figures

		2008	2007
Net sales	CHF million	247.4	240.0
change vs. previous year	%	3.1	21.8
Net company earnings	CHF million	267.3	248.1
Operating result (EBIT)	CHF million	10.2	12.3
in % of net sales	%	4.1	5.1
Net profit (incl. minority interests)	CHF million	6.3	8.4
in % of net sales	%	2.6	3.5
Net profit (excl. minority interests)	CHF million	5.3	8.1
in % of net sales	%	2.1	3.4
Order backlog	CHF million	89.9	183.2
Number of employees as of December 31		535	505
average number of employees		516	502
Net sales per employee	CHF 1,000	479	478
Current interest-bearing liabilities	CHF million	13.6	2.4
Net financial position (debt)[1]	CHF million	–2.2	22.5
Gearing[2]	%	4.3	0.0
Free cash flow[3]	CHF million	–16.2	–0.4
Current assets	CHF million	106.0	132.6
Non-current assets	CHF million	25.8	19.4
Liabilities	CHF million	80.9	92.4
Equity (incl. minority interests)	CHF million	50.8	59.6
Equity ratio (incl. minority interests)	%	38.5	39.2
Return on equity (ROE)[4]	%	11.4	15.1
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	289,999	292,917
Net profit per registered share[5]	CHF	18.25	27.65
Equity per registered share[5]	CHF	175.02	196.71
Dividend per registered share	CHF	0[6]	0
Payout ratio	%	0[6]	0
Share price development			
High	CHF	470.00	600.00
Low	CHF	270.00	375.00
Year-end	CHF	305.00	395.00
Market capitalization			
High	CHF million	137.7	175.8
Low	CHF million	79.1	109.8
Year end	CHF million	89.3	115.7

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

2 Gearing: net financial position (debt) divided by equity

3 Cash flow from operating activities less the purchase of property, plant and equipment and intangible assets plus sale of property, plant and equipment, and intangible assets

4 Net profit divided by average equity

5 Calculated on the basis of shares entitled to dividend payments

6 According to the motion to be proposed to the Annual General Meeting on May 14, 2009

schlatter
the secure connection

Order form

2008 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
Marina Cuk
Brandstrasse 24
CH-8952 Schlieren

Alternatively, you can order the Annual Report by sending an e-mail to:
marina.cuk@schlatter.ch