

The original of this Half-Year Report is written in German. In case of inconsistencies between the German original and the English translation, the German version shall prevail.

## Schlatter Group in the first half of 2008

### Key figures of the Schlatter Group

		1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007
Net sales	CHF million	138.0	121.9
change to previous year	%	13.3	26.6
Operating result (EBIT)	CHF million	7.5	5.4
in % of net sales	%	5.4	4.4
Net profit (incl. minority interests)	CHF million	4.3	3.0
in % of net sales	%	3.1	2.5
Net profit (excl. minority interests)	CHF million	3.9	3.0
in % of net sales	%	2.8	2.5
Profit per registered share	CHF	13.42	10.35
Free cash flow <sup>1</sup>	CHF million	-14.5	-1.9
Number of employees as of June 30		513	500
Average number of employees		509	494
Net sales per employee	CHF 1,000	271	247

30.6.2008 31.12.2007

Order backlog		160.7	183.2
Net cash position <sup>2</sup>	CHF million	6.7	22.5
Current assets	CHF million	133.0	132.6
Non-current assets	CHF million	25.3	19.4
Liabilities	CHF million	95.9	92.4
Equity (incl. minority interests)	CHF million	62.4	59.6
Equity ratio (incl. minorities)	%	39.4	39.2

<sup>1</sup> Operating free cash flow: 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>2</sup> Net cash position: cash and cash equivalents less current interest-bearing liabilities

#### Share trading

Schlatter Holding AG shares are traded on the SWX Swiss Exchange under the securities number 227731.

Telekurs STRN

Reuters STRN.S

## Schlatter Group in the first half of 2008

### To our shareholders

The first half of 2008 saw the Schlatter Group continue its market success, increasing its net sales by 13.3 percent to CHF 138.0 million. In the first six months of the year, the Group reported EBIT of CHF 7.5 million (CHF 5.4 million) and profit for the period of CHF 4.3 million (CHF 3.0 million). Compared with December 31, 2007, the order backlog decreased by 12.3 percent to CHF 160.7 million.

The Schlatter Group was able to increase net sales by 13.3 percent to CHF 138.0 million in the first half of 2008 (1H 2007: CHF 121.9 million). While net sales in the higher-volume welding segment rose by 11.9 percent, the weaving segment saw sales increase by 17.6 percent. As of June 30, 2008, the Schlatter Group's order backlog stood at CHF 160.7 million, down 12.3 percent on December 31, 2007 (CHF 183.2 million), and down 3.8 percent on the equivalent year-back period (CHF 167.1 million).

The Schlatter Group reported an operating result (EBIT) of CHF 7.5 million (CHF 5.4 million) for the first half of 2008, which corresponds to an EBIT margin of 5.4 percent (4.4%). The result was depressed by an adjustment to an account receivable in the weaving segment made necessary by the insolvency of the customer in question.

The Group reported profit for the first six months of CHF 4.3 million (CHF 3.0 million). The result suffered from currency-related losses stemming from the strengthening of the CHF against the EUR and the USD.

The order intake is down slightly but still at a high level. This led to a lower volume of advance payments on customer projects. In addition, significant investments totalling CHF 7.0 million were made in fixed and intangible assets, particularly for the expansion of the Schlieren site. The operating free cash flow is therefore negative at CHF -14.5 million (CHF -1.9 million).

The number of full-time employees increased from 500 as of June 30, 2007, to 513. Sales per employee increased by 9.7 percent to CHF 271,000 (CHF 247,000).

**Welding segment** Net sales for the welding segment rose to CHF 103.3 million (CHF 92.3 million). As of mid-year, order books stood at CHF 104.8 million (CHF 128.3 million). EBIT for the first six months of 2008 increased by 53.7 percent to CHF 6.0 million (CHF 3.9 million). However, this result was adversely affected by cost overruns on individual customer projects.

**Weaving segment** In the first half of 2008, net sales in the weaving segment rose to CHF 34.7 million (CHF 29.5 million). Order books stood at CHF 55.9 million as at June 30, 2008 (CHF 38.8 million). Despite the higher sales, EBIT declined to CHF 1.5 million (CHF 1.7 million). The result was affected by a customer insolvency, which had a negative impact of CHF 0.9 million.

**Outlook** Demand for Schlatter Group products remains stable at a high level. Group management continues to give high priority to improving process management and security and completing projects efficiently and on schedule. As well as striving to boost profitability, Schlatter also plans to step up its efforts to integrate the sites within the Group.

## Abridged consolidated half-year statement as at June 30, 2008

### Consolidated balance sheet

	in CHF 1,000	30.6.2008	31.12.2007
<b>Assets</b>			
Cash and cash equivalents		17,820	24,307
Current investments		508	592
Accounts receivable for goods and services		21,807	18,561
Current tax receivables		258	277
Other receivables		13,190	12,964
Receivables from production orders in progress		39,483	36,644
Inventories		39,099	39,119
Accrued income		839	159
<b>Current assets</b>		<b>133,004</b>	132,623
Property, plant, and equipment		18,434	12,327
Intangible assets		2,961	3,225
Financial assets		12	2
Deferred tax asset		3,920	3,873
<b>Non-current assets</b>		<b>25,327</b>	19,427
<b>Total assets</b>		<b>158,331</b>	152,050
<b>Liabilities</b>			
Current interest-bearing liabilities		8,589	2,402
Accounts payable for goods and services		22,175	15,126
Liabilities from production orders in progress		31,874	43,718
Current tax liability		3,455	2,645
Other payables		5,737	6,319
Accrued liabilities		9,014	9,977
Current provisions		6,013	6,222
<b>Current liabilities</b>		<b>86,857</b>	86,409
Financial debt		3,000	0
Pension liabilities		3,959	4,170
Long-term provisions		1,491	1,510
Deferred tax liabilities		602	312
<b>Non-current liabilities</b>		<b>9,052</b>	5,992
<b>Total liabilities</b>		<b>95,909</b>	92,401
Share capital		17,575	17,575
Capital reserves (premium)		13,784	14,814
Retained earnings		28,851	25,232
<b>Equity attributable to the equity holders of the parent</b>		<b>60,210</b>	57,621
<b>Minority interests</b>		<b>2,212</b>	2,028
<b>Total equity</b>		<b>62,422</b>	59,649
<b>Total liabilities and equity</b>		<b>158,331</b>	152,050

## Abridged consolidated half-year statement as at June 30, 2008

### Consolidated income statement

in CHF 1,000	1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007	2007
<b>Net sales</b>	<b>138,039</b>	121,871	240,037
Change in work in process and finished goods	5,129	2,801	6,586
Other operating income	418	749	1,460
<b>Net company earnings</b>	<b>143,586</b>	125,421	248,083
Material and service costs	-91,072	-78,157	-150,133
Personnel costs	-33,279	-31,472	-62,957
Other operating expenses	-10,695	-9,059	-20,188
Depreciation and amortization	-1,082	-1,369	-2,481
<b>Operating result (EBIT)</b>	<b>7,458</b>	5,364	12,324
Financial income	265	238	745
Financial expenses	-2,124	-750	-1,199
<b>Profit before tax</b>	<b>5,599</b>	4,852	11,870
Income tax expense	-1,284	-1,850	-3,450
<b>Net profit</b>	<b>4,315</b>	3,002	8,420
attributable to equity holders of the parent	3,888	3,033	8,099
attributable to minority interests	427	-31	321
<b>Net profit</b>	<b>4,315</b>	3,002	8,420
Profit per registered share (in CHF)	13.42	10.35	27.65

There are no potential shares which could result in a dilution.

## Abridged consolidated half-year statement as at June 30, 2008

### Consolidated statement of equity

In CHF 1,000	Share capital	Treasury shares	Capital reserves	Translation differences	Fair value reserves	Retained earnings	Equity attributable to equity holders of the parent	Minority interests	Total equity
<b>31.12.2006</b>	17,575	0	14,814	119	76	16,832	<b>49,416</b>	2,134	<b>51,550</b>
Changes in fair value of financial assets					37		<b>37</b>		<b>37</b>
Translation differences				352			<b>352</b>	61	<b>413</b>
<b>Gains and losses taken to equity</b>	0	0	0	352	37	0	<b>389</b>	61	<b>450</b>
Net profit 1.1.–30.6.2007						3,033	<b>3,033</b>	-31	<b>3,002</b>
<b>Overall result</b>	0	0	0	352	37	3,033	<b>3,422</b>	30	<b>3,452</b>
Dividends paid to minority interests							<b>0</b>	-476	<b>-476</b>
<b>30.6.2007</b>	17,575	0	14,814	471	113	19,865	<b>52,838</b>	1,688	<b>54,526</b>
<b>31.12.2007</b>	17,575	0	14,814	160	141	24,931	<b>57,621</b>	2,028	<b>59,649</b>
Changes in fair value of financial assets					30		<b>30</b>		<b>30</b>
Translation differences				-299			<b>-299</b>	-35	<b>-334</b>
<b>Gains and losses taken to equity</b>	0	0	0	-299	30	0	<b>-269</b>	-35	<b>-304</b>
Net profit 1.1.–30.6.2008						3,888	<b>3,888</b>	427	<b>4,315</b>
<b>Overall result</b>	0		0	-299	30	3,888	<b>3,619</b>	392	<b>4,011</b>
Dividends paid to minority interests						0	<b>0</b>	-208	<b>-208</b>
Purchase of treasury shares		-1,685					<b>-1,685</b>		<b>-1,685</b>
Sale of treasury shares		540	115				<b>655</b>		<b>655</b>
<b>30.6.2008</b>	17,575	-1,145	14,929	-139	171	28,819	<b>60,210</b>	2,212	<b>62,422</b>

### Abridged consolidated cash flow statement

in CHF 1,000	1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007	2007
Cash flow from operating activities	-7,470	-733	4,397
Cash flow from investment activities	-6,710	-280	-3,033
<b>Operating free cash flow</b>	<b>-14,533</b>	<b>-1,872</b>	<b>-404</b>
Cash flow from financing activities	7,852	-450	1,871
<b>Change in cash and cash equivalents</b>	<b>-6,328</b>	<b>-1,463</b>	<b>3,235</b>
Cash and cash equivalents as at January 1	24,307	21,106	21,106
Impact of exchange differences on cash and cash equiv.	-159	136	-34
<b>Cash and cash equivalents as at June 30 / December 31</b>	<b>17,820</b>	<b>19,779</b>	<b>24,307</b>

## **Abridged consolidated half-year statement as at June 30, 2008**

### **Notes to the abridged consolidated half-year financial statements**

#### **Consolidation principles**

##### **Basis for the preparation of the abridged consolidated half-year financial statements**

The abridged consolidated half-year report has been prepared according to IAS 34 "Interim Financial Reporting". The consolidated half-year financial statements do not include all details contained in the consolidated annual financial statements and should therefore be read in conjunction with the consolidated annual financial statements as at December 31, 2007. The present abridged half-year financial statements are unaudited.

The accounting principles used in preparing the abridged consolidated half-year statement as at June 30, 2008, are identical to those used for the statement as at December 31, 2007, with the exception of the standards and interpretations (IFRIC 11, IFRIC 12 and IFRIC 14) recently come into force which have been applied for the first time. These had no impact on the present abridged consolidated half-year statement.

The preparation of the abridged consolidated half-year report requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and contingent liabilities at the balance sheet date. Should such estimates and assumptions, made by management to the best of its knowledge and belief at the balance sheet date, subsequently prove to be at odds with the actual situation, the original estimates and assumptions will be adjusted in the year in which the changes occurred.

The activity of the Schlatter Group is not subject to any significant seasonal fluctuations.

## Abridged consolidated half-year statement as at June 30, 2008

### Notes to the consolidated half-year financial statements

#### 1 | Segment information

in CHF 1,000				1 <sup>st</sup> half of 2008
	Welding	Weaving	Not classified	Total
Net sales	103,303	34,736	0	138,039
Segment result (EBIT)	6,033	1,496	-71	7,458
Financial income/expenses	0	0	-1,859	-1,859
Income tax expense	0	0	-1,284	-1,284
<b>Net profit</b>	<b>6,033</b>	<b>1,496</b>	<b>-3,214</b>	<b>4,315</b>

in CHF 1,000				1 <sup>st</sup> half of 2007
	Welding	Weaving	Not classified	Total
Net sales	92,324	29,547	0	121,871
Segment result (EBIT)	3,926	1,653	-215	5,364
Financial income/expenses	0	0	-512	-512
Income tax expense	0	0	-1,850	-1,850
<b>Net profit</b>	<b>3,926</b>	<b>1,653</b>	<b>-2,577</b>	<b>-3,002</b>

#### 2 | Change in scope of consolidation

The scope of consolidation remained unchanged compared with December 31, 2007.

#### 3 | Income statement

The operating result (EBIT) improved to CHF 7.5 million (1H 2007: CHF 5.4 million). The positive order situation made it possible to secure price increases in the market. Specific, technically challenging projects led to cost overruns which adversely affected the result.

The result was also reduced by CHF 0.9 million by the adjustment to receivables from a customer in the weaving segment. These have been assigned to the position "Other operating expenses".

Currency losses, particularly on the EUR, had a major negative impact on the financial result. The currency losses came to a total of CHF 1.8 million net (1H 2007: CHF 0.5 million).

## Abridged consolidated half-year statement as at June 30, 2008

Income taxes amounted to CHF 1.3 million, resulting in a lower tax rate than the previous year. The previous year's figures include the creation of provisions and payments for additional tax demands in Germany in the amount of CHF 1.0 million dating back to 2001. These tax demands have been claimed by the German tax authorities and are in connection with the recapitalization of Emil Jäger GmbH & Co. KG, a German subsidiary.

### 4 | Balance sheet

The period under review saw no significant change in current assets. Compared with December 31, 2007, net assets increased, however, by CHF 12.5 million to CHF 42.4 million. This is attributable to the increase in receivables due to the higher volume and to the decline in advance payments.

Owing to the high level of investments (CHF 7.0 million), particularly for the expansion of the operating premises in Schlieren, the fixed assets increased by a net CHF 5.9 million.

Short-term financial debt increased by CHF 6.2 million to CHF 8.6 million and long-term financial debt rose to CHF 3.0 million. These borrowings were necessary in order to finance investments and net current assets. The investment credit of CHF 6.3 million for the expansion of the property in Schlieren was fully utilized. Operating credit lines of CHF 5.3 million were drawn on. With cash and cash equivalents of CHF 6.7 million (CHF 22.5 million), the net financial position of the Schlatter Group remains healthy.

Schlatter Holding AG has implemented a share purchase plan for the Group Management and the Board of Directors. This was one of the reasons for the purchase of treasury shares during the period under review. 4,350 treasury shares were acquired and 1,456 treasury shares were sold at a discounted price as part of the share purchase plan. The difference between the discounted price and the market price was charged to personnel expenses.

### 5 | Free cash flow

At CHF –14.5 million, the operating free cash flow is negative, as compared with a figure of CHF –1.9 million in the year-back period. This is mainly due to the increase in net current assets as a result of the decline in advance payments, as well as to the significant investment in property, plant, and equipment.

### 6 | Exchange rates

	30.6.2008	30.6.2007	31.12.2007	1 <sup>st</sup> half of 2008	1 <sup>st</sup> half of 2007	2007
CHF 1	Exchange rates at reference date			Average rates		
1 EUR	1.61	1.65	1.64	1.60	1.63	1.64
1 USD	1.02	1.23	1.11	1.05	1.23	1.20
1 GBP	2.03	2.46	2.21	2.07	2.42	2.40
1 BRL	0.64	0.64	0.64	0.62	0.64	0.63

## Abridged consolidated half-year statement as at June 30, 2008

### 7 | Earnings per share

	30.6.2008	30.6.2007	31.12.2007
Profit attributable to equity holders of the parent (in CHF 1,000)	3,888	3,033	8,099
Number of registered shares issued with a par value of CHF 60 each	292,917	292,917	292,917
Number of registered shares issued weighted	292,917	292,917	292,917
Average number of registered shares held as treasury shares	3,157	0	0
<b>Total average number of dividend-bearing registered shares</b>	<b>289,760</b>	292,917	292,917
Undiluted profit per registered share (in CHF)	13.42	10.35	27.65

As there are no conversion rights, option rights, or other potential shares outstanding, earnings per share have not been diluted.

### 8 | Contingent liabilities

In the first half of 2008, there were no significant changes in contingent liabilities.

### 9 | Events occurring after the balance sheet date

The Board of Directors approved the abridged consolidated half-year financial statements for publication on August 14, 2008.

No events occurred between June 30, 2008, and August 14, 2008, that would have required adjustments to the book values of assets and liabilities of the Group or disclosure in this document.