To our shareholders

The significant weakening of the Euro against the Swiss Franc at the beginning of the year also had a very negative impact on the results of the Schlatter Group in the first half of 2015. In January 2015 the Schlatter Group started the current fiscal year with a good order backlog of CHF 42.2 million (previous year: CHF 27.1 million). In the first half year of 2015 the group showed significantly lower orders with CHF 38.1 million compared to the same period of the previous year (1st half of 2014: CHF 61.0 million). The decrease is due to a one-off large order in the previous year, as well as the currency upheaval in the first half of 2015. During the period under review Schlatter achieved consolidated net sales of CHF 42.1 million (1st half of 2014: CHF 44,8 million) and an operating result of CHF –2.5 million (1st half of 2014: CHF –0,5 million). The order backlog as at June 30, 2015 is CHF 38.2 million (30.6.2014: CHF 43,4 million). The net result for the first half of 2015 is CHF –2.8 million. For the whole year, the Group still continues to expect an operating loss in the middle single-digit million range.

Schlatter Group

After the Schlatter Group achieved a slightly positive operating result in 2014, an operating loss of CHF –2.5 million occurred in the first half of 2015 as a result of the Euro exchange rate (1st half of 2014: CHF –0.5 million). A comprehensive package of operational measures was implemented to counter the currency upheaval as soon as the sudden weakening of the euro occurred. The measures are implemented across all divisions, e.g: the price structuring, the particpation of suppliers in currency losses, in-sourcing activities, personnel measures as well as a capital increase to strengthen the balance sheet. The package of measures, the strengthening of the balance sheet and the revaluation of projects in progress at the beginning of 2015 due to the Euro exchange rate, lead to charges that will not reoccur in 2016 and which impacted the operating result (EBIT) in the first half of the year by CHF 2.5 million. Schlatter expects further one-off charges of CHF 1.0 million for the second half of the year.

The Schlatter Group started the new business year with a good order backlog of CHF 42.2 million (previous year: CHF 27.1 million). In the first half of 2015, it reports a significantly lower order intake of CHF 38.1 million (1st half of 2014: CHF 61.0 million). This reduction is due to a one-off large order of CHF 13.7 million in the previous year, valuation adjustments on projects in progress due to the euro exchange rate as of the beginning of 2015, and transaction effects of the currency upheaval of CHF 6.6 million. Consolidated net sales for the first six months amounted to CHF 42.1 million (CHF 47.7 million at unchanged exchange rates, 1st half of 2014: CHF 44.8 million). The net result for the first half of 2015 amounted to CHF –2.8 million (first half of 2014: CHF –0.9 million).

The order intake weakened slightly in the second quarter of 2015, but the order backlog ensures a satisfactory capacity utilisation at both locations (Schlieren and Münster) until the end of the year.

The net current assets (excluding cash and cash equivalents, short-term financial assets, financial liabilities and provisions) increased in the reporting period to CHF 17.6 million. (31.12.2014: CHF 16.8 million). This is caused by delayed but contractually secured project payments for which customers have made sufficient down payments. Free Cash Flow for the first half of 2015 is CHF –3.5 million (31.12.2014: CHF –4.6 million). As a result of the net cash flow from the ordinary capital increase of CHF 14.3 million, Schlatter reports a net financial position of CHF 3.2 million as at June 30, 2015 (31.12.2014: net debt of CHF –7.9 million).

The number of employees (without apprentices) remains unchanged at 311 FTEs.

Capital increase

In May 2015, Schlatter carried out an ordinary capital increase while maintaining the pre-emptive rights of the existing shareholders, associated with a reduction in the nominal share value. The transaction strengthened the equity base of the Group and gives Schlatter time to adapt to changed exchange rate situation, to implement additional cost-cutting measures and to pursue strategic initiatives. Through this successful transaction, the Schlatter Group received the maximum possible net issuing proceeds of CHF 14.3 million.

Associated with the ordinary capital increase, an authorised capital increase for a management equity programme was implemented in June 2015. In this programme the Board of Directors and the Executive Board will exclusively receive their variable remuneration for 2015 in shares, with a discount of 25% based on the issue price of the new shares of CHF 23.00. In the interests of shareholders, the programme will encourage management to realise the restructuring quickly and purposefully, The shares are blocked for trading for three years. For accounting reasons, this equity neutral and non-cash transaction has to be booked through the income statement (personnel expenses) at the stock exchange price and not at the issue price.

This will lead to a one-off personnel expense of CHF 1.1 million, whereby CHF 0.6 million has been recorded in the first half of the year.

Markets

After facing a significant loss in volume and declining margins in recent years, the market conditions in the revenue strong wire business unit have stabilised to a certain extent. Due to the continuing uncertainties in the economic Eurozone, customers in the reinforcing mesh sector are still reluctant to invest. Confidence in these markets has increased, however not to yet to the expected extent.

In 2016, Schlatter expects the first positive effects from their development efforts in the reinforcing mesh sector over the past two years, as the first machines of the new generation for mesh plants will be introduced to the market. In the industrial mesh sector, the newly introduced, flexible and productive machine generation MG950 was also well received in the United States, after its introduction in Europe and has triggered numerous replacement investments.

The overall market for the rail welding sector is considered satisfactory. While the market for mobile rail welding systems was very restrained, in particular the market for welding systems for rail switches and crossings has gained ground in the first half of 2015.

Demand in the weaving segment remains weak. As a result, Schlatter was only able to sell a few new plants. Investments in the reconstruction of plants, however, provide a certain compensation. The Münster site adapted its work capacity for this situation over recent years. In addition the Schlatter Group has invested in manufacturing in Münster to promote active in-sourcing and increase the profit margin of the group. Despite low net sales, the location is therefore able to achieve balanced operating results.

Welding segment

The welding segment recorded an order intake of CHF 28.7 million in the first half of 2015 (1st half of 2014: CHF 51.1 million). The decline is due to a one-off large order in the reinforcing mesh area of CHF 13.7 million in the previous year, valuation adjustments of CHF 1.7 million on work in progress at the beginning of 2015 because of the Euro exchange rate, as well as transaction effects from currency upheaval of CHF 4.1 million. In the first six months of 2015, the welding segment achieved net sales of CHF 33.1 million (CHF 37.2 million at unchanged exchange rates, 1st half of 2014: CHF 33.0 million). The order backlog as at June 30, 2015 amounts to CHF 29.0 million (CHF 31.6 million at unchanged exchange rates), slightly below the beginning of the year (31.12.2014: CHF 33.5 million). The operating result (EBIT) for the first half of 2015 is CHF –2.7 million. The result is influenced by expenses of CHF 2.5 million which will not re-occur in 2016. The largest items are the revaluation of the projects in progress to the amount of CHF 1.7 million at the beginning of 2015 due to the Euro exchange rate as well as the management equity programme recorded through the income statement (CHF 0.6 million in the first half of 2015). For the second half of 2015, Schlatter expects further one-off charges of CHF 1.0 million.

The market environment of the welding segment remained stable in the first half of 2015, and a satisfactory capacity utilization at both sites (Schlieren and Münster) until the end of the year can be expected. The Schlatter Group is convinced that the pending new developments in the wire product area will have positive effects in the course of 2016.

Weaving segment

Order intake of the weaving segment did not reach the previous year's figures and amounted to CHF 9.4 million (CHF 12.0 million at unchanged exchange rates, 1st half of 2014: CHF 9.9 million). Despite better order intake at unchanged exchange rates in the first half of 2015, the market remains very volatile and currently unsatisfactorily weak. Instead of investing in new equipment, customers are modernising their existing plants. This leads to a good workload, but lower net sales and profitability due to the lack of sale of covering technology.

In the first six months of 2015, the weaving segment achieved net sales of CHF 9.0 million (1st half of 2014: CHF 11.8 million) and an operating result (EBIT) of CHF 0.2 million (1st half of 2014: CHF 0.3 million). The order backlog as at June 30, 2015 amounts to CHF 9.2 million (31.12.2014: CHF 9.8 million). Currently at the Münster location, active in-sourcing of manufacturing for the rest of the Schlatter Group is being operated. Thus the existing capacities are better utilised and the gross margin increased.

Despite the rather uncertain prospects, the Schlatter Group continues to invest substantially in the development of new technologies to maintain its market leadership. So, for example, the BK860 wide weaving machine was technologically renewed in a comprehensive way which enabled substantial performance gains and higher webbing tension.

Outlook

In the next few months, focus is on consequently continuing the immediate measures to stabilise the Group. Additionally, management will develop the basis for medium-term measures with the goal to sustain profitability. The product development projects therefore still have top priority.

The Schlatter Group continues to expect an operating loss in the middle single-digit millions for the whole year. A balanced result is again targeted for 2016.

Paul Zumbühl	Werner Schmidli
Chairman of the Board of Directors	Chief Executive Officer

Key figures of the Schlatter Group

		1st half of 2015	1st half of 2014[6]	2nd half of 2014	2014
Net sales	**CHF million**	**42.1**	**44.8**	**44.7**	**89.5**
Change compared to previous year	%	**–5.9**	–10.3	–4.8	–7.7
Operating result (EBIT)	**CHF million**	**–2.5**	**–0.5**	**1.2**	**0.7**
in % of net sales	%	**–5.9**	–1.1	2.7	0.8
Net result	**CHF million**	**–2.8**	**–0.9**	**0.7**	**–0.2**
in % of net sales	%	**–6.7**	–2.0	1.6	–0.2
Net result per share	**CHF**	**–2.64**	**–2.21**	**0.51**	**–0.42**
Order intake	**CHF million**	**38.1**	**61.0**	**43.7**	**104.7**
Order backlog at period end	**CHF million**	**38.2**	**43.4**	**42.2**	**42.2**
Free cash flow[1]	**CHF million**	**–3.1**	**–1.3**	**–3.3**	**–4.6**
Headcount at period end[2]	**FTEs**	**311**	**301**	**313**	**313**
Average headcount	FTEs	**311**	310	308	309
Net sales per employee[3]	**CHF 1,000**	**271**	**289**	**290**	**290**
		30.6.2015	31.12.2014		
Interest-bearing liabilities	**CHF million**	**0.7**	**11.3**		
Net financial position (debt)[4]	**CHF million**	**3.1**	**–7.9**		
Gearing[5]	**%**	**–**	**–57.1**		
Current assets	**CHF million**	**40.1**	**38,0**		
Non-current assets	**CHF million**	**9.8**	**11,2**		
Liabilities	**CHF million**	**25.4**	**35,3**		
Equity	**CHF million**	**24.6**	**13,9**		
Equity ratio	**%**	**49.2**	**28,2**		

1 Free cash flow: cash flow from operating activities less purchase of property, plant and equipment, intangible assets and financial assets, plus sale of property, plant and equipment, intangible assets and financial assets

2 Total full-time equivalents incl. temporary employees, excl. apprentices

3 Half-year figures annualised

4 Net financial position (debt): cash and cash equivalents plus short-term financial assets (excl. derivatives used in hedging currency) minus interest-bearing liabilities

5 Gearing: net financial position divided by equity

6 Restatement due to an incorrect disclosure of a financial liability related to a granted reduction in rent with redemption over the remaining lease term

Stock exchange

The registered shares of Schlatter Industries AG are traded on SIX Swiss Exchange under securities number (Valorennummer) 227731.
Telekurs STRN
Reuters STRN.S

Abridged consolidated half-year statements as at June 30, 2015

Consolidated balance sheet

Assets

CHF 1,000	30.6.2015	31.12.2014
Cash and cash equivalents	3,769	3,398
Current investments	11	23
Accounts receivable for goods and services	3,801	3,958
Current income tax receivables	15	11
Other receivables	2,271	2,419
Receivables from production orders in progress	18,765	14,877
Inventories	11,098	13,089
Accrued income	378	229
Current assets	**40,108**	**38,004**
Property, plant and equipment	6,544	7 ,425
Intangible assets	2,478	2,870
Financial assets	54	62
Deferred tax assets	748	835
Non-current assets	**9,824**	**11,192**
Total assets	**49,932**	**49,196**

Liabilities

CHF 1,000	30.6.2015	31.12.2014
Accounts payable for goods and services	8,135	6,114
Liabilities from production orders in progress	5,727	7,011
Current income tax liabilities	129	137
Other payables	1,038	1,644
Accrued liabilities	3,725	2,891
Financial debt	186	10,705
Current provisions	3,009	3,053
Current liabilities	**21,949**	**31,555**
Financial debt	489	631
Pension liabilities	2,586	2,682
Provisions	200	303
Deferred tax liabilities	148	161
Non-current liabilities	**3,423**	**3 777**
Total Fremdkapital	**25,372**	**35,332**
Share capital	17,675	13,465
Treasury shares	–625	–42
Capital reserves	11,332	0
Retained earnings	–3,822	441
Total equity	**24,560**	**13,864**
Total liabilities and equity	**49,932**	**49,196**

Abridged consolidated half-year statements as at June 30, 2015

Consolidated income statement

CHF 1,000	1st half of 2015	1st half of 2014	2014
Net sales from goods and services	**42,127**	**44,757**	**89,488**
Other operating income	235	302	527
Change in semi-/finished goods, work in process	–2,274	–2,771	–4,000
Material and service expenses	–19,405	–19,376	–39,170
Personnel expenses	–17,300	–17,139	–33,351
Other operating expenses	–4,746	–5 289[1]	–10,632
Depreciation and amortisation	–1,106	–1,032	–2 147
Operating result (EBIT)	**–2,469**	**–548**	**715**
Financial income	108	240	697
Financial expenses	–312	–549[1]	–1,409
Net result before tax	**–2,673**	**–857**	**–3**
Income tax expenses	–137	–84	–180
Net result	**–2,810**	**–941**	**–177**
Basic earnings per share (in CHF)	**–5.21**	**–2.21**	–0.42

[1] Adjusted values due to increase in financial liabilities; see notes on page 10 point 1 “Accounting principles”

Abridged consolidated half-year statements as at June 30, 2015

Consolidated statement of equity

CHF 1,000	Share capital	Treasury shares	Capital reserves	Retained earnings	**Total equity**
As at 31.12.2013 FER[1]	**13,465**	**–42**	**0**	**557**	**13,980**
Translation differences				20	**20**
Net result 1.1.–30.6.2014				–940	**–940**
As at 30.6.2014 FER[1]	**13,465**	**–42**	**0**	**–363**	**13,060**
As at 31.12.2014 FER	**13,465**	**–42**	**0**	**441**	**13,864**
Translation differences				–1,453	**–1,453**
Net result 1.1-30.6.2015				–2,810	**–2,810**
Capital reduction	–6,645		6,645		**0**
Capital increase	10,230		4,087		**14,317**
Authorised capital increase	625	–625			**0**
Share-based compensation			636		**636**
Sale of treasury shares		42	–36		**6**
As at 30.6.2015 FER	**17,675**	**–625**	**11,332**	**–3,822**	**24,560**

[1] Adjusted values due to increase in financial liabilities; see notes on page 10 point 1 "Accounting principles"

Abridged consolidated cash flow statement

CHF 1,000	**1st half of 2015**	1st half of 2014[1]	2014
Cash flow from operating activities	**–3,119**	–943	–3,897
Cash flow from investment activities	**–350**	–295	–699
Free cash flow	**–3,469**	**–1,238**	**–4,596**
Cash flow from financing activities	**4,126**	–462	3,770
Change in cash and cash equivalents	**657**	**–1,700**	**–826**
Cash and cash equivalents as at January 1	**3,398**	4,251	4,251
Change in cash and cash equivalents	**657**	**–1,700**	**–826**
Impact of exchange rate on cash and cash equivalents	**–286**	–14	–27
Cash and cash equivalents as at June 30 / December 31	**3,769**	2,537	3,398

[1] Adjusted values due to increase in financial liabilities; see notes on page 10 point 1 "Accounting principles"

Abridged consolidated half-year statements as at June 30, 2015

Notes to the abridged consolidated half-year financial statements

1 Accounting principles

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

The abridged consolidated half-year financial statements have been prepared in accordance with the provisions of Swiss company law and are in accordance with Swiss GAAP FER 12. The abridged consolidated half-year financial statements do not include all the details as they are included in the consolidated annual financial statements, and should be read in conjunction with the consolidated annual financial statements as at December 31, 2014. These abridged half-year financial statements have not been audited or reviewed by the auditors.

The preparation of the abridged consolidated half-year financial statements 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. The estimates and assumptions made by the management to the best of its knowledge and belief as of the balance sheet date may deviate from the actual circumstances in the future. In this case, the original estimates and assumptions will be adjusted to the respective reporting year in which the circumstances occurred.

The activities of the Schlatter Group are not subject to any significant seasonal fluctuations.

Restatement of the abridged consolidated half-year statement as at June 30, 2014

There was an error in the Swiss GAAP FER 2012 and 2013 annual report of Schlatter Industries AG in the recording of liabilities. A rent interest rate reduction of CHF 500,000 per year was granted in the years 2012 and 2013 to Schlatter Industries AG. It was not considered that this rent interest reduction was, according to contractual agreement, due for repayment from 2014 until the end of the rental term. If the existing information had been correctly interpreted, a corresponding liability would have been recognised in the financial statements of 2012 and 2013.

The following tables depict the adjusted values as at June 30, 2014:

Consolidated income statement

CHF 1,000	**1st half of 2014 adjusted**	1st half of 2014 published
Other operating expenses	–5,289	–5,341
Operating result (EBIT)	**–548**	**–600**
Financial expenses	–549	–531
Net result	**–940**	**–975**

Abridged consolidated half-year statements as at June 30, 2015

Consolidated balance sheet

CHF 1,000	**30.6.2014 adjusted**	30.6.2014 published
Current financial liabilities	6,257	6,152
Current liabilites	**30,296**	**30,191**
Non-current financial liabilities	667	0
Non-current liabilities	**3,439**	**2,772**
Liabilities	**33,735**	**32,963**
Retained earnings	–363	409
Equity	**13,060**	**13,832**

2 Segment information

				1st half of 2015
CHF 1,000	Welding	Weaving	**Total segments**	Total
Net sales to third parties	33,150	8,977	**42,127**	42,127

				1st half of 2014
CHF 1,000	Welding	Weaving	**Total segments**	Total
Net sales to third parties	33,017	11,740	**44,757**	44,757

3 Income statement

Net sales for the first half of 2015 were CHF 42.1 million (1st half of 2014: CHF 44.8 million). Adjusted for currency effects net sales would be approx. CHF 47.7 million compared to the first half of 2014. The difference comes from the effect of a one-off devaluation of work in progress recorded in the income statement in January 2015 due to the Euro exchange rate (CHF 1.7 million) as well as transaction effects to the amount of approx. CHF 3.9 million in the first half of 2015.

The increased purchasing in the Euro region, in-sourcing, an advantageous product mix as well as the implementation of already initiated measures in manufacturing and construction areas have positively affected the material and service expenses.

Linked to the ordinary capital increase, an authorised capital increase for a management equity programme was conducted in June 2015. In this programme the Board of Directors and the Executive Board will exclusively receive their variable remuneration for 2015 in shares, with a discount of 25% based on the issue price of the new shares of CHF 23.00. The shares are blocked for trading for three years. For accounting reasons, this equity neutral and non-cash transaction will be booked through the income statement (personnel expenses) at the stock exchange price. This will lead to a one-off expense of CHF 1.1 million, whereby CHF 0.6 million have been recorded in the first half of the year.

Abridged consolidated half-year statements as at June 30, 2015

The decrease in other operating expenses is mainly due to the reduction of rent at the Schlieren site from April 2015 amounting to CHF 1.0 million per year. Further savings were realised in the fields of trade fairs and travel expenses.

Depreciation and amortisation remained at a similar level to the same period in 2014.

The revaluation of projects in progress as per January 2015 (due to the abolition of the minimum Euro rate) resulted in a one-off charge of CHF –1.7 million in the first half of 2015. Together with the previously mentioned special effects (personnel expenses of CHF 0.6 million related to the management equity programme), an EBIT of CHF –2.5 million (EBIT 1st half of 2014: CHF 0.5 million) resulted.

The financial income consists primarily of gains on forward exchange transactions and realised currency gains on various transactions. The financial expenses consist mainly of interest expenses and losses from forward exchange transactions.

Some group companies reported a pre-tax profit, which led to income tax expenses.

The net result as at June 30, 2015 is CHF –2.8 million (30.6.2014: CHF –1.0 million).

4 Balance sheet

An ordinary capital increase maintaining pre-emptive rights was carried out in the first half of 2015. This led, in the case of subscription rights of two for three linked to a reduction in par value of CHF 31.59 to CHF 16.00 per share, 639,375 new shares being issued at an issue price of CHF 23.00, resulting in cash equivalents for the Schlatter Group to the amount of CHF 14.3 million. Coupled with the authorised capital increase, free reserves were converted into 39,079 new shares, to facilitate the management equity programme described in note 3 of the "income statement". These 39,079 shares were held as treasury shares as at June 30, 2015, because the transfer to the relevant individual's depots was only completed in July 2015.

After carrying out the capital increase, equity as at June 30, 2015 is CHF 24.6 million compared to CHF 13.9 million as at December 31, 2014. The balance sheet total amounted to CHF 49.9 million as at June 30, 2015 compared to CHF 49.2 million as at December 31, 2014. This results in an equity ratio of 49.3% (31.12.2014: 28.3%).

Due to the repayment of short-term bank debt, the net financial position was CHF 3,1 million at June 30, 2015, where as at December 31, 2014, the net debt was CHF –7.9.

The net working capital increased to CHF 17.6 million at June 30, 2015 (31.12.2014: CHF 16.8 million). Contractually secured project payments were again slightly delayed during the reporting period. The anticipated in-coming payments are covered by sufficient down-payments and deposits and deliveries will only be made to customers once the payment has been made.

Abridged consolidated half-year statements as at June 30, 2015

5 Free cash flow

In the first half of 2015, the Schlatter Group generated a negative free cash flow of CHF –3.5 million (1st half of 2014: CHF –1.24 million). Net working capital fell by CHF 1.3 million to CHF 15.5 million since the start of 2015. Investments amounted to CHF 0.4 million (1st half of 2014: CHF 0.3 million).

6 Credit conditions

The Schlatter group owns credit agreements which are secured until December 31, 2016. The Bank limits (credit and contingency limits) to maintain operations amount to CHF 26.25 million. These can be used for short-term loans up to the amount of CHF 12.5 million. The contingency limits are bound partially to bond guarantees from the Swiss export risk insurance SERV. Total usage must not exceed the bank credit limit of CHF 26.25 million.

The credit agreements were extended until December 31, 2016, and are not bound by financial covenants.

Thanks to cash flow from the ordinary capital increase, no financial limits were used as at June 30, 2015 (31.12.2014: CHF 10.6 million). The contingency limit was nevertheless drawn at CHF 12.8 million CHF (31.12.2014: CHF 11.9 million).

7 Exchange rates

	30.6.2015	30.6.2014	31.12.2014	**1st half of 2015**	1st half of 2014	2014
CHF 1	Exchange rates at balance sheet date			Average rates		
1 EUR	**1.04**	1.22	1.20	**1.06**	1.22	1.21
1 USD	**0.93**	0.91	0.99	**0.95**	0.89	0.92
1 GBP	**1.47**	1.52	1.54	**1.44**	1.49	1.51
1 BRL	**0.30**	0.40	0.37	**0.33**	0.39	0.39
1 MYR	**0.25**	0.28	0.28	**0.26**	0.27	0.28

Abridged consolidated half-year statements as at June 30, 2015

8 Earnings per share

	30.6.2015	30.6.2014	31.12.2014
Net result attributable to shareholders of Schlatter Industries AG (in CHF 1,000)	–2,810	–940	–177
Number of registered shares issued with a par value of CHF 16.00	1,104,704	426,250	426,250
Number of registered shares issued, weighted	540,134	426,250	426,250
Average number of registered shares held as treasury shares	–379	–169	–169
Total average number of dividend-bearing registered shares	**539,755**	**426,081**	**426,081**
Basic earnings per share (in CHF)	–5.21	–2.21	–0.42

As a result of the capital increase, and after the reduction of the par value per registered share from CHF 31.59 to CHF 16.00, the share capital registered in the commercial register has been increased to CHF 17,675,264; it is now divided into 1,104,704 registered shares with a par value of CHF 16.00.

9 Events occurring after the balance sheet date

The abridged consolidated half-year financial statements were approved for publication by the Board of Directors on August 14, 2015.

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