

SCHWEITER TECHNOLOGIES

Semi-Annual Report as at June 30, 2006

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Report of the Board of Directors on results for the first half of 2006

Dear shareholders

The Group received new orders totaling CHF 250.5 million (+44%) in the first half of the current year. Gross revenues reached CHF 224.8 million (+46%). All divisions contributed to driving the solid increase in volumes.

Operating profit ran to a very sound CHF 21.9 million (H1 2005: 0.1 million), corresponding to a margin of around 10%. The operating result came in at CHF 17.1 million (H1 2005: 9.6). Factoring out one-off divestment proceeds of CHF 8.0 million contained in the figure for the first half of 2005, net income from continuing operations increased ten-fold.

The Group reported a net cash position of CHF 45.8 million mid-year, roughly equal with the end-2005 level. Strong volume growth led to exceptionally high increases in receivables and work in progress.

Efforts to give optics a dominant position within the Schweiter portfolio are reflected in the figures for the first half, with Satisloh accounting for 50% of Group sales despite the fact that all divisions produced strong results on the back of sector growth.

SSM Textile Machinery reported a 20% increase in orders received and 26% sales growth. The encouraging inflow of new orders from the Indian subcontinent was accompanied by a renewed increase in orders from Turkey and China. The market recovery seen by the air texturing segment and the introduction of a new generation of products for universal winding applications (for natural and artificial fibers) impacted positively on the result. The EBIT margin (the operating result expressed as a % of sales) was in excess of 10%.

Satisloh posted a 30% rise in new orders and 26% sales growth. At more than CHF 130 million, orders received reached a record level. The volume increase and the successful integration of the Loh

Group resulted in an operating profit of CHF 11.8 million. The EBIT margin doubled year-on-year to over 10%.

Ismeca Semiconductor recorded a substantial increase in order intake and sales (approx. 140%). At CHF 63.9 million, sales for the first half of 2006 were virtually on a par with the figure for the whole of 2005. Following a significant loss in the corresponding year-back period (-6.6), the division posted an operating result of CHF 5.1 million for the first half of 2006, translating into a margin of 8%. Continued pressure on prices plus unfavorable exchange rates prevented an even higher result.

Outlook

Overall, business in the second half looks set to continue at the same pace as in the first six months. All divisions are reporting a solid order backlog. SSM Textile Machinery and Satisloh will at the very least match the sales levels achieved in the first six months. Ismeca Semiconductor is expecting a weaker second half.

Yours sincerely

Board of Directors, Schweiter Technologies

Segment reporting

Schweiter Technologies Group (in CHF m)	First half of 2006	First half of 2005	Change
Orders received	250.5	174.3	44%
Gross revenues	224.8	154.0	46%
Operating profit	21.9	0.1	21900%
Net income from continuing operations	17.1	1.6	969%
Net income	17.1	9.6	78%

Segment information by divisions (in CHF m)	First half of 2006	First half of 2005	Change
Continuing operations:			
SSM Textile Machinery			
Orders received	55.0	45.9	20%
Gross revenues	47.3	37.5	26%
Operating profit	5.0	2.3	117%
Satisloh			
Orders received	131.6	101.5	30%
Gross revenues	113.4	89.8	26%
Operating profit	11.8	4.8	146%
Ismeca Semiconductor			
Orders received	63.9	26.9	138%
Gross revenues	63.9	26.4	142%
Operating result	5.1	- 6.6	-
Other / eliminations			
Orders received	-	-	-
Gross revenues	0.2	0.3	-
Operating result	0.0	- 0.4	-
Discontinued operation:			
Ismeca Automation			
Orders received	-	10.8 ¹⁾	-
Gross revenues	-	8.5 ¹⁾	-
Operating profit	-	0.2 ¹⁾	-

¹⁾ Figures for the period from January 1 to March 31, 2005 (effective date of sale).

Consolidated balance sheet as at June 30, 2006

	June 30, 2006	%	Dec. 31, 2005	%
Assets (in CHF m)				
Current assets				
Cash and cash equivalents	53.7		51.3	
⁴ Trade receivables	99.1		82.1	
⁴ Inventories and work in progress	93.4		77.9	
⁴ Other current assets	21.9		14.9	
Total current assets	268.1	81.4	226.2	77.4
Fixed assets				
Property, plant and equipment	48.7		49.0	
Intangible assets	6.1		6.1	
Other fixed assets	6.3		11.0	
Total fixed assets	61.1	18.6	66.1	22.6
Total assets	329.2		292.3	
Liabilities (in CHF m)				
Short-term liabilities				
Short-term interest-bearing liabilities	7.4		2.1	
Commission payments	4.9		5.4	
⁴ Trade liabilities	41.3		31.2	
⁴ Other short-term liabilities	60.8		49.0	
Total short-term liabilities	114.4	34.8	87.7	30.0
Long-term interest-bearing liabilities	0.5		1.0	
Pension obligations	22.7		22.8	
Other long-term liabilities	5.5		6.9	
Long-term liabilities	28.7	8.7	30.7	10.5
Total liabilities	143.1	43.5	118.4	40.5
Shareholders' equity				
Share capital	1.4		1.4	
Premium	107.4		107.4	
Profit reserves	85.9		73.1	
Hedging reserves	0.1		- 0.2	
Currency translation differences	- 8.7		- 7.8	
Equity attributable to parent company shareholders	186.1		173.9	
Minority interest	-		-	
Total shareholders' equity	186.1	56.5	173.9	59.5
Total liabilities	329.2		292.3	

▲ For additional details see notes to the semi-annual statements as at June 30, 2006

Consolidated income statement for the first half of 2006

(in CHF m)	First half of 2006		First half of 2005	
		%		%
Continuing operations:				
Gross revenues	224.8	106.7	154.0	102.8
Sales deductions	- 11.9	- 5.6	- 8.6	- 5.7
Net revenues	212.9	101.1	145.4	97.1
Change in inventories of semi-finished and finished goods	- 2.3	- 1.1	4.4	2.9
Total operating income	210.6	100.0	149.8	100.0
Cost of materials	- 112.7	- 53.5	- 76.1	- 50.8
Personnel expenses	- 49.2	- 23.3	- 48.3	- 32.2
Other operating expenses	- 25.2	- 12.0	- 23.1	- 15.4
Other operating income	1.1	0.5	0.4	0.2
Depreciation & amortization of other intangible assets	- 2.7	- 1.3	- 2.6	- 1.7
Operating profit	21.9	10.4	0.1	0.1
Financial income	2.2	1.0	6.1	4.0
Financial expenses	- 3.2	- 1.5	- 1.8	- 1.2
Income before taxes	20.9	9.9	4.4	2.9
Income taxes	- 3.8	- 1.8	- 2.8	- 1.9
Net income from continuing operations	17.1	8.1	1.6	1.0
Discontinued operation:				
2 Net income from discontinued operation	-	-	8.0	5.3
Net income	17.1	8.1	9.6	6.4
Attributable to:				
– Parent company shareholders	17.1	8.1	9.6	6.4
– Minority interest	-	-	0.0	-
Earnings per share (in CHF)				
From continuing operations:				
– Before dilution	11.87		1.14	
– After dilution	11.87		1.14	
From continuing and discontinued operations:				
– Before dilution	11.87		6.68	
– After dilution	11.87		6.68	

Consolidated cash flow statement for the first half of 2006

(in CHF m)	First half of 2006	First half of 2005
Net income	17.1	9.6
Depreciation and amortization	2.7	2.6
Gain from sale of subsidiaries	-	- 8.0
Other positions not impacting on liquidity	- 3.3	0.3
Income taxes paid	3.7	2.8
Operating profit before adjustment of net current assets	20.2	7.3
Change in net current assets	- 18.4	- 23.1
Cash flow from operating activity	1.8	- 15.8
Interest and income taxes paid	- 1.9	- 3.8
Net cash flow from operating activity	- 0.1	- 19.6
Sale of subsidiaries	-	16.3
Purchase of property plant and equipment and intangible assets	- 2.6	- 1.4
Sale of property plant and equipment	0.9	-
Repayment financial assets	4.0	2.4
Interest received	0.4	0.3
Cash flow from investment activity	2.7	17.6
Dividend	- 4.3	-
Increase of short-term financial debt	5.3	5.3
Repayment of long-term financial debt	- 0.5	- 4.2
Sale of treasury shares	-	3.1
Cash flow from financing activity	0.5	4.2
Currency translation differences on cash and cash equivalents	- 0.7	1.7
Change in cash and cash equivalents	2.4	3.9
Cash and cash equivalents as at January 1	51.3	45.7
Cash and cash equivalents as at June 30	53.7	49.6

Change in consolidated shareholders' equity

(in CHF m)	Equity attributable to parent company shareholders						Minority interest	Total shareholders' equity	
	Share capital	Treasury shares	Premium	Profit reserve	Hedging reserve	Currency translation difference	Total		
Balance as at January 1, 2005	10.1	-2.2	107.4	53.2	0.5	-8.9	160.1	0.2	160.3
Foreign currency translation differences						0.9	0.9		0.9
Cash flow hedges									
– Gains/losses recorded under equity					-0.4		-0.4		-0.4
– Gains/losses transferred to the income statement					-0.2		-0.2		-0.2
Income taxes on gains and losses recorded directly in shareholders' equity					0.1		0.1		0.1
<i>Gains and losses recorded directly in shareholders' equity</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-0.5</i>	<i>0.9</i>	<i>0.4</i>	<i>0</i>	<i>0.4</i>
Net income				9.6			9.6		9.6
<i>Total gains and losses recorded</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>9.6</i>	<i>-0.5</i>	<i>0.9</i>	<i>10.0</i>	<i>0</i>	<i>10.0</i>
Change in treasury shares		2.2		0.9			3.1		3.1
<i>Total other changes in shareholders' equity</i>	<i>0</i>	<i>2.2</i>	<i>0</i>	<i>0.9</i>	<i>0</i>	<i>0</i>	<i>3.1</i>	<i>0</i>	<i>3.1</i>
Balance as at June 30, 2005	10.1	0	107.4	63.7	0	-8.0	173.2	0.2	173.4
Balance as at January 1, 2006	1.4	0	107.4	73.1	-0.2	-7.8	173.9	0	173.9
Foreign currency translation differences						-0.9	-0.9		-0.9
Cash flow hedges									
– Gains/losses recorded under equity					0.2		0.2		0.2
– Gains/losses transferred to the income statement					0.2		0.2		0.2
Income taxes on gains and losses recorded directly in shareholders' equity					-0.1		-0.1		-0.1
<i>Gains and losses recorded directly in shareholders' equity</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.3</i>	<i>-0.9</i>	<i>-0.6</i>	<i>0</i>	<i>-0.6</i>
Net income				17.1			17.1	0	17.1
<i>Total gains and losses recorded</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>17.1</i>	<i>0.3</i>	<i>-0.9</i>	<i>16.5</i>	<i>0</i>	<i>16.5</i>
Dividend				-4.3			-4.3		-4.3
<i>Total other changes in shareholders' equity</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-4.3</i>	<i>0</i>	<i>0</i>	<i>-4.3</i>		<i>-4.3</i>
Balance as at June 30, 2006	1.4	0	107.4	85.9	0.1	-8.7	186.1	0	186.1

Notes to the semi-annual statements as at June 30, 2006

1 Consolidation principles

These abridged, unaudited semi-annual statements of Schweiter Technologies AG and its subsidiaries were prepared in accordance with IAS 34 "Interim Financial Reporting". The statements are based on the accounting principles set out in the 2005 Annual Report, which were applied without changes.

The new or amended guidelines on IFRS/IAS standards which came into force on January 1, 2006 had no or no significant impact on the abridged consolidated semi-annual financial statements.

The preparation of the semi-annual statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the semi-annual statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the semi-annual statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The Group operates in sectors which are not affected by seasonal fluctuations. Income tax expense is recognised based upon the best estimate of the weighted average income tax rate expected for the full financial year.

2 Discontinued operation

The Group sold its wholly-owned subsidiary Ismeca Automation Holding AG to the Komax Group as at April 1, 2005.

The results of the sold "Ismeca Automation" division that appear in the consolidated financial statements for the period from January 1 to March 31, 2005, are as follows (in CHF m):

Gross revenues	8.5
Expenses	- 8.5
Income before taxes	0.0
Income taxes	-
Income from the sale of discontinued activities	8.0
Allowable tax expenses	-
Income from discontinued activities	8.0

3 Segment reporting

Information on segment reporting is given on page 3.

4 Change in balance sheet positions

Sales growth led to an increase in net current assets.

5 Dividend payout

On May 17, 2006 shareholders approved distribution of a dividend of CHF 3.00 per share.

6 Contingent liabilities

Contingent liabilities have remained essentially unchanged.

7 Events occurring after the balance sheet date

No events occurred between the balance sheet date and the date of publication of this semi-annual report which could have a significant impact on the consolidated annual financial statements.

This semi-annual report has been approved by the Board of Directors of Schweiter Technologies and authorized for publication on August 4, 2006.

Information for shareholders

Bearer shares are listed on the main stock exchange in Zurich. Security number: 1075 492; Telekurs: SWTQ; Reuters: SWTZ.

(in CHF 1000s)	June 30, 2006	Dec. 31, 2005
Share capital – divided into bearer shares with a par value of CHF 1 each (previous year CHF 1)	1 444	1 444
Conditional capital	133	133
Approved capital	300	300
Stock market capitalization as at reference date	428 771	376 077

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