

Media information

1st half of 2016: Schlatter Group on track

Schlieren, 22 August 2016. **The Schlatter Group posted an order intake of CHF 65.3 million in the first half of 2016 (1st half 2015: CHF 38.1 million) and achieved net sales of CHF 39.8 million (1st half 2015: CHF 42.1 million). As at 30 June 2016 the order backlog stood at CHF 57.6 million (31 December 2015: CHF 31.9 million). With an operating result (EBIT) of CHF 0.4 million (1st half of 2015: CHF –2.5 million), Schlatter's results for the first half of 2016 were in line with expectations. In the first half of 2016, the Group generated a positive free cash flow of CHF 7.7 million (1st half of 2015: CHF –3.1 million).**

Comprehensive, rapidly implemented measures to counter the overvaluation of the Swiss Franc against the euro and other currencies have been showing the intended effect in the first half of 2016. The concerted development efforts made in past years in all product areas are having a positive impact on the Group's market performance: Schlatter has gained market share through the launch of new products. The market environment remains volatile, but the sharp increase in orders received in the first half of 2016 will keep capacity utilization high in both Schlieren and Münster beyond the year-end. The company continues to expect a break-even result for the 2016 financial year.

Markets

Equipment for the production of reinforcing and industrial wire mesh

The recovery of steel prices in the first half of 2016 had a positive effect on the investment activity of mesh producers. While investment projects are once again picking up in the northern EU countries, the southern European markets are still sluggish. Demand is expected to be slightly stronger in south-east Asia as well as in certain Central American countries and in the emerging markets. Brazil, the most important South American market, has seen hardly any capital investment in new plants since 2014. In Russia, the depreciation of the rouble and the politically unstable environment are keeping capital investment at a low level.

Rail welding

The market for stationary and mobile rail-welding systems was subdued in the first half of 2016. While the overall market for stationary rail welding is still regarded as satisfactory and a number of projects offer potential, companies are reluctant to invest in mobile systems.

Weaving

Following the unexpectedly sharp fall in demand in the weaving market for paper clothing machines in 2015, Schlatter secured a number of new plant projects in the first half of 2016 that had previously been postponed for long periods. In the medium term, however, business on this market will remain sluggish and volatile, as paper mills are continuing with their consolidation process. Capital investment is generally restricted to retrofitting work and the replacement of old equipment.

Welding Segment

Order intake in the welding segment in the first half of 2016 was up 74 percent to CHF 49.8 million (1st half of 2015: CHF 28.7 million). At CHF 31.2 million, net sales were close to the prior year's figure of CHF 33.2 million. The order backlog stood at CHF 43.8 million as at 30 June 2016 (31 December 2015: CHF 25.2 million). The welding segment posted an operating result (EBIT) for the reporting period of CHF 0.3 million (1st half of 2015: CHF –2.7 million).

In the Wire product area, Schlatter was able to benefit from the slight market recovery thanks to its development of new plant concepts for the production of reinforcing wire mesh. The high pace of innovation in product development was maintained in the first half of 2016, and the financial resources committed to it remained at the prior year's level.

Weaving Segment

The weaving segment generated new orders to the value of CHF 15.5 million in the first half of 2016 (1st half of 2015: CHF 9.4 million). Net sales came to CHF 8.6 million (1st half of 2015: CHF 9.0 million). As at 30 June 2016 the order backlog stood at CHF 13.8 million (31 December 2015: CHF 6.6 million). The segment reported an operating result (EBIT) of CHF 0.1 million for the period under review (1st half of 2015: CHF 0.2 million).

The investment backlog in the paper clothing machines field has been partly eliminated, and a number of new plants were sold. Schlatter expects significantly fewer new orders in the second half of 2016. The modernization of old equipment remains an important source of revenue and activity. The wire-weaving machines area, sales expectations were met.

Outlook

The successful innovation initiative of the last two years and the improved market environment are helping to boost business at the Schlatter Group. Schlatter is well positioned for the second half of the year, even though the currency situation remains challenging. Order intake was at an unusually high level in the first half of the year, but can be expected to return to normal in the second. The marketing drive, which included the establishment of additional sales resources in the emerging markets and the opening of a sales and service facility in China, is being implemented on schedule, as is the package of measures to expand the service business. Other focal points include efficiency drives to reduce throughput times in customer projects and make the organization more flexible. The Board of Directors and Group Management continue to expect a break-even result for the current financial year.

The full report for the first half of 2016 can be downloaded from the Schlatter Group website:

<http://www.schlattergroup.com/en/investor-relations/downloads/hjb16EN.pdf>

Further information

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Agenda

21.03.2017 Publication of detailed results for the financial year 2016

04.05.2017 Annual General Meeting

22.08.2017 Publication of Half-year-Report 2017

Schlatter Gruppe (www.schlattergroup.com)

The Schlatter Group is one of the leading specialists in plant engineering for resistance welding systems as well as weaving and finishing equipment for the production of paper machine clothing, wire fabrics and wire mesh. Thanks to its many years of experience in the field of plant technology, its innovative strength and its reliable service, the Schlatter Group – which is listed on the Domestic Standard of SIX Swiss Exchange – guarantees its customers a range of powerful and high-quality production equipment.

This media information contains certain forward-looking statements including statements using the words "believes", "assumes", "expects" or formulations of a similar kind. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which could lead to substantial differences between the actual future results, the financial situation, the development or performance of the Company and those either expressed or implied by such statements. Such factors include, among other things: competition from other companies, the effects and risks of new technologies, the Company's continuing capital requirements, financing costs, delays in the integration of acquisitions, changes in the operating expenses, the Company's ability to recruit and retain qualified employees, unfavorable changes in the applicable tax laws, and other factors identified in this communication. In view of these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company accepts no obligation to continue to report or update such forward-looking statements or adjust them to future events or developments.

Key figures of the Schlatter Group

		1 st half of 2016	1 st half of 2015	2 nd half of 2015	2015
Net sales	CHF million	39.8	42.1	41.1	83.2
Change compared to previous year	%	-5.5	-5.9	-8.1	-7.0
Operating result (EBIT)	CHF million	0.4	-2.5	-3.4	-5.9
in % of net sales	%	1.0	-5.9	-8.3	-7.1
Net result	CHF million	0.1	-2.8	-4.1	-6.9
in % of net sales	%	0.2	-6.7	-10.0	-8.3
Net result per registered share	CHF	0.1	-2.64	-3.71	-6.22
Order intake	CHF million	65.3	38.1	34.8	72.9
Order backlog at period end	CHF million	57.6	38.2	31.9	31.9
Free cash flow¹	CHF million	7.7	-3.1		
Headcount at period end²	FTEs	309	311	310	
Average headcount	FTEs	309	311	317	
		30.6.2016	31.12.2015		
Interest-bearing liabilities	CHF million	0.5	0.6		
Net financial position (debt)³	CHF million	9.7	2.1		
Gearing⁴	%	0.0	0.0		
Current assets	CHF million	49.3	39.8		
Non-current assets	CHF million	8.4	9.3		
Liabilities	CHF million	35.9	27.5		
Equity	CHF million	21.8	21.6		
Equity ratio	%	37.8	44.0		

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

⁴ Gearing: net financial position divided by equity