

Half-year 2015

30 September 2015

An overview of the first half-year 2015

1. PRELIMINARY REMARKS

On the General Meeting held on 30 June 2015 Jean-Paul Periat and Viktor Huser were reconfirmed as board members and as liquidators of the company for another term. Jean-Paul Periat has been elected by the General Meeting as Chairman of the Board.

The Board of Directors of Swmtl Holding Ltd. in liq. is continuing working on winding down the company and, in doing so, aspiring to realize the value of its assets in the best achievable way.

For the shareholders, everything depends on the best possible realization of the remaining assets and of the result of the liquidation of Weidenareal Metall Ltd. in Nachlassliquidation ("WAM" or "Weidenareal"). Subject to the recognition of the Swmtl claim to the "Kollokationsplan", the company may experience a partial or full repayment on the basis of its creditor position at Weidenareal. However, should the claim eventually not be recognised by the creditors committee ("Gläubigerausschuss") of Weidenareal, then the bankruptcy judge will have to be notified. As per information available, the Kollokationsplan will be released in the coming months. A partial repayment appears to be likely on the basis of the Board's current knowledge.

In considering the remaining shareholders equity, the main challenge to the Board of Directors and liquidators in ensuring the continuation of the liquidation will be to strictly manage the disbursements and finally the liquidity. Currently Swmtl is not involved in active or passive legal cases, however should one or more of the creditors initiate a legal case and/or the claim toward Weidenareal not be allocated by the liquidator and the creditor's committee, then the continuation of the liquidation could be seriously jeopardized. Due to the high variance of possible outcomes, it is impossible to make a concrete estimate of the financial outcome of the liquidation process of Swmtl Holding Ltd. in liq.

2. BASIS FOR THE CONSOLIDATED INCOME STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT AND CHANGES AFFECTING GROUP COMPANIES

These unaudited statements have been prepared in accordance with Swiss GAAP FER 31. The consolidation and valuation principles correspond to those of the annual report. Fixed assets have been valued on a liquidation basis. Naturally, the actual realization values depend on future developments in the liquidation process. There remains an inevitable uncertainty about these values and the amounts accrued for. The Board of Directors and the liquidators are convinced that the estimates made represent the best estimates possible.

3. CONSOLIDATED INCOME STATEMENT

Consolidated income statement (unaudited)	2015 (6 Months)	2014 (6 Months)
CHF 000		
Operating and administrative expenses	-15	-9
Operating income before depreciation (EBITDA) - before extraordinary result	-15	-9
Operating income (EBIT)	-15	-9
Financial result	-9	-9
Ordinary result	-23	-18
Non-operating and extraordinary result	-3	1'937
Earnings before taxes (EBT)	-27	1'919
Income taxes	-	-
Result for the year (EAT)	-27	1'919

The extraordinary result of TCHF 3 is mainly due to lower than expected capital taxes of TCHF 42 and accordingly the account payables to the tax authorities have been adjusted and of TCHF 45 of retroactive interests on the payables claimed by a former Member of the Executive Management. The CHF 1.93 million in the previous reporting period relates almost entirely to the waiver received by AV International Ltd. in liq. from Weidenareal in accordance with the stand-still agreement agreed.

4. CONSOLIDATED BALANCE SHEET

Consolidated balance sheet (unaudited)	30.06.2015	31.12.2014
CHF 000		
Current Assets	586	654
Intangible and financial assets	7'344	7'429
Total assets	7'930	8'083
Short-term liabilities	7'896	8'022
Total liabilities	7'896	8'022
Shareholders' equity	34	61
Total liabilities and shareholders' equity	7'930	8'083

Intangible and financial assets as at 30 June 2015 of CHF 7.34 million consist of claims relating to:

- the insolvency proceedings of Swissmetal Busch-Jaeger GmbH, Lüdenscheid, in the amount of CHF 0.51 million, and
- the expected repayment of the current account with Weidenareal of CHF 0.68 million. The amount includes CHF 0.11 million relating to the claim for an employment agreement compensation claimed by a former Member of the Executive Management. The amounts were adjusted to reflect the expected repayment in the context of the liquidation quota of the subsidiary. There exists an uncertainty regarding the valuation, as proceeds from the amount due from WAM depends on the outcome of the liquidation, and

- a bank for a guarantee commitment of CHF 20.0 million securing a mortgage provided to Weidenareal in the remaining amount of CHF 6.14 million. In 2014, the outstanding amount of the mortgage has been fully repaid - subject to the creditor's rights - to the bank by the subsidiary. However, Swmtl was not formally released from the guarantee as the bank is of the opinion that there still exists an uncertainty relating to the inherent claim of recovery. Accordingly the liabilities and the related receivable from the deconsolidated entity did not decrease in the extent of the paid amount.

The short term liabilities as at 30 June 2014 in the order of CHF 7.84 million encompass

- CHF 6.14 million for the claim of a bank arising from the guarantee commitment and a provision of CHF 0.51 million for the remaining potential exposure toward the same institute, and
- an accrual for expected costs of liquidation of CHF 0.06 million, and
- accruals of CHF 0.15 million for unpaid compensation to the Board of Directors. There exists an uncertainty regarding the valuation of the accruals for unpaid compensation to the former Board of Directors, as the amount due from Weidenareal depends on the outcome of the liquidation.
- CHF 0.20 million are owed to creditors for services and goods provided (the decrease of TCHF 40 compared to the previous reporting period is due to lower than expected capital taxes) and
- CHF 0.34 million for a compensation to a member of the Board leaving 10 May 2013 arising from his past contractual agreement and of
- a liability of CHF 0.5 million (including CHF 0.08 million of accrued social security and pension plan contributions and CHF 0.05 of accrued interests) arising from a contractual compensation claimed by a former Member of the Executive Management.

Statement of Changes in Shareholders' Equity

	Share capital	Capital reserves ¹	Retained earnings ²	Total ³
CHF 000				
Balance as at 31 December 2013	59'617	34'226	-95'623	-1'780
Result for the 1 st half-year 2014	-	-	1'919	1'919
Balance as at 30 June 2014	59'617	34'226	-93'704	139
Balance as at 31 December 2014	59'617	34'226	-93'782	61
Result for the 1 st half-year 2015	-	-	-27	-27
Balance as at 30 June 2015	59'617	34'226	-93'809	34

¹ Includes retained statutory reserves and shareholders' equity transaction costs

² Includes the profits from the initial and subsequent consolidation, unappropriated retained earnings, the effect from the first time application of Swiss GAAP FEER on pension Plan and the result of the period

³ since 2010, there are no minority interests

5. CONSOLIDATED CASH FLOW STATEMENT

First half-year (unaudited)		
CHF 000	2015	2014
Cash flow before change in net current assets	-43	1'919
Change in net current assets	-25	-2'005
Cash flow from operating activities	-68	-86
Total cash flow from investing activities	-	-
Free cash flow	-68	-86
Net change in cash and cash equivalents	-68	-86
Cash and cash equivalents as at 1 January	654	809
Cash and cash equivalents as at 30 June	586	723

The Group generated an operating cash drain of CHF 0.07 million in the first six months 2015 mainly relating to the decrease in net current assets.

6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In September 2015, the claim in the amount of TCHF 0.57 million toward Weidenareal have been recognized by the creditors committee to the "Kollokationsplan". The amount represents the liquidation quota of 25 % officially communicated, however the timing of the payment remains unknown. The decision to collocate/recognise or not the remaining amount of CHF CHF 0.11 million relating to the claim for an employment agreement compensation claimed by a former Member of the Executive Management have been temporarily suspended as there are paulian actions ("Paulianische Anfechtungsklagen") of Weidenareal.

Accordingly, there still exists an uncertainty regarding the valuation, as proceeds from the amount due from WAM depends on the final outcome of the liquidation.

Subject to the recognition of the Swmtl claim to the "Kollokationsplan", the company may experience a partial or full repayment on the basis of its creditor position at Weidenareal.

7. OUTLOOK

For the shareholders, everything depends on the best possible realization of the assets and of the result of the liquidation of Weidenareal. In considering the liquidation quota of 25 %, the Board of Directors of Swmtl regards a transfer of shareholders' funds from Weidenareal in debt restructuring liquidation to Swmtl (which would only be possible if all creditor classes of WAM were fully satisfied) as an unrealistic scenario.

The next realistic achievable goals of the Board of Directors are on one hand the formalization of the guarantee release from the bank and on the other hand the cash-in of the claim resulting from the insolvency of Swissmetal Busch-Jaeger GmbH, Lüdenscheid.

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