

Half-year 2016

September 2016

An overview of the first half-year 2016

1. PRELIMINARY REMARKS

On the General Meeting held on 30 June 2016 Jean-Paul Periat and Viktor Huser were reconfirmed as board members and as liquidators of Swmtl Holding Ltd. in liq. ("Swmtl" or "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 the company 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.

In June 2016 the liquidator of Weidenareal Metall Ltd. in Nachlassliquidation ("WAM" or "Weidenareal") informed the company of a first down-payment in the extent of 5% of the amount recognized by the creditors committee ("Gläubigerausschuss") to the "Kollokationsplan". The amount of CHF 0.11 million is expected to be received in the next weeks (see also Note 6 "Events occurring after the balance sheet date"). The timing of further down-payments remains unknown as it is outside the sphere of influence of Swmtl and will depend on and be subject to the outcome of the liquidation of WAM.

Subject to the recognition of a second Swmtl claim (in the amount of CHF 0.11 million) to the "Kollokationsplan", the company may experience an additional repayment. However, the recognition of the claim has been temporarily suspended by the liquidator of WAM as there are divergent opinions on the enforceability of the claim. On the basis of the Board's current knowledge a partial recognition/repayment appears to be likely.

Although WAM have, in the context of the real estate transaction, fully repaid the mortgage, the bank has not formally released the company from the guarantee as it 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 (as in the previous reporting period) decrease in the extent of the paid amount.

Furthermore, Weidenareal will be able to transfer funds to Swmtl only if all creditor classes were fully satisfied. In considering the officially communicated liquidation quota of 25% for the 3rd creditor class, the Board of Directors regards a transfer of funds on the basis of its shareholding as unrealistic.

In February 2016, PLP Targeted Opportunities Fund have notified a shareholders holding of 3.85 % but reported a decrease of its stake below 3 % at the end of April 2016.

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, 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 INCOME STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT

These unaudited statements have been prepared in accordance with Swiss GAAP FER 31. The valuation principles correspond to those of the annual report. The 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.

Due to the deconsolidation in 2015 of AV International Ltd. in liq., the reported figures for the first half-year 2016 refers to those of Swmtl as a single legal entity. The previous year figures of the income statement included the prorate figures of the deconsolidated entity, however the impact is immaterial and accordingly irrelevant for a comparison.

3. INCOME STATEMENT

Income statement (unaudited)	2016 (6 Months)	2015 (6 Months)
CHF 000		
Operating and administrative expenses	-12	-15
Operating income before depreciation (EBITDA) - before extraordinary result	-12	-15
Operating income (EBIT)	-12	-15
Financial result	-23	-9
Ordinary result	-35	-24
Non-operating and extraordinary result	0	-3
Earnings before taxes (EBT)	-35	-27
Income taxes	-	-
Result for the year (EAT)	-35	-27

The financial expenses mainly consist of accrued interests on certain liabilities. Due to the principle of "neutrality of treatment", the interest yield was applied to almost but all liabilities. This mainly explains the increase of the financial expenses compared to the previous reporting period. Furthermore, the impact of the exchange rate relating to the conversion of the assets (claim of Busch-Jaeger) and liabilities denominated in EUR is immaterial as the exchange rate does not substantially differ from the one antecedently applied.

Earnings per share for the reported financial year are negative. In considering the fact that there are no outstanding convertible bonds or options, the diluted value corresponds to the undiluted one. Furthermore, the financial statements have been prepared on the basis of liquidation values instead of going concern values, accordingly the earnings are highly volatile.

4. BALANCE SHEET

Balance sheet (unaudited)	30.06.2016	31.12.2015
CHF 000		
Current Assets	493	527
Intangible and financial assets	7'361	7'361
Total assets	7'854	7'888
Short-term liabilities	7'469	7'468
Total liabilities	7'469	7'468
Shareholders' equity	385	420
Total liabilities and shareholders' equity	7'854	7'888

Compared to the previous reporting period the structure of the assets remained practically unchanged. The financial assets (the company does not have any intangible assets) primarily relate to receivables from subsidiaries. There exists an uncertainty regarding the valuation, as the amounts due from Weidenareal depend on the outcome of the liquidation. Furthermore as there also exists an uncertainty regarding the enforceability of one of the claims and the payment terms of the WAM receivable, it has been classified to long-term financial assets.

The financial assets as at 30 June 2016 of CHF 7.36 million consist of claims relating to:

- the insolvency proceedings of Swissmetal Busch-Jaeger GmbH, Lüdenscheid, in the amount of CHF 0.54 million (CHF 0.54 as at 31 December 2015). The recoverability of the claim have been confirmed, however the timing of the payment remains unknown.
- the expected repayment of the claim with Weidenareal for a total amount of CHF 0.68 million is made up of:
 - an amount of CHF 0.57 million (corresponding to a liquidation quota of 25% of the nominal value) which have been recognized by the creditors committee ("Gläubigerausschuss") to the "Kollokationsplan". In June 2016 the liquidator informed the company of a first down-payment in the extent of 5% (approx. CHF 0.11 million) of the nominal value, which should be wired in the next weeks.
 - an amount of TCHF 0.11 (unchanged compared to the previous year) relating to an employment agreement compensation claimed by a former Member of the Executive Management. The recognition of this claim (adjusted to reflect the expected repayment in the context of the liquidation quota of the subsidiary) has been temporarily suspended by the liquidator of WAM as there are divergent opinions on the enforceability of the claim. However, a partial recognition/repayment appears to be likely on the basis of the Board's current knowledge.
- 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 (including approx. CHF 0.9 million of accrued interests). 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 2016 in the order of CHF 7.47 million encompass:

- CHF 6.14 million for the claim of a bank arising from the guarantee commitment, and
- an accrual for expected costs of liquidation of CHF 0.05 million, and
- CHF 0.24 million (including accrued interests) are owed to creditors for services and goods provided, and
- CHF 0.34 million (nominal CHF 0.26 million plus accrued interests at a rate of 5%) for a compensation to a member of the Board leaving 10 May 2013 arising from his past contractual agreement, and
- a liability of CHF 0.51 million (including CHF 0.08 million of accrued social security and pension plan contributions and accrued interests at a rate of 5%) arising from a contractual compensation claimed by a former Member of the Executive Management, and
- accruals of CHF 0.18 million for unpaid compensation to the Board of Directors.

In the the financial year 2011, 10% of the accrued compensation in the amount of approximately CHF 0.5 million to the Board of Directors leaving 30 June 2011 were allocated to Swmtl Holding Ltd. in liq. In the financial year 2012 the Board of Directors came to the conclusion that this amount fairly represents their share of work for Swmtl and that other companies of the Group have to bear the rest of the compensation. However, a certain risk of honouring partially or in full the obligation remains at the company level, accordingly there exists an uncertainty regarding the valuation, as the amount due from WAM entirely depends on the outcome of the liquidation.

Statement of Changes in Shareholders' Equity

CHF 000	Share capital	Capital reserves ¹	Retained earnings ²	Total ³
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
Balance as at 31 December 2015	59'617	34'226	-93'442	420
Result for the 1 st half-year 2016	-	-	-35	-35
Balance as at 30 June 2016	59'617	34'226	-93'477	385

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. CASH FLOW STATEMENT

First half-year (unaudited)		
CHF 000	2016	2015
Cash flow before change in net current assets	-12	-43
Change in net current assets	-22	-25
Cash flow from operating activities	-34	-68
Total cash flow from investing activities	-	-
Free cash flow	-34	-68
Net change in cash and cash equivalents	-34	-68
Cash and cash equivalents as at 1 January	527	654
Cash and cash equivalents as at 30 June	493	586

The Company generated an operating cash drain of CHF 0.03 million in the first six months 2016 mainly relating to the decrease in net current assets.

6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The downpayment of WAM, in the amount of CHF 0.11 million, has been received on 18 August 2016.

The SIX Swiss Exchange Regulation has with decision of 15 September 2016 approved the request of the company to delist the 6,624,106 bearer shares with a par value of CHF 9.00 each (ISIN: CH0002572268 / Symbol: SMET). The shares will be delisted per 16 March 2017; accordingly, the last trading day is 15 March 2017.

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 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 unrealistic.

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.

Investor Relations

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