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# Schaffner Group Half-Year Report 2010/11

## Further increase in sales and earnings during first half of 2010/11

To our shareholders

The Schaffner Group continued to grow during the first half of fiscal 2010/11 and considerably exceeded the previous year's results. Growth in China, expansion of sales operations in the Asia-Pacific region and product innovations contributed to these results as did strong demand from the photovoltaic industry. Consolidated net sales increased by 17.2% (28.7% in local currencies) to CHF 99.2 million (HY1 2009/10: CHF 84.6 million). The operating result rose to CHF 9.0 million (CHF 5.6 million), while the EBIT margin expanded to 9.1% (6.6%) and net profit increased to CHF 7.2 million (CHF 3.8 million). During the first six months of fiscal 2010/11, the Schaffner Group posted order intake of CHF 102.3 million (CHF 98.3 million), with a book-to-bill ratio of 1.03.

### Dynamic development in all markets

In the first half of fiscal 2010/11, the Schaffner Group once again recorded strong growth in the strategic growth markets of energy-efficient drive systems, renewable energy and rail technology, which accounted for 56% (51%) of Group sales. Only minor changes were seen in the geographical breakdown of sales. Europe remains the Group's foremost regional market at 60% of sales (61%), while 32% (32%) came from the Asia-Pacific region and the Americas accounted for 8% (7%). With sales growth of 24% in local currencies and a 20% (19%) share of sales, China continues to be the Schaffner Group's second largest national market after Germany.

All three business segments of the Schaffner Group have shown further growth in the first-half of fiscal 2010/11.

The **Electromagnetic Compatibility (EMC)** segment, with its standard and customized components that ensure the electromagnetic compatibility of electronic power equipment and systems, posted sales of CHF 57.2 million (HY1 2009/10: CHF 49.7 million). The segment result rose 51% to CHF 11.5 million (CHF 7.6 million) and the segment operating margin grew to 20.1% (15.3%). During the first half of fiscal 2010/11, additional gains in market share led to a 51% increase in sales in North America in local currency. Key markets of the EMC segment include energy-efficient drive systems, renewable energies, power supply systems for electronic devices, as well as machine tools and robotics. The EMC segment contributed 58% (59%) to Group sales in the first half-year.

The **Power Quality (PQ)** segment designs and manufactures magnetic components as well as active and passive harmonic filters that guarantee power quality in grids and the reliable functioning of energy-efficient systems and equipment. The segment generated sales of CHF 33.6 million (CHF 26.9 million), around a quarter higher than the previous year, despite the fact that several Chinese rail technology and wind energy customers reduced their call orders due to project delays. The segment result more than doubled to CHF 1.1 million (CHF 0.5 million), with a segment operating margin of 3.4% (1.9%). The result of the PQ segment is negatively impacted by higher costs for capacity expansion in Shanghai where a new operating and production facility will be ready for occupancy in summer 2011. Key markets include energy-efficient drive systems, renewable energies and rail technology. The PQ segment accounted for 34% (32%) of Group sales.

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The **Automotive (AM)** segment is currently generating the largest share of sales with components for comfort and safety electronics in automobiles. In the future, EMC and power quality components will be key growth drivers for the drive systems of hybrid and electric vehicles. The AM segment increased its sales by 4% to CHF 8.4 million (CHF 8.1 million) compared with the prior period. Higher costs in connection with intensified R&D activities in the area of electromobility as well as changes in the exchange rate led to a slightly negative segment result of CHF –0.2 million (CHF 0.9 million). The AM segment accounted for 8% (9%) of Group sales.

#### **Further improvement in the financing structure**

The Schaffner Group has a solid balance sheet which, in conjunction with interest rate changes, enabled it to considerably reduce financing costs. The increase in sales generated an increase in net current assets to CHF 40.8 million (end of prior year: CHF 38.3 million). Net debt was reduced slightly to CHF 10.9 million (CHF 11.8 million), and the gearing ratio was 19% (21%). With a rise in shareholders' equity to CHF 58.3 million (CHF 56.0 million), the equity ratio increased further to 45.4% (44.2%) as at the end of March 2011. Compared to the previous period, free cash flow improved from CHF –2.7 million to CHF 4.6 million.

#### **Outlook**

Demand remains high for EMC and power quality solutions for use in energy-efficient drive systems and electronic motor controls as well as rail technology. Some late-cyclical EMC markets – particularly for machine tools and robotics – are continuing to recover. The new power quality products as well as market share gains among distribution customers are supporting the business volume. Sales on the automotive market are experiencing consistent growth at a high level. After last year's strong showing, only the photovoltaic market is likely to see a drop in demand. Assuming that exchange rates remain basically stable, the Schaffner Group expects that sales and the operating result for the second half-year will be comparable to the first half, which would indicate a sales figure for fiscal 2010/11 of approximately CHF 200 million and an EBIT margin of at least 9.0%.

Luterbach, 12 May 2011



**Daniel Hirschi**  
Chairman of the Board of Directors



**Alexander Hagemann**  
Chief Executive Officer

## Consolidated balance sheet

in CHF '000	31.3.2011	30.9.2010
Intangible assets	14,275	14,773
Property, plant and equipment	14,188	14,916
Other non-current assets	12,222	12,202
Deferred tax assets	1,867	2,196
<b>Non-current assets</b>	<b>42,552</b>	<b>44,087</b>
Inventories	33,251	31,134
Trade receivables	33,243	36,885
Income tax receivables	721	761
Other receivables, prepaid expenses and accrued income	5,918	5,715
Cash and cash equivalents	12,613	8,061
<b>Current assets</b>	<b>85,746</b>	<b>82,556</b>
<b>Total assets</b>	<b>128,298</b>	<b>126,643</b>
Equity attributable to equity holders of Schaffner Holding AG	58,273	55,985
<b>Shareholders' equity</b>	<b>58,273</b>	<b>55,985</b>
Non-current provisions	6,615	7,080
Deferred tax liabilities	2,594	2,664
Non-current borrowings	23,522	18,137
<b>Non-current liabilities</b>	<b>32,731</b>	<b>27,881</b>
Current provisions	4,975	4,882
Current borrowings	0	1,749
Income tax payables	2,325	1,867
Trade and other payables	29,994	34,279
<b>Current liabilities</b>	<b>37,294</b>	<b>42,777</b>
<b>Total liabilities</b>	<b>70,025</b>	<b>70,658</b>
<b>Total liabilities and shareholders' equity</b>	<b>128,298</b>	<b>126,643</b>

## Consolidated income statement

For the first six months (1 October to 31 March)	H1 2010/11	H1 2009/10
in CHF '000		
<b>Net sales</b>	<b>99,158</b>	<b>84,641</b>
Cost of sales	-67,610	-58,091
<b>Gross profit</b>	<b>31,548</b>	<b>26,550</b>
Marketing and selling expense	-8,528	-7,300
Research, development and application expense	-6,703	-6,055
General and administrative expense	-7,034	-7,261
<b>Operating profit before amortization of customer relationships</b>	<b>9,283</b>	<b>5,934</b>
Amortization of customer relationships	-280	-319
<b>Operating profit (EBIT)</b>	<b>9,003</b>	<b>5,615</b>
Finance income	2,490	82
Finance expense	-2,927	-1,614
<b>Profit before tax (EBT)</b>	<b>8,566</b>	<b>4,083</b>
Income taxes	-1,332	-310
<b>Net profit for the period</b>	<b>7,234</b>	<b>3,773</b>
<b>Earnings per share in CHF</b>		
Basic	11.42	5.94
Diluted	10.90	5.92

## Consolidated statement of comprehensive income

For the first six months (1 October to 31 March)	H1 2010/11	H1 2009/10
in CHF '000		
<b>Net profit for the period</b>	<b>7,234</b>	<b>3,773</b>
Exchange differences	-2,033	-641
Movement in cash flow hedges	227	0
Income tax	0	0
<b>Total comprehensive income for the period</b>	<b>5,428</b>	<b>3,132</b>

## Condensed consolidated cash flow statement

For the first six months (1 October to 31 March)	H1 2010/11	H1 2009/10
in CHF '000		
<b>Cash flow from operating activities</b>	<b>6,752</b>	<b>1,056</b>
Purchase of property, plant and equipment	-1,765	-3,483
Purchase of intangible assets	-495	-469
Other investing activities	72	854
<b>Cash flow from investing activities</b>	<b>-2,188</b>	<b>-3,098</b>
Repayment of excess share premium	-2,842	0
Change in treasury shares	-714	51
Proceeds from borrowings	5,522	28,000
Repayment of borrowings	-1,749	-45,216
<b>Cash flow from financing activities</b>	<b>217</b>	<b>-17,165</b>
Effect of exchange rates on cash and cash equivalents	-229	-20
<b>Change in cash and cash equivalents</b>	<b>4,552</b>	<b>-19,227</b>
Cash and cash equivalents at 1 October	8,061	30,625
Cash and cash equivalents at 31 March	12,613	11,398

## Consolidated statement of changes in equity

	Share capital	Share premium	Translation reserve	Retained earnings	Treasury shares	Hedging reserve	Total shareholders' equity
in CHF '000							
<b>At 1 October 2009</b>	<b>20,668</b>	<b>59,326</b>	<b>-8,854</b>	<b>-23,760</b>	<b>-75</b>	<b>0</b>	<b>47,305</b>
Exchange differences			-641				-641
Net profit for the period				3,773			3,773
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-641</b>	<b>3,773</b>	<b>0</b>	<b>0</b>	<b>3,132</b>
Treasury shares				-24	75		51
Share option plans		450					450
Redemption of convertible bond		57					57
<b>At 31 March 2010</b>	<b>20,668</b>	<b>59,833</b>	<b>-9,495</b>	<b>-20,011</b>	<b>0</b>	<b>0</b>	<b>50,995</b>
<b>At 1 October 2010</b>	<b>20,668</b>	<b>60,202</b>	<b>-12,067</b>	<b>-11,824</b>	<b>-879</b>	<b>-115</b>	<b>55,985</b>
Exchange differences			-2,033				-2,033
Movement in cash flow hedges						227	227
Net profit for the period				7,234			7,234
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-2,033</b>	<b>7,234</b>	<b>0</b>	<b>227</b>	<b>5,428</b>
Treasury shares				-1,323	609		-714
Repayment of excess share premium		-2,842					-2,842
Share option plans		416					416
<b>At 31 March 2011</b>	<b>20,668</b>	<b>57,776</b>	<b>-14,100</b>	<b>-5,913</b>	<b>-270</b>	<b>112</b>	<b>58,273</b>

## Explanatory notes

### 1 Accounting policies

The unaudited consolidated financial statements of the Schaffner Group for the first half of the financial year were prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting. As these interim financial statements represent an update of the consolidated annual financial statements for the year ended 30 September 2010, they should be read in conjunction with those annual financial statements.

The consolidated financial statements for the six months ended 31 March 2011 were approved by the Board of Directors of Schaffner Holding AG on 11 May 2011 and released for publication. The Schaffner Group applied the same accounting principles as in the prior year, except as modified by newly issued and amended standards and interpretations.

The Schaffner Group thus adopted the following changes in accounting principles with effect from 1 October 2010:

### Standards/Interpretations

IFRS 1 – Amendments – Additional Exemptions for First-time Adopters

IFRS 2 – Amendments – Group Cash-settled Share-based Payment Transactions

IAS 32 – Amendments – Classification of Rights Issues

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Annual Improvements to IFRSs 2010

The application of these changes has no material impact on the consolidated financial statements of the Schaffner Group.

## 2 Operating segments

The Schaffner Group consists of three reportable segments: Electromagnetic Compatibility, Power Quality and Automotive. They represent the organizational units for which results are reported to the Executive Committee (the Group's chief operating decision maker).

### Electromagnetic Compatibility (EMC) segment

The EMC segment develops and manufactures standard and custom-made components designed to ensure the electromagnetic compatibility of electrical and electronic equipment and systems.

### Power Quality (PQ) segment

The PQ segment develops and manufactures magnetic components and harmonic filters designed to ensure power quality in electric grids and the reliable operation of energy-efficient equipment and systems.

### Automotive (AM) segment

The AM segment develops and manufactures components for safety and convenience features in automobiles, and EMC filters for hybrid and electric vehicles.

The "Corporate" column comprises all costs for Group functions that cannot be allocated to a particular segment. These are primarily the expenses of Schaffner Holding AG.

No operating segments have been aggregated to form these reportable operating segments.

Segment operating profit includes all operating income and expenses incurred directly in the respective segment.

No reconciliation of the management reporting data to the financial reporting data is required or provided, as the internal and external reporting are governed by the same accounting policies.

For the first six months 2010/11: (1 October to 31 March)	EMC	PQ	AM	Corporate	Group
in CHF '000					
Net sales	57,160	33,578	8,420	0	99,158
<b>Segment operating profit/(loss)</b>	<b>11,477</b>	<b>1,146</b>	<b>-150</b>	<b>-3,190</b>	<b>9,283</b>
Amortization of customer relationships					-280
<b>Operating profit [EBIT]</b>					<b>9,003</b>
Finance income					2,490
Finance expense					-2,927
<b>Profit before tax [EBT]</b>					<b>8,566</b>
Income tax					-1,332
<b>Net profit for the period</b>					<b>7,234</b>

For the first six months 2009/10: (1 October to 31 March)	EMC	PQ	AM	Corporate	Group
in CHF '000					
Net sales	49,710	26,871	8,060	0	84,641
<b>Segment operating profit/(loss)</b>	<b>7,625</b>	<b>520</b>	<b>880</b>	<b>-3,091</b>	<b>5,934</b>
Amortization of customer relationships					-319
<b>Operating profit [EBIT]</b>					<b>5,615</b>
Finance income					82
Finance expense					-1,614
<b>Profit before tax [EBT]</b>					<b>4,083</b>
Income tax					-310
<b>Net profit for the period</b>					<b>3,773</b>

### 3 Reversal of provisions for restructuring

In the first half of the 2010/11 financial year, restructuring provisions in the amount of CHF 0.3 million were used. The remaining restructuring provisions of CHF 1.4 million at 31 March 2011 are expected to be used in the future.

In the reporting period, no restructuring provisions were reversed.

### 4 Seasonality

The Schaffner Group does not operate in industries where significant seasonal or cyclical variation in total sales is common over the financial year.

Income taxes are recognized based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

### 5 Commitments and contingencies

At 31 March 2011 the Group had commitments to purchase property, plant and equipment in the amount of CHF 2.4 million (30 September 2010: CHF 0.4 million), in connection mainly with new office and production facilities in China and the maintenance and expansion of worldwide production capacity.

Contingent liabilities, described in the notes of the consolidated financial statements for the year ended 30 September 2010, did not change materially in the reporting period.

### 6 Foreign currencies

The following exchange rates were applied for the translation of foreign currencies:

Area	Currency	Balance sheet		Income statement	
		31.3.2011	30.9.2010	H1 2010/11	H1 2009/10
		in CHF	in CHF	in CHF	in CHF
EU	EUR 100	129.79	133.36	129.73	147.63
USA	USD 100	91.46	97.67	95.00	104.02
Thailand	THB 100	3.02	3.22	3.17	3.14
Hungary	HUF 100	0.49	0.48	0.47	0.54
China	CNY 100	13.97	14.60	14.37	15.24

### 7 Distribution to shareholders

In accordance with a resolution of the Annual General Meeting of Schaffner Holding AG on 12 January 2011, a distribution of CHF 4.50 per share (exempt from Swiss anticipatory

tax) was made in the form of a repayment of excess share premium from additional paid-in capital.

### 8 Events after the balance sheet date

No events have occurred after the balance sheet date that have a material effect on the amounts in the consolidated interim financial statements.



# Key figures

## Consolidated income statement

For the first six months (1 October to 31 March)	H1 2010/11	H1 2009/10
in CHF '000		
<b>Net sales</b>	<b>99,158</b>	<b>84,641</b>
<b>Operating profit [EBIT]</b>	<b>9,003</b>	<b>5,615</b>
as % of net sales	9,1	6,6
<b>Net profit</b>	<b>7,234</b>	<b>3,773</b>
as % of net sales	7,3	4,5
Net profit for the period per share in CHF	11.42	5.94

## Consolidated balance sheet

in CHF '000	31.3.2011	30.9.2010
<b>Total assets</b>	<b>128,298</b>	<b>126,643</b>
<b>Current assets</b>	<b>85,746</b>	<b>82,556</b>
Fixed assets	42,552	44,087
Total liabilities	70,025	70,658
<b>Shareholders' equity</b>	<b>58,273</b>	<b>55,985</b>
as % of total assets	45,4	44,2

## Segment reporting

For the first six months (1 October to 31 March)	H1 2010/11	H1 2009/10
in CHF '000		
<b>Electromagnetic Compatibility (EMC)</b>		
Segment sales	57,160	49,710
Segment operating profit	11,477	7,625
as % of segment sales	20,1	15,3
<b>Power Quality (PQ)</b>		
Segment sales	33,578	26,871
Segment operating profit	1,146	520
as % of segment sales	3,4	1,9
<b>Automotive (AM)</b>		
Segment sales	8,420	8,060
Segment operating loss/(profit)	-150	880
as % of segment sales	n/a	10,9

## Key share figures

	31.3.2011	30.9.2010
Number of shares	635,940	635,940
Shareholders' equity per share in CHF	91.63	88.04
Share price in CHF	332.75	218.80
Market capitalization in CHF million	212	139

This English version of the Half-Year Report 2010/11 is a translation of the German original. Only the German version is legally binding.

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**Calendar**

6 December 2011

Publication of full-year results and Annual Report 2010/11

12 January 2012

16th Annual General Meeting

**Schaffner – energy efficiency and reliability**

The Schaffner Group is an international leader in the development and production of solutions which ensure the efficient and reliable operation of electronic systems. The Group's diverse range of offerings includes EMC components, harmonic filters and magnetic components as well as the development and implementation of customized solutions. Schaffner components are deployed in energy-efficient drive systems and electronic motor controls, in wind power and photovoltaic systems, rail technology, machine tools and robots as well as in power supply systems for a wide range of electronic devices in sectors such as medical technology or telecommunications. Schaffner provides on-site service to customers around the world through an efficient, global organization and makes ongoing investments in research, development, production and sales to strengthen its position as international market leader.