The Schaffner Group
Investor Day 2012

50 YEARS since 1962

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Caution regarding forward-looking statements

This communication contains statements that constitute “forward-looking statements”, including, but not limited to, statements relating to the implementation of strategic initiatives, and other statements relating to our future business development and economic performance.
While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.
These factors include, but are not limited to, (1) general market, macro-economic, governmental and regulatory trends, (2) movements in currency exchange rates and interest rates, (3) competitive pressures, (4) technological developments, (5) changes in the financial position or credit worthiness of our customers, and counterparties and developments in the markets in which they operate, (6) legislative developments, (7) management changes and changes to our Business structure and (8) other key factors that we have indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SIX Swiss Exchange.
More detailed information about those factors is set forth elsewhere in this document and in documents furnished by Schaffner Group, including Schaffner Holding's Annual Report for the year ended September 30, 2011 and the Half-Year Report for the period ended March 31, 2012. Schaffner Group is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

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Guiding principles for managing Schaffner

- Clear and lasting purpose of the company
- Consistent strategy
- Tactical flexibility
- Respect stakeholder’s needs

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Core purpose: Market driven, growth oriented, sustainable

"Schaffner provides users globally with solutions that enable the efficient and reliable operation of electrical and electronic equipment, applying leading know-how in electromagnetics and power electronics"

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Consistent strategy

- Unchanged strategic direction
  - Focus on long-term growth markets
  - Expansion in China
  - Leverage strength in EMC filters into new growth opportunities: Harmonic filters and power magnetics
  - Operational excellence

- Evolution of strategy
  - Address more BRIC markets
  - Lead the way in EMC for hybrid and electric cars
  - Move towards higher integration

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Tactical flexibility in volatile market environments

- Lowered break-even point
- Flexibility through lean manufacturing
- Global manufacturing network
- Dynamic supply chain management
- Internal/external hedging against price and forex risks
- Managers capable to operate in a fast-pace and high pressure environment

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Respecting stakeholder's needs

- **Customers**: innovation, quality, competitiveness, speed & flexibility
- **Shareholders**: commitment to growth, profit targets, dividends
- **Suppliers**: Strategic and long-term approach to supplier development, leveraging buying power of Schaffner and involving suppliers in cost-down efforts
- **Employees**: Management development, motivation by challenging projects and a fast-pace environment with quick decision-making
- **Society at large**: legal requirements and commitment to values and development (i.e. compliance, UN global compact, electronic industry code of conduct)

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A clear profile: Filter solutions for power electronics

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Achievements of past 5 years

- Financial KPI strengthened
- Successful acquisitions in 2009 and 2011
- Better geographical split towards APAC and North America
- Transformed automotive operations into a growth engine
- Leap forward in operational excellence of EMC and Automotive Divisions
- Introduction of SAP within time and budget
- Management development

Work in progress

- Operational excellence improvements in Power Magnetics Division
- Achieve leverage to expand Automotive Division margins
- Strengthen presence in selected emerging markets

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EMC Division: Strong cash generation capacity of EMC filters

- Undisputed market leader: Scale, distribution, global presence
- **Strategy:** Expand market share organically while maintaining margins through product portfolio maintenance and operational excellence
- Target operating margins of 16% - 20%
- Opportunistic acquisitions

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EMC Division: Harmonic filters as growth engine

- Fast growth market, driven by need for stability of electricity supply
- **Strategy:**
  1. Continue to broaden product portfolio and distribution channels
  2. Strengthen systems business within Schaffner
- Operating margin target in line with EMC filters
- Strategic acquisitions to expand offerings of power quality solutions

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Power Magnetics Division: Focus on margin expansion

- Market share increased through leadership in niche markets and global presence
- Improvements in operational excellence wiped out by crisis of China rail sector
- **Strategy:**
  1. Margin expansion through operational improvements
  2. Growth in selected market segments
- Target operating margins of 8% to 10%

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Automotive Division: Profitable growth

- Leadership in antennas for keyless entry systems
- Successful entry into EMC solutions for electromobility
- **Strategy:**
  1. Profitable growth, leverage fixed cost base
  2. Widen product offerings
- Target revenues of CHF 40 million expected in FY 2013/14
- Target operating margins of 8% to 10%

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Stefan Melly | Head of Product Management

Developments in Key Markets

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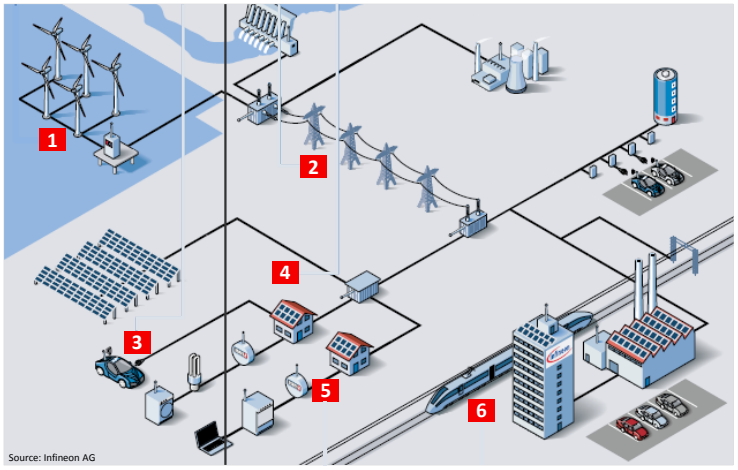
Market focus of leading power semiconductor manufacturers

Smart Grids

1. Renewable energies
2. Advanced transmission
3. EV charging and energy storage
4. Grid and smart meter security
5. Smart metering
6. Energy-efficient consumption



Source: Infineon AG

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Energy efficiency

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Energy efficiency – saving electricity with efficient drives

- Refurbishment of an old air-handling system with an efficient motor drive.

	Old system	New system	Savings
Annual energy consumption at full load	110’000 kWh	20’000 kWh	
Annual energy consumption at part load	-	33’000 kWh	
Total	**110’000 kWh**	**53’000 kWh**	**-57’000 kWh**
Cost / kWh			CHF 0.10
Annual cost reduction			**CHF 5’700**
Investment cost for new system			CHF 5’000
Payback period			0.9 year

(11kW motor, 380VAC, 23A, 50Hz, cos phi 0.83, 15kW drive, 4h full load, 12h partial load, 8h off)

Source: Schmidhauser AG

- This energy efficient motor drive requires the use of Schaffner filters.

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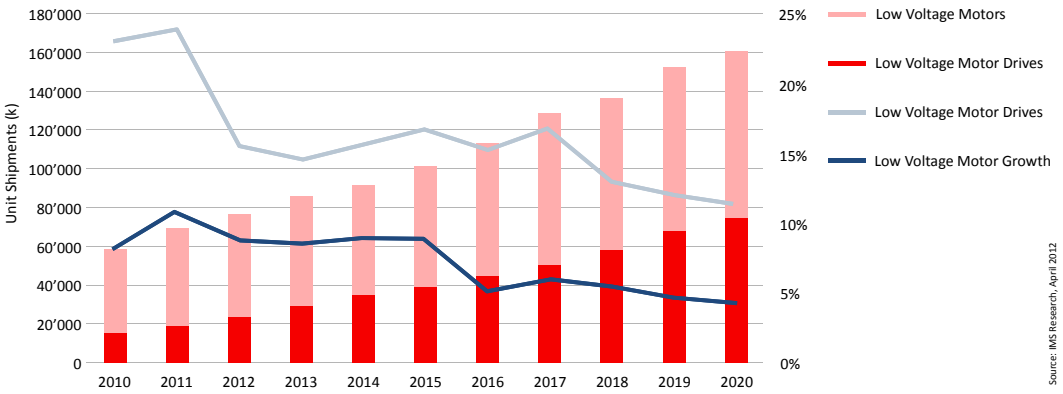
Energy efficiency – the ErP directive accelerates growth

- The market for efficient motor drives is expected to outpace the low voltage motor market (higher adoption rate, replacement, retrofit).



Source: IMS Research, April 2012

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Energy efficiency - saving electricity with efficient LED lighting

- Replacement of old HPS lamps with LED lighting in a British food warehouse.

	Old HPS lamps	New LED lights	Savings
Installation setup	84x 450 W	84x 150 W	-66%
Annual energy consumption at 24/6	**283'000 kWh**	**95'000 kWh**	**-188'000 kWh**
Cost / kWh			£ 0.08
Annual cost reduction			**£ 15'000**
Investment cost for new system			£ 38'000
Payback period			2.5 years

- Energy efficient LED lighting technology requires EMI and harmonics filtering.

Source: Dialight Ltd.

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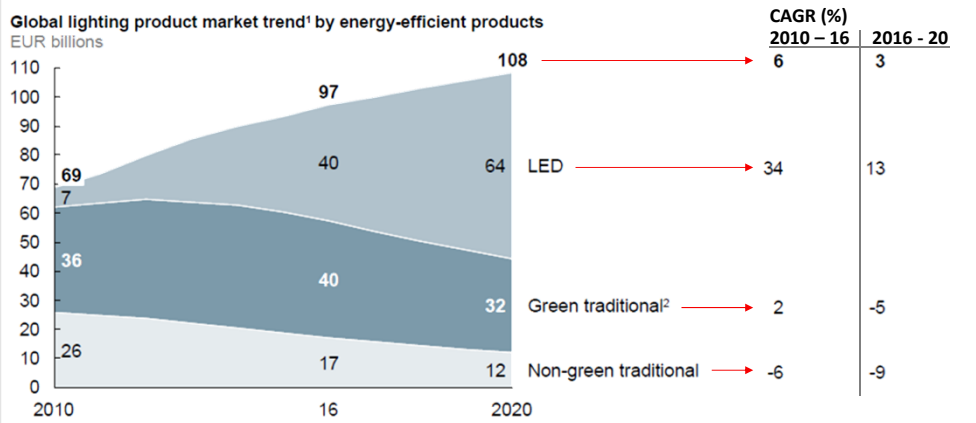
Energy efficiency - rising throughout the lighting sector

- Energy-efficient technologies play a significant role in the market transition.



Source: McKinsey&Company, July 2011

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Energy efficiency – coming with a “price tag”

- Energy efficient technologies create complex power quality challenges for buildings, factories and homes, as well as for the power grid.
- Schaffner offers the full line-up of products for enabling energy efficient products to be integrated into the grid in increasing quantities.

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Renewable energy

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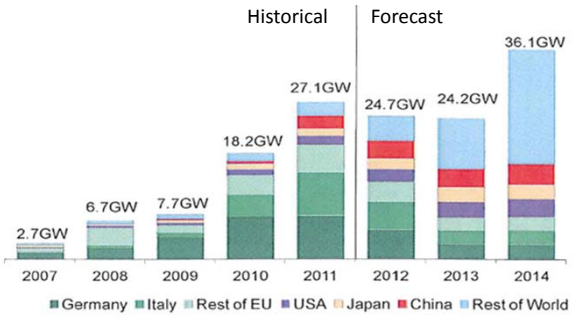
PV – more moderate growth expectations I

- As the PV market becomes more mature, the long term annual growth expectation is revised to 10 to 15%.

Figure 2: PV demand historical and forecast, 2007-2014, conservative scenario



Source: Bloomberg NEF, 2012

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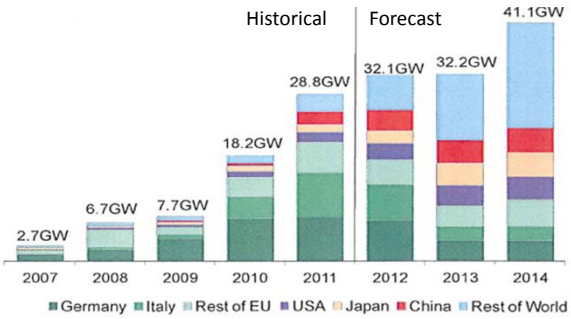
PV – more moderate growth expectations II

- As the PV market becomes more mature, the long term annual growth expectation is revised to 10 to 15%.

Figure 3: PV demand historical and forecast, 2007-2014, optimistic scenario



Source: Bloomberg NEF, 2012

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PV – regional re-distribution offers new opportunities

- Established competition in the «old» PV markets Germany and Italy has limited market presence in the «new» PV regions.

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PV – Saudi Arabia may offer a substantial new solar market

- USD 109bn plan to generate a third of its electricity from solar power
- 41GW of solar capacity:
  - 25GW of solar thermal plants
  - 16GW of photovoltaic panels
- 20 years time frame

Source: Bloomberg NEF, May 2012

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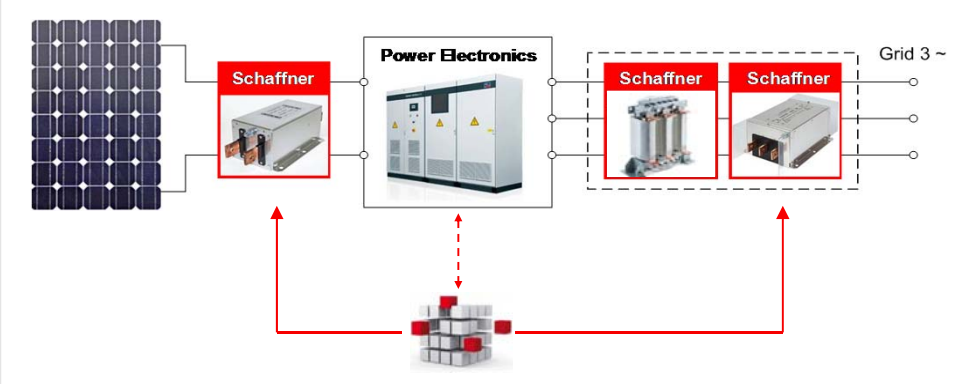
PV – innovations help Schaffner stay ahead of the curve

- Next generation Schaffner EMI-filters will offer optional functionality that today need to be cumbersomely solved inside the PV inverter.



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Rail technology

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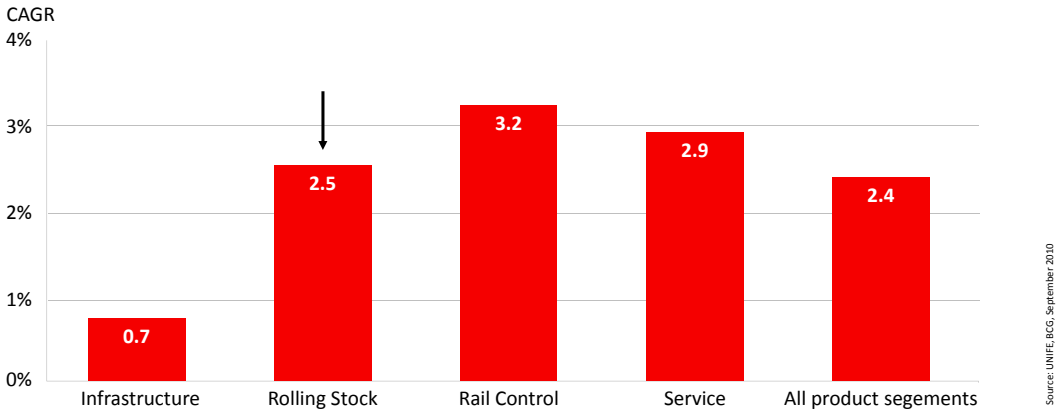
Railway technology – moderate growth through 2015

- CAGR of total market 2007-2015.



Source: UNIFE, BCG, September 2010

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Railway technology – what happens in China?

- Corruption and mismanagement in the Ministry of Railway, as well as safety issues and accidents, led to an abrupt stop early 2011.
- New high-speed track projects:
  - 2010: 55
  - 2011: 0
  - 2012: 9
- Unlike high-speed projects, metro projects in major urban regions continued.

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Railway technology – what happens in China?

- What does the future hold?
  - The rail system in China will continue to grow, potentially at a slower pace.
  - Signaling, safety and quality will get much more attention.
  - Chinese manufacturers (CSR, CNR) will continue to gain market share.
- Schaffner directly cooperates with Chinese local manufacturers since 2003.

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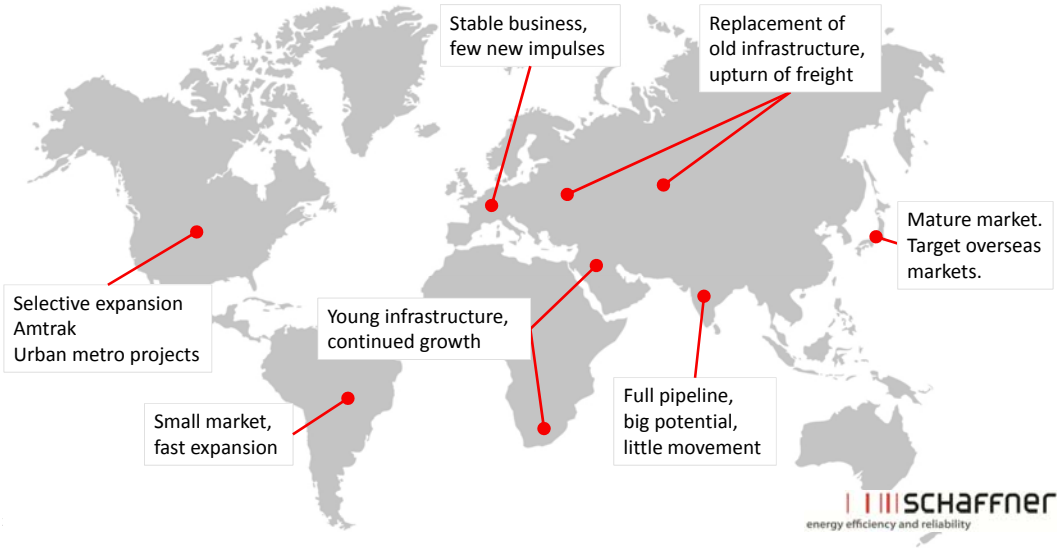
Railway technology – a mixed picture in other regions



Electromobility

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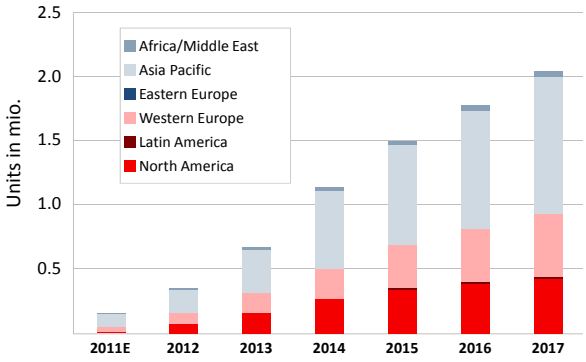
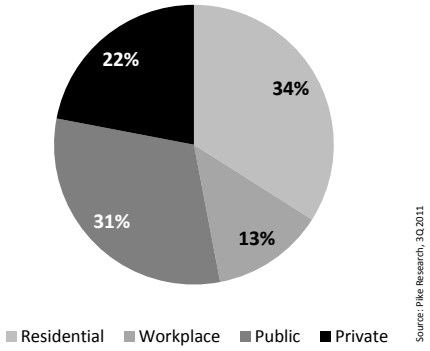
Electromobility – need for an extensive charging infrastructure

- Growth rates for the adoption of electric vehicles are still highly speculative
- However, a suitable, area-covering charging infrastructure is needed.





Source: Pike Research, 3Q 2011

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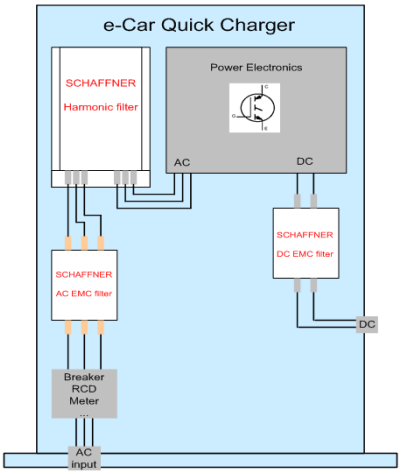
Electromobility – fast charging stations need Schaffner filters

- The technology of DC fast charging stations can be compared to the basic technology used in efficient drives, PV inverters or wind turbines.

During fast charging…

- Schaffner harmonic filters protect the grid from excess loading
- Schaffner EMI filters protect neighboring electronic devices and e-Car electronics from interferences
- Both products help the charging station to comply with EMC and Power Quality standards



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Schaffner key markets – conclusions

- Some markets have become more volatile, less transparent and harder to predict. Others keep changing in terms of structure, region and technology.
- However, the need for energy efficiency and more sustainable concepts for dealing with electric power will not go away.
- Several markets are based upon the same technology principles, causing similar challenges to the power grid, thus equally benefitting from Schaffner solutions.

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Where is EMC ?

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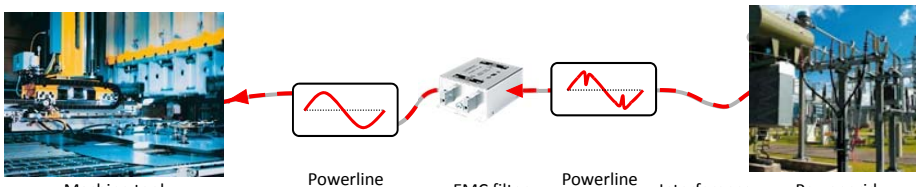
What is EMC ?

- ElectroMagnetic Compatibility (EMC) deals with the unintentional generation, propagation and reception of electromagnetic energy
- EMC filters ensure that equipment items will not interfere each other's correct operation
- EMC filters eliminate electrical noise to ensure safe operation of electronic equipment and to fulfill regulations on EMC
- Without proper EMC filtering electrical devices may malfunction, fail prematurely or not operate at all.



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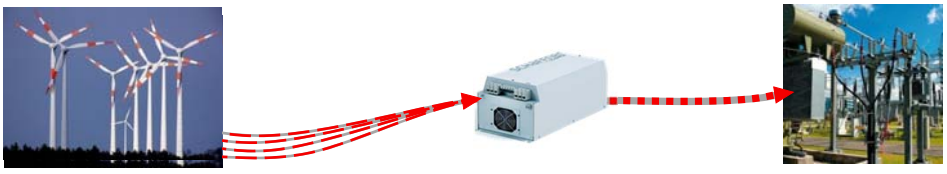
What is PQ ?

- Power Quality (PQ) describes electric power that drives an electrical equipment and the equipment's ability to function properly with that electric power
- Power quality allows electrical systems to function in their intended manner without significant loss of performance or life
- PQ filters support stability of electric power grids and compliance of electrical equipment with regulations



Wind farm | Harmonic distortions | Harmonic filters | Power grid

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What is EMC outside Schaffner?

Innovative technologies for smart grids

Harmonic filters for building efficiency

High volume chokes for mainstream applications

EMC filters for Renewable Energies

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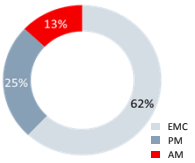
What is EMC inside Schaffner?

- Foundation and historic core business of Schaffner
- Continuous development with proven track record for products, locations and organisations
- Separate business division since Oct 2011
- Today 62% of sales and biggest margin contributor for Schaffner Group
- Unchallenged technology and market leadership

Market share EMC

Addressed market: Appr. CHF 480m (in 2011)

Net sales H1 11/12



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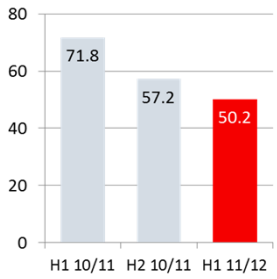
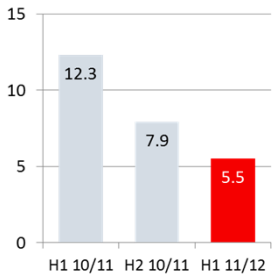
EMC Division H1 11/12 with recovery just begun after a weak start

- Difficult market environment for capital goods and photovoltaics (PV)
- Book-to-bill ratio 1.07: Electric vehicle charging stations, PV, active harmonic filters
- Expanding market share with product innovation and operational excellence

Net sales (CHFm)



Operating result (CHFm)



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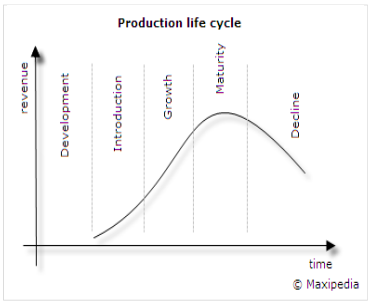
Key success factors for EMC

- Well balanced product portfolio
- New technologies and products in innovation pipeline
- Two digit growth and margin contribution by Harmonic Filters
- Market leadership with established EMC product families
- Continuous productivity gains with high volume portfolio



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New products and technologies in innovation pipeline

- New materials increase technical performance and decrease material costs
- New designs shrink dimensions and simplify assembly processes
- Innovative production processes shorten process times, increase quality and shorten throughput time
- In order to support the full innovation pipeline R&D spendings are appr. 7% of turnover
- The innovation rate is at 30%, trend is going up

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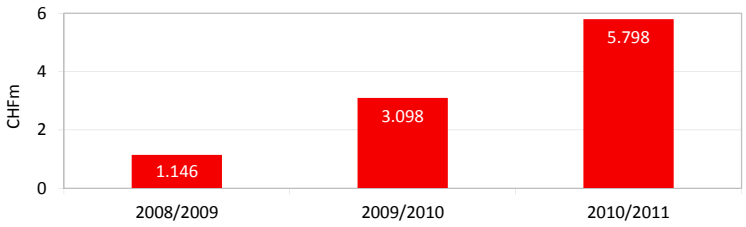
Division EMC

Two digits growth and margin contribution by Harmonic Filters ECOsine™active

- 50% CAGR
- Further growth expected due to increasing number of applications
- Further product family extension
- Continuous investment in R&D, sales channels & production capacity



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Market leadership with established EMC portfolio

- Further extension of product portfolio
- Customized products create close cooperation with leading customers in different market segments
- Adding new functionality and higher integration to standard products create more customer value and competitive advantage
- Healthy balance between standard products and customized products

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Continuous productivity gains with high volume product portfolio

- High volume products generate production load
- Design-to-cost considers manual and automated production processes
- Process improvements in operations support cost downs
- Level of automation increased
- Cost improvements of -20% and more achieved

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R&D excellence

- New organizational set up will support reliable, fast and focused product development
- Clear resource planning supports needs of product innovation and product maintenance
- Focus on key projects guarantees achievements in time, cost and performance
- Continuous development of know how and resources
- Cooperation with partners continued and extended
- Two new product concepts per year create market awareness, keeps innovation rate high and guarantees a proper market introduction

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Operational excellence

- EMC uses highly competitive production facilities in China, Thailand and Hungary
- Next step in lean production (lean cell, material flow, automated testing) has been started
- New quality initiatives to reduce costs-of-non-quality and to increase customer satisfaction
- Local purchasing in production facilities extended while keeping global sourcing advantages
- Dual source strategy for key materials is paying off in terms of supply reliability and purchasing power
- Supply chain improvements to reduce inventories, reduce obsolete materials, improve customer service
- New European Logistic Centre opened in Wittelsheim

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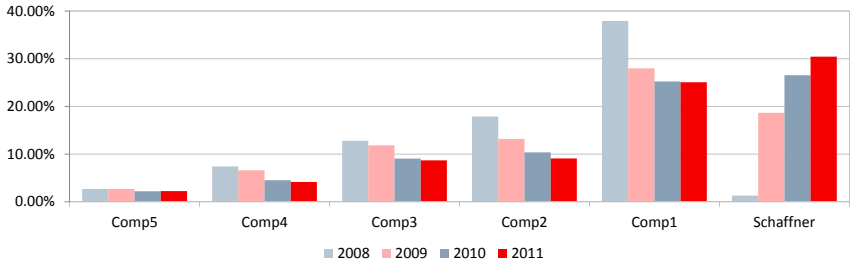
Sales excellence

- Extended sales channels for ECOsine active harmonic filters provide better access to more customers and applications
- Extended successful cooperation with distributors on national, regional and global level
- Example US distributor Digi-Key: Schaffner has become #1 supplier for EMC within 3 years and is further extending its position



Digi-Key CORPORATION

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Division Strategy

"4+1" prepares for future profitable growth

- Major growth paths
- Markets and products
- Necessary resources
- External partners
- Execution excellence as underlying foundation

Harmonics business – development of new areas:	EMC (new) market development:	Innovation, selective portfolio extension:	Strategic partnering:
Building Technology Marine Applications (German Lloyd) Oil & Gas Applications (German Lloyd)	**EMC-filter focus:** Penetrate PV market Expand EV charger infrastructure market **Future opportunity:** Explore "smart grid" (e.g. DC distribution, energy storage…)	Stronger focus on modularity Value-added solutions Further expand harmonic filters (AHF & PHF) portfolio Complement PQ filter portfolio for motor drives	Identify and develop suitable industry partnerships Utilize industry associations and Universities to be ready for next generation technologies

Execution excellence (foundation):	
Product creation process Quality	Cost efficient operations Strengthen the organization

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Conclusions

- New requirements for safety, reliability and efficiency of energy guarantees continuous new opportunities for EMC
- Technology and market leadership are retained and extended
- First successful steps in attractive growth markets for Harmonics are done and will be continued
- Ongoing extension of established EMC portfolio guarantees further growth in actual and potential new applications
- EMC will support future growth and profitability of the Schaffner Group

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Stefan Melly | Head of Product Management

Dealing with the Power Quality challenge

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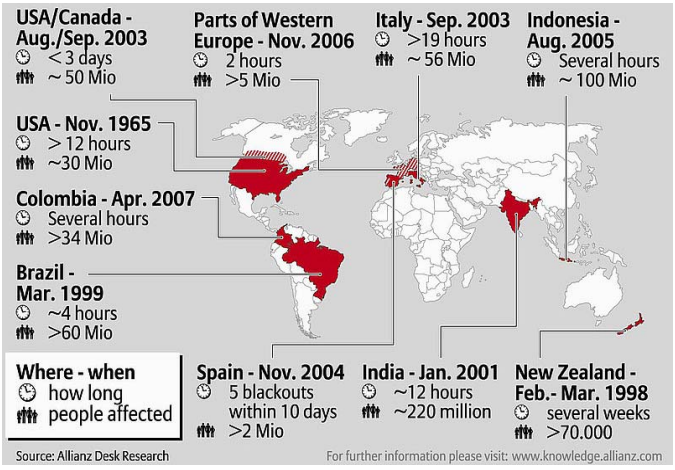
Power quality – supporting grid stability and supply security

Today our society is highly dependent on electricity. A small local power failure can turn into a major blackout, affecting millions in a big area.



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ECOsine™ active – a powerful ally in fighting poor power quality

- Digital state-of-the-art technology
- Remotely operable through standard communication protocols
- Continuously monitors changes in the grid
- Instantly responds fully autonomous
- Compensates up to 3 different typical power quality problems simultaneously that cause:
  - grid overload
  - equipment downtime
  - waste of electricity
- Suitable for countless applications.

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Marine – coast guard ship BP23 (Germany)

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Rail technology – metro station (Shanghai, China)

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Factory automation – Daimler AG (Rastatt, Germany)

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Shopping mall – MBK Center (Bangkok, Thailand)

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Heavy industry – Baharati Cement Corporation (India)

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Coffee Break

50 YEARS since 1962

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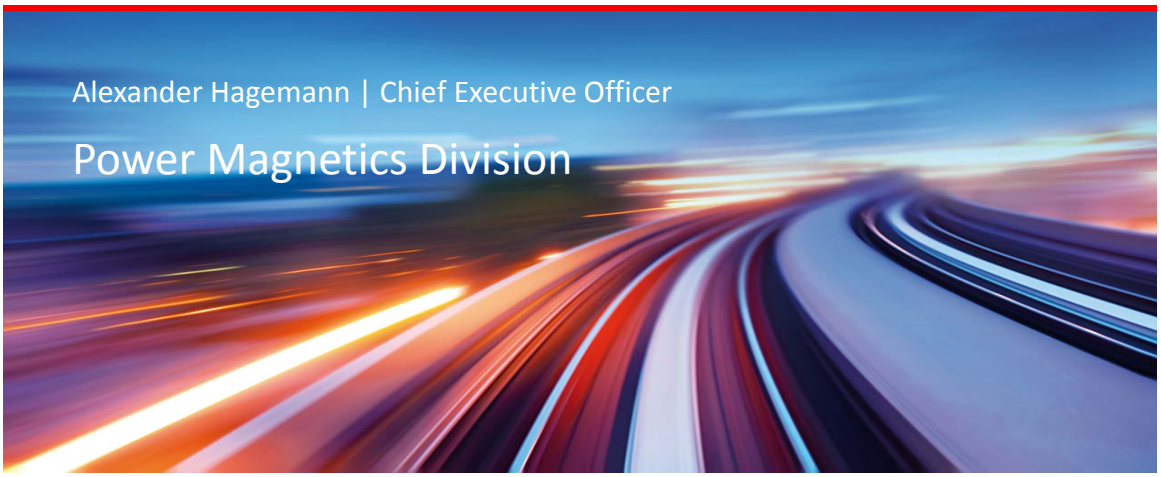

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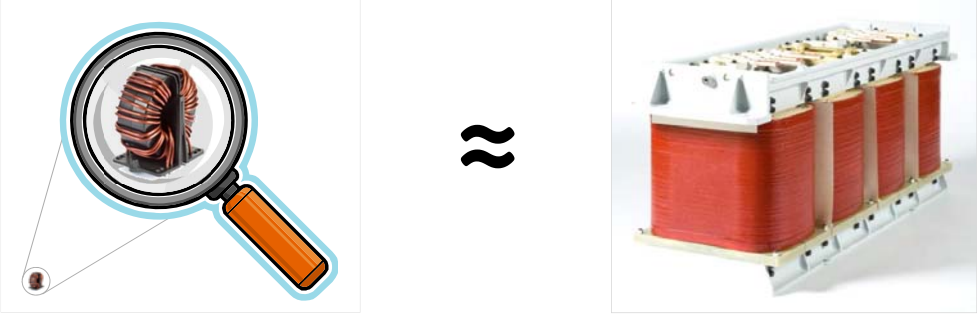
Power Magnetics Division: Technology synergies with EMC

- Schaffner specializes in filter inductors and transformers that are mission critical components of high performance power electronic systems
- Focus on niche markets: traction, PV, wind turbines, motor drives



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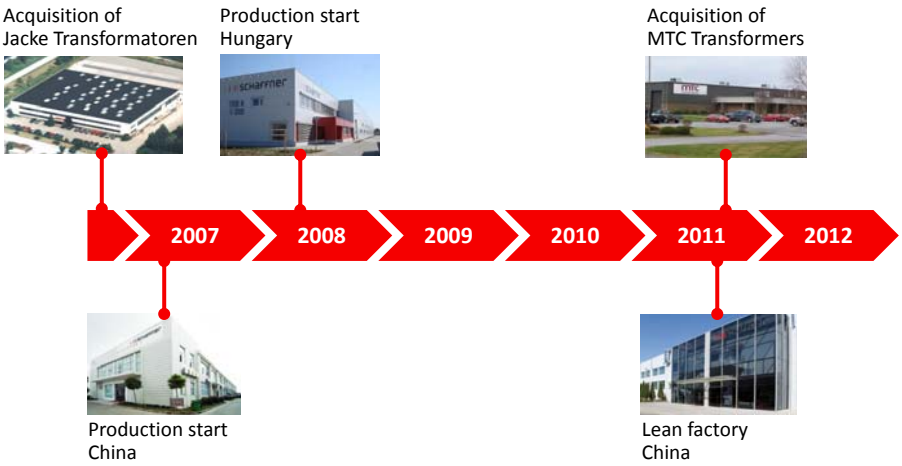
Creation of a leading supplier with global footprint



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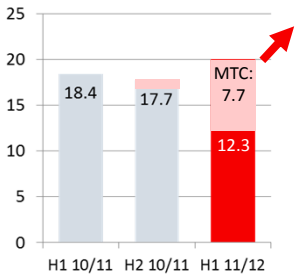
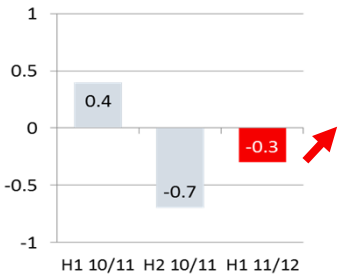
Dealing with adversity from China rail market

- Achieved 5% EBIT ROS ≈ 7.5% EBITDA ROS in FY09/10
- Strict cost/capacity management after China train crash
- Expect 25% to 35% sequential revenue growth in H2: return to profit

Net sales (CHFm)



Operating result (CHFm)



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Margin expansion 1: operational excellence

- First-time implementation of lean manufacturing for power magnetics
- Optimization of European production network

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Margin (and revenue) expansion 2: Schaffner-MTC

- Schaffner MTC stand-alone returns 8% to 10% EBITDA margin
- Synergies in process technology and material sourcing between US and ROW
- Leverage from X-selling of complementary offerings

schaffnerMTC
transformers

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Margin (and revenue) expansion 3: innovation

- Design to cost
- Product feature enhancements
- Early design partnerships
- New markets

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Summary of Power Magnetics strategy: margin expansion

- Good global setup: no short-term need for further external growth
- Profit growth first, revenue growth second
- Expand leadership in traction
- Broaden customer base in PV, Wind, Motor Drives

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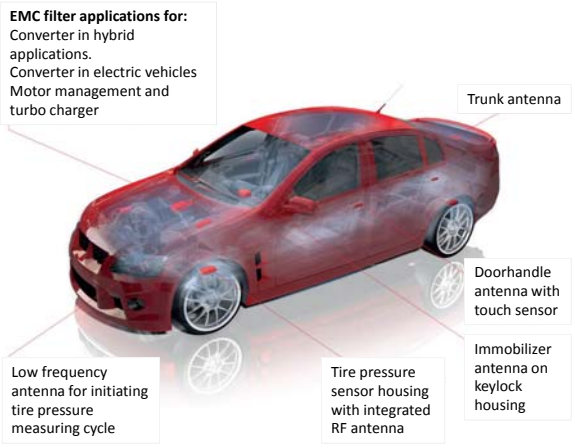
Automotive Division: standing on two legs

- Keyless entry antennas will continue to contribute majority of revenues for next 3 to 5 years
- EV/HEV products with long-term growth prospects, but market is still in its infancy



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A strong line-up of end customers: a valuable stepping stone

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From opportunistic to strategic business

2001 – 2006: Startup business, losing money

2007 – 2009: Opportunistic business, ≈ 10% operating margin

2010 – 2011: Developing strategic opportunities in EV/HEV and LFA

2012 – 2017: Becoming a core business of Schaffner, 8-10% target ROS

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The past 12 months: external factors

- Global automotive manufacturers: mixed picture
- Keyless entry developing faster than expected from high take rate at US and Korean OEM
- German OEM work hard to catch up with Japanese on HEV/EV to secure key markets (USA, China, Japan)
- OEM have defined their electromobility strategy, e.g. BMW-PSA partnership
- Market demand for EV: enthusiastic in H1/2011, depressed in H2/2011, recovering in H1/2012
- Key EV projects delayed due to technical issues
- It is safe to predict that the established OEM will win the race to volume, not the start-ups (Tesla, Fisker, …)

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The past 12 months: internal factors

- Have tripled engineering resources – all booked with projects
- Assume market leadership in antennas for keyless entry (LFA) after SOP of new US programs
- Accelerated growth with LFA from increased market share, higher take rate, and added value
- Will achieve revenue goal one year earlier
- Other comfort and safety applications treated opportunistically (tire pressure monitor sensor, immobilizer)
- “New break-even” in FY 2011/12 as several SOP add volume, create leverage

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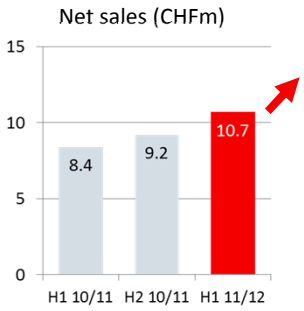
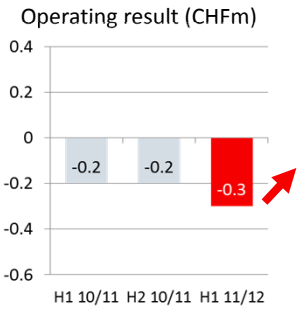
A bullish short term outlook

- New SOP in USA boosts revenue run rate by ≈ 25% from July 2012 onwards
- Contribution from EV/HEV below expectations: ≈ 1.5% of Group revenues in FY 2011/12
- Expect H2 sequential growth above 25% from new SOP





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The road ahead

- Challenging projects for EV/HEV move fast to SOP
- Continue to add functionalities to existing products
- Expand manufacturing footprint to serve customers in China
- Ensure that operating margins reach expected level
- Broaden product offerings to bring more stability to the business

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Kurt Ledermann | Chief Financial Officer

Schaffner's Currency Exposure

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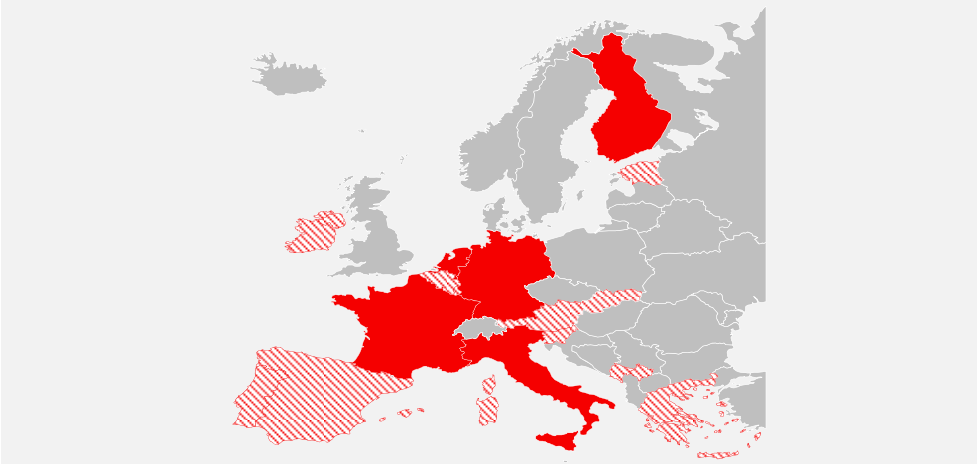
Schaffner's EURO exposure



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What is at risk and what actions does Schaffner take?

What's at risk (cash & financing the business)	Relevance for Schaffner	Schaffner's Actions to reduce risk
Value and accessibility of EURO held in cash or equivalents	Medium	Repatriate cash to Switzerland EURO-Pooling in Germany
Stability of banking system	Medium	Bank accounts outside Eurozone
EUR hedging	Low	No EURO hedging
Covenants compliance due to FX impact or weak results	High	Natural hedging Maintain close relationship with banks
Credit crunch	Medium	Committed credit lines with headroom Maintain close relationship with banks
Bankruptcy of countries	Medium	Keep receivables at minimum level
Limitation on currency transfers	Medium	Consider to pay salaries in Switzerland in EUR

Source of criteria: The Eurozone crisis – Are you prepared for the future? (Deloitte 2012)

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What is at risk and what actions does Schaffner take?

What's at risk (operating, supply chain, strategy)	Relevance for Schaffner	Schaffner's Actions to reduce risk
Customer base in specific markets	Medium	?
Short-term profitability	High	Natural hedging (limited)
Long-term competitivness	Medium	Shift to lower cost countries
Mid-term liquidity	Medium	Healthy balance sheet
Ability to finance innovation and CapEx	Medium	?
Sustainability of supply chain; Enforcability of contracts	Medium	Health check of suppliers; dual sourcing; Production in Asia an USA
Business model looses it's basis	Medium	Increased presence in other markets
Long-term growth of business	Low	Strategic markets are growing

Source of criteria: The Eurozone crisis – Are you prepared for the future? (Deloitte 2012)

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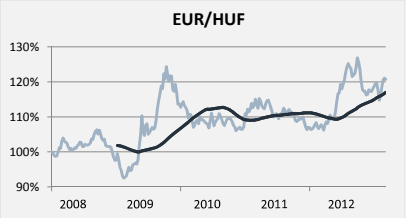
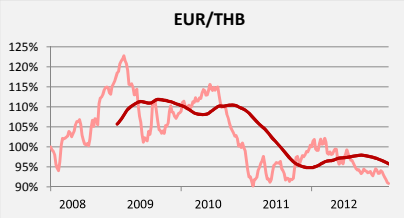
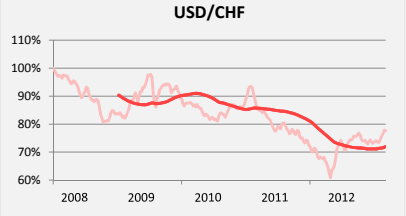
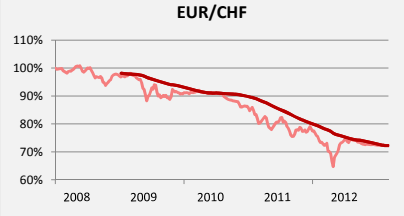
Schaffner‘s relevant currencies









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Currency exposure – Correlation

Currency	CNY	EUR	HUF	JPY	SGD	THB	USD
CNY	1.000	0.739	0.402	0.873	0.862	0.930	0.989
EUR	0.739	1.000	0.806	0.673	0.857	0.789	0.735
HUF	0.402	0.806	1.000	0.323	0.675	0.517	0.392
JPY	0.873	0.673	0.323	1.000	0.758	0.829	0.877
SGD	0.862	0.857	0.675	0.758	1.000	0.903	0.856
THB	0.930	0.789	0.517	0.829	0.903	1.000	0.932
USD	0.989	0.735	0.392	0.877	0.856	0.932	1.000

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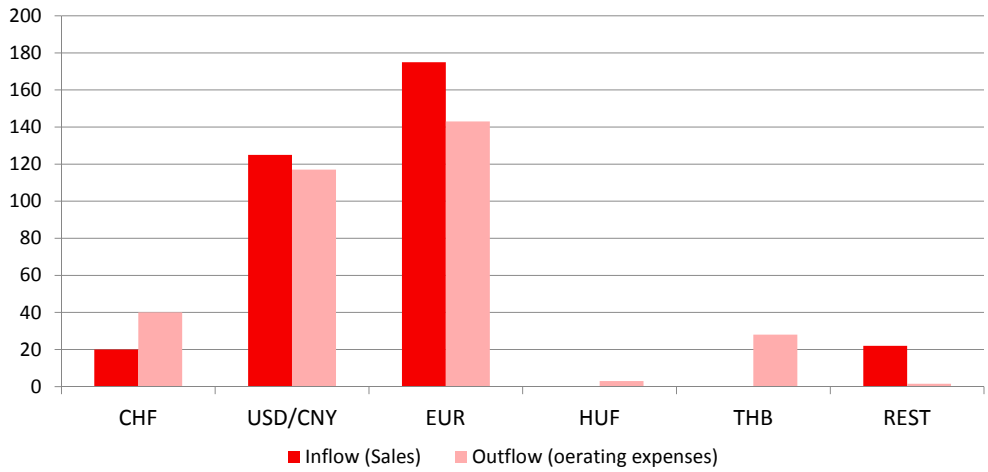
Currency exposure – Cashflow



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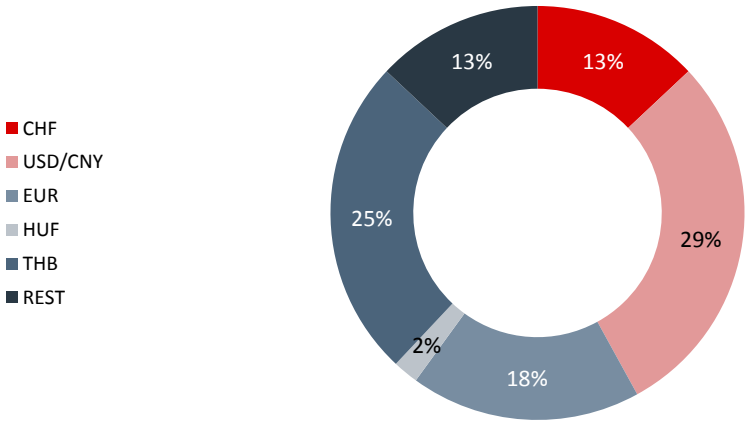
Currency exposure – Net assets



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Scenario 1

Assumption

- Bankruptcy of Greece and Hungary
- Italy, Spain, Portugal, Ireland leave EUR,
- massive devaluation of HUF

>> EUR up to 1.30; new currencies and HUF down by 50%; rest unchanged

Consequences

- Markets in Greece, Hungary, Spain, Portugal and Ireland are of low relevance
- Receivables from government for tax/social contribution are lost

Impact on		
Sales	Profit	Equity
CHF 1.5 m	CHF -1.0 m	CHF 0.5 m

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Scenario 2

Assumption

- Germany, Benelux, Austria and the Nordics leave EUR and introduce a new currency
- devaluation of EUR

>> EUR down to 0.60; new currency up by 10%, rest unchanged

Consequences

- high impact from lower EUR in France and Italy
- over compensated by lower cost in logistic center and higher valuation of new currency

Impact on		
Sales	Profit	Equity
CHF -1.5 m	CHF 3.5 m	CHF -0.5 m

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Scenario 3

Assumption

- massive devaluation of EUR against USD
- SNB maintains EUR at current level

>> EUR 1.20, USD 1.20, THB parallel to USD, rest unchanged

Consequences

- since CHF-EUR relation remains unchanged, massive translation effects on both Sales and Equity
- Profit from USD based countries have positive impact

Impact on		
Sales	Profit	Equity
CHF 23.0 m	CHF +2.0 m	CHF +9.5 m

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Scenario 4

Assumption

- Further devaluation of EUR against CHF

>> EUR 1.00, rest unchanged

Consequences

- Negative impact on sales, profit and equity as seen in 2010/11

Impact on		
Sales	Profit	Equity
CHF -10.5 m	CHF -2.0 m	CHF -2.5 m

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Scenario 5

Assumption

- Limitation of currency transfers into Switzerland
- Limitation of currency transfers out of Hungary, Greece, Italy, Spain, Portugal and Ireland

Consequences

- EUR surplus can no longer be used to cover overhead in CHF
- Hungary as a production unit does not transfer substantial amounts to other countries
- Italy will not be able to pay open intercompany invoices

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