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energy efficiency and reliability

Media Release

Market downturn in Europe weighs on Schaffner Group's half-year earnings

Positive trend in growth market for power quality filters

In the first half of 2012/13, the Schaffner Group increased net sales by 11% to CHF 89.6 million (H1 2011/12: CHF 81.0 million). Sales growth in local currencies amounted to 8%. Operating profit (EBIT) improved by 18% to CHF 1.6 million (H1 2011/12: CHF 1.4 million), with an EBIT margin of 1.8% (H1 2011/12: 1.7 %). Net profit was CHF 0.3 million (H1 2011/12: CHF 0.3 million). The Schaffner Group has a sound financing structure. Free cash flow amounted to CHF 1.7 million (H1 2011/12: CHF 2.0 million). Net working capital was CHF 36.7 million at the end of the first half of 2012/13 (prior year-end of 30 September 2012: CHF 37.8 million). Net debt eased to CHF 24.8 million (prior yearend: CHF 25.9 million) and the gearing ratio of net debt to equity was 42% (prior year-end: 43%). With shareholder's equity of CHF 59.8 million (prior year-end: CHF 60.3 million), Schaffner had an equity ratio of 41% at the end of March 2013 (prior year-end: 43%).

In the first six months of the fiscal year, the Schaffner Group received new orders worth CHF 90.2 million, compared with CHF 89.1 million in H1 2011/12. The book-to-bill ratio was 1.01 (H1 2011/12: 1.10). Asia-Pacific contributed 39% (H1 2011/12: 34%) to consolidated sales. At 45% (H1 2011/12: 49%), Europe's share continued to ease. America accounted for 16% (H1 2011/12: 17%) of Group sales. Strategic growth markets generated just under two-thirds of the Schaffner Group's consolidated sales, at a steady 66% share (H1 2011/12: 63%). The largest increase was recorded in the automotive market sector: Its sales share rose to 17% (from 14%), drawing level with the renewable energy market, which also contributed 17% to sales (up from 15%). The largest portion of sales, at 24% (H1 2011/12: 23%), once more came from the market for energy-efficient drive systems.

EMC division

In the first half of 2012/13, despite gains in market share, EMC division's sales of CHF 50.2 million remained at the same unsatisfactory level as one year earlier (CHF 50.3 million). The division's share of Group sales fell further to 56%, from 62%. However, analysis of the sales mix reveals significant differences compared to the previous year. Total sales of power quality filters, including harmonic filters from the ECOsine™ family, rose 13% year-on-year, while sales of EMC filters declined sharply due to slack demand for capital goods in Europe. In the Asia-Pacific region, in contrast, EMC filter sales outstripped the previous year's. As a result of the low order volume, particularly in the first three months, capacity at the plants was underutilized. Added to this was a significant increase of 80% in statutory minimum wages in Thailand. These factors depressed profitability and, combined with the absence of the prior-year period's exceptional income, led to a segment profit of CHF 4.5 million, a result below that of the prior year's first half (CHF 5.5 million). The cost increases can only partly be passed through to the market and will be offset by additional productivity improvement measures as

well as further automation. Demand in the euro zone recovered slightly towards the end of the first half and the book-to-bill ratio was positive at 1.03 (H1 2011/12: 1.07). The EMC division therefore foresees sequential growth in the second half of the year compared to the first. While no major rebound is expected in Europe in the current fiscal year, EMC expects further progress in the rest of the world.

Power Magnetics division

The Power Magnetics division's sales increased by a pleasing 21% to CHF 24.1 million (H1 2011/12: CHF 20.0 million), particularly as a result of major new customers acquired in the Japanese photovoltaics market. The division's share of Group sales rose to 27% (from 25%) year-on-year. Thanks to the implementation of measures to improve operational excellence, the profit margin rose to 3.4% (from -2.7%). The segment profit for the first half of 2012/13 was CHF 0.8 million (H1 2011/12: -0.6 million). Significant defaults on accounts receivable were avoided by not engaging in risky transactions with some Chinese manufacturers of wind turbines and solar inverters. Sales forgone as a result were more than made up for by new Japanese customers. Schaffner also continues to hold a strong position in the rail technology market and expects to benefit from expansion of the rail infrastructure in Russia and South Africa. At the end of the first six months, the Power Magnetics division's book-to-bill ratio was, however, only 0.96 (year earlier: 1.09) as the awarding of US government contracts was delayed amid the spending freeze triggered by the budget debate.

Automotive division

Despite the 43% rise in sales to CHF 15.3 million (from CHF 10.7 million), however, the Automotive division failed to reach its sales target for the first half. Growth lagged expectations because of delays in production starts of new model series at customers and generally poor automotive sales in Europe. The division's share in Group sales increased to 17% (H1 2011/12: 13%). Based on the delayed production starts the expanded capacity at the manufacturing plant in Thailand was insufficiently utilized. In addition the Automotive division in the first half of the year made substantial investments in development and in series production of new projects. These high expenses – particularly for a project related to electromobility that will generate sales and income from fiscal year 2013/14 onwards – hurt the division's earnings, at a segment result of CHF -1.0 million (H1 2011/12: CHF -0.4 million). The division had a book-to-bill ratio of 0.99 (H1 2011/12: 1.26) in the reporting period. The second half of the year is expected to bring good results, with a segment profit anticipated.

Outlook

In both sales and earnings, the Schaffner Group expects the results in the second half for all divisions to surpass those of the first six months. An increase in sales is also forecast for the full year, while operating profit for the year as a whole is likely to be approximately in line with last year's due to the persistent market downturn in Europe. With the implementation of further cost reduction measures (including structural adjustments), a sustained high rate of innovation, a strong presence in the Asia-Pacific region and a focus on the growth market for power quality filters, Schaffner possesses a solid platform for structural growth and for participating in the expected cyclical recovery in European markets in 2014.

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Half-Year Report

The Schaffner Half-Year Report 2012/13 is available at:
www.schaffner.com/en/investor-relations/reports.html

Webcast

The webcast of the presentation of Schaffner's half-year results for 2012/13 is available live from 10:00 am and as replay from 1:00 pm on Monday, 13 May 2013 at the following links:

http://view-w.tv/637-871-12827/en
www.schaffner.com/en/investor-relations.html

Schaffner – energy efficiency and reliability

The Schaffner Group is a global leader in the development and production of solutions that ensure the efficient and reliable operation of power electronic systems. The company's portfolio ranges from EMC filters, power quality filters and power magnetic components to 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, in rail technology applications, machine tools and robotics as well as in electrical infrastructure and in power supplies for a wide range of electronic devices used in sectors such as medical technology. For the automobile industry, Schaffner develops and manufactures components for convenience and safety features in cars and, in the promising electromobility market, solutions both for electric drive systems in vehicles and for their charging infrastructure. Schaffner provides on-site service to customers around the world through its global application centers and distribution organization, and invests heavily in research and development in order to expand its position as international market leader.

Key financials

Consolidated income statement

For the first six months (1 October to 31 March) In CHF 1,000	H1 2012/13	H1 2011/12
Net sales	89,604	80,972
Operating profit [EBIT]	**1,612**	**1,366**
In % of net sales	1.8	1.7
Net profit for the period	**299**	**256**
In % of net sales	0.3	0.3
Net profit for the period per share in CHF	0.47	0.41

Consolidated balance sheet

In CHF 1,000	31.3.2013	30.9.2012
Total assets	**147,429**	**140,843**
Current assets	88,840	81,216
Fixed assets	58,589	59,627
Total liabilities	87,644	80,510
Shareholders' equity	**59,785**	**60,333**
In % of total assets	40.6	42.8

Segment reporting

For the first six months (1 October to 31 March) In CHF 1,000	H1 2012/13	H1 2011/12
Electromagnetic Compatibility (EMC)		
Segment sales	50,167	50,247
Segment operating profit	4,453	5,489
In % of segment sales	8.9	10.9
Power Magnetics (PM)		
Segment sales	24,132	20,022
Segment operating profit/(loss)	824	–577
In % of segment sales	3.4	n/a
Automotive (AM)		
Segment sales	15,305	10,703
Segment operating loss	–952	–150
In % of segment sales	n/a	n/a

Key share figures

	31.3.2013	30.9.2012
Number of shares	635,940	635,940
Shareholders' equity per share in CHF	**94.01**	**94.87**
Share price in CHF	219.30	235.00
Market capitalization in CHF million	**139**	**149**

Calendar

10 December 2013	Publication of full-year results and Annual Report 2012/13
14 January 2014	18th Annual General Meeting

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