Schaffner Group
Half-Year Report 2013/14

schaffner
energy efficiency and reliability

Considerable improvement of net sales and profits

The Schaffner Group made significant progress in implementing its strategy in the first half of fiscal 2013/14. The EMC division posted a substantial increase in profitability, bringing it much closer to its target margin for the segment; the Power Magnetics division is now positioned as a leading global supplier following the acquisition of Transformer Engineering LLC (Trenco); and the Automotive division returned to profit after a lot of preparatory work over the past few years.

The Schaffner Group increased net sales by 14.5 % to CHF 102.6 million (H1 2012/13: CHF 89.6 million), or 15.9 % in local currencies. Operating profit (EBIT) recovered to CHF 4.9 million (H1 2012/13: CHF 1.5 million), while the EBIT margin increased to 4.8 % (H1 2012/13: 1.7 %). Net profit was CHF 3.2 million (H1 2012/13: CHF 0.2 million), earnings per share were CHF 5.08 (H1 2012/13: CHF 0.33).

The encouraging trend was attributable in part to the strategic core markets. The rail technology market in particular delivered a positive performance, with strong demand from European customers, while solid demand from the photovoltaics sector in Japan and the wind turbine industry in China and the gradual recovery in the European industrial electronics market also contributed to the positive trend. Schaffner is also reaping the benefits of productivity improvements implemented over the last few years. In the first half of 2013/14, the Group received new orders worth CHF 108.9 million (H1 2012/13: CHF 90.2 million). The book-to-bill ratio was 1.06 (H1 2012/13: 1.01).

Gradual recovery in Europe – slowdown in China

In Europe, Schaffner reported growth both compared with the first half of 2012/13 and sequentially compared with the previous six months. Demand for EMC products continued to pick up, with several major projects won with existing and new customers in Germany, the biggest market of the Schaffner Group. Europe contributed 47 % (H1 2012/13: 45 %) to first-half sales. Sales in the Asia/Pacific region grew by 11 % year-on-year, while the share of Group sales declined slightly to 37 % (H1 2012/13: 39 %). With the Chinese economy slowing, most notably in the capital goods sector, Schaffner is carefully monitoring the market and focusing on economically strong customers. The associated drop in sales is tolerated in favor of a reduction in debtor default risk. North America accounted for 16 % of Group sales, unchanged on the previous year. Schaffner's acquisition of MTC in fiscal 2010/11 and Trenco as of 31 March 2014, has strengthened its position in the power magnetics market in North America while opening the door to new national and international customers.

Robust growth in strategic core markets

The contribution of the strategic core markets to Group sales increased to 68 % (H1 2012/13: 66 %). Energy-efficient drive systems is the biggest market sector, accounting for 21 % (H1 2012/13: 24 %). Components for automotive electronics contributed 18 % (H1 2012/13: 17 %), while the renewable energies sector accounted for 16 % (H1 2012/13: 17 %) and rail technology for 13 % (H1 2012/13: 8 %).

One-off items relating to administrative expense

Administrative expense rose sharply year-on-year. This was partly because the expiry of an option plan had a positive impact of CHF 1.3 million on the results for the first half of the previous year, and partly because the current half-year results include one-time costs of CHF 0.6 million relating to the Trenco acquisition.

EMC division

The EMC division (EMC) develops and manufactures standard and custom components that protect power electronic equipment from line interference (thus assuring electromagnetic compatibility, or EMC) and ensure the stability of power grids. Key sales markets include energy-efficient drive systems, renewable energies, power supplies for electronic devices, and machine tools and robotics.

Benefiting from a gradual recovery in Europe, the EMC division increased segment sales by 7 % to CHF 53.7 million in the first half of the year (H1 2012/13: CHF 50.2 million). Efficiency improvements contributed to a sharp rise in the segment result to CHF 7.2 million (H1 2012/13: CHF 4.4 million), while the profit margin increased to 13.5 % (H1 2012/13: 8.8 %). EMC further expanded its leading position in the international EMC market in the first half of the year, recording new orders worth CHF 55.1 million (H1 2012/13: CHF 51.8 million) and maintaining an unchanged book-to-bill ratio of 1.03.

Power Magnetics division

The Power Magnetics division (PM) develops and manufactures components to ensure the reliable operation of power electronic systems, and builds customized high-performance transformers for demanding applications. Schaffner solutions deployed in locomotive drive systems, solar inverters and converters in wind turbines are highly efficient and assure the best possible adaptation to electricity grids.

Sales rose by 27.8 % to CHF 30.8 million (H1 2012/13: CHF 24.1 million). PM reported an increase in orders from the European rail technology sector, continuing strong demand from customers in the Chinese wind turbine industry and a sharp year-on-year rise in sales in the Japanese photovoltaic sector. The segment result doubled to CHF 1.7 million (CHF 0.8 million), while the profit margin increased from 3.4 % to 5.6 %. In the first six months of the current fiscal year, the Power Magnetics division won new orders worth CHF 35.5 million (H1 2012/13: CHF 23.2 million), and had a book-to-bill ratio of 1.15 (0.96) as at the end of the first half of the year.

Automotive division

The Automotive division (AM) develops and manufactures components for the growth markets of keyless entry systems and electromobility, with modules for the drive systems of hybrid and electric vehicles.

Sales increased by 18.3 % to CHF 18.1 million (H1 2012/13: CHF 15.3 million) following the transfer of new projects to series production. Productivity gains, improved plant capacity utilization and the virtual elimination of special project costs led to an encouraging improvement in the segment result. After a loss of CHF 1.0 million in the prior-year period, AM recorded an operating profit of CHF 0.6 million, improving the profit margin by 9.5 percentage points year-on-year to 3.3 %.

Sound financing structure

The Schaffner Group has a sound financing structure. Total assets increased as a result of acquisitions to CHF 152.1 million as at 31 March 2014 (30 September 2013 – restated: CHF 138.7 million). Net working capital was CHF 33.0 million (30 September 2013 – restated: CHF 25.5 million). Free cash flow amounted to CHF – 2.2 million (H1 2012/13: CHF 1.7 million). Net debt increased to CHF 26.9 million (30 September 2013 – restated: CHF 13.4 million), while the gearing ratio (net debt to shareholders' equity) rose to 47 % (30 September 2013 – restated: 23 %). With shareholders' equity of CHF 57.1 million (30 September 2013 - restated: CHF 58.1 million), Schaffner had an equity ratio of 37.5 % as at 31 March 2014 (30 September 2013 – restated: 41.9 %). Shareholders' equity per share was CHF 89.82 (30 September 2013 – restated: CHF 98.30). The Trenco acquisition reduced shareholders' equity by 2.4 percentage points. Shareholders' equity also fell due to the application of IAS 19 (Employee Benefits) and negative currency translation effects on the shareholders' equity of the subsidiaries in China and Thailand.

Outlook

Schaffner now offers the world's leading providers of power electronic systems the most comprehensive range of filter solutions, whether to combat high-frequency network interference (EMC), stabilize power grids (Power Quality) or assure adaptation to electricity grids (Power Magnetics). Schaffner seeks to achieve sustained growth above the market average through major development spending, operational excellence and acquisitions.

Including Trenco, consolidated as of 31 March 2014, the Schaffner Group expects net sales in fiscal 2013/14 to exceed the prior-year figure by 10 % to 15 %. The Schaffner Group is aiming to achieve an EBIT margin of around 7 % for fiscal 2013/14, with the one-time costs for the integration of Trenco in the first half of 2013/14 (impact of – 0.3 percentage points) already taken into account.

Luterbach, 13 May 2014

Daniel Hirschi
Chairman of the Board

Alexander Hagemann
Chief Executive Officer

Consolidated balance sheet

In CHF '000	31.3.2014	(restated) 30.9.2013	(restated) 1.10.2012
Intangible assets	24,174	19,624	22,327
Property, plant and equipment	22,100	20,945	21,109
Other non-current assets	7,425	7,448	8,189
Deferred tax assets	2,858	3,150	2,976
Non-current assets	**56,557**	**51,168**	**54,601**
Inventories	29,267	28,094	29,873
Trade receivables	37,368	34,021	34,766
Income tax receivables	533	535	582
Other receivables, prepaid expenses and accrued income	3,746	3,817	3,674
Other current financial assets	4,242	4,079	2,065
Cash and cash equivalents	20,421	17,012	10,256
Current assets	**95,577**	**87,558**	**81,216**
Total assets	**152,134**	**138,726**	**135,817**
Equity attributable to equity holders of Schaffner Holding AG	57,122	58,081	55,931
Shareholders' equity	**57,122**	**58,081**	**55,931**
Non-current provisions	6,336	6,046	6,464
Deferred tax liabilities	1,667	1,286	1,197
Non-current borrowings	47,477	29,814	35,959
Non-current liabilities	**55,480**	**37,146**	**43,620**
Current provisions	1,614	1,969	2,934
Current borrowings	13	549	194
Income tax payables	2,361	731	966
Trade and other payables	35,544	40,251	32,172
Current liabilities	**39,532**	**43,500**	**36,266**
Total liabilities	**95,012**	**80,645**	**79,886**
Total liabilities and shareholders' equity	**152,134**	**138,726**	**135,817**

Consolidated income statement

For the first six months (1 October to 31 March) In CHF '000	H1 2013/14	(restated) H1 2012/13
Net sales	**102,615**	**89,604**
Cost of sales	– 73,407	– 66,495
Gross profit	**29,208**	**23,109**
Marketing and selling expense	– 8,714	– 8,707
Research, development and application expense	– 7,608	– 7,573
General and administrative expense	– 7,574	– 4,892
Operating profit before amortization of customer relationships	**5,311**	**1,937**
Amortization of customer relationships	– 426	– 430
Operating profit [EBIT]	**4,885**	**1,507**
Finance income	3,614	3,855
Finance expense	– 4,326	– 5,271
Profit before tax [EBT]	**4,173**	**91**
Income tax	– 961	118
Net profit for the period	**3,212**	**209**
Earnings per share in CHF		
Basic	5.08	0.33
Diluted	5.03	0.32

Consolidated statement of comprehensive income

For the first six months (1 October to 31 March) In CHF '000	H1 2013/14	(restated) H1 2012/13
Net profit for the period	**3,212**	**209**
Items of other comprehensive (loss)/income that may be reclassified to the income statement		
Exchange differences	– 1,808	1,231
Movement in cash flow hedges	53	83
Income tax	0	0
Total items that may be reclassified to the income statement	**– 1,755**	**1,314**
Other comprehensive (loss)/income for the period	**– 1,755**	**1,314**
Total comprehensive income for the period	**1,457**	**1,523**

Condensed consolidated cash flow statement

For the first six months (1 October to 31 March) In CHF '000	H1 2013/14	(restated) H1 2012/13
Cash flow from operating activities	**240**	**4,118**
Purchase of property, plant and equipment	– 2,348	– 2,197
Purchase of intangible assets	– 162	– 261
Acquisition of subsidiaries	– 8,596	0
Other investing activities	– 326	844
Cash flow from investing activities	**– 11,432**	**– 1,614**
Repayment of excess share premium	– 2,852	– 2,221
Changes in treasury shares	361	617
Proceeds from borrowings	17,281	4,472
Other financing activities	– 91	– 88
Cash flow from financing activities	**14,699**	**2,780**
Effect of exchange rates on cash and cash equivalents	– 98	120
Change in cash and cash equivalents	**3,409**	**5,404**
Cash and cash equivalents at 1 October	17,012	10,256
Cash and cash equivalents at 31 March	20,421	15,660

Consolidated statement of changes in equity

In CHF '000	Share capital	Share premium	Cumulative translation differences	Retained earnings	Treasury shares	Hedging reserve	Total shareholders' equity
At 1 October 2012 (reported)	**20,668**	**56,462**	**– 14,300**	**– 617**	**– 1,469**	**– 411**	**60,333**
Change in accounting policy				– 4,402			– 4,402
At 1 October 2012 (restated)	**20,668**	**56,462**	**– 14,300**	**– 5,019**	**– 1,469**	**– 411**	**55,931**
Exchange differences			1,231				1,231
Net profit for the period				209			209
Other comprehensive income						83	83
Total comprehensive income for the period			**1,231**	**209**		**83**	**1,523**
Treasury shares				– 760	1,378		618
Repayment of excess share premium		– 2,221					– 2,221
Share option plans and restricted share plans		– 1,090		532			– 558
At 31 March 2013 (restated)	**20,668**	**53,151**	**– 13,069**	**– 5,038**	**– 91**	**– 328**	**55,293**
At 1 October 2013 (reported)	**20,668**	**53,289**	**– 15,537**	**4,851**	**– 1,050**	**– 241**	**62,512**
Change in accounting policy				– 4,431			– 4,431
At 1 October 2013 (restated)	**20,668**	**53,289**	**– 15,537**	**420**	**– 1,050**	**– 241**	**58,081**
Exchange differences			– 1,808				– 1,808
Net profit for the period				3,212			3,212
Other comprehensive income						53	53
Total comprehensive income for the period			**– 1,808**	**3,212**		**53**	**1,457**
Treasury shares				– 968	528		– 440
Repayment of excess share premium		– 2,852					– 2,852
Share option plans and restricted share plans		75		801			876
At 31 March 2014	**20,668**	**50,512**	**– 17,345**	**3,465**	**– 522**	**– 188**	**57,122**

Notes

1 Accounting policies

The unaudited consolidated financial statements of the Schaffner Group for the first half of the fiscal 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 2013, they should be read in conjunction with those annual financial statements.

The consolidated financial statements for the six months ended 31 March 2014 were approved by the Board of Directors of Schaffner Holding AG on 12 May 2014 and released for publication. The Schaffner Group applied the same accounting principles as in the prior year, with the following exceptions.

Newly issued and amended standards and interpretations

The Schaffner Group adopted the following changes in accounting principles with effect from 1 October 2013:

Standards / interpretations

Annual improvements to IFRSs 2009–2011	
IAS 19	Revised – Employee Benefits
IAS 27	Revised – Separate Financial Statements
IAS 28	Revised – Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11, IFRS 12	Amendments – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement

Apart from the application of the revised IAS 19 Employee Benefits standard, the changes have no impact on Schaffner's financial position, results of operations and cash flows. The changes have been made retroactively in accordance with IAS 8. They are explained below. The impact on the balance sheet, income statement and statement of comprehensive income is also shown in table form. The changes have no material impact on the cash flow statement. It was therefore decided not to draw up a detailed transitional statement.

Due to the application of IFRS 13, this half-year report contains additional disclosures on assets and liabilities recognized at fair value.

2 Significant changes to the recognition and measurement requirements

IAS 19 features two main changes.

First, interest on plan assets and the defined benefit obligation are now both determined using the discount rate.

To date, a rate of return has been applied to plan assets that was estimated based on the investment portfolio of the pension fund and its projected performance. In addition, expected future employee contributions will also be taken into account when determining the present value of the defined benefit obligation. This risk sharing between employer and employee changes the amount of the defined benefit obligation and the allocation of service cost.

Second, the corridor method previously used by Schaffner, whereby actuarial gains and losses from the periodic recalculation of the defined benefit obligation – to the extent that they exceeded 10 % of the greater of the plan assets or defined benefit obligation – were amortized in the income statement on a straight-line basis over the average of the remaining working lives of the participating employees, has been abolished. With the abolition of the corridor method, actuarial gains and losses are now recognized immediately in other comprehensive income.

At the end of each fiscal year, Schaffner commissions an actuarial assessment of the pension obligations.

This assessment is updated at the end of the next half-year.

Reconciliation restatement balance sheet

In CHF '000	(reported) 30.9.2013	IAS 19	(restated) 30.9.2013	(reported) 1.10.2012	IAS 19	(restated) 1.10.2012
Intangible assets	19,624		19,624	22,327		22,327
Property, plant and equipment	20,945		20,945	21,109		21,109
Other non-current assets	12,521	–5,073	7,448	13,327	–5,138	8,189
Deferred tax assets	3,004	146	3,150	2,864	112	2,976
Non-current assets	**56,095**	**–4,927**	**51,168**	**59,627**	**–5,026**	**54,601**
Inventories	28,094		28,094	29,873		29,873
Trade receivables	34,021		34,021	34,766		34,766
Income tax receivables	535		535	582		582
Other receivables, prepaid expenses and accrued income	3,817		3,817	3,674		3,674
Other current financial assets	4,079		4,079	2,065		2,065
Cash and cash equivalents	17,012		17,012	10,256		10,256
Current assets	**87,558**		**87,558**	**81,215**		**81,215**
Total assets	**143,653**	**–4,927**	**138,726**	**140,842**	**–5,026**	**135,816**
Equity attributable to equity holders of Schaffner Holding AG	62,512	–4,431	58,081	60,333	–4,402	55,931
Shareholders' equity	**62,512**	**–4,431**	**58,081**	**60,333**	**–4,402**	**55,931**
Non-current provisions	5,558	488	6,046	6,091	373	6,464
Deferred tax liabilities	2,270	–984	1,286	2,194	–997	1,197
Non-current borrowings	29,814		29,814	35,959		35,959
Non-current liabilities	**37,642**	**–496**	**37,146**	**44,244**	**–624**	**43,620**
Current provisions	1,969		1,969	2,934		2,934
Current borrowings	549		549	194		194
Income tax payables	731		731	966		966
Trade and other payables	40,251		40,251	32,172		32,172
Current liabilities	**43,500**		**43,500**	**36,266**		**36,266**
Total liabilities	**81,142**	**–496**	**80,646**	**80,510**	**–624**	**79,886**
Total liabilities and shareholders' equity	**143,654**	**–4,927**	**138,727**	**140,843**	**–5,026**	**135,817**

Reconciliation restatement income statement

For the first six months (1 October to 31 March) In CHF '000	(reported) H1 2012/13	IAS 19	(restated) H1 2012/13
Net sales	**89,604**		**89,604**
Cost of sales	–66,473	–22	–66,495
Gross profit	**23,131**	**–22**	**23,109**
Other income			
Marketing and selling expense	–8,729	22	–8,707
Research, development and application expense	–7,519	–54	–7,573
General and administrative expense	–4,841	–51	–4,892
Operating profit before amortization of customer relationships	**2,042**	**–105**	**1,937**
Amortization of customer relationships	–430		–430
Operating profit [EBIT]	**1,612**	**–105**	**1,507**
Finance income	3,855		3,855
Finance expense	–5,271		–5,271
Profit before tax [EBT]	**196**	**–105**	**91**
Income tax	103	15	118
Net profit for the period	**299**	**–90**	**209**
Earnings per share in CHF			
Basic	0.47	–0.14	0.33
Diluted	0.46	–0.14	0.32

Reconciliation restatement statement of comprehensive income

For the first six months (1 October to 31 March) In CHF '000	(reported) H1 2012/13	IAS 19	(restated) H1 2012/13
Net profit for the period	**299**	**–90**	**209**
Items of other comprehensive (loss)/income that may be reclassified to the income statement			
Exchange differences	1,231		1,231
Movement in cash flow hedges	83		83
Income tax	0		0
Total items that may be reclassified to the income statement	**1,314**		**1,314**
Other comprehensive (loss)/income for the period	**1,314**		**1,314**
Total comprehensive income for the period	**1,613**	**–90**	**1,523**

3 Business combinations

On 31 March 2014, the Group acquired the American companies Transformer Engineering LLC (Trenco), Magnetics Technologies LLC and Transformer Real Estate LLC from Transformers Holding LLC. The integration of Trenco will strengthen the strategic position of Schaffner's Power Magnetics division.

The acquisition was recognized using the purchase method. Synergies in production and combined distribution channels and product portfolios justify the recognition of goodwill.

The provisional fair values recognized at the acquisition date for the identifiable assets and liabilities are shown below:

Acquired net assets in CHF '000	Fair value recognized at acquisition date of 31.3.2014
Cash and cash equivalents	88
Customer relationships	1,944
Technology	884
Trademarks	1,237
Property, plant and equipment	1,531
Inventories	1,411
Trade receivables	2,053
Other receivables, prepaid expenses and accrued income	69
Total assets	**9,217**
Non-current provisions	– 428
Trade and other payables	– 1,333
Total liabilities	**– 1,761**
Net assets	7,456
Goodwill	1,905
Total considerations	**9,361**
Satisfied by:	
Cash paid	8,684
Contingent considerations	677
Cash flow on acquisition:	
Net cash outflow	8,596

The fair value and gross amount of trade receivables amounts to CHF 2,053 thousand.

No trade receivables were impaired, and Schaffner anticipates that the contractually agreed amounts can be realized.

In addition to the cash settlement shown above, the purchase price contains two earn-out components. The first earn-out component amounts to 8 % of net sales generated that exceed a defined minimum amount in fixed periods between 1 April 2014 and 31 March 2017. The second earn-out component amounts to 4 % of net sales generated with four designated customers in the period between 1 April 2017 and 31 March 2018. At the time of acquisition the fair value of these contingent considerations was CHF 677 thousand.

The goodwill from the acquisition is tax-deductible and allocated to the Power Magnetics business segment. The transaction costs of CHF 622 thousand were recognized as an expense and reported under general and administrative expense.

For the period from the acquisition date up to 31 March 2014 (one working day), the acquired companies contributed CHF 174 thousand to net sales and CHF 39 thousand to net profit. Had the acquisition taken place on 1 October 2013, net sales and net profit would have been CHF 6.1 million and CHF 0.2 million higher respectively.

The figures are provisional as the purchase price allocation has not yet been completed.

4 Operating segments

The Schaffner Group consists of three reportable segments: Electromagnetic Compatibility, Power Magnetics 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)
The EMC division develops and manufactures standard and customized components that protect power electronic equipment from line interference (thus assuring electromagnetic compatibility, or EMC), and power quality filters that assure the stability of power grids. Key sales markets include energy-efficient drive systems, renewable energy, power supplies for electronic devices, machine tools and robotics.

Power Magnetics (PM)
The Power Magnetics division develops and manufactures power magnetic components (chokes and transformers) to ensure the reliable operation of power electronic systems, and builds customized high-performance transformers for demanding applications. Power magnetic components are an integral part of high- and ultra-high-performance systems for power conversion. Key sales markets include energy-efficient drive systems, renewable energy and rail technology.

Automotive (AM)
The Automotive division develops and manufactures components for convenience and safety features in cars and for the drive trains of 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 and costs relating to acquisitions.

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

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

For the first six months 2013/14 (1 October to 31 March) In CHF '000	EMC	PM	AM	Corporate	Group
Net sales	53,686	30,781	18,148		102,615
Segment operating profit/(loss)	**7,240**	**1,711**	**594**	**–4,234**	**5,311**
Amortization of customer relationships					–426
Operating profit [EBIT]					**4,885**
Finance income					3,614
Finance expense					–4,326
Profit before tax [EBT]					**4,173**
Income tax					–961
Net profit for the period					**3,212**

(restated)

For the first six months 2012/13 (1 October to 31 March) In CHF '000	EMC	PM	AM	Corporate	Group
Net sales	50,167	24,132	15,305		89,604
Segment operating profit/(loss)	**4,410**	**819**	**–984**	**–2,308**	**1,937**
Amortization of customer relationships					–430
Operating profit [EBIT]					**1,507**
Finance income					3,855
Finance expense					–5,271
Profit before tax [EBT]					**91**
Income tax					118
Net profit for the period					**209**

5 Financial instruments

The financial assets and liabilities measured at fair value are categorized into the following fair value hierarchy according to the valuation technique used:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Techniques for which all inputs that have a significant effect on the recorded fair value are based on directly or indirectly observable market data.
- Level 3: Techniques using inputs that have a significant effect on the recorded fair value and are not based on observable market data.

	31.3.2014			31.3.2013	
In CHF '000	Level 2	Level 3	Total	Level 2	Total
Liabilities measured at fair value					
Derivative financial instruments	212		212	351	351
Contingent consideration		677	677		0
Total liabilities measured at fair value	**212**	**677**	**889**	**351**	**351**

The derivative financial instruments relate to an over-the-counter interest rate derivative. The contingent consideration arising from the Trenco acquisition was determined based on existing business plans and sales estimates by management and discounted as of the balance sheet date. There were no reclassifications between levels.

6 Provisions for restructuring

In the first half of fiscal year 2013/14, restructuring provisions in the amount of CHF 0.1 million were used. The restructuring provisions of CHF 0.5 million remaining at 31 March 2014 are expected to be used in the future. No restructuring provisions were reversed in the reporting period.

7 Seasonality

The Schaffner Group does not operate in industries with significant seasonal or cyclical variation in total sales over the fiscal year.

Since major public holidays such as Chinese New Year and Christmas fall in the first half of the fiscal year, experience has shown that, factoring out economic influences, higher sales are usually generated in the second half of the year.

Income tax is recognized based on the best estimate of the weighted average annual income tax rate expected for the full fiscal year.

8 Commitments and contingencies

At 31 March 2014, the Group had commitments to purchase property, plant and equipment in the amount of CHF 0.4 million (30 September 2013: CHF 0.3 million). Contingent liabilities, described in the notes to the consolidated financial statements for the year ended 30 September 2013, did not change materially in the reporting period.

9 Foreign currencies

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

			Balance sheet		Income statement	
			31.3.2014	30.9.2013	H1 2013/14	H1 2012/13
Country or region	Currency		in CHF	in CHF	in CHF	in CHF
China	CNY	100	14.23	14.78	14.44	14.90
EU	EUR	100	121.92	122.38	122.19	121.63
Hungary	HUF	100	0.40	0.41	0.40	0.42
Thailand	THB	100	2.73	2.89	2.75	3.08
USA	USD	100	88.39	90.44	88.96	92.79

10 Distribution to shareholders

As decided by the Annual General Meeting of Schaffner Holding AG on 14 January 2014, a distribution of CHF 4.50 per share (exempt from Swiss anticipatory tax) for fiscal year 2012/13 was made to the shareholders in the form of a repayment of excess share premium from additional paid-in capital.

11 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 financials

Consolidated income statement

For the first six months (1 October to 31 March) In CHF '000	H1 2013/14	H1 2012/13
Net sales	102,615	89,604
Operating profit [EBIT]	**4,885**	**1,507**
In % of net sales	4.8	1.7
Net profit for the period	**3,212**	**209**
In % of net sales	3.1	0.2
Net profit for the period per share in CHF	5.08	0.33

Consolidated balance sheet

In CHF '000	31.3.2014	30.9.2013
Total assets	**152,134**	**138,726**
Current assets	95,577	87,558
Non-current assets	56,557	51,168
Total liabilities	95,012	80,645
Shareholders' equity	**57,122**	**58,081**
In % of total assets	37.5	41.9

Segment reporting

For the first six months (1 October to 31 March) In CHF '000	H1 2013/14	H1 2012/13
Electromagnetic Compatibility (EMC)		
Segment sales	53,686	50,167
Segment operating profit	7,240	4,410
In % of segment sales	13.5	8.8
Power Magnetics (PM)		
Segment sales	30,781	24,132
Segment operating profit	1,711	819
In % of segment sales	5.6	3.4
Automotive (AM)		
Segment sales	18,148	15,305
Segment operating profit	594	– 984
In % of segment sales	3.3	n/a

Key share figures

In CHF '000	31.3.2014	30.9.2013
Number of shares	635,940	635,940
Shareholders' equity per share in CHF	**89.82**	**98.30**
Share price in CHF	261.75	227.00
Market capitalization in CHF million	**166**	**144**

Calendar

9. December 2014	Publication of Annual Report 2013/14 (full-year results)
15. January 2015	19th Annual General Meeting

Schaffner Holding AG
4542 Luterbach, Switzerland
www.schaffner.com