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Photovoltaics and Asian markets drive Schaffner's first-half 2009/10 results

Net sales CHF 84.6 million; EBIT CHF 5.6 million; net profit CHF 3.8 million

The Schaffner Group posted an increase in net sales of 17.7% (22.2% in local currencies) for the first half of fiscal 2009/10 compared with the unsatisfactory levels of the previous year, when business had suffered under the pressure of the challenging economic climate. At CHF 84.6 million (HY1 2008/09 CHF 71.9 million), sales are practically on a par with the same period in the very good business year of 2007/08. Operating result improved to CHF 5.6 million (CHF –7.1 million), while the EBIT margin expanded to 6.6% and net profit increased to CHF 3.8 million (CHF –8.8 million). This corresponds to earnings per share of CHF 5.94 (CHF –14.68). The positive first-half result is attributable to efficiency measures and cost savings implemented in the previous year as well as the increase in net sales. Total order intake recorded by the Schaffner Group amounted to CHF 98.3 million (CHF 69.3 million), up by a significant 41.8% compared with the low prior-year level. The book-to-bill ratio in the first half of fiscal 2009/10 was 1.16. As a result of the increase in net sales, net working capital increased to CHF 34.8 million (September 30, 2009: CHF 30.7 million), resulting in free cash flow of CHF –2.7 million (CHF 7.1 million).

Dynamic trend in growth markets

In the first half of fiscal 2009/10, the Schaffner Group again posted its strongest growth in the Asia/Pacific region with net sales increasing by 65%. Sales in China increased by 44% and accounted for 19% of Group sales. Europe contributed 61% (68%) to total sales of the Schaffner Group. The Asia/Pacific region accounted for 32% (23%) and American markets 7% (9%).

The Schaffner Group's reporting for the first half of fiscal 2009/10 is broken down for the first time into three business segments: Electromagnetic Compatibility (EMC), Power Quality (PQ) and Automotive (AM). All three segments contributed to the positive interim result.

The **EMC** segment, supplying components that ensure the electromagnetic compatibility of electrical and electronic systems and equipment, posted segment sales of CHF 49.7 million (HY1 2008/09: CHF 47.0 million). The segment result was positively influenced by the previously completed restructuring measures, rising significantly to CHF 7.6 million (CHF –0.5 million), representing a margin of 15.3%. EMC recorded a real boom in orders from the solar inverter industry as a result of substantial investments into solar power installations in Germany, ahead of the cuts in feed-in tariffs that are scheduled to come into effect on July 1, 2010. The traditional European EMC markets for machine tools and robotics and the

telecoms industry remained at a low level. EMC contributed 59% to Group sales in the first half of fiscal 2009/10.

The **PQ** segment designs and manufactures magnetic components and harmonic filters that guarantee power quality in electric grids as well as the reliable operation of energy efficient systems and equipment. Segment sales totalled CHF 26.9 million (CHF 22.0 million), representing a year-on-year rise of 22%. The Asia/Pacific market accounted for the largest share of growth in the PQ segment, with rail technology, photovoltaics and wind turbine construction faring particularly well. Also the growing market for harmonic filters which ensure the reliable supply of power in buildings and infrastructure installations developed positively. The segment result increased by CHF 1.0 million to CHF 0.5 million (CHF –0.5 million). The margin of 1.9% was still impacted by high development costs and investments into business expansion. A further sustainable margin improvement is being targeted in this regard. PQ accounted for 32% of Group sales.

The **AM** segment designs and manufactures components for security and convenience features in automobiles, as well as EMC filters for deployment in hybrid and electric vehicles. The Automotive segment recorded a 175% improvement in segment sales to CHF 8.1 million (CHF 2.9 million). The segment result totaled CHF 0.9 million (CHF –0.9 million), with a margin of 10.9%. Contributing to the growth in sales were the general market recovery and newly acquired projects for automobile manufacturers in Asia and Europe, production for which commenced during the first half of fiscal 2009/10. The Group acquired a further contract for EMC filters for hybrid and electric vehicles during the first half of fiscal 2009/10 and this will have a positive impact on segment sales over the medium term. The AM segment accounted for 9% of Group sales.

Solid financing structure

The Schaffner Group has a solid balance sheet. The convertible bond (2.25% Convertible Bonds 2004–2010) matured on January 28, 2010, in accordance with the conditions set out in the issue prospectus. The follow-up financing has been secured via the Group's four principal banks with an approved credit line of CHF 40 million. The rise in sales generated an increase in net working capital to CHF 34.8 million (September 30, 2009: CHF 30.7 million). The growth in net debt to CHF 13.8 million (CHF 11.9 million) is chiefly attributable to the increase in net working capital; the ratio of net debt to shareholders' equity amounted to 27% (25%). With a rise in shareholders' equity to CHF 51.0 million (CHF 47.3 million), the equity ratio increased further to 41.3% (37.3%) as at the end of March.

Outlook

Demand for EMC and power quality solutions in the Chinese domestic market, particularly in the fields of renewable energies and rail technology, remains high. Schaffner has received the order from Siemens for delivery of the second tranche of transformers and chokes for the construction of high-speed trains for the Chinese National Railway. Sales in the automotive

sector are also developing well. In contrast, the prospects for EMC filters for photovoltaic applications are uncertain due to the decision taken in Germany to reduce the feed-in tariffs for solar electricity from July 1, 2010. Against this background, the Schaffner Group anticipates that sales and the operating result for the second half-year will be comparable to the first half, which would lead to a sales figure for fiscal 2009/10 of between CHF 160 million and CHF 180 million and an EBIT margin of between 5 and 7%.

The 2009/10 Interim Report can be downloaded from www.schaffner.com

http://www.schaffner.com/corporate/en/corporate/investor/reports.asp?level=1&language_id=12

Luterbach, May 12, 2010

For more information

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Calendar

December 7, 2010 Publication of 2009/10 Annual Report

January 12, 2011 15th 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.

Key figures first half 2009/10

Consolidated income statement		1.10.2009 to 31.3.2010	1.10.2008 to 31.3.2009
Net sales	CHF million	84.6	71.9
Operating result (EBIT)	CHF million	5.6	-7.1
as % of net sales	%	6.6	n/a
Net profit/loss	CHF million	3.8	-8.8
as % of net sales	%	4.5	n/a
Earnings per share	in CHF	5.94	-14.68
Consolidated balance sheet		31.3.2010	30.9.2009
Total assets	CHF million	123.4	126.9
Current assets	CHF million	79.5	83.4
Fixed assets	CHF million	43.9	43.5
Total liabilities	CHF million	72.4	79.6
Shareholders' equity	CHF million	51.0	47.3
as % of total assets	%	41.3	37.3
Segment reporting		1.10.2009 to 31.3.2010	1.10.2008 to 31.3.2009
Electromagnetic Compatibility (EMC)			
Segment sales	CHF million	49.7	47.0
Segment result	CHF million	7.6	-0.5
as % of segment sales	%	15.3	n/a
Power Quality (PQ)			
Segment sales	CHF million	26.9	22.0
Segment result	CHF million	0.5	-0.5
as % of segment sales	%	1.9	n/a
Automotive (AM)			
Segment sales	CHF million	8.1	2.9
Segment result	CHF million	0.9	-0.9
as % of segment sales	%	10.9	n/a

Schaffner Holding AG Conference Call/Webcast on Interim Report 2009/10

Wednesday, May 12, 2010
10:00 to 11:00 a.m. CET

Alexander Hagemann, Chief Executive Officer, and Kurt Ledermann, Chief Financial Officer, will host a conference call to review the results for the first half of fiscal 2009/10.

The conference call/webcast will be held in German.

To access the conference call, please proceed as follows:

1. Dial the following number approximately 10 to 15 minutes before the scheduled start of the conference call: **+41 44 580 65 21**
2. The following information will be requested:
 - your last name and first name
 - the name of your company/your publication
 - country
 - e-mail
3. You will then join a queue until the start of the conference call is announced by the operator.
4. To simultaneously see the HY1 2009/10 presentation on your computer please go to the following link: **<http://gaia.world-television.com/schaffner/20100512/trunc>**
5. The conference call will begin with the presentation of Alexander Hagemann and Kurt Ledermann.
6. The operator will then open the Q&A session and give instructions on how to place questions.

Replay

The conference call will be recorded and will be available for replay at: www.schaffner.com