



Media Information

Schaffner Group reports drop in sales and order intake for the first half of fiscal 2008/2009

Result impacted by high exceptional costs – Systematic adjustment of cost structure to the market situation – Significant increase in free cash flow – Follow-up financing of convertible bond negotiated with banks

The Schaffner Group reported a 16.6% drop in net sales in the first half of fiscal 2008/2009 to CHF 71.9 million (first half of 2007/2008: CHF 86.2 million). Adjusted for currency effects, this represents a 13.1% decline in sales. Order intake amounted to CHF 69.3 million (CHF 94.7 million), a significant decrease of 26.9% (24% after adjusting for currency effects) compared to the good first half of fiscal 2007/2008. Despite systematic adjustment of capacities and cost structures to order volumes, the operating result (EBIT) dropped to CHF –7.1 million (CHF 5.0 million) mainly as a result of special factors. Net profit amounted to CHF –8.8 million (CHF 2.6 million). By contrast, free cash flow at CHF 7.1 million (CHF –0.9 million) developed positively, primarily thanks to a significant reduction in net working capital to CHF 32.6 million (September 30, 2008: CHF 49.7 million). Cost-cutting programs have been successfully implemented and will begin to have an impact during the second half of fiscal 2008/2009.

Systematic structural adjustments

Order intake for the closing quarter of the last fiscal year was well up year-on-year, giving the Schaffner Group a positive start to fiscal 2008/2009 on October 1, 2008, with a solid order backlog. Demand in most core markets of the Schaffner Group dropped significantly in the second quarter as a consequence of the global financial and economic crisis. Schaffner's management immediately introduced a comprehensive package of measures aimed at adjusting capacities and cost structures to the market trend. Global headcount was reduced from 2,366 full-time positions at the end of September 2008 to 1,729 full-time positions as of March 31, 2009; short-time working was introduced extensively at various sites. In addition, the management organization was streamlined and salary costs were cut substantially through a tiered, function based salary waiver at all management levels. Despite the rapidly initiated cost-cutting programs, the operating result (EBIT) was negative after the first two quarters. Of the operational loss sustained during the first six months, the majority can be attributed to special factors worth CHF 5.0 million: the one-time expense for structural and capacity adjustments, a reduction in inventory valuation due to a sharp drop in raw material prices, in particular copper, and foreign-exchange losses on balance sheet positions.

Differing regional market developments

Demand in the Schaffner Group's core markets underwent very different regional developments during the first half of fiscal 2008/2009. In the traditionally key German market, order intake dropped during the second quarter and fell by around 50% compared to the previous year. Large customers from the heavily export-driven machine tool sector, in particular, strongly contributed to this trend. In addition, customers from the photovoltaic industry reduced their inventories last year and, as a result, placed fewer orders. Demand in China's still growing domestic market, on the other hand, showed an extremely positive trend. Order intake from China was up more than 40%, considerably exceeding the first half of the previous year. With processes and structures of the Shanghai plant geared to the demands of the Chinese market, the Schaffner Group is firmly established on the Chinese domestic market and is participating fully in major infrastructure investments commissioned by the Chinese government, notably in the areas of railroad infrastructure, renewable energies and telecommunications.

Market success with harmonic filters for improving power quality

Following the integration of BETEC-Engineering, which was acquired on January 1, 2009, Schaffner was able to attract noteworthy projects in the US, Europe and Asia for the implementation of passive and active harmonic filters. The distribution network will be expanded systematically throughout the globe. Start of production of harmonic filters at the Shanghai plant is scheduled in May 2009, a move which will considerably boost the company's competitiveness in this product's key market, Asia.

Follow-up financing of convertible bond negotiated

The Schaffner Group has already agreed on an approved credit line of CHF 40 million from its principal banks to provide follow-up financing for the convertible bond (2.25% convertible bonds 2004-2010). Together with the Schaffner Group's current liquidity, the follow-up financing has already been arranged for the convertible bond due to mature in January 2010.

Outlook

The difficult market environment still prevents a reliable forecast from being made for fiscal 2008/2009. However, the Schaffner Group has already adjusted its cost structures to enable it to achieve a balanced second-half operating result (EBIT) based on the sales it expects to generate from the current intake.

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For further information

Alexander Hagemann
Chief Executive Officer
T +41 32 681 66 06
alexander.hagemann@schaffner.com

Kurt Ledermann
Chief Financial Officer
T +41 32 681 66 08
kurt.ledermann@schaffner.com

Schaffner Holding AG
CH-4542 Luterbach, Switzerland
T +41 32 681 66 26
F +41 32 681 66 30
www.schaffner.com

Calendar

December 8, 2009	Publication of 2008/2009 Annual Report
January 13, 2010	Annual General Meeting

Schaffner – energy efficiency and reliability

The Schaffner Group is the international leader in the development and production of solutions which ensure the efficient and reliable operation of electronic systems. The Group's broad range of products and services includes EMC/EMI 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 robotics as well as power supplies for numerous 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 systematically expand its position as leader on the international market.

Schaffner key figures first half 2008/2009

		1.10.2008 to 31.3.2009	(restated ¹) 1.10.2007 to 31.3.2008
Net sales	CHF million	71.9	86.2
Operating result (EBIT)	CHF million	-7.1	5.0
as % of net sales	%	-	5.8
Net profit	CHF million	-8.8	2.6
as % of net sales	%	-	3.1
Earnings per share (EPS)	CHF	-14.68	4.32
Free cash flow	CHF million	7.1	-0.9

¹Initial application of IFRIC 14

		31.3.2009	(restated ¹) 30.9.2008
Total assets	CHF million	130.5	148.1
Shareholders' equity	CHF million	46.3	58.1
as % of total assets	%	35.5	39.3

¹Initial application of IFRIC 14

		1.10.2008 to 31.3.2009	1.10.2007 to 31.3.2008
Order intake	CHF million	69.3	94.7
Book-to-bill ratio		0.96	1.10

The detailed 2008/2009 Interim Report is available at www.schaffner.com.