

Schaffner Group  
Half-Year Report  
**2018/19**

# Schaffner holds its own in a more challenging environment

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In the first half of fiscal 2018/19, the Schaffner Group's business was particularly affected by a downturn in the global automotive market and the slowdown in growth in the Chinese market. The three divisions performed very differently in this environment. EMC division confirmed last year's strong result, actually slightly improving its profit margin. Power Magnetics division's sales increased to a small extent while reducing its losses. The Automotive division, which has been highly profitable in recent years, posted a significant decline in sales and earnings as a result of the marked downturn in the global automotive market. Schaffner anticipates sales in the second half of fiscal 2018/19 to be slightly higher than in the first half and an EBIT margin of around 6 % for fiscal 2018/19.

Following the record sales achieved by the Schaffner Group in the last fiscal year, the economy lost momentum in the first quarter of the current fiscal year. In particular, the significant weakening of the global automotive market and the slowdown in growth in China had a particularly strong impact on the Schaffner Group's half-year results for fiscal 2018/19. Year-on-year, order intake decreased by 6.4 % to CHF 107.1 million (PY: CHF 114.4 million). Net sales decreased by 6.3 % to CHF 101.4 million (previous year: CHF 108.3 million). In local currencies, the difference was -5.0 %. New orders exceeded sales in the first half of fiscal 2018/19 and the book-to-bill ratio was positive at 1.06.

Schaffner achieved an operating profit (EBIT) of CHF 5.3 million in the first half of fiscal 2018/19 (PY: CHF 9.0 million). The EBIT margin was 5.2 % (PY: 8.3 %). Adjusted for one-off effects (restructuring of the Power Magnetics division, insurance benefits following a plant fire in Thailand), which had had a positive impact on the previous year's result, the decline in EBIT was CHF 2.2 million. Net profit for the period fell to CHF 3.5 million (PY: CHF 4.0 million). Adjusted for the mentioned one-time effects and the impact of the US Tax Cuts and Jobs Act in the previous year, the difference amounted to CHF -1.6 million. Earnings per share (EPS) amounted to CHF 5.52 (PY: CHF 6.24). The gross margin was 28.3 %, as in the previous year. Free cash flow was CHF -1.1 million (PY: CHF -1.6 million).

## **Broad foothold in the core markets**

Schaffner still has a broad sales base in its core markets. In the first half of fiscal 2018/19, 23 % of Group sales came from the core market of energy-efficient drive systems. Automotive electronics sector contributed 19 %, followed by power supplies for electronic devices and rail technology at 14 % each and machine tools and robotics at 13 %. Schaffner generated 9 % of Group sales from products for the electrical infrastructure. The renewable energy market accounted for 4 % of Group sales. Europe was the largest market region at 46.1 %. Asia contributed 32.6 % while 21.3 % came from the Americas.

### EMC division

The EMC division exceeded last year's excellent result with an EBIT margin of 14.0 % (PY: 13.6 %). Only the slowing momentum in China held back further growth. At CHF 54.3 million (PY: CHF 55.5 million) and CHF 7.6 million (PY: CHF 7.5 million), net sales and EBIT in the first half of fiscal 2018/19 were in line with the strong previous year. Order intake in the first half of fiscal 2018/19 exceeded net sales. In the power quality market Schaffner further increased sales of the new generation of harmonic filters and slightly increased its share of divisional sales.

### Power Magnetics division

After completion of restructuring, in the first half of fiscal 2018/19 net sales at the Power Magnetics division amounted to CHF 27.7 million (PY: CHF 27.1 million). EBIT improved to CHF –2.0 million (previous year including restructuring costs: CHF –4.5 million). The EBIT margin was –7.1 % (PY: –16.7 %). Order intake significantly exceeded net sales by just under CHF 4 million. Demand was strong, especially in Asia and the Americas. In Europe, customers have postponed two major projects, which could slightly delay reaching the break-even point in the Power Magnetics division.

### Automotive division

After the downturn in the global automotive market at the end of fiscal 2018, Automotive division's net sales in the first half of 2018/19 were CHF 19.5 million (PY: CHF 25.7 million), significantly below the high levels achieved the year before. EBIT fell substantially to CHF 2.3 million (previous year including one-time effects: CHF 8.9 million). The EBIT margin was 12.0 % (PY: 34.5 % and before one-time effects 23.6 %). Order intake in the first half of fiscal 2018/19 slightly exceeded net sales. Electromobility continues to play a minor role in the global vehicle market in absolute figures. Although new development projects for EMC filters for electromobility applications progressed in the reporting period, the number of ramp-ups remained below expectations.

### Outlook

Schaffner expects sales and earnings to increase slightly in the second half of fiscal 2018/19 compared to the first half of the year, assuming stable economic conditions and constant exchange rates, and is aiming for an EBIT margin of around 6 % for fiscal 2018/19. The medium-term targets remain the same, with an organic sales growth rate of 5 % taken as a multi-year average basis and an EBIT margin at 8 %–10 %.

Luterbach, 7 May 2019



**Urs Kaufmann**  
Chairman of the Board



**Marc Aeschlimann**  
Chief Executive Officer

## Consolidated balance sheet

In CHF '000	31.3.2019	30.9.2018
<b>Intangible assets</b>	860	844
Property, plant and equipment	30,687	28,039
Other non-current financial assets	986	1,019
Deferred tax assets	8,151	8,032
<b>Total non-current assets</b>	<b>40,684</b>	<b>37,934</b>
Prepaid expenses and deferred income	2,552	2,220
Inventories	40,333	40,477
Other current financial assets	1,109	2,956
Other receivables	2,691	2,668
Trade receivables	41,017	43,129
Cash and cash equivalents	17,294	19,096
<b>Total current assets</b>	<b>104,996</b>	<b>110,546</b>
<b>Total assets</b>	<b>145,680</b>	<b>148,480</b>
Exchange differences	- 14,883	- 16,886
Retained earnings	23,361	19,608
Treasury shares	- 188	- 637
Share premium	31,912	36,265
Share capital	20,668	20,668
<b>Total shareholders' equity</b>	<b>60,870</b>	<b>59,018</b>
Deferred tax liabilities	593	475
Non-current provisions	3,926	4,579
Non-current borrowings	39,381	1,311
<b>Total non-current liabilities</b>	<b>43,900</b>	<b>6,365</b>
Accrued expenses	7,694	14,581
Current provisions	1,440	1,871
Other payables	4,563	4,159
Trade payables	26,998	25,606
Current borrowings	215	36,880
<b>Total current liabilities</b>	<b>40,910</b>	<b>83,097</b>
<b>Total liabilities</b>	<b>84,810</b>	<b>89,462</b>
<b>Total liabilities and shareholders' equity</b>	<b>145,680</b>	<b>148,480</b>

## Consolidated income statement

In CHF '000	H1 2018/19	H1 2017/18
<b>Net sales of goods and services</b>	<b>101,439</b>	<b>108,281</b>
Cost of sales	-72,716	-77,600
<b>Gross profit</b>	<b>28,723</b>	<b>30,681</b>
Marketing and selling expense	-9,698	-9,337
Research and development expense	-7,901	-8,546
General and administrative expense	-5,868	-6,696
Other operating income	0	4,410
Other operating expenses	0	-1,536
<b>Operating profit (EBIT)</b>	<b>5,256</b>	<b>8,976</b>
Finance income	1,519	1,267
Finance expense	-2,423	-1,634
<b>Profit before tax (EBT)</b>	<b>4,352</b>	<b>8,609</b>
Income tax	-848	-4,650
<b>Net profit for the period</b>	<b>3,504</b>	<b>3,959</b>
<b>Earnings per share in CHF</b>		
Basic	5.52	6.24
Diluted	5.52	6.23

## Condensed consolidated cash flow statement

In CHF '000	H1 2018/19	H1 2017/18
<b>Cash flow from operating activities</b>	<b>3,317</b>	<b>2,829</b>
Purchase of property, plant and equipment	-4,335	-4,495
Purchase of intangible assets	-189	-137
Change in current financial assets	1,928	-571
Other investing activities	102	225
<b>Cash flow from investing activities</b>	<b>-2,494</b>	<b>-4,978</b>
Repayment of excess share premium	-4,129	-4,128
Changes in treasury shares	-213	-1,060
Proceeds from borrowings	1,495	15,509
Other financing activities	-105	-104
<b>Cash flow from financing activities</b>	<b>-2,952</b>	<b>10,217</b>
Effect of exchange rates on cash and cash equivalents	327	458
<b>Change in cash and cash equivalents</b>	<b>-1,802</b>	<b>8,526</b>
Cash and cash equivalents at 1 October	19,096	16,474
Cash and cash equivalents at 31 March	17,294	25,000

## Consolidated statement of changes in equity

In CHF '000	Share capital	Share premium	Cumulative exchange differences	Retained earnings	Treasury shares	Total shareholders' equity
<b>At 1 October 2017</b>	<b>20,668</b>	<b>40,783</b>	<b>-16,968</b>	<b>10,216</b>	<b>-299</b>	<b>54,400</b>
Net profit for the period				3,959		3,959
Exchange differences			2,016			2,016
Treasury share transactions		110		-605	-180	-675
Repayment of excess share premium		-4,128				-4,128
Share option plans and restricted share plans		-385		605		220
<b>At 31 March 2018</b>	<b>20,668</b>	<b>36,380</b>	<b>-14,952</b>	<b>14,175</b>	<b>-479</b>	<b>55,792</b>
<b>At 1 October 2018</b>	<b>20,668</b>	<b>36,265</b>	<b>-16,886</b>	<b>19,608</b>	<b>-637</b>	<b>59,018</b>
Net profit for the period				3,504		3,504
Exchange differences			2,003			2,003
Treasury share transactions		-224		-442	449	-217
Repayment of excess share premium		-4,129				-4,129
Share option plans and restricted share plans				691		691
<b>At 31 March 2019</b>	<b>20,668</b>	<b>31,912</b>	<b>-14,883</b>	<b>23,361</b>	<b>-188</b>	<b>60,870</b>

## 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 Swiss GAAP FER 31 “Additional recommendations for listed companies.” As these interim financial statements represent an update of the consolidated annual financial statements for the year ended 30 September 2018, they should be read in conjunction with those annual financial statements.

The consolidated financial statements for the six months ended 31 March 2019 were approved by the Board of Directors of Schaffner Holding AG on 3 May 2018 and released for publication.

### 2 Change in accounting principles

In the year under review the Swiss GAAP FER accounting principles have not been changed.

### 3 Income taxes

The Tax Cuts and Jobs Act passed in the United States in December 2017 stipulates a reduction in the corporate tax rate from 2018, among other changes. Accordingly, the deferred tax assets for temporary differences for the US subsidiary were measured at a new, lower rate. This increased the income tax expense for the first half of last fiscal year by CHF 2.7 million.

### 4 Other operating income

At the end of December 2017, the Schaffner automotive production plant in Thailand was severely damaged by a fire. Thanks to the rapid restoration of the production capacities, supply readiness to customers was maintained at all times.

Other operating income and expenses contain the insured refunds of the damaged tangibles assets from CHF 4.4 million less their net book value of CHF 1.5 million.

### 5 Operating segments

The Schaffner Group consists of three reportable segments: Electromagnetic Compatibility, Power Magnetics and Automotive. They are the organizational units for which results are reported to the Executive Committee.

### Electromagnetic Compatibility (EMC)

The EMC division develops and manufactures standard and custom components that protect power electronic systems from line interference (thus ensuring electromagnetic compatibility) and safeguard their reliable operation in power grids. As well, the division's Power Quality business unit develops and manufactures active and passive filter solutions to assure the best quality of electric power. The key sales markets include energy-efficient drive systems, renewable energy, power supply systems for electronic devices, as well as machine tools and robotics.

### Power Magnetics (PM)

The Power Magnetics division 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 solar inverters and converters in wind turbines safeguard high levels of energy conversion efficiency and assure optimum adaptation to electricity grids. Schaffner components are also integrated into compact, high-performance and energy-efficient locomotive drive systems, where they eliminate network interference from powerful motors.

### Automotive (AM)

The Automotive division develops and manufactures components for keyless entry systems and solutions for the drive trains of hybrid and electric vehicles. Working closely with leading automobile manufacturers and automotive suppliers, Schaffner engineers leverage their specialized EMC expertise to support customers in the development of new models. The segment profit of last financial year was positively influenced by other operating results related to the fire in Thailand.

### Corporate

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.

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

Segment profit or loss represents a segment's operating profit or loss before restructuring costs.

The restructuring expenses of the Power Magnetics division consisted primarily of the costs in connection with further optimization measures in Europe.

For the first six months of 2018/19 (1 October to 31 March)	EMC	PM	AM	Corporate	Group
In CHF '000					
Net sales	54,264	27,714	19,461		101,439
<b>Segment profit/(-loss)</b>	<b>7,573</b>	<b>-1,981</b>	<b>2,334</b>	<b>-2,670</b>	<b>5,256</b>
Restructuring expenses					0
<b>Operating profit (EBIT)</b>	<b>7,573</b>	<b>-1,981</b>	<b>2,334</b>	<b>-2,670</b>	<b>5,256</b>
Finance income					1,519
Finance expense					-2,423
<b>Profit before tax (EBT)</b>					<b>4,352</b>
Income tax					-848
<b>Net profit for the period</b>					<b>3,504</b>

For the first six months of 2017/18 (1 October to 31 March)	EMC	PM	AM	Corporate	Group
In CHF '000					
Net sales	55,544	27,079	25,658		108,281
<b>Segment profit/(-loss)</b>	<b>7,534</b>	<b>-3,243</b>	<b>8,862</b>	<b>-2,897</b>	<b>10,256</b>
Restructuring costs		-1,280			-1,280
<b>Operating profit (EBIT)</b>	<b>7,534</b>	<b>-4,523</b>	<b>8,862</b>	<b>-2,897</b>	<b>8,976</b>
Finance income					1,267
Finance expense					-1,634
<b>Profit before tax (EBT)</b>					<b>8,609</b>
Income tax					-4,650
<b>Net profit for the period</b>					<b>3,959</b>

## 6 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.

## 7 Commitments and contingencies

At 31 March 2019, the Group had commitments to purchase property, plant and equipment in the amount of CHF 4.3 million (30 September 2018: CHF 1.2 million). These mainly include obligations in connection with the current construction of a new production plant in Thailand.

The contingent liabilities, described in the notes to the last consolidated financial statements, did not change significantly in the current financial year.

## 8 Foreign currencies

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

Country or region	Currency	Balance sheet		Income statement	
		31.3.2019 In CHF	30.9.2018 In CHF	H1 2018/19 In CHF	H1 2017/18 In CHF
China	CNY 100	15.13	14.20	14.60	14.99
EU	EUR 100	114.33	113.15	113.23	116.57
Hungary	HUF 100	0.35	0.35	0.35	0.37
Thailand	THB 100	3.19	3.02	3.10	3.01
USA	USD 100	101.90	97.70	99.51	96.57

## 9 Distribution to shareholders

As decided by the Annual General Meeting of Schaffner Holding AG on 15 January 2019, a distribution of CHF 6.50 per share (exempt from Swiss anticipatory tax) for fiscal year 2017/18 was made to the shareholders in the form of a repayment of excess share premium from additional paid-in capital.

## 10 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 2018/19	H1 2017/18
Net sales	101,439	108,281
<b>Operating profit (EBIT)</b>	<b>5,256</b>	<b>8,976</b>
In % of net sales	5.2	8.3
<b>Net profit for the period</b>	<b>3,504</b>	<b>3,959</b>
In % of net sales	3.5	3.7
Net profit for the period per share in CHF	5.52	6.24

### Consolidated balance sheet

In CHF '000

	31.3.2019	30.9.2018
<b>Total assets</b>	<b>145,680</b>	<b>148,480</b>
Current assets	104,996	110,546
Non-current assets	40,684	37,934
Total liabilities	84,810	89,462
<b>Shareholders' equity</b>	<b>60,870</b>	<b>59,018</b>
In % of total assets	41.8	39.7

### Segment reporting

For the first six months (1 October to 31 March)

In CHF '000

	H1 2018/19	H1 2017/18
<b>Electromagnetic Compatibility (EMC)</b>		
Segment sales	54,264	55,544
Segment operating profit	7,573	7,534
In % of segment sales	14.0	13.6
<b>Power Magnetics (PM)</b>		
Segment sales	27,714	27,079
Segment operating (-loss)	-1,981	-3,243
In % of segment sales	(7.1)	(12.0)
<b>Automotive (AM)</b>		
Segment sales	19,461	25,658
Segment operating profit	2,334	8,862
In % of segment sales	12.0	34.5

### Key share figures

In CHF '000

	31.3.2019	30.9.2018
Number of shares	635,940	635,940
<b>Shareholders' equity per share in CHF</b>	<b>95.72</b>	<b>92.80</b>
Share price in CHF	231	343
<b>Market capitalization in CHF million</b>	<b>147</b>	<b>218</b>

### Calendar

5.12.2019	Publication of Annual Report 2018/19 (full-year results)
14.1.2020	24th Annual General Meeting

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