Finance Report 2001/2002

The Finance Report 2001/2002 is an integral part of the Annual Report 2001/2002 and available in German as well.
Der Finanzbericht 2001/2002 ist integrierender Bestandteil des Geschäftsberichts 2001/2002. Er ist auch in Deutsch erhältlich.

December 2002

Corporate Governance and Finance Report of Schaffner Group

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Group structure and shareholders

Management structure

Board of Directors			
President & Chief Executive Officer			
Business Support	**Components**	**Test Systems**	**Business Development**
Finance + Accounting			
Industrial Controlling			
Human Resources			
IT			
IR			
Corporate Quality Management			
	Group companies	**Group companies**	

Companies of the Schaffner Group. The following companies were included in the Schaffner Group's scope of consolidation as of 30 September 2002:

Company	Base	Capital in 1,000		Holding in %
Schaffner Holding AG	CH-Luterbach	CHF	31,797	100
Schaffner EMV AG	CH-Luterbach	CHF	14,000	100
Schaffner EMC-Systems GmbH	DE-Berlin	EUR	256	100
Schaffner EMV GmbH	DE-Karlsruhe	EUR	511	100
Schaffner ElectroFERRUM Oy	FI-Lohja	EUR	34	100
Schaffner SAS	FR-Illzach	EUR	2,000	100
Schaffner EMC Systems Ltd.	UK-Capel	GBP	1,300	100
Schaffner EMC Ltd.	UK-Wokingham	GBP	260	100
Schaffner EMV GmbH	HU-Kecskemét	HUF	13,000	98[1]
Schaffner Limited	IE-Limerick	IEP	1,899	100
Schaffner EMC S.r.l.	IT-Milan	EUR	98	100
Schaffner EMC AB	SE-Sollentuna	SEK	200	100
Schaffner EMC Inc.	US-Springfield N. J.	USD	805	100
Schaffner EMC Ltd.	CN-Shanghai	USD	1,000	100
Schaffner EMC KK	JP-Tokyo	JPY	10,000	100
Schaffner EMC Pte. Ltd.	Singapore	SGD	600	95
Schaffner EMC Co. Ltd.	TH-Lamphun	THB	140,000	100
Schaffner Deutschland Holding GmbH	DE-Wertheim	EUR	25	100[2]
Schaffner Deutschland Holding GmbH & Co. KG	DE-Wertheim	EUR	10,000	100[2]
Electrotest AG	DE-Munich	EUR	2,140	100[3]
Schaffner Electrotest GmbH	DE-Wertheim	EUR	2,045	100
Intercon Automation GmbH	DE-Wertheim	EUR	26	100
WEE Systèmes Electroniques S.A.R.L.	FR-Pantin	EUR	556	100
WEE Electrotest Italia S.r.l.	IT-Milan	EUR	10	95
WEE Electrotest BV	NL-Drunen	EUR	18	100
Electro Test Inc.	US-Sharon	USD	100	100

[1] 2% held by Schaffner Holding AG

[2] founded December 2001

[3] Electrotest Group acquired and consolidated as of 1 January 2002

For information on the activities of the above companies, see page 28 of the Annual Report.

Important shareholders. Schaffner Holding AG had approximately 2,000 registered shareholders on 30 September 2002. Julius Bär Multistock SA, Luxembourg, controls 7.5% of the share capital.

The company is not aware of any other equity interests amounting to 5% or more of the share capital. The free float is 96.5%.

Capital structure

Ordinary share capital	**CHF 31,797,000**
	Divided into 635,940 registered shares
	with par value CHF 50 each.
	The share capital is fully paid-up.
	Each share grants the owner one vote.

Conditional share capital	**CHF 1,067,000 (for employee share option plan)**
	Divided into 21,340 registered shares
	with par value CHF 50 each.
	Shareholders' pre-emptive rights are excluded.

For more information on the conditional share capital and the employee share option plan, see page 28 of the Finance Report.

Changes in the capital structure over the past 3 years in CHF 1,000	**30.9.2002**	30.9.2001	30.9.2000
Paid-up share capital at 1.10.	31,797	31,655	31,600
Change	0	142	55
Paid-up share capital at 30.9.	31,797	31,797	31,655

Board of Directors

The Board of Directors of Schaffner Holding AG is responsible for determining the Group's strategy. It reviews the company's underlying plans and objectives and identifies internal and external risks and opportunities. The tasks of the Board of Directors of Schaffner Holding AG and the division of powers between the Board and the Group Management are defined in the Organization Regulations.

The Organization Regulations are reviewed annually and amended if required.

The Board of Directors meets at least four times a year and undertakes to ensure that all members are mutually informed at all times.

The Board of Directors has a quorum when the majority of its members participates in spoken discussions and votes. Its decisions are passed by a simple majority vote. If the vote is tied, the Chairman has the casting vote. The Board is authorized to pass decisions in connection with capital increases regardless of the number of members present. The Board may also pass decisions regarding proposals submitted to it by written vote insofar as no member requests a spoken discussion. In this case, the decision is passed if it is supported by the majority of all Board members.

Composition. The Schaffner Group's Board of Directors is primarily composed of independent, external members. Its membership on 30 September 2002 was as follows:

	since	elected until
Alex Oechslin, Chairman 1934, Swiss	**1998**	**2006**
Retired, Group CEO up to 31 July 2001		
Ph.D. in ME, ETH Zurich		
Other mandates on the boards of listed companies:		
Member of the Board of Directors of Comet Holding AG, Berne		
Fritz Gantert, Delegate 1958, Swiss	**2002**	**2006**
President & Chief Executive Officer of the Schaffner Group since 1 August 2001		
Ph.D. in ME, ETH Zurich		
Peter Leuthold 1937, Swiss	**1998**	**2006**
Emeritus Professor of Information Technology		
and former Head of the Institute for Communications Technology at the ETH Zurich		
Peter E. Rüd 1945, Swiss	**1998**	**2006**
Consultant, former Delegate of the Board of Directors		
and CEO of Phoenix Mecano Group, Stein am Rhein		
BS of Engineering, degree course in Industrial Management ISZ/SIB		
Robert Scherer 1940, Swiss	**1998**	**2006**
Retired, former member of the Executive Board		
of SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen am Rheinfall		
Business diploma; Group Controller at SIG until 2000		
Robert F. Spoerry 1955, Swiss	**1998**	**2006**
Chairman, President & CEO of Mettler-Toledo International Inc., Greifensee		
Ph.D. in ME, ETH Zurich; MBA University of Chicago		
Other mandates on the boards of listed companies: Member of the Boards		
of Directors of Conzzeta Holding AG, Zurich, and Eichhof Holding AG, Lucerne		
Leo Steiner 1943, Swiss	**2002**	**2006**
Delegate of the Board of Directors and CEO		
of Komax Holding AG, Dierikon; Komax Group CEO since 1992		
Ph.D. in ME, ETH Zurich		
Secretary to the Board: Beat Zwahlen		
Executive Vice President & Chief Financial Officer of the Schaffner Group		

Election and term of office. The members of the Board of Directors are elected by the Annual General Meeting of Shareholders for a term of four years. Members may offer themselves for re-election. The statutory maximum age is 70. The Board of Directors constitutes itself. It appoints a Chairman and a Secretary, who need not to be a member of the Board.

Committees. In order to fulfill its supervisory role as efficiently and effectively as possible, the Board of Directors of Schaffner Holding AG has established the committees detailed below. The latter are primarily tasked with providing specialist input to form the basis of the decisions passed by the Board. The committees are made up exclusively of non-executive directors. They meet as often as necessary and inform the Board as to their findings and proposals at the normal Board meetings. They may also inform the Chairman or Delegate of the Board at any time in cases of urgency. Outside the normal Board meetings, the directors who sit on the committees also work directly with the Group Management. The term of office of committee members normally coincides with the four-year term of their director's mandate. If required, however, new committees can be appointed or existing ones reorganized or wound up.

Audit Committee

Members	term 2002–2006	**Peter E. Rüd, Robert Scherer**

The Audit Committee assists the Group Management in dealing with financial matters. In particular, it provides the Board with expert opinions on the following responsibilities of the Group Management:
– accuracy and clarity of Group accounts,
– the financial part of the annual budget,
– the annual consolidated financial statements
– and other major tasks assigned to the finance department.

The Audit Committee takes receipt of the reports submitted by the statutory and group auditors on behalf of the Board and provides the Board with its opinion on their contents.

Compensation Committee

Members	term 2002–2006	**Alex Oechslin, Robert F. Spoerry, Leo Steiner**

The Compensation Committee submits proposals to the Board concerning the nature and amount of annual directors' fees at the start of each term of office.
It also submits proposals concerning the remuneration of each individual member of the Group Management to the Board for approval on an annual basis. In addition, the Compensation Committee reviews applications for the promotion of employees to the Group Management and for the recruitment or dismissal of Group Management members. When a new member is to be recruited for the Group Management, the Compensation Committee takes part in the process of assessing candidates.

Group Management

Schaffner's Group Management is responsible for implementing Group policies in line with the guidelines set out by the Board of Directors. Its tasks and powers are defined in the Organization Regulations.
The Group Management reports to the Board every month and provides Board members with detailed information on business development and other important matters at all times.

Members. On 30 September 2002, Schaffner's Group Management comprised the following members:

			Joined the Schaffner Group
Fritz Gantert	President & Chief Executive Officer	1958, Swiss	1.8.2001
	Ph.D. in ME, ETH Zurich		
Beat Zwahlen	Executive Vice President & Chief Financial Officer	1960, Swiss	1.6.2001
	BS of Economics; Swiss Chartered Public Accountant		
Roland Küpfer	Executive Vice President Components	1958, Swiss	1.11.2001
	BS of Engineering; MBA GSBA, Zurich; MBA SUNY, Albany, USA		
Richard Müller	Executive Vice President Business Development	1942, Swiss	1982
	Executive Vice President Test Systems until 2000		
	BS of Engineering		
Matthias Zwicky	Executive Vice President Test Systems	1956, Swiss	2000
	Ph.D. in EE, ETH Zurich		

Remuneration and share allocations

Remuneration of active members of corporate bodies. The following remuneration was paid to active members of the Group's corporate bodies in fiscal 2001/2002:
– Executive members of the Board of Directors and members of the Group Management: CHF 1,535,955
– Non-executive members of the Board of Directors: CHF 187,750

Share allocations. No shares were allocated to members of the Board of Directors or the Group Management in the year under review.

Options. A total of 2,900 options with a strike price of CHF 295.50 each were issued to members of the Board of Directors and the Group Management in fiscal 2001/2002. For more information on the employee share option plan, see page 28 of the Finance Report.

Shareholders’ rights

Annual General Meeting of Shareholders

Agenda. The agenda is sent out together with the invitations at least 20 days before the Annual General Meeting of Shareholders. Decisions cannot be passed on unannounced agenda items unless an extraordinary general meeting or special audit is called.

Registration of shareholders. All shareholders whose names are entered in the Group’s Share Register 20 days before the Annual General Meeting of Shareholders are entitled to vote.

Offer obligation. The articles of association of Schaffner Holding AG contain neither an opting-out clause nor an opting-up clause. Any individual or entity acquiring one third (33⅓%) of the share capital of Schaffner Holding AG is obliged to submit a public offer to purchase the remaining shares, in accordance with Art. 32 of the Federal Act on Securities Exchanges and Securities Trading.

Auditors. PricewaterhouseCoopers AG, Zurich has acted as statutory and group auditor since 1998. Robert Willborn has been in charge of the audit since 2001. The auditors are elected by the Annual General Meeting of Shareholders every year.

Information policy

Schaffner Holding AG informs its shareholders, the media, financial analysts and other groups with an interest in the capital market equitably and with maximum transparency. To this end, it employs the following instruments:

- Annual Report and Interim Report, prepared in accordance with the International Financial Reporting Standards;
- Presentation of annual results to media representatives and analysts;
- Annual General Meeting of Shareholders;
- Press releases concerning quarterly order intake and sales figures, plus reports on significant events lying within the SWX ad-hoc reporting requirement;
- Roadshows for institutional investors and
- The website www.schaffner.com, which includes up-to-date information on the company and the price of its registered shares.

The Group’s official organ is the Schweizerische Handelsamtsblatt (SHAB).

- Fritz Gantert, President & Chief Executive Officer (fgantert@schaffner.com) and
- Beat Zwahlen, Executive Vice President & Chief Financial Officer (bzwahlen@schaffner.com) are in charge of investor relations for the Schaffner Group.

Costs and structures adapted to poor economic situation.

By systematically reducing production capacity and continually streamlining structures and processes, the Schaffner Group was able to adapt its costs to the new market situation and increase efficiency in fiscal 2001/2002.

The fiscal year was overshadowed by the weak economic environment that has persisted for the past 18 months. In the middle of the previous year, the volatile market for passive components and modules had reacted to the downturn with a marked slump in demand. The protracted nature of the current economic weakness meant that for the first time in Schaffner's history declining demand in the Components business coincided with the lagged fall in capital spending in the cyclical market for test systems and test facilities. As a result, the Group's consolidated net sales, adjusted for acquisitions (excluding Schaffner Electrotest) were down 16.2% year-on-year. Without the acquisition of Schaffner Oy (formerly Electro-FERRUM) in Finland in fiscal 2000/2001, the drop would have been 24.9%. Sales in the Components business were down 11.2% (23.8% without Schaffner Oy), while those in the Test Systems business were 7.6% lower (27.4% without Schaffner Electrotest).

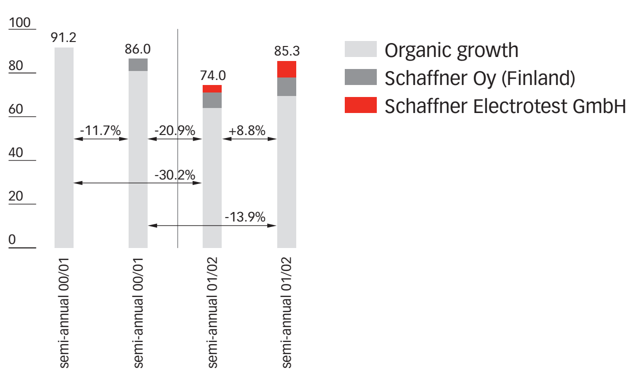
Sustainable cost reductions and efficiency gains. When it became clear that the economic slowdown was more serious than expected, Schaffner responded swiftly by adjusting production capacities and initiating cost-cutting programmes to reduce overheads in all areas. Additionally, the structural changes begun in the previous year were extended to further areas and implemented systematically. The Test Systems units in Ireland and England were particularly affected by these measures. In connection with the integration of the recently acquired Schaffner Electrotest, activities were refocused and management structures optimized at the various German and US locations. This made it possible to reduce the average global full-time equivalents on the production side by 220, a drop of 16.3%. The total reduction in full-time equivalents was 250 (–14.4%). At the same time, the consolidation of Schaffner Electrotest, the expansion of activities in the automotive supplier sector and the opening of the new facility in China resulted in 144 new jobs (full-time equivalents). The intake of qualified staff resulting from acquisition and market development led to an increase of 5.5% in wage costs after savings due to capacity and overhead cost reductions at the production sites. Restructuring costs at Group level amounted to CHF 4.5 million. Provisions of CHF 3.4 million have been booked to the balance sheet for restructuring programmes running into the first half of fiscal 2002/2003.

Focus on cash and liquidity. In view of the unsatisfactory profitability and the increase of about CHF 20 million in debt associated with the financing and consolidation of Schaffner Electrotest, special attention was focused on ensuring liquidity. While considerable financial resources were invested in component manufacture for the newly entered automotive supplier market, overall expenditures on tangible fixed assets were down CHF 3.8 million or 44.5% on the previous year. Inventories were also reduced by CHF 6.2 million before the addition of Schaffner Electrotest. Financing costs and goodwill amortization due to the acquisition of Schaffner Electrotest GmbH, including the profit and tax effect, had an adverse CHF 2.0 million impact on the Schaffner Group's consolidated result. Foreign-exchange losses were stable year-on-year, but the valuation of the interest-rate swap reduced the financial result by CHF 0.5 million. Converting the income statement at the rates applicable in the previous year gives a net sales increase of CHF 9.8 million, or CHF 10.4 million including acquisitions. At Group level, the influence of exchange rates is insignificant. "Tax assets" due to losses, reported in conformity with IFRS, resulted in a "positive" tax effect of CHF 2.6 million.

Outlook. The structural adjustments implemented, combined with systematic, ongoing cost controls and additional profit contributions from new market segments and new products, will enable the Schaffner Group to post a positive result in fiscal 2002/2003 provided the economic situation remains stable. The goal of further reducing net working capital and continuing caution with regard to capital expenditures is to secure the Group's liquidity position, and also to reduce bank debt.

Beat Zwahlen
Executive Vice President & Chief Financial Officer

Sales trend:
semi-annual comparison



schaffner group

Consolidated balance sheet

in CHF 1,000

	Note	30.9.2002	30.9.2001
Intangible assets	3	25,909	16,061
Tangible fixed assets	4	32,667	31,048
Investments		3	3
Other long-term assets	5	1,513	657
Deferred tax assets		3,725	2,162
Fixed assets		**63,817**	**49,931**
Inventories	6	34,148	40,300
Trade receivables	7	32,548	32,528
Other receivables and accruals	8	6,151	6,284
Short-term investments		15	15
Cash and cash equivalents		4,416	3,292
Current assets		**77,278**	**82,419**
Total assets	18	**141,095**	**132,350**
Shareholders' equity		**51,897**	**63,831**
Minority interests		**30**	**26**
Provisions	9	5,780	3,272
Deferred tax liabilities	17	2,184	4,133
Long-term borrowings	10	53,614	34,840
Short-term borrowings	10	5,755	3,244
Interest-free liabilities	11	21,835	23,004
Total liabilities		**89,168**	**68,493**
Total liabilities and shareholders' equity		**141,095**	**132,350**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated income statement

in CHF 1,000

	Note	2001/2002	2000/2001
Net sales	18	**159,309**	**177,235**
Change in inventory		–5,503	–42
Corporate output		**153,806**	**177,193**
Cost of goods		–94,055	–105,315
Marketing and sales		–25,079	–26,822
Research, development and application		–14,466	–11,720
Logistics		–2,139	–2,573
General and administration		–15,642	–15,655
Restructuring cost	22	–4,535	–1,498
EBITA[1]		**–2,110**	**13,610**
Goodwill amortization	3	**–2,658**	**–1,434**
EBIT[1]		**–4,768**	**12,176**
Income from sale of Group companies	15	0	667
Income from disposal of investments	15	0	1,923
Financial income[1]	16	–3,586	–2,973
EBT		**–8,354**	**11,793**
Income taxes	17	2,601	–1,191
Net profit before minority interests		**–5,753**	**10,602**
Minority interests		**–4**	**1**
Net profit after minority interests		**–5,757**	**10,603**
Depreciation and amortization (without goodwill)	3, 4	–7,495	–6,561
Personnel expenses	13	–58,675	–55,598
Earnings per share in CHF			
basic	20	–9.10	16.92
diluted	20	–8.99	16.63
Earnings per share before sale and acquisition of Group companies in CHF			
basic	20	–5.97	15.40
diluted	20	–5.90	15.14

[1] All currency gains and losses from transactions are now shown in financial income. The figures of the previous year have been restated accordingly.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement[1]

in CHF 1,000

	Note	2001/2002	2000/2001
Net profit after minority interests		–5,757	10,603
– Income from sale of Group companies		0	–2,822
+ Depreciation of tangible fixed assets	4	5,784	5,285
+ Amortization of intangible assets	3	1,711	1,276
± Change in provisions		2,269	1,400
± Change in inventory according to the balance sheet		6,152	1,005
± Change in accounts receivables according to the balance sheet		113	16,012
± Change in short-term liabilities according to the balance sheet		–1,169	–11,566
± Change in net working capital from acquisitions and disposals of Group companies		4,739	–798
± Translation differences on net working capital		–1,653	–3,029
+ Goodwill amortization	3	2,658	1,434
± Change in deferred taxes	17	–3,835	493
± Change in other cash flow items		–299	752
Cash flow from operating activities		**10,713**	**20,045**
– Capital expenditure (tangible fixed assets)	4	–4,700	–8,461
+ Gain from sale of tangible fixed assets		672	817
– Capital expenditure (intangible assets excl. goodwill)	3	–2,210	–2,750
± Change in short-term investments		0	–4
± Change in Group companies	2	–15,008	–7,228
± Change in investments		0	1,923
± Change in loans and long-term assets		–64	728
Cash flow from investing activities		**–21,310**	**–14,975**
± Share capital paid in and changes in treasury shares		–1,866	–2,337
– Dividend distributions		–2,185	–3,102
± Change in borrowings		15,939	–5,725
Cash flow from financing activities		**11,888**	**–11,164**
± Translation differences on cash and cash equivalents		–167	–49
= **Change in cash and cash equivalents**		**1,124**	**–6,143**
Cash and cash equivalents previous year		3,292	9,435
Cash and cash equivalents for the fiscal year		4,416	3,292
Free cash flow[2]		**4,475**	**9,651**
Additional information			
Interest expense	16	1,897	1,815
Interest paid		–1,907	–1,844
Tax expense	17	1,234	1,231
Taxes paid		–820	–2,722

[1] The presentation of the cash flow statement was revised and previous year restated accordingly.

[2] Cash flow from operating activities minus net capital expenditures in tangible fixed and intangible assets.

The accompanying notes are an integral part of the consolidated financial statements.

Change in consolidated equity

in CHF 1,000

	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Treasury shares	Total shareholders' equity
At 1.10.2000	**31,655**	**52,796**	**1,268**	**–20,019**	**–3,642**	**62,058**
Capital increase	142	333				475
Translation differences			–3,391			–3,391
Treasury shares				416	–3,228	–2,812
Net profit				10,603		10,603
Dividend payment				–3,102		–3,102
At 30.9.2001	**31,797**	**53,129**	**–2,123**	**–12,102**	**–6,870**	**63,831**
Restatement IFRS 39				–450		–450
Translation differences			–1,676			–1,676
Treasury shares				–1,864	–2	–1,866
Net profit				–5,757		–5,757
Dividend payment				–2,185		–2,185
At 30.9.2002	**31,797**	**53,129**	**–3,799**	**–22,358**	**–6,872**	**51,897**

Further information on the share capital and treasury shares is disclosed in the financial statements of Schaffner Holding AG.

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated Finance Report

Consolidation and valuation principles

Principles. The consolidated financial statements are based on the individual financial statements of the Schaffner Group companies and Schaffner Holding AG as of 30 September drawn up in accordance with the uniform guidelines of the Schaffner Group. The financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS).

Explanation of terms. A Group company is a company over which Schaffner Holding AG, Luterbach, directly or indirectly, exercises control. An Associated Company is a company in which Schaffner Holding AG, Luterbach, directly or indirectly, exercises a significant influence.

Long-term borrowings refer to all liabilities with maturities of more than one year, and short-term borrowings refer to all liabilities with maturities of one year or less. Short-term borrowings also include those parts of long-term financial liabilities maturing within one year. All interest-bearing liabilities are included under borrowings.

The financial statements are denominated in Swiss francs.

Change in valuation and consolidation principles. IFRS 39 (financial instruments) was implemented as of 1 October 2001. The effects resulting from this change were recorded to the opening balance of the equity as of 1 October 2001.

The income statement is shown for the first time by functions. For the purpose of the comparability the numbers of previous year were rejustified accordingly.

The presentation of the cash flow statement and the notes to the financial statements were revised. The previous year numbers were adapted to the new presentation.

Consolidation principles. The consolidated financial statements incorporate the financial statements of Schaffner Holding AG and of the Group companies and Associated companies.

Group companies are consolidated using the full consolidation method. Applying this method, 100% of assets and liabilities and of income and expenses are included, and the interests of minority shareholders are reported separately in the balance sheet and income statement. Associated companies are consolidated under the equity method with the pro-rata shareholders' equity in the balance sheet and the pro-rata profit in the income statement.

Intra-Group assets and liabilities as well as income and expenses are set off against each other. Intra-Group intermediate profits on inventories and fixed assets are eliminated. Companies acquired during the reporting period are included in the consolidated financial statements effective from the actual date of their acquisition. Similarly, companies disposed of during the reporting period remain included in the consolidated financial statements until the transaction has been effectively completed.

Foreign currency translation. All assets and liabilities in the balance sheets of foreign Group companies drawn up in foreign currency are translated at the year-end rate (qualifying date rate) in Swiss francs (CHF). Expenses, income and cash flows are translated at average exchange rates into Swiss francs, which correspond approximately to the actual transaction rates. Translation differences arising from the application of different exchange rates for the balance sheet and the income statement are posted to Group retained earnings without affecting income and are shown in the statement of shareholders' equity as cumulative translation differences.

Foreign currency transactions. Foreign currency transactions by Group companies are translated at the market rate prevailing at the time. The assets and liabilities concerned are translated at the year-end rates. Gains and losses arising from the transactions as well as from the translation of monetary assets and liabilities in foreign currencies are recorded as income or expenses in the income statement.

Intangible assets

Intangible assets comprise mainly goodwill on companies acquired, capitalized expenses for development and software purchased. Apart from goodwill, these are amortized over a period of three to five years using the straight-line method.

Goodwill. At the date of the initial consolidation, the assets and liabilities of a Group company included for the first time in the consolidation are valued in accordance with uniform principles. Any positive difference between the purchase price and net assets of the acquired Group company is termed goodwill. Goodwill is capitalized and amortized over its useful life by using the straight-line method.

Research and development cost. Research and development costs are charged to the income statement when incurred, except for major development projects where the market potential can be reasonably estimated, which is normally the case just before their market introduction. Such development costs are capitalized and amortized over the life of the product, subject to a maximum of five years.

Tangible fixed assets. Tangible fixed assets are valued at historical production or acquisition cost and depreciated over their estimated useful life, using the straight-line method:

Land	none
Buildings	10–40 years
Machinery and equipment	5–10 years
Furniture and fixtures	5–10 years
EDP hardware	3–5 years
Vehicles	3–5 years

Leasing agreements under which a Group company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the market value of the asset or, if lower, at the present value of the lease payments. At the same time the corresponding leasing obligations are included in long-term borrowings. The interest part of the leasing rates is charged to the income statement. Payments made under operating leasing agreements are charged to the income statement in equal instalments over the life of the contract.
The buildings not used for operational purposes are carried at cost.

Impairment of assets. The recoverable amount of an asset is estimated as soon as signals of an impairment of an asset occur. In case the carrying amount of assets being higher than the recoverable amount, the impairment of the asset is recorded in the income statement. The recoverable amount is the higher of an asset's net selling price and its value in use, which corresponds to the present value of estimated future cash flows.

Inventories. Inventory is valued at the lower of cost and net realizable value using the weighted average method. Work in process and finished goods include the cost of material and calculated production overhead.

Trade receivables. The balance sheet carrying value corresponds to the nominal value less appropriate value adjustments for claims where recovery is difficult or impossible (doubtful debtors provision).

Short-term investments. These are split into two positions: marketable securities and other securities. Marketable securities contain shares listed on the stock exchange and are valued at market value. Other securities contain shares which are not (yet) listed and are valued at the lower of cost or market.
Treasury shares are presented as a deduction from equity.

Cash and cash equivalents. Cash and cash equivalents consist of cash, deposits on postal and bank accounts as well as of call and short-term deposits.

Provisions. Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.
Provisions for warranty claims are made based on business experience.

Revenue recognition. Sales are generally recognized in the income statement upon delivery with the exception of sales of large projects whose construction and delivery are extended over more than one accounting period. Such large project sales are valued according to the rules of the percentage of completion method.

Pension obligations. The Schaffner Group operates several pension plans throughout the world. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The accumulated assets of the plans are normally held in separate trustee-administered funds. If the assets are not held in such funds, then those assets whose purpose is to secure future pension obligations are recognized as other long-term assets in the balance sheet and the corresponding pension obligation is shown in provisions. For defined benefit plans, the pension costs are assessed by applying the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the expected service lives of employees in accordance with the advice of qualified actuaries who carry out the valuations of the plans.

The Schaffner Group's contributions to the defined contribution plans are charged to the income statement in the year to which they relate.
Actuarial gains or losses are amortized in the income statement over the remaining average service years.

Income taxes. Tax provisions are made on the basis of reported profits for the period for which they are payable. They are calculated in conformity with the tax laws prevailing in the individual countries.
Provision for deferred taxes is made based on the comprehensive and the liability method. Under the liability method, actual or announced future tax rates and laws are applied. The comprehensive method allows for all temporary differences arising between financial statement and income tax reporting. The principal temporary differences arise from depreciation of fixed assets and from other depreciation and valuation adjustments allowable for tax purposes.

Government grants. Revenue-based grants are credited against the relevant expense in the period in which the expense is incurred.
Government grants on fixed assets are netted off against the subsidized fixed asset.

Financial instruments. As the Schaffner Group operates in different currencies, the Group is exposed to rate of exchange-conditioned business risks. Foreign currency forward contracts and interest swap agreements are used to reduce the exposure to fluctuations in foreign currency exchange and interest rates. Financial instruments are recognized as interest-free liabilities. The market value of the instruments is evaluated at the end of the period and the unrealized profits and losses are recognized in the income statement. The company limits its credit loss risk by entering contracts with parties of first-class rating only.
Further information to the financial instruments used by the Schaffner Group are disclosed in note 21.

1. Foreign currencies. The following exchange rates were applied for the translation of foreign currencies:

Country	Currency	Balance sheet 30.9.2002 CHF	Balance sheet 30.9.2001 CHF	Income statement 2001/2002 CHF	Income statement 2000/2001 CHF
United Kingdom	100 GBP	231.73	237.93	235.3925	246.7375
Japan	10,000 JPY	121.22	135.79	126.9900	144.6200
Singapore	100 SGD	83.04	91.60	88.4680	96.4849
Sweden	1,000 SEK	159.17	151.59	158.9680	167.4580
Thailand	1,000 THB	34.12	36.39	36.9380	38.6030
USA	100 USD	147.59	161.86	159.8325	171.2492
EU	100 EUR	145.78	147.29	146.7933	151.9408
China	100 CNY	17.83	19.48	19.3035	20.6719
Hungary	10,000 HUF	60.00	57.00	59.78	58.60

2. Scope of consolidation. On 1 January 2002, the Schaffner Group acquired the German Electrotest Group in Wertheim, Germany, for the acquisition cost of CHF 15.4 million. This transaction had the following impact on the consolidated income statement:

Key figures without Schaffner Electrotest and Schaffner ElectroFERRUM (acquired in previous year) in CHF 1,000	2001/2002	in % of corporate output	2000/2001	in % of corporate output
Corporate output	143,050		171,143	
EBIT[1]	−2,920	−2.0%	11,371	6.6%
Net result after minority interests	−3,777	−2.6%	9,654	5.6%

[1] Amortization of goodwill of CHF 0.876 million included (previous year: CHF 0.346 million).

At acquisition date 1 January 2002 the balance sheet of the Electrotest Group showed the following key figures:

in CHF million	
Fixed assets	4,473
Current assets	13,303
Shareholders’ equity	3,309
Liabilities	14,467

3. Intangible assets

in CHF 1,000

	Development cost	Software and rights	Goodwill	Total
Historical cost at 1.10.2001	**4,205**	**3,138**	**16,008**	**23,351**
Capital expenditure	710	1,500	12,064	14,274
Disposals	–693	0	0	–693
Change in consolidation scope	0	295	0	295
Translation differences	–44	–13	0	–57
Historical cost at 30.9.2002	**4,178**	**4,920**	**28,072**	**37,170**
Accumulated amortization at 1.10.2001	**–1,499**	**–1,519**	**–4,272**	**–7,290**
Addition	–972	–739	–2,658	–4,369
Disposals	380	0	0	380
Change in consolidation scope	0	–12	0	–12
Translation differences	18	12	0	30
Accumulated amortization at 30.9.2002	**–2,073**	**–2,258**	**–6,930**	**–11,261**
Net book value at 30.9.2002	**2,105**	**2,662**	**21,142**	**25,909**

Goodwill is amortized over a period of five to ten years.

4. Tangible fixed assets in CHF 1,000	Land and buildings	Buildings not used for operational purposes	Machinery and equipment	EDP	Furniture and fixtures	Vehicles	**Total**
Historical cost at 1.10.2001	**27,344**	**10,163**	**28,939**	**4,761**	**8,057**	**1,449**	**80,713**
Capital expenditure	177	0	2,541	1,166	734	82	4,700
Disposals	0	0	–1,979	–80	–416	–349	–2,824
Reclassification	0	0	48	0	–48	0	0
Change in consolidation scope	4,199	0	2,725	0	1,458	10	8,392
Translation differences	–310	0	–695	–94	–126	–28	–1,253
Historical cost at 30.9.2002	**31,410**	**10,163**	**31,579**	**5,753**	**9,659**	**1,164**	**89,728**
Accumulated depreciation at 1.10.2001	**–15,102**	**–4,915**	**–20,227**	**–3,423**	**–5,095**	**–903**	**–49,665**
Depreciation	–1,053	–237	–2,603	–834	–857	–200	–5,784
Disposals	0	0	1,420	67	362	303	2,152
Reclassification	0	0	–1	0	1	0	0
Change in consolidation scope	–1,520	0	–1,888	0	–1,028	–4	–4,440
Translation differences	104	0	414	60	83	15	676
Accumulated depreciation at 30.9.2002	**–17,571**	**–5,152**	**–22,885**	**–4,130**	**–6,534**	**–789**	**–57,061**
Net book value at 30.9.2002	**13,839**	**5,011**	**8,694**	**1,623**	**3,125**	**375**	**32,667**

At 30 September 2002 the assets under finance leasing contracts amounted to CHF 561,000 (previous year: CHF 0). The fire insurance value of Group properties on 30 September 2002 amounted to CHF 44,325,000 (30.9.01: CHF 40,307,100). The fire insurance value of other tangible fixed assets at 30 September 2002 amounted to CHF 38,998,000 (30.9.01: CHF 37,276,500). As per 30 September 2002 commitments to purchase tangible fixed assets amounting to CHF 13,000 (30. 9. 01: CHF 184,000) existed.
Neither in the current fiscal year nor in the previous year were assets impaired or existing impairments reversed.

The market value of the buildings not used for operational purposes amounted to approx. CHF 7.8 million at 30 September 2002. Related rental income amounted to CHF 0.653 million in the current fiscal year, while rental related expenses amounted to CHF 0.441 million.

5. Other long-term assets

in CHF 1,000	30.9.2002	30.9.2001
Present value of pension plan assets	1,189	395
Loans	28	27
Deposits and guarantees	296	235
Total	**1,513**	**657**

6. Inventories

in CHF 1,000	30.9.2002	30.9.2001
Raw materials	14,148	15,657
Work in process	4,463	6,098
Semi-finished and finished goods	15,537	18,545
Total	**34,148**	**40,300**

7. Trade receivables

in CHF 1,000	30.9.2002	30.9.2001
Debtors	33,111	33,110
Doubtful debtors provision	–563	–582
Total	**32,548**	**32,528**

8. Other receivables and accruals

in CHF 1,000	30.9.2002	30.9.2001
Taxes incl. withholding and value added taxes	3,081	2,634
Other receivables	1,668	2,958
Accruals	1,402	692
Total	**6,151**	**6,284**

9. Provisions

in CHF 1,000	Warranty provisions	Provisions for employee benefits	Restructuring provisions	Other provisions	Total
Opening balance at 1.10.2001	**66**	**1,909**	**1,297**	**0**	**3,272**
Additions	0	212	3,441	50	3,703
Use	–125	–12	–1,132	0	–1,269
Reversal unused amounts	–1	0	–164	0	–165
Changes from acquisition and disposal of Group companies	252	12	0	0	264
Translation differences	–2	–21	–2	0	–25
Closing balance at 30.9.2002	**190**	**2,100**	**3,440**	**50**	**5,780**

10. Borrowings. The average interest rate on loans amounted to 3.2% in 2001/2002 (4.8% in 2000/2001). Taking into consideration the interest swap shown under note 21, the average interest rate amounted to 3.8% in 2001/2002 (5.0% in 2000/2001).

The loans are placed with different credit institutions, the framework credit agreements being arranged on a long-term or an indefinite basis. Within these credit frameworks drafts with different duration are arranged, including short-term drafts. The credit framework agreements can be cancelled or the terms of interest be changed subject to non compliance with certain covenance.

The maturity of the long-term borrowings is shown on the following table:

in CHF 1,000	30.9.2002	30.9.2001
Maturing within 2 years	46,700	34,840
Maturing within 3 years	2,500	0
Maturing within 4 years	2,500	0
Maturing within 5 years	0	0
Maturing in more than 5 years	1,914	0
	53,614	**34,840**

11. Interest-free liabilities

in CHF 1,000	30.9.2002	30.9.2001
Trade payables	7,414	9,439
Other short-term liabilities	3,725	4,103
Accrued liabilities	7,909	6,911
Taxes incl. value added tax	2,787	2,551
Total	**21,835**	**23,004**

12. Contingent liabilities, contingent assets and pledged assets. To secure own liabilities of the Group, receivables in the amount of CHF 2,771,000 were pledged at 30 September 2002 (30. 9. 01: CHF 3,478,000). No contingent liabilities or contingent assets existed at the end of either the 2001/2002 or 2000/2001 fiscal years.

13. Personnel expenses and number of employees

in CHF 1,000	2001/2002	2000/2001
Salaries and wages	48,995	45,945
Termination benefits	217	187
Social costs	5,443	5,570
Pension plans – defined contribution plans	2,578	2,605
Pension plans – defined benefit plans	1,442	1,291
Total	**58,675**	**55,598**
Number of employees in full-time equivalents (average)	**1,640**	**1,746**

14. Pension plans and other post employment benefits. Apart from state pension plans there exist plans in the Group which are classified as defined benefit plans under IFRS 19. The present value of obligations was evaluated by specialized actuaries as per 30 September 2002 and is being reviewed every two to three years.

The fair value of plan assets was calculated as per 30 September 2002. As the over- and undercoverages do not fulfill the criteria for recognition they were not captured in the balance sheet. The greater part of the assets are funded in organizations legally independent of the Company. If the plan is unfunded, the relevant assets and liabilities are shown in the balance sheet.

The actuarial calculations in compliance with IFRS showed the following values:

in CHF 1,000	30.9.2002	30.9.2001
Funded plans		
Fair value of plan assets	34,664	43,700
Present value of obligations	–36,514	–40,217
Net status of under-/overcoverage	**–1,850**	**3,483**
Amount not recognized as an asset	2,602	3,483
Net status in balance sheet	**752**	**0**
Unfunded plans		
Present value of obligations	1,930	1,847
Past service cost not yet recognized in balance sheet	–83	–166
Present value of pension plan liabilities recognized in balance sheet	**1,847**	**1,681**

The plan assets contain shares of Schaffner Holding AG with a fair value of CHF 108,000 (previous year: CHF 364,000).

in CHF 1,000	30.9.2002	30.9.2001
Amounts recognized in balance sheet		
Present value of pension plan assets	1,189	395
Pension plan liabilities	1,847	1,681
Changes of assets and liabilities in balance sheet		
Opening balance of pension plan liability	1,681	1,572
Pension cost	101	83
Past service cost	83	86
Translation differences	–18	–60
Closing balance of pension plan liability	**1,847**	**1,681**
Other benefits to employees	253	228
Closing balance of provision for employee benefits	**2,100**	**1,909**

in CHF 1,000	2001/2002	2000/2001
Expenses recognized in income statement		
Current service cost	2,245	2,517
Interest cost	1,349	1,495
Expected return on plan assets	–2,180	–2,231
Past service cost	83	86
Employee contributions	–807	–742
Total pension cost	**690**	**1,125**
Not recognized as income	752	166
Total expenses as per income statement	**1,442**	**1,291**
Principal actuarial assumptions (weighted)		
Discount rate	4.05%	4.05%
Expected return on plan assets	5.53%	5.51%
Future salary increases	0.58%	2.00%
Future pension increases	0.05%	1.48%

15. Income from sale of Group companies and investments

in CHF 1,000	2001/2002	2000/2001
Provisions for transfer risks	0	900
Total income from sale of Group companies before taxes	**0**	**900**
Taxes on income from sale of Group companies	0	–233
Total income from sale of Group companies after taxes	**0**	**667**
Proceeds from disposal of investment	0	2,653
Net book value of investment on date of disposal	0	–730
Total income from disposal of investment	**0**	**1,923**

16. Financial income

in CHF 1,000	2001/2002	2000/2001
Interest income	79	326
Total financial income	**79**	**326**
Interest expenses	–1,897	–1,815
Other financial expenses	–661	–457
Total financial expenses	**–2,558**	**–2,272**
Currency gains and losses	**–1,107**	**–1,027**
Financial income (net)	**–3,586**	**–2,973**

17. Taxes in CHF 1,000	2001/2002	2000/2001
Current income taxes	–1,234	–1,231
Deferred taxes	3,835	40
Total	**2,601**	**–1,191**
Actual income taxes for the fiscal year	–1,550	–830
Changes in income taxes for other periods arising in the fiscal year	316	–401
Total	**–1,234**	**–1,231**

Unused tax losses for which no tax asset has been created:

Expiry in 1 year	0	0
Expiry in 2 years	0	0
Expiry in 3 years	0	0
Expiry in 4 years	0	0
Expiry in 5 years	0	0
Expiry in more than 5 years	5,362	0
Total	**5,362**	**0**

Reconciliation from earnings before taxes (EBT) to effective tax expense:

EBT as per income statement	–8,354	11,793
Minus income from sale of Group companies after taxes	0	–667
EBT as per income statement (before income from sale of Group companies)	–8,354	11,126
Applicable tax rate	25.0%	25.5%
Expected tax at applicable tax rate	2,089	–2,837
Effect of change in local tax rates	0	–18
Effect of prior year losses	–756	2
Effect of tax rates other than applicable tax rate	668	1,521
Effect of expenses not deductible for tax purposes	–117	–362
Effect of earnings which are not taxable	759	422
Others	–42	81
Income taxes as per income statement	**2,601**	**–1,191**

Deferred tax liabilities are split to the following balance sheet positions as per 30 September 2002:

in CHF 1,000	30.9.2002
Intangible assets	557
Tangible fixed assets	1,374
Trade receivables	10
Provisions	109
Interest-free liabilities	134
Deferred tax liabilities	**2,184**

18. Segment information. The Schaffner Group concentrates on products and services in the market of electromagnetic compatibility. The value added is generated in a uniform organization, which is only devided into geographical sections. Segment information therefore shows the added value per region.

in CHF 1,000	2001/2002	2000/2001
Sales by region		
Europe	105,781	111,538
North America	24,852	33,157
Asia	26,445	29,577
Rest of world	2,231	2,963
Total	**159,309**	**177,235**
Assets by region		
Europe	115,739	103,624
North America	10,509	13,381
Asia	14,847	15,345
Rest of world	0	0
Total	**141,095**	**132,350**
Capital expenditure by region (excl. goodwill)		
Europe	5,357	8,132
North America	14	118
Asia	1,539	2,963
Rest of world	0	0
Total	**6,910**	**11,213**
Employee equivalents per region (average)		
Europe	675	638
North America	29	37
Asia	936	1,071
Rest of world	0	0
Total	**1,640**	**1,746**

19. Employee share option plan. Since 1 October 1998 share options have been granted to members of the Board of Directors and key management members, giving them the right to purchase shares in Schaffner Holding AG. The award of share options is regulated by the Employee Share Option Plan 1998 (ESOP), which bases itself as well on conditional share capital in the amount of CHF 1,067,000, representing 21,340 shares in Schaffner Holding AG with a nominal value of CHF 50 each, as on treasury shares. The ESOP's beneficiaries are allowed to exercise the first 20% of the options granted to them one year after having received the options, and thereafter another 20% in each consecutive year. After five years, all granted options can be exercised. Options expire after ten years at the latest.

Outstanding share options in number of options	2001/2002	2000/2001
At beginning of the year	25,997	21,317
Granted	9,100	8,200
Exercised	–1,200	–3,220
Expired/cancelled	–800	–300
At end of the year	**33,097**	**25,997**
of which covered by conditional capital	21,340	21,340
of which covered by treasury shares	11,757	4,657

In the 2001/2002 fiscal year, share options with an exercise price of CHF 295.50 (2000/2001: CHF 465.00, 543.00 and 472.00) were granted. The earliest execution date of the 2001/2002 tranche is 4 December 2002, the entire tranche expires on 4 December 2011. In the previous fiscal year the underlying exercise price was CHF 167.40, which led to the following proceeds:

in CHF 1,000	2001/2002	2000/2001
Share capital at par value	0	142,000
Share premium	0	333,430
Proceeds from exercised share options	**0**	**475,430**

The options exercised in 2001/2002 have been covered by treasury shares reserved for that purpose and therefore did not lead to any proceeds reflected in share capital and share premium.

The conditions of the share options outstanding at the end of the fiscal year were the following:

Outstanding share options in number of options	Exercise price	2001/2002	2000/2001
Expiry date 30.9.2008	145.00	9,067	9,827
Expiry date 02.12.2008	202.00	360	360
Expiry date 11.01.2009	208.00	360	360
Expiry date 25.11.2009	212.50	6,710	7,250
Expiry date 1.12.2010	465.00	600	600
Expiry date 15.12.2010	543.00	6,600	7,000
Expiry date 25.6.2011	472.00	600	600
Expiry date 4.12.2011	295.50	8,800	0
Total		**33,097**	**25,997**

20. Net profit per share	2001/2002	2000/2001
Net profit after minority interests in CHF 1,000	–5,757	10,603
Income from acquisition/sale of Group companies, in CHF 1,000	1,980	–949
Net profit before income from acquisition/sale of Group companies, in CHF 1,000	–3,777	9,654
Weighted average number of outstanding shares	632,672	626,681
Basic earnings per share, in CHF	–9.10	16.92
Basic earnings per share before income from acquisition/sale of Group companies, in CHF	–5.97	15.40
Options granted, number of shares	33,097	25,997
Discount factor in % of average market price	23.2%	42.6%
Relevant number of outstanding share options	7,689	11,084
Adjusted weighted average number of outstanding shares	640,361	637,765
Diluted earnings per share, in CHF	–8.99	16.63
Diluted earnings per share before income from acquisition/sale of Group companies, in CHF	–5.90	15.14

21. Financial instruments

Risk management. Due to the global business activites of the Schaffner Group, transactions in different currency and interest rate areas are entered into as well on distribution side as on procurement. Significant exposures arising from such transactions or corresponding balance sheet positions are recognized and managed centrally by the Group headquarters. For the hedging of those currency and interest rate risks derivative financial instruments are used.

Exchange rate risk management. The major part of the currency exchange risk is eliminated by setting off the transactions centrally. Major remaining risks, especially with long-term projects, are secured by term drafts in foreign currency based on risk estimation.

Interest rate risks. Due to the central financing of the Group, the drafts are mainly taken in Switzerland. Normally no interest rate hedging is entered into by the Schaffner Group.

The following interest rate swap exists:

in CHF 1,000	Counterparty	Currency	Face value	Expiry	Strike	Market price 30. 9. 2002	Market price 30. 9. 2001
Interest rate swap	UBS	CHF	20,000	30.9.2003	3.75%	**–585**	–450

The difference between market value as per 30 September 2001 and 30 September 2002 was recognized in the income statement. Due to the implementation of IFRS 39, the market value as per 30 September 2001 was adjusted to equity.

Credit risks. Short-term bank accounts are with first-class institutes. The risk from accounts receivables is very low as the Schaffner Group has a very broad customer portfolio with first-class ratings.

22. Restructuring expenses. The restructuring in Ireland started with closing the unit in Dublin in 2000/2001, followed by transfer of business activities to other units of the Schaffner Group in 2001/2002. The two UK units in Wokingham and Capel will be merged into one unit in the first half of 2002/2003. The integration of the acquired Schaffner Electrotest has been combined with the consolidation of the German business. As a consequence of the stagnating economy, further restructuring activities have been decided for fiscal 2002/2003.

	Additions of provisions	Use of provisions	**Expenses 2001/2002**	Cost as per income statement
Ireland	462	–1,297	1,751	**916**
Germany/USA			640	**640**
United Kingdom	579			**579**
Restructuring phase 1	**1,041**	**–1,297**	**2,391**	**2,135**
Restructuring phase 2	**2,400**			**2,400**
Total	**3,441**	**–1,297**	**2,391**	**4,535**

Report of the group auditors

To the general meeting of Schaffner Holding AG, Luterbach

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes) on pages 10 to 30 of the Schaffner Group for the year ended 30 September 2002.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Robert Willborn	Martin Köhli

Zurich, 13 November 2002

Finance Report
of Schaffner Holding AG

Contents

Balance sheet

in CHF 1,000

	30.9.2002	30.9.2001
Investments	85,001	85,001
Fixed assets	**85,001**	**85,001**
Receivables from Group companies	2,430	2,692
Receivables from third parties and accruals	141	1,785
Short-term investments and deposits	5,245	5,007
Cash and cash equivalents	9	39
Current assets	**7,825**	**9,523**
Total assets	**92,826**	**94,524**
Share capital	31,797	31,797
Legal reserves	315	315
Reserve for treasury shares	6,872	6,870
Share premium	50,357	50,357
Retained earnings	2,496	3,565
Net profit of the year	343	1,117
Shareholders' equity	**92,180**	**94,021**
Other third-party liabilities	420	205
Accrued liabilities	226	298
Total liabilities	**646**	**503**
Total liabilities and shareholders' equity	**92,826**	**94,524**

Income statement

in CHF 1,000	2001/2002	2000/2001
Dividends	840	1,680
Other income	6,611	7,074
Total income	**7,451**	**8,754**
Personnel expenses	–3,409	–3,542
Operating expenses	–2,198	–2,199
Interest expenses	–1	–11
Other financial expenses	–1,637	–1,897
Interest income	142	146
Currency transaction gains and losses on borrowings (net)	1	–81
Income taxes	–6	–53
Net profit	**343**	**1,117**

Notes to the financial statements

Contingent liabilities in CHF 1,000	30.9.2002	30.9.2001
Joint liability for Group companies	89,717	99,272

Conditional share capital. 21,340 shares at par value of CHF 50 each, i.e. CHF 1,067,000 in total. At 30 September 2002 33,097 share options where open conferring the right to buy one registered share in Schaffner Holding AG. During the fiscal year, 1,200 share options were exercised.

Investments. Schaffner EMV AG, Luterbach, Switzerland: 100% of share capital of CHF 14.0 million. Schaffner EMV GmbH, Kecskemét, Hungary: 2% of share capital of HUF 13.0 million

Information about treasury shares. At 30 September 2002 Schaffner Holding AG held 22,419 treasury shares (30.9.01: 15,648) at an average purchase price of CHF 283 (previous year: CHF 439) each. The special reserve for treasury shares therefore amounts to CHF 6,344,577. In the balance sheet treasury shares are valuated at the year-end rate per 30 September 2002 of CHF 216.

Important shareholders	30.9.2002 Number of shares	Capital stake	30.9.2001 Number of shares	Capital stake
Julius Bär Multistock	47,574	7.5%	41,120	6.5%
Shareholders with a stake of less than 5%	565,947	89%	579,172	91.1%
Free float	**613,521**	**96.5%**	**620,292**	**97.6%**
Treasury shares	22,419	3.5%	15,648	2.4%
Total shares	**635,940**	**100%**	**635,940**	**100%**

There are no further facts that require to be reported under Art. 663b of the Swiss Code of Obligations.

Proposal for the appropriation of retained earnings

The Board of Directors of Schaffner Holding AG proposes to the Annual General Meeting of Shareholders that no dividend be paid out for fiscal 2001/2002 on account of the negative financial results posted for the year and that the retained earnings be appropriated as follows:

in CHF 1,000	2001/2002
Net profit for the 2001/2002 fiscal year	343
Retained earnings carried forward	2,496
Changes in reserves for treasury shares	–2
Retained earnings at disposal of Annual General Meeting of Shareholders	**2,837**
Dividend distribution	**0**
To be carried forward	**2,837**

Report of the statutory auditors

To the general meeting of Schaffner Holding AG, Luterbach

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Schaffner Holding AG for the year ended 30 September 2002.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Robert Willborn

Martin Köhli

Zurich, 13 November 2002

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