

Financial Report

2000/2001

Schaffner Holding AG

SCHAFFNER

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The German version is legally binding.

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Consolidated balance sheet

	note	30/9/01	30/9/00
in CHF 1,000			
Intangible assets	2, 3	16,061	9,098
Tangible fixed assets	4	31,048	27,872
Investments	5	3	733
Other long-term assets	6	2,819	3,252
Fixed assets		49,931	40,955
Inventories	7	40,300	41,304
Trade receivables	8	32,528	42,071
Other receivables and accruals	9	6,284	12,753
Short-term investments	10	15	0
Cash and cash equivalents	11	3,292	9,435
Current assets		82,419	105,563
Total assets		132,350	146,518
Shareholders' equity	12	63,831	62,058
Minority interests	13	26	195
Provisions	14	7,405	6,508
Long-term borrowings	15	34,840	36,827
Short-term borrowings	15	3,244	6,361
Interest-free liabilities	16	23,004	34,569
Total liabilities		68,493	84,265
Total liabilities and shareholders' equity		132,350	146,518

	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Treasury shares	Total shareholders' equity
in CHF 1,000						
At 1/10/99	31,600	52,692	751	-40,659	-845	43,539
Capital increase	55	104				159
Translation differences			517			517
Treasury shares				1,974	-2,797	-823
Net profit				21,172		21,172
Dividend payment				-2,506		-2,506
At 30/9/00	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 30/9/01	31,797	53,129	-2,123	-12,102	-6,870	63,831

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Consolidated income statement

	note	2000/2001	1999/2000
in CHF 1,000			
Net sales	18	177,235	184,892
Change in inventory		-42	8,040
Corporate output		177,193	192,932
Material costs		-72,229	-81,499
Employee costs	20, 21	-55,598	-58,296
Depreciation of tangible fixed assets	4	-5,285	-4,957
Other operating expenses		-31,977	-29,997
Other operating income		2,821	4,575
Restructuring costs	19	-1,498	0
EBITA	19	13,427	22,758
Goodwill amortization	3	-1,434	-1,084
EBIT		11,993	21,674
Income from sale of Group companies	22	667	5,304
Income from disposal of investments	22	1,923	0
Financial income	23	-2,790	-3,174
EBT		11,793	23,804
Income taxes	24	-1,191	-2,661
Net profit before minority interests		10,602	21,143
Minority interests	13	1	29
Net profit after minority interests		10,603	21,172
Earnings per share in CHF			
basic	31	16.92	33.96
diluted	31	16.63	33.30
Earnings per share before sale and acquisition of Group companies in CHF			
basic	31	15.40	25.45
diluted	31	15.14	24.96

	note	2000/2001	1999/2000
in CHF 1,000			
Net profit before minority interests		10,602	21,143
- Income from sale of Group companies	22	-2,822	-5,724
+ Income taxes including taxes on sale of Group companies	22, 24	1,464	3,582
+ Interest expenses	23	1,815	2,269
Earnings before interest, taxes and income from sale of Group companies		11,059	21,270
+ Depreciation of tangible fixed assets	4	5,285	4,957
+ Change in provisions (excl. tax provisions)		2,676	882
± Change in net working capital	25	1,624	-7,051
- Taxes paid		-2,722	-738
- Interest paid		-1,844	-2,294
± Change in other cash flow items	26	3,434	-363
Cash flow from operating activities		19,512	16,663
- Capital expenditure (tangible fixed assets)	4	-8,461	-6,592
+ Gain from sale of tangible fixed assets		817	936
- Capital expenditure (intangible assets)	3	-2,750	-1,580
± Change in short-term investments		-4	114
- Change in Group companies	2, 22	-7,228	-671
+ Change in investments	5, 22	1,923	0
± Change in loans and long-term assets		1,261	-824
Cash flow from investing activities		-14,442	-8,617
- Share capital paid in and changes in treasury shares		-2,337	-664
- Dividend distributions		-3,102	-2,506
- Change in borrowings	27	-5,725	-2,556
Cash flow from financing activities		-11,164	-5,726
± Translation differences on cash and cash equivalents		-49	96
= Change in cash and cash equivalents		-6,143	2,416
Cash and cash equivalents previous year	11	9,435	7,019
Cash and cash equivalents for the fiscal year	11	3,292	9,435
Free cash flow before investment and divestment		9,118	9,427
Free cash flow after investment and divestment		10,722	8,756

Notes to the consolidated financial statements

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 Accounting Standards (IAS).

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. All other currencies are deemed to be foreign currencies for the Schaffner Group.

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 annual 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. An exception to this principle was made for the goodwill arising from the purchase of Schaffner EMV AG by Schaffner Holding AG as per note 12.

Research and development costs

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.

Borrowing costs arising from the construction of an asset are recognized as an expense in the income statement in the period when they occur.

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 price. 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 are depreciated 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

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Schaffner Holding AG or its Group companies can also be parties to financial instruments which reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments, which mainly comprise foreign currency forward contracts, interest rate swap agreements or interest rate CAP agreements, are not recognized in the financial statements on inception. The sole purpose of these instruments is to reduce risk exposure.

Foreign currency forward contracts protect the Schaffner Group from movements in exchange rates by establishing the rate at which foreign currency assets or liabilities will be settled. Any increase or decrease in the amount required to settle the foreign currency assets or liabilities is offset by a corresponding movement in the value of the forward exchange contract. The gains and losses from the settlement of foreign currency assets or liabilities and from the settlement of foreign currency forward contracts are therefore offset for financial reporting purposes and are not recognized as such in the financial statements.

Interest rate swap agreements and interest rate CAP agreements protect the Schaffner Group from movements in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognized as a component of interest expense or revenue over the period of the agreement. Any premium or fee to be paid for an interest rate CAP agreement is recognized as financial expense and any differential to be received from such an agreement is recognized as financial income over the period of the agreement.

Gains and losses on early termination of interest rate swap agreements or on interest rate CAP agreements are taken to the income statement.

Further information to the engagement of financial instruments by the Schaffner Group are disclosed in note 32.

1. Foreign currencies

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

Country	Currency	Balance sheet		Income statement	
		30/9/01	30/9/00	2000/2001	1999/2000
		CHF	CHF	CHF	CHF
United Kingdom	GBP 100	237.93	255.24	246.7375	256.8608
Japan	JPY 10,000	135.79	160.05	144.6200	156.0000
Singapore	SGD 100	91.60	99.23	96.4849	96.8463
Sweden	SEK 1,000	151.59	179.55	167.4580	186.7250
Thailand	THB 1,000	36.39	40.99	38.6030	42.3690
USA	USD 100	161.86	172.61	171.2492	165.5442
EMU	EUR 100	147.29	152.61	151.9408	157.7800
China	CNY 100	19.48		20.6719	

2. Scope of consolidation

On 1 April 2001, the Schaffner Group acquired the Finnish ElectroFERRUM Oy in Lohja. Furthermore, provisions for transfer risks from the sale of Schaffner Altrac AG which took place on 30 September 2000 were released in 2000/2001 in the amount of CHF 0.9 million (see also note 14). These transactions had the following impact on the consolidated income statement:

Key figures without Schaffner Altrac and Schaffner ElectroFERRUM

	2000/2001	in % of corporate output	1999/2000	in % of corporate output
in CHF 1,000				
Corporate output	171,143		184,340	
EBIT ¹	11,371	6.6%	21,030	11.4%
Net profit after minority interests ¹	9,654	5.6%	15,868	8.6%

¹ Including amortization of CHF 0.346 million in goodwill

At acquisition date 1 April 2001 the balance sheet of ElectroFERRUM showed the following key figures:

Fixed assets	CHF 1.890 million
Current assets	CHF 2.373 million
Shareholders' equity	CHF 0.198 million
Liabilities	CHF 4.065 million

3. Intangible assets

	Development cost	Software and rights	Goodwill	Total
in CHF 1,000				
Historical cost at 1/10/00	3,179	1,512	9,029	13,720
Capital expenditure	1,159	1,591	6,979	9,729
Disposals	0	-2	0	-2
Reclassification	0	8	0	8
Change in consolidation scope	0	72	0	72
Translation differences	-133	-43	0	-176
Historical cost at 30/9/01	4,205	3,138	16,008	23,351
Accumulated amortization at 1/10/00	-679	-1,105	-2,838	-4,622
Amortization	-854	-422	-1,434	-2,710
Disposals	0	2	0	2
Reclassification	0	-8	0	-8
Change in consolidation scope	0	-24	0	-24
Translation differences	34	38	0	72
Accumulated amortization at 30/9/01	-1,499	-1,519	-4,272	-7,290
Net book value at 30/9/01	2,706	1,619	11,736	16,061

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

4. Tangible fixed assets

	Land and buildings	Machinery and equipment	EDP	Furniture and fixtures	Vehicles	Construction in progress	Total
in CHF 1,000							
Historical cost at 1/10/00	34,973	26,307	4,912	6,987	1,416	0	74,595
Capital expenditure	1,177	4,866	619	1,498	301	0	8,461
Disposals	0	-1,426	-858	-148	-206	0	-2,638
Reclassification	0	31	11	-50	0	0	-8
Change in consolidation scope	1,867	372	46	161	0	0	2,446
Translation differences	-510	-1,211	31	-391	-62	0	-2,143
Historical cost at 30/9/01	37,507	28,939	4,761	8,057	1,449	0	80,713
Accumulated depreciation							
at 1/10/00	-18,654	-19,227	-3,223	-4,735	-884	0	-46,723
Depreciation	-1,194	-2,123	-974	-759	-235	0	-5,285
Disposals	0	718	788	130	183	0	1,819
Reclassification	0	-13	-1	21	0	0	7
Change in consolidation scope	-299	-220	-23	-65	0	0	-607
Translation differences	130	638	10	313	33	0	1,124
Accumulated depreciation at 30/9/01	-20,017	-20,227	-3,423	-5,095	-903	0	-49,665
Net book value at 30/9/01	17,490	8,712	1,338	2,962	546	0	31,048

At 30 September 2001 as well as at 30 September 2000, no assets under finance leasing contracts were included in the net book value of total tangible fixed assets. The fire insurance value of Group properties on 30 September 2001 amounted to CHF 40,307,100 (30/9/00: CHF 37,953,000). The fire insurance value of the remaining tangible fixed assets at 30 September 2001 amounted to CHF 37,276,500 (30/9/00: CHF 37,723,000). As per 30 September 2001, commitments to purchase tangible fixed assets amounting to CHF 184,000 (30/9/00: CHF 287,000) existed.

Depreciation for the year of CHF 5,285,000 in 2000/2001 (1999/2000: CHF 4,957,000) contains the depreciation of tangible fixed assets not used for operating purposes in the amount of CHF 305,000 (1999/2000: CHF 513,000).

Neither in 2000/2001 nor in 1999/2000 were tangible fixed assets impaired or existing impairments reversed.

5. Investments

The share of 20% in the French Axium SA, Argences, was sold to its management in the actual fiscal year. Earnings from this sale amounted to CHF 1,923,000 before taxes.

6. Other long-term assets

	30/9/01	30/9/00
in CHF 1,000		
Present value of pension plan assets	395	349
Deferred tax assets	2,162	1,709
Loans	27	1,049
Deposits and guarantees	235	145
Total	2,819	3,252

7. Inventories

	30/9/01	30/9/00
in CHF 1,000		
Raw materials	15,657	15,660
Work in process	6,098	6,211
Semi-finished and finished goods	18,545	19,433
Total	40,300	41,304

The total contains CHF 5,370,000 (30/9/00: CHF 1,561,000) which are valued at net realizable value.

8. Trade receivables

	30/9/01	30/9/00
in CHF 1,000		
Debtors	33,110	42,426
Doubtful debtors provision	-582	-355
Total	32,528	42,071

9. Other receivables and accruals

	30/9/01	30/9/00
in CHF 1,000		
Taxes incl. withholding and value-added taxes	2,634	1,911
Other receivables	2,958	1,361
Receivables from sale of Group companies	0	8,000
Accruals	692	1,481
Total	6,284	12,753

10. Short-term investments

	30/9/01	30/9/00
in CHF 1,000		
Marketable securities	15	0

11. Cash and cash equivalents

	30/9/01	30/9/00
in CHF 1,000		
Short-term deposits	0	0
Banks, postal accounts, cash	3,292	9,435
Total	3,292	9,435

12. Shareholders' equity

In July 1996, Schaffner Holding AG acquired Schaffner EMV AG retroactively on 1 October 1995 from Elektrowatt AG at the price of CHF 85,000,000. Schaffner Holding AG was set up in spring of 1996 solely for this purpose and, apart from controlling Schaffner EMV AG (including Group companies), it has no other activity.

On the initial consolidation of Schaffner EMV AG (including Group companies) with Schaffner Holding AG, goodwill of CHF 68,170,000 was created. Because this goodwill was derived from a purely financial transaction, which had no effect on the operating activity of the Schaffner Group, it was set off in full in the consolidated opening balance sheet of Schaffner Holding AG against consolidated shareholders' equity.

On 2 June 1998, an extraordinary general meeting of shareholders decided to make a conditional increase in share capital of CHF 1,264,000, made up of 25,280 shares at par value of CHF 50 each to cover open positions associated with an employee share option scheme (see also note 30). In 2000/2001, 2,840 shares at par value of CHF 50 were exercised out of conditional capital.

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

13. Minority interests

In 2000/2001, minority interests of 30% in Schaffner EMC Pte. Ltd., Singapore, were acquired by the Schaffner Group. Remaining minority interests in Schaffner EMC Pte. Ltd., Singapore, are 5%.

	30/9/01	30/9/00
in CHF 1,000		
Opening balance	195	200
Additions/Disposals	-168	0
Share of profit (loss)	-1	-29
Translation differences	0	24
Dividend of previous year	0	0
Closing balance	26	195

14. Provisions

	Warranty provisions	Deferred taxes	Provisions for employee benefits	Restructuring provisions	Provision from sale of Group companies	Total
in CHF 1,000						
Opening balance at 1/10/00	47	3,662	1,799	0	1,000	6,508
Additions	11	493	188	1,311	0	2,003
Use	0	0	0	0	-100	-100
Reversal unused amounts	0	0	-11	0	-900	-911
Translation differences	8	-22	-67	-14	0	-95
Closing balance at 30/9/01	66	4,133	1,909	1,297	0	7,405

15. Borrowings

The average interest rate on loans amounted to 4.8% in 2000/2001 (4.5% in 1999/2000). Taking into consideration the interest swap shown under note 32, the average interest rate amounted to 5.0% in 2000/2001 (5.4% in 1999/2000).

16. Interest-free liabilities

	30/9/01	30/9/00
in CHF 1,000		
Trade payables	9,439	15,530
Other short-term liabilities	4,103	11,002
Accrued liabilities	6,911	2,596
Taxes incl. value-added tax	2,551	5,441
Total	23,004	34,569

17. Contingent liabilities, contingent assets and pledged assets

To secure own liabilities of the Group, receivables in the amount of CHF 3,478,000 were pledged at 30 September 2001 (CHF 2,742,000 at 30/9/00). No contingent liabilities or contingent assets existed at the end of either the 2000/2001 and 1999/2000 fiscal years.

18. Net sales

	2000/2001	1999/2000
in CHF 1,000		
Own sales companies	154,204	155,139
Distributors	23,031	29,753
Total	177,235	184,892

The category «distributors» covers the sales derived from direct deliveries from the Group's central warehouse in Illzach (France) to independent distributors.

19. Expenses by functions

	2000/2001	in % of corporate output	1999/2000	in % of corporate output
in CHF 1,000				
Cost of goods and services sold	103,336	58.2%	105,081	54.4%
Currency transaction differences	16	0.0%	-796	-0.4%
Marketing and sales	29,234	16.2%	27,499	14.2%
Maintenance and support	2,957	1.7%	3,226	1.7%
Research, development and application	12,329	7.0%	11,405	5.9%
Capitalized development	-727	-0.4%	-1,138	-0.6%
General and administration	14,593	8.2%	15,672	8.1%
Other income/expense	816	0.5%	1,265	0.7%
Net income from properties	-244	-0.1%	-80	0.0%
Restructuring costs	1,498	0.8%	0	0.0%
Total	163,808	92.4%	162,134	84.0%

--= income no sign=expenses

Corporate output	177,193	192,932
Change in inventory	42	-8,040
Expenses by functions	-163,808	-162,134
EBITA	13,427	22,758

In 2000/2001, restructuring costs in the following amount had to be absorbed (in CHF 1,000):

Restructuring Ireland	511
Restructuring telecom	987
Total as per income statement	1,498

Out of this amount, CHF 0.2 million have already been paid out and the remaining CHF 1.3 million provided for.

The negative situation on the markets and specifically in the telecom sector led to a reduction of the workforce and to a modification of the respective product range.

20. Employee costs and number of employees

	2000/2001	1999/2000
in CHF 1,000		
Salaries and wages	45,945	49,669
Termination benefits	187	13
Social costs	5,570	4,743
Pension plans – defined contribution plans	2,605	2,445
Pension plans – defined benefit plans	1,291	1,426
Total employee costs	55,598	58,296

Number of employees in full-time equivalents

Average for the year	2000/2001	in % of all employees	1999/2000	in % of all employees
By function				
Production	1,359	77.8%	1,207	76.1%
Marketing and sales	153	8.8%	151	9.5%
Maintenance and support	30	1.7%	28	1.8%
Application support	107	6.1%	105	6.6%
Administration	97	5.6%	95	6.0%
Total	1,746	100.0%	1,586	100.0%

By country

China	8	0.5%	6	0.4%
Finland	24	1.4%	0	0.0%
France	54	3.1%	53	3.3%
Germany	69	4.0%	62	3.9%
Hungary	47	2.7%	0	0.0%
Ireland	110	6.3%	102	6.4%
Italy	4	0.2%	4	0.3%
Japan	8	0.5%	8	0.5%
Malaysia	2	0.1%	0	0.0%
Sweden	5	0.3%	4	0.3%
Switzerland	256	14.6%	286	18.0%
Singapore	7	0.4%	8	0.5%
Thailand	1,046	59.8%	957	60.4%
United Kingdom	69	4.0%	61	3.8%
USA	37	2.1%	35	2.2%
Total	1,746	100.0%	1,586	100.0%

21. 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 IAS 19. These plans were valued by specialized actuaries as per 31 December 1999 and are being reviewed every two to three years. The greater part of the assets are funded in organizations legally independent of the Company.

As per 31 December 2000 the calculations showed an overcoverage of CHF 3,483,030 (31/12/99: CHF 3,176,269). As this asset does not fulfil the criteria for recognition it was not capitalized in the balance sheet. If the plan is unfunded, the relevant assets and liabilities are shown in the balance sheet.

The actuarial calculations in compliance with IAS showed the following values (in CHF 1,000):

	30/9/01	30/9/00
Funded plans		
Fair value of plan assets	43,700	40,563
Present value of obligations	-40,217	-37,387
Net status of overcoverage	3,483	3,176
Amount not recognized as an asset	-3,483	-3,176
Net status in balance sheet	0	0

	30/9/01	30/9/00
Unfunded plans		
Present value of obligations	1,847	1,831
Past service cost not yet recognized in balance sheet	-166	-259
Present value of pension plan liabilities recognized in balance sheet	1,681	1,572

The plan assets contain shares of Schaffner Holding AG with a fair value of CHF 364,000 (previous year: CHF 324,800).

	30/9/01	30/9/00
Amounts recognized in balance sheet		
Present value of pension plan assets	395	349
Pension plan liabilities	1,681	1,572

	30/9/01	30/9/00
Changes of assets and liabilities in the balance sheet		
Opening balance of pension plan liability	1,572	1,398
Pension cost	83	158
Past service cost	86	87
Translation differences	-60	-71
Closing balance of pension plan liability	1,681	1,572
Other benefits to employees	228	227
Closing balance of provision for employee benefits	1,909	1,799

	2000/2001	1999/2000
Expenses recognized in income statement		
Current service cost	2,517	2,587
Interest cost	1,495	1,495
Expected return on plan assets	-2,231	-2,231
Past service cost	86	87
Employee contributions	-742	-698
Total pension cost	1,125	1,240
Not recognized as earnings	166	186
Total as per income statement	1,291	1,426

Principal actuarial assumptions (weighted)

Discount rate	4.05%	4.05%
Expected return on plan assets	5.51%	5.51%
Future salary increases	2.00%	2.00%
Future pension increases	1.48%	1.48%

22. Income from sale of Group companies and investments

	2000/2001	1999/2000
in CHF 1,000		
Proceeds from sale of Group companies	0	8,000
Equity of Group company sold	0	-913
Provisions for transfer risks	900	-1,000
Revaluation of inventory due to transfer	0	-363
Total income from sale of Group companies before taxes	900	5,724
Taxes on income from sale of Group companies	-233	-420
Total income from sale of Group companies after taxes	667	5,304
Proceeds from disposal of investment	2,653	0
Net book value of investment on date of disposal	-730	0
Total income from disposal of investment	1,923	0

23. Financial income

	2000/2001	1999/2000
in CHF 1,000		
Interest income	326	326
Investment income	0	764
Currency transaction gains on borrowings	393	57
Total financial income	719	1,147
Interest expenses	-1,815	-2,269
Other financial expenses	-457	-397
Currency transaction losses on borrowings	-1,237	-1,655
Total financial expenses	-3,509	-4,321
Financial income (net)	-2,790	-3,174

24. Taxes

	2000/2001	1999/2000
in CHF 1,000		
Current income taxes	-1,231	-3,162
Deferred income taxes	40	501
Total	-1,191	-2,661

Actual income taxes for the fiscal year	-830	-3,160
Changes in income taxes for other periods arising in the fiscal year	-401	-2
Total	-1,231	-3,162

Reconciliation from pre-tax profit to effective tax expense:

EBT, Earnings before taxes as per income statement	11,793	23,804
minus income from sale of Group companies after taxes	-667	-5,304
Pre-tax profit (before income from sale of Group companies)	11,126	18,500
Applicable tax rate	25.5%	25.5%
Expected tax at applicable tax rate	-2,837	-4,718
Effect of change in tax rate	-18	25
Effect of utilization of prior year losses	2	834
Effect of tax rates other than applicable tax rate	1,521	959
Effect of expenses not deductible for tax purposes	-362	-106
Effect of earnings which are not taxable	422	234
Others	81	111
Tax expense as per income statement	-1,191	-2,661

25. Change in net working capital (NWC)

	2000/2001	1999/2000
in CHF 1,000		
NWC in opening balance sheet	61,559	47,777
– NWC in closing balance sheet	–56,108	–61,559
Change in NWC in balance sheet	5,451	–13,782
± Translation differences on NWC	–3,029	241
± Change in NWC from acquisitions/disposals of Group companies	–798	6,490
Change in NWC in cash flow statement	1,624	–7,051

Allocation of change to balance sheet items:

Change in inventory	1,005	–10,525
Change in receivables and accruals	16,012	–13,554
Change in interest-free liabilities	–11,566	10,297
Change in NWC in balance sheet	5,451	–13,782

26. Other cash flow items

	2000/2001	1999/2000
in CHF 1,000		
Gain/loss on the sale of tangible fixed assets	–91	274
Currency transaction differences on borrowings	844	1,598
Goodwill amortization	1,434	1,084
Non-cash investment in other long-term assets	–533	–1,005
Change in tax accruals	1,258	–2,844
Change in interest accruals	29	25
Change in provisions for deferred taxes	493	505
Other cash flow items	3,434	–363

27. Change in borrowings

	2000/2001	1999/2000
in CHF 1,000		
Borrowings in closing balance sheet	38,084	43,188
– Borrowings in opening balance sheet	–43,188	–43,984
Change in borrowings in balance sheet	–5,104	–796
± Currency translation differences on borrowings	223	–162
Change in borrowings from operating activities	–4,881	–958
– Currency transaction differences on borrowings	–844	–1,598
Change in borrowings in cash flow statement	–5,725	–2,556

28. Government grants

	2000/2001	1999/2000
in CHF 1,000		
Grants related to income	15	0
Grants related to assets	9	9

29. Segment information

The Schaffner Group concentrates on products and services in the market of electromagnetic compatibility which forms the primary segment. The geographical segment (secondary segment) is composed of Europe, North America, Asia and Rest of World.

The activities exercised by the Group companies are shown on page 35 and are split into the functions Development, Production, Sales and Distribution and by country of incorporation.

	2000/2001	1999/2000
in CHF 1,000		
Sales		
Europe	111,538	122,381
North America	33,157	36,320
Asia	29,577	23,481
Rest of World	2,963	2,710
Total	177,235	184,892
Assets		
Europe	103,624	110,106
North America	13,381	17,405
Asia	15,345	19,007
Rest of World	0	0
Total	132,350	146,518
Capital expenditure		
Europe	8,132	4,823
North America	118	290
Asia	2,963	3,059
Rest of World	0	0
Total	11,213	8,172

30. 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 on conditional share capital in the amount of CHF 1,264,000, representing 25,280 shares in Schaffner Holding AG with a nominal value of CHF 50 each. 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 ten years at the latest. Beneficiaries who leave the Group can only exercise the options maturing up to that date.

	2000/2001	1999/2000
Outstanding share options in number of options		
At the beginning of the year	21,317	14,800
Granted	8,200	9,150
Exercised	-3,220	-1,100
Expired/cancelled	-300	-1,533
At the end of the year	25,997	21,317
of which covered by conditional capital	21,340	21,317
of which covered by treasury shares	4,657	0

In the 2000/2001 fiscal year, share options with an exercise price of CHF 465, 543 and 472 (1999/2000: CHF 212.50) were granted. The earliest execution date of the 2000/2001 tranche is 1 December 2001, the entire tranche expires on 25 June 2011. Share options exercised in the fiscal year led to a switch from conditional share capital to ordinary share capital of 2,840 shares. The underlying exercise price was CHF 167.40, which led to the following proceeds:

	2000/2001	1999/2000
in CHF		
Share capital at par value	142,000	55,000
Share premium	333,430	104,500
Proceeds from exercised share options	475,430	159,500

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

	Exercise price	2000/2001	1999/2000
	in CHF	in number of options	
Expiry date 30/9/2008	145.00	9,827	11,767
Expiry date 2/12/2008	202.00	360	600
Expiry date 11/1/2009	208.00	360	600
Expiry date 25/11/2009	212.50	7,250	8,350
Expiry date 1/12/2010	465.00	600	0
Expiry date 15/12/2010	543.00	7,000	0
Expiry date 25/6/2011	472.00	600	0
Total		25,997	21,317

31. Net profit per share

	2000/2001	1999/2000
Net profit after minority interests, in CHF 1,000	10,603	21,172
Income from sale and acquisition of Group companies, in CHF 1,000	-949	-5,304
Net profit before income from sale and acquisition of Group companies, in CHF 1,000	9,654	15,868
Weighted average number of outstanding shares	626,681	623,436
Basic earnings per share, in CHF	16.92	33.96
Basic earnings per share before income from sale and acquisition of Group companies, in CHF	15.40	25.45
Options granted, number of shares	25,997	21,317
Discount factor in % of average market price	42.6%	57.9%
Relevant number of outstanding share options	11,084	12,337
Adjusted weighted average number of outstanding shares	637,765	635,773
Diluted earnings per share, in CHF	16.63	33.30
Diluted earnings per share before income from sale and acquisition of Group companies, in CHF	15.14	24.96

32. Financial instruments

	Currency	Face value	Market price	Expiry date	Strike
in CHF 1,000					
Interest rate swap	CHF	20,000	-450	30/9/2003	3.75%

The interest rate swap was entered into to cover the interest rate risk on long-term borrowings. The Schaffner Group has no significant concentration of credit risks. Derivative transactions are entered into and cash is placed with major financial institutions. The credit exposure of derivatives is represented by the net fair values of the open contracts. The foreign currency forward contracts in the amount of THB 35.4 million and USD 2 million which were open per 30 September 2000 were settled in 2000/2001 and are no longer open at 30 September 2001.

To the general meeting of Schaffner Holding AG, Luterbach

As auditors of the group, we have audited the consolidated financial statements (balance sheet, statement of shareholders' equity, income statement, cash flow statement and notes) of Schaffner Holding AG for the year ended 30 September 2001.

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 issued by the International Federation of Accountants (IFAC), 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.

As disclosed in the note 12, goodwill arising from the acquisition of Schaffner EMV AG in July 1996 was charged directly against equity. According to International Accounting Standards goodwill should be recognized as an asset and amortized by recognizing it as an expense over its useful life for prior periods up to and ending 30 September 2000.

In our opinion, except for the effects mentioned as per above paragraph for the comparative prior period, the consolidated financial statements give a true and fair view of the consolidated financial position, the results of operations and the cash flows in accordance with the International Accounting Standards (IAS) and comply with Swiss law.

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

Zurich, 16 November 2001

PricewaterhouseCoopers AG

R. Willborn

M. Köhli

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Schaffner Holding AG

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Balance sheet

	30/9/01	30/9/00
in CHF 1,000		
Investments	85,001	85,730
Fixed assets	85,001	85,730
Receivables from Group companies	2,692	7,372
Receivables from third parties and accruals	1,785	305
Short-term investments and deposits	5,007	4,072
Cash and cash equivalents	39	228
Current assets	9,523	11,977
Total assets	94,524	97,707
Share capital	31,797	31,655
Legal reserves	315	315
Reserve for treasury shares	6,870	3,642
Share premium	50,357	50,024
Retained earnings	3,565	6,666
Net profit of the year	1,117	3,228
Shareholders' equity	94,021	95,530
Other third-party liabilities	205	0
Accrued liabilities	298	2,177
Total liabilities	503	2,177
Total liabilities and shareholders' equity	94,524	97,707

	2000/2001	1999/2000
in CHF 1,000		
Dividends	1,680	840
Other income	7,074	7,146
Total income	8,754	7,986
Employee costs	-3,542	-4,131
Operating expenses	-2,199	-1,818
Amortization of start-up costs	0	-1,306
Interest expenses	-11	-19
Other financial expenses	-1,897	-15
Interest income	146	288
Other financial income	0	2,465
Currency transaction losses on borrowings (net)	-81	0
Income taxes	-53	-222
Net profit	1,117	3,228

Notes to the financial statements

in CHF 1,000	30/9/01	30/9/00
Contingent liabilities		
Joint liability for Group companies	99,272	98,462
Joint liability for third party	0	1,000

Conditional share capital

25,280 shares at par value of CHF 50 each, i.e. CHF 1,264,000 in total.

At 30 September 2001, 25,997 share options were open conferring the right to buy one registered share in Schaffner Holding AG. During the fiscal year, 3,220 share options were exercised. Of these 2,840 options from conditional share capital and 380 from treasury shares. The conditional share capital was thereby reduced to CHF 1,067,000.

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 2001, Schaffner Holding AG held 15,648 treasury shares (30/9/00: 8,775) at an average purchase price of CHF 439 (previous year: 415) each. The special reserve for treasury shares therefore amounts to CHF 6,869,472. In the balance sheet treasury shares are valued at the year-end rate per 30 September 2001 of CHF 320.

	30/9/01		30/9/00	
	Number of shares	Capital stake	Number of shares	Capital stake
Important shareholders				
Julius Bär Multistock	41,120	6.6%	40,000	6.4%
Various shareholders with a stake of less than 5%	579,172	93.4%	584,325	93.6%
Total	620,292	100.0%	624,325	100.0%
Treasury shares	15,648		8,775	
Total shares	635,940		633,100	

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

in CHF 1,000	2000/2001
The Board of Directors proposes to the Annual General Meeting that the retained earnings be appropriated as follows:	
Net profit for the 2000/2001 fiscal year	1,117
Retained earnings brought forward	6,793
Changes in reserves for treasury shares held by the Company or its Group companies	-3,228
Retained earnings at disposal of Annual General Meeting	4,682
Dividend of CHF 3.50 gross per registered share*	-2,171
To be carried forward	2,511

* All shares not held by the Company or one of its Group companies are dividend-bearing.

Total registered shares issued	635,940
Shares held by the Company or its Group companies	-15,648
Dividend-bearing shares	620,292

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 2001.

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.

Zurich, 16 November 2001

PricewaterhouseCoopers AG

R. Willborn

M. Köhli

Company	Country	Capital (1,000)	Interest	Activity
Schaffner Holding AG, Luterbach	Switzerland	CHF 31,797	100%	
Schaffner EMV AG, Luterbach	Switzerland	CHF 14,000	100%	▲ ■ ●
Schaffner SAS, Illzach	France	EUR 2,000	100%	▲ ●
Schaffner EMV GmbH, Karlsruhe	Germany	EUR 511	100%	▲ ●
Schaffner EMC Systems GmbH, Berlin	Germany	EUR 256	100%	▲ ■ ●
Schaffner EMC Inc., Springfield N.J.	USA	USD 805	100%	▲ ●
Schaffner EMC Ltd., Wokingham	United Kingdom	GBP 260	100%	▲ ●
Schaffner EMC CO. Ltd., Lamphun	Thailand	THB 140,000	100%	▲ ■
Schaffner Limited, Limerick	Ireland	IEP 1,899	100%	▲ ■ ●
Schaffner EMC S.r.l., Milan	Italy	EUR 98	100%	●
Schaffner EMC AB, Sollentuna	Sweden	SEK 200	100%	●
Schaffner EMC KK, Tokyo	Japan	JPY 10,000	100%	●
Schaffner EMC Pte. Ltd., Singapore	Singapore	SGD 600	95%	●
Schaffner EMC Systems Ltd., Capel	United Kingdom	GBP 1,300	100%	▲ ■ ●
Schaffner EMV GmbH, Kecskemét	Hungary	HUF 13,000	98% ¹	■
Schaffner ElectroFERRUM Oy, Lohja	Finland	EUR 34	100% ²	▲ ■ ●
Schaffner EMC Ltd., Shanghai	China	USD 1,000*	100% ³	▲ ■ ●

* of which USD 583 are paid in

¹ Incorporated 1/1/2001

² Acquired 1/4/2001

³ Incorporated 1/9/2001

▲ Development

■ Manufacturing

● Sales and distribution

A direct interest of 100% is held by Schaffner Holding AG in Schaffner EMV AG, Luterbach, and a minority interest in Schaffner EMV GmbH, Kecskemét (2%). All other companies of the Schaffner Group are controlled indirectly through Schaffner EMV AG.

SCHAFFNER

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