

Interim Report

2001/2002

Schaffner Holding AG

SCHAFFNER

To our Shareholders

Weak economy impacts interim result

The Schaffner Group is the world's leading provider of products and services in the area of electromagnetic compatibility (EMC). At CHF 74.0 million, interim consolidated sales of the Schaffner Group for the period 1 October 2001 to 31 March 2002 reflect the adverse situation in the global economic cycle, which remains at a deep low globally especially in the technology markets. This contrasts with revenues of CHF 91.2 million in the first half of 2000/2001. For the first time in the history of the Schaffner Group, both the Components and the Test Equipment businesses registered a decline in demand in the first half of 2001/2002. Despite the rapid and consequent implementation of measures to adjust the cost structure and streamline selected processes, the weak demand in the Schaffner Group's major markets continues to negatively impact profitability during the current fiscal year. However, Management remains cautiously optimistic for the first quarter of the coming 2002/2003 fiscal year, not least due to positive signals from the automotive supplier industry – a new market for the Group – as well as from the components market in the USA.

Stabilizing business activity in a difficult economic environment

The sales trend in the first half of 2001/2002 reflected in particular the lower than average order intake in the second half of the past fiscal year. Despite the difficult situation in the economy, in the first half of 2001/2002 the Schaffner Group invested CHF 5.1 million in new products, the development of new markets focusing especially on the automotive supplier industry, and not least in the construction of a new facility in Shanghai (China), scheduled to start production of components and test equipment in June 2002. These considerable strategic investments to the tune of approx. 7% of group revenues are reflected in the operating result, which was generally adversely impacted by the poor conditions in the markets, with earnings before interest, taxes and amortization (EBITA) amounting to CHF 0.1 million (CHF 11.4 million) and a net loss of CHF –2.0 million (net profit of CHF 8.1 million).

In the first half of fiscal 2001/2002, none of the Schaffner Group's market segments was able to shake off the recessive trend. At 48% (46%) of consolidated sales, industrial electronics (drives & control systems, process automation and elevators & lifting systems) was again

the main revenue driver for the Schaffner Group. A further 18% (19%) came from telecommunications, 8% (12%) from electronic data processing and office automation, 3% (9%) from energy production and 5% (2%) from automotive supplier industry. With a 70% share of consolidated revenues (67.5%), Europe continued to be the Schaffner Group's largest geographical market. With 17% of total sales (12%), the Asian market contributed for the first time more than the North American market with 13% (20.5%). While the Components business generated two thirds, the Test Equipment business contributed one third of sales.

Components

Order intake shows slightly positive trend

With delivery times of three to four weeks, visibility in the market for EMC components has declined further in the first half of fiscal 2001/2002. The Schaffner Group is nevertheless confident that customer inventories have been reduced to a minimum and that orders will gradually pick up again. In the first half of 2001/2002, incoming orders of CHF 55.9 million (CHF 66.8 million) exceeded sales of CHF 52.0 million (CHF 63.9 million), corresponding to a book-to-bill ratio of 1.08. Com-

pared to the new order intake in the second half of 2000/2001 of CHF 48.3 million, this was a clear improvement of 15.7%. In this context, a major framework agreement with a large globally active customer in the industrial electronics sector was concluded and Schaffner ElectroFERRUM OY, which is mainly active in the telecommunications sector, reported encouraging growth.

Test Equipment

Broad-based systems competence

Given the current economic environment, the decision-making processes for investments in new systems for simulating and measuring electromagnetic interference and in automatic testing systems for applications in power electronics have slowed down. Some customers are implementing major projects in stages. In such an environment, it is remarkable that the Schaffner Group managed to considerably increase order intake in the Test Equipment business during the first half of 2001/2002, compared to the absolute low point in the second half of fiscal 2000/2001 of CHF 17.2 million, by 42.4% to CHF 24.5 million (CHF 32.7 million). Given sales of CHF 21.9 million (CHF 27.3 million), the book-to-bill ratio for the first half-year amounted to 1.12 or 1.07 excluding Schaffner Electrotest, which was consolidated from 1 January 2002 (Schaffner Electrotest contributed CHF 3.3 million to half-year sales and CHF 4.6 million to order intake). With the integration of Schaffner Electrotest, the Schaffner Group expanded its market position during the period under review while acquiring additional systems competence. In addition, the Test Equipment business launched two new products during the first half of the fiscal year: the innovative 30kV ESD generator, which sets a new standard in terms of scope of performance and user-friendliness, and the 18GHz measuring receiver, which complements the range of test equipment with an attractively priced solution.

Setting a course for the future

The measures implemented at the end of the past fiscal year to cut and variabilize costs and optimize structures will continue to be consistently applied in the second

half of the current fiscal year. One particular measure will be the accelerated expansion of the production facility in Shanghai.

In the first half of fiscal 2001/2002, Schaffner EMV AG (Luterbach, Switzerland) was the first subsidiary of the Schaffner Group to be awarded its ISO 14001 environmental management certificate. Over the next few months, several other Schaffner production sites will successively be registering for this important certification. The Schaffner Group has established collaborations with Siemens VDO Automotive (www.siemensauto.com) and the Valeo Group (www.valeo.com), which is focused on the automotive market. These two major international clients in the new market segment of automotive supplies industry will already begin contributing slightly to revenues during the current fiscal year.

Outlook

Based on the order intake during the first half of fiscal 2001/2002, the Schaffner Group expects to see a slight increase in sales in the second half of the year. Under the assumption that economic activity is on the road to recovery, Management anticipates a positive result for the full fiscal year.

Given its solid finances, its broad customer base and its high-performance international sales and service organization, the Schaffner Group meets all the prerequisites to continue to outgrow the market. Management is confident that the Components business will benefit early on from the recovery in economic activity, continuing to rapidly gain market share, while the Test Equipment business is likely to react to the upturn in the economy with a slight delay.

Luterbach, 21 May 2002



Dr Alex Oechsli
Chairman



Dr Fritz Gantert
President & Chief Executive Officer

Schaffner Group

Consolidated balance sheet

	31/3/2002	30/9/2001
in CHF 1,000		
Intangible assets	26,832	16,061
Tangible fixed assets	33,662	31,048
Investments	3	3
Other long-term assets	5,197	2,819
Fixed assets	65,694	49,931
Inventories	43,858	40,300
Trade receivables	33,971	32,528
Other receivables and accruals	6,269	6,284
Short-term investments	15	15
Cash and cash equivalents	5,098	3,292
Current assets	89,211	82,419
Total assets	154,905	132,350
Shareholders' equity	62,079	63,831
Minority interests	2	26
Provisions	6,775	7,405
Long-term borrowings	53,328	34,840
Short-term borrowings	9,393	3,244
Interest-free liabilities	23,328	23,004
Total liabilities	92,824	68,493
Total liabilities and shareholders' equity	154,905	132,350

Changes in consolidated equity

	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Treasury shares	Total shareholders' equity
in CHF 1,000						
At 30/9/2001	31,797	53,129	-2,123	-12,102	-6,870	63,831
Capital increase	0	0		0		0
Translation differences			1,097	0		1,097
Treasury shares				-710	2,073	1,363
Net profit				-2,028		-2,028
Dividend payment				-2,184		-2,184
At 31/3/2002	31,797	53,129	-1,026	-17,024	-4,797	62,079

Schaffner Group

Consolidated income statement

	First half 2001/2002	First half 2000/2001
in CHF 1,000		
Net sales	74,002	91,224
Change in inventory	-591	2,854
Corporate output	73,411	94,078
Material costs	-28,017	-37,575
Employee costs	-28,614	-28,683
Depreciation of fixed assets	-2,786	-2,528
Other operating expenses	-15,339	-15,480
Other operating income	1,405	1,634
EBITA	60	11,446
Goodwill amortization	-1,207	-542
EBIT	-1,147	10,904
Financial income	-1,209	-954
EBT	-2,356	9,950
Income taxes	330	-1,779
Net profit before minority interests	-2,026	8,171
Minority interests	-2	-56
Net profit after minority interests	-2,028	8,115
Earnings per share, in CHF		
basic	-3.24	13.05
diluted	-3.21	12.80

Consolidated cash flow statement

	First half 2001/2002	First half 2000/2001
in CHF 1,000		
Net profit before minority interests	-2,026	8,171
Depreciation and amortization	3,993	3,069
Change in provisions	-1,646	-753
Change in net working capital	1,433	999
Capital expenditure	-2,331	-4,182
Free cash flow	-577	7,304
Investment	-15,002	0
Dividend	-2,184	-3,102
Free cash flow after investment and dividend	-17,763	4,202
Net financing	19,567	-7,751
Change in cash and cash equivalents	1,804	-3,549

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