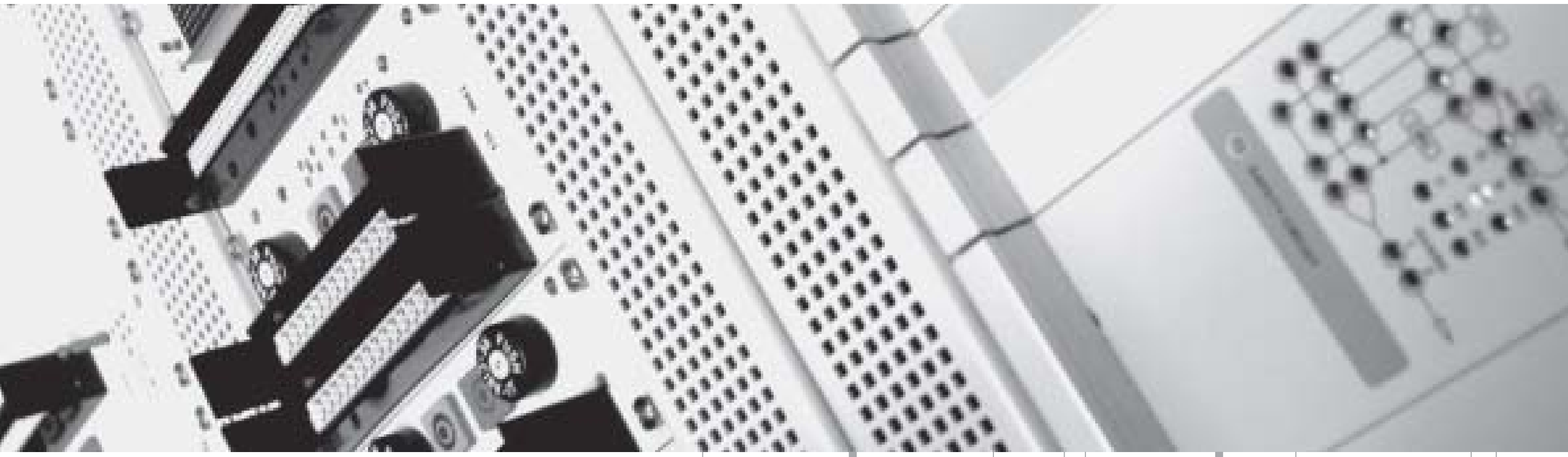
Interim Report 2002/2003



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Profitability boosted. The Schaffner Group achieved sales of CHF 76.1 million (first half 2001/2002: CHF 74.0 million) for the first six months of fiscal 2002/2003, representing growth of 2.9% year-on-year. On a currency-adjusted basis, sales were up 7.1%. The beneficial impact of the restructuring, completed on schedule in the first half, was already visible in the interim results. Profitability showed a marked improvement despite further sizable investments amounting to 10.3% (10.5%) of sales in research and application development. At CHF 2.44 million (CHF 0.06 million), EBITA was substantially higher than the comparable prior-year figure, with EBIT also improving to CHF 1.0 million (CHF –1.1 million) despite a 17% rise in goodwill amortization. The consolidated net result was CHF –0.6 million (CHF –2.0 million). Tighter management of current assets also resulted in a significantly stronger liquidity position. After six months of the 2002/2003 fiscal year, free cash flow totaled CHF 2.6 million (CHF –0.6 million). The Schaffner Group acquired new orders worth CHF 83.6 million (CHF 80.4 million) in the first half. On a currency-adjusted basis, this represents a sharp increase of 8.9% year-on-year.

Growing market share. The Components and Test Systems businesses both strengthened their positions during the first half-year in a shrinking overall market. Components increased sales to CHF 52.8 million (CHF 52.0 million), contributing 69.3% to consolidated revenues, while Test Systems generated sales of CHF 23.4 million (CHF 22.0 million), equivalent to 30.7% of Group revenues. New orders booked by Components totaled CHF 54.8 million (CHF 56.0 million), slightly below the comparable figure for the previous year, while Test Systems acquired new orders worth CHF 28.7 million (CHF 24.5 million), a strong 17.4% increase. The book-to-bill ratio was 1.0 (1.1) for Components and 1.2 (1.1) for Test Systems. Following the successful integration of Schaffner Oy and Schaffner Electrotest, both these firms acquired in the past two years made positive contributions to the half-year results. The two investment projects, one targeting the automotive supplier market and the other involving the engineering and production center opened in Shanghai in mid-2002, have in the meantime both achieved their ambitious interim targets. In a sectoral split, the Schaffner Group generated around half of its sales in industrial electronics with 38% (2001/2002 fiscal year: 37%) and telecommunications with 16% (18%). The balance of just under 50% is broadly distributed across the following sectors: medical technology 8% (7%), power supply 7% (6%), automotive 7% (6%), electronic data processing and office automation 6% (7%), consumer goods 5% (4%), defense 5% (5%) and miscellaneous 8% (10%).

In a geographical split, 73% (2001/2002 fiscal year: 67%) of consolidated sales were generated in the European market, 14% (16%) in North America and 13% (17%) in the Asia-Pacific region.

Solid basis for long-term success. The Schaffner Group will continue to invest substantially in expanding its leading position in the international EMC market and developing its new market in the automotive supplier industry. The focus is on maximum process quality, confirmed during the reporting period with the award of ISO/TS 16949:2002 certification with its stringent criteria, as well as on continuing productivity gains and growth in profitability. The restructuring of the Test Systems business was completed as planned during the reporting period. Following the reorganization, the Group’s Irish subsidiary is now concentrating on its original core business, products and solutions for the power supply sector. In a further move, the Group’s operations in the United Kingdom and Germany were streamlined and management structures simplified. Latest product developments include a new generation of filters for the Power Quality area and the compact test system “Modula 6000”, which had a highly successful launch in early April 2003 at the “EMC Augsburg” and “Hyper Paris” trade fairs. Both are innovative solutions and complement Schaffner’s capabilities in the EMC sector. Further highlights during the first half of the year were the renewal of frame agreements by key global clients from the telecommunications and industrial electronics sectors and the signing of new agreements with two internationally active industrial groups. With the start of series production of modules for keyless vehicle access systems, the Schaffner Group is now firmly established in the important automotive supplier industry, creating a solid platform for launching new projects. Among these projects are systems for automatic tire pressure monitoring. Set to be fitted as standard on new vehicles in the foreseeable future, they have major growth potential and will at the same time have to satisfy stringent safety requirements. With its proven experience in developing solutions to tight technical tolerances and manufacturing large unit volumes, the Schaffner Group has the expertise needed to supply components for these systems. With its attractive product offering and technological leadership, the Schaffner Group is well equipped going forward to expand its position and continue to outgrow the market.

Luterbach, May 20, 2003

Alex Oechslin
Chairman

Fritz Gantert
President & Chief Executive Officer

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Consolidated balance sheet

in CHF 1,000

	31.3.2003	30.9.2002
Intangible assets	24,729	25,909
Tangible fixed assets	30,289	32,667
Investments	3	3
Other long-term assets	6,763	5,238
Fixed assets	**61,784**	**63,817**
Inventories	31,163	34,148
Trade receivables	32,122	32,548
Other receivables and accruals	7,284	6,151
Short-term investments	15	15
Cash and cash equivalents	5,174	4,416
Current assets	**75,758**	**77,278**
Total assets	**137,542**	**141,095**
Shareholders’ equity	**49,326**	**51,897**
Minority interests	**19**	**30**
Provisions	4,885	5,780
Deferred tax liabilities	2,268	2,184
Long-term borrowings	48,122	53,614
Short-term borrowings	10,166	5,755
Interest-free liabilities	22,756	21,835
Total liabilities	**88,197**	**89,168**
Total liabilities and shareholders’ equity	**137,542**	**141,095**

Change in consolidated equity

in CHF 1,000

	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Treasury shares	Total shareholders’ equity
At 30.9.2002	**31,797**	**53,129**	**–3,799**	**–22,358**	**–6,872**	**51,897**
Translation differences	0	0	–1,449	0	0	–1,449
Treasury shares	0	0	0	–730	198	–532
Net profit	0	0	0	–590	0	–590
Dividend payment	0	0	0	0	0	0
At 31.3.2003	**31,797**	**53,129**	**–5,248**	**–23,678**	**–6,674**	**49,326**

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Consolidated income statement

in CHF 1,000

	30.9.2002 to 31.3.2003	30.9.2001 to 31.3.2002
Net sales	**76,144**	**74,002**
Change in inventory	–2,263	–591
Corporate output	**73,881**	**73,411**
Cost of goods	–41,462	–44,089
Marketing and sales	–12,207	–12,713
Research, development and application	–7,842	–7,776
Logistics	–1,338	–1,209
General and administration[1]	–8,589	–7,564
EBITA	**2,443**	**60**
Goodwill amortization	**–1,414**	**–1,207**
EBIT	**1,029**	**–1,147**
Financial income	–1,754	–1,209
EBT	**–725**	**–2,356**
Income taxes	125	330
Net profit before minority interests	**–600**	**–2,026**
Minority interests	**10**	**–2**
Net profit after minority interests	**–590**	**–2,028**
Depreciation and amortization (without goodwill)[2]	–3,757	–3,632
Personnel expenses	–28,533	–28,614
Earnings per share in CHF		
basic	–0.94	–3.24
diluted	–0.94	–3.21

Consolidated cash flow statement

in CHF 1,000

	30.9.2002 to 31.3.2003	30.9.2001 to 31.3.2002
Cash flow from operating activities	4,469	–560
Cash flow from investing activities	–1,923	–15,765
Cash flow from financing activities	–1,643	18,160
Total cash flow	**903**	**1,835**
± Translation differences on cash and cash equivalents	–145	–31
Change in cash and cash equivalents	**758**	**1,804**
Free cash flow[3]	**2,567**	**–577**

[1] All central expenses are now shown as operating expenditure.

[2] Restatement of previous year (incl. intangible assets).

[3] Cash flow from operating activities minus net investments in intangible and tangible fixed assets.

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