

Interim Report 2004/2005



SCHAFFNER

safety for electronic systems

Economic slowdown affects business trend. The Schaffner Group posted net sales of CHF 79.3 million in the first six months of fiscal 2004/2005 (first half 2003/2004: CHF 86.2 million). EBITA and EBIT both amounted to CHF 0.4 million (CHF 3.6 million and CHF 2.6 million, respectively). After deducting the negative financial result of CHF –1.2 million (CHF –1.6 million) and income tax expense of CHF –0.4 million (CHF –0.4 million), the Schaffner Group's net loss for the first half of fiscal 2004/2005 amounted to CHF –1.2 million (net profit of CHF 0.5 million). Compared with the better-than-average figures achieved last year, this interim result reflects the economic slowdown seen in the past few months. Order intake totaled CHF 88.4 million, down from CHF 93.6 million, but the book-to-bill ratio after six months was promising at 1.11.

Price pressure mounting. Economic developments in recent months have served to heighten the pressure on prices for electrical and electronic components. This is clearly reflected in the margin trend. While net sales were down by roughly 8%, the cost of goods sold was unchanged year-on-year at CHF 49.6 million. At the same time, rising raw materials prices and more stringent safety requirements such as the "Restriction of the use of certain hazardous substances" (RoHS) have driven up production costs, whereas there is only limited scope for the market to accept price increases at present.

Rigorous cost management meant that administrative expense was adjusted to margin developments and significantly reduced by 23.5% to approximately CHF 9.0 million (CHF 11.7 million). Overall, the overhead cost block decreased by about 11% to CHF 29.3 million (CHF 32.9 million).

The Components business posted half-year sales of CHF 58.5 million (first half 2003/2004: CHF 59.6 million) and an order intake of CHF 66.5 million (CHF 68.1 million). In the Test Systems business, sales amounted to CHF 20.8 million (CHF 26.6 million) and order intake to CHF 21.9 million (CHF 25.5 million).

When comparing the year-on-year figures, it must be remembered that many customers corrected insufficient inventories in the first half of 2003/2004 following an extended period of major reticence in terms of capital spending. This effect distorts the comparison, especially in the volatile components market. The results also reflect the cooling off on the technology markets that started in mid-2004, a development which was amplified by the seasonal weakness in orders during the first calendar quarter of 2005. Furthermore, exchange rates relative to the key trading currencies – in particular the US dollar – had a negative impact on the consolidated interim results, which are calculated in Swiss francs. Although efforts to streamline the product range in Test Systems business and focus on products with greater profit and growth potential additionally weighed on sales, these efforts have already enhanced results in Test Systems business.

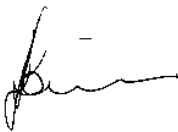
In terms of sectors, 37% of sales in the first half of fiscal 2004/2005 were generated in industrial electronics (first half 2005/2004: 36%). Positive developments in this sector included the signing of a three-year agreement worth approximately CHF 14 million with a major, long-standing customer in the Components business at the start of the fiscal year. Telecommunications accounted for 17% of sales (19%). The automotive sector performed in line with the Group's strategy: Two new customers for Schaffner's immobilizer system components were won in the first half of 2004/2005, one in Korea and the other in China. Following preliminary investments in the current fiscal year, the first sales are expected in fiscal 2005/2006. Mass production of Schaffner components for use in tire pressure monitoring systems (TPMS) will also begin in the first quarter of the next fiscal year for a large US manufacturer. The automotive market currently contributes 13% (11%) of Group sales. Remaining sales were spread across several sectors, including IT, medical technology, armaments, power supply, etc.

Broken down geographically, 18% (17%) of sales were generated in the Asia-Pacific market. Mounting price pressure on the global technology markets emphasizes how important the region is for the Schaffner Group's profitable growth over the long term. Proximity to Asia-Pacific customers, the flexibility to respond rapidly to changes in demand, and

Schaffner's proven quality in local mass production will be key strategic elements here. Schaffner also benefits from years of production experience in Thailand. This is gradually flowing into the Chinese production capacities, which were expanded in the last fiscal year. Europe continued to account for the biggest share of Group sales with 72% (73%), while the US contributed 10% (10%).

Outlook. The analysis of the Test Systems business that was announced in January and involved external specialists was completed as planned. The various scenarios are currently being reviewed in detail. In view of the renewed deterioration in market visibility, attempting to forecast the business trend going forward is extremely difficult at present and makes little sense. However, the Schaffner Group management team is confident that the traditionally stronger second half of the fiscal year will bring improvements in both sales and orders.

Luterbach, May 12, 2005



Leo Steiner
Chairman of the Board of Directors



Fritz Gantert
Delegate of the Board of Directors,
President & Chief Executive Officer

SCHÄFFNER GROUP

Consolidated balance sheet

in CHF 1,000

	31.3.2005	30.9.2004
Fixed assets	49,215	50,162
Intangible assets	17,654	17,835
Tangible fixed assets	27,696	28,467
Investments	3	3
Other long-term assets	3,307	3,291
Deferred tax assets	555	566
Current assets	73,521	80,935
Inventories	27,629	31,177
Trade receivables	31,988	34,342
Tax receivables	3,499	1,085
Other receivables and accruals	3,613	5,507
Short-term investments	5	5
Cash and cash equivalents	6,787	8,819
Total assets	122,736	131,097
Shareholders' equity	45,296	46,229
Minority interests	-20	3
Provisions	4,044	3,974
Deferred tax liabilities	2,255	2,419
Long-term borrowings	47,078	46,652
Long-term liabilities	53,377	53,045
Short-term borrowings	3,059	3,208
Tax receivables	2,132	2,200
Interest-free liabilities	18,892	26,412
Short-term liabilities	24,083	31,820
Total liabilities	77,460	84,865
Total liabilities and shareholders' equity	122,736	131,097

Change in consolidated equity

in CHF 1,000

	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Treasury shares	Total shareholders' equity
At 30.9.2004	31,797	55,776	-5,335	-30,123	-5,886	46,229
Translation differences			75			75
Treasury shares				-80	1,496	1,416
Net profit				-1,215		-1,215
Dividend payment				-1,209		-1,209
At 31.3.2005	31,797	55,776	-5,260	-32,626	-4,390	45,296

Schaffner GROUP

Consolidated income statement

in CHF 1,000

	30.9.2004 to 31.3.2005	30.9.2003 to 31.3.2004
Net sales	79,283	86,185
Cost of goods sold	-49,608	-49,630
Marketing and sales	-11,896	-12,532
Research, development and application	-6,808	-7,237
Logistics	-1,631	-1,429
General and administration ¹	-8,990	-11,747
EBITA	350	3,610
Goodwill amortization	0	-1,051
EBIT	350	2,559
Financial result ²	-1,176	-1,612
EBT	-826	947
Income taxes	-412	-429
Net profit	-1,238	518
Minority interests	23	14
Net profit after minority interests	-1,215	532
Depreciation and amortization (without goodwill)	-3,469	-3,784
Personnel expenses	-30,407	-30,942
Earnings per share in CHF		
basic	-2.00	0.85
diluted	-2.00	0.85

¹ Previous year incl. CHF -513,000 reported as non-operational.

² Currency gains and losses on accounts receivable are now included in sales deductions (CHF 375,000). Currency gains and losses on accounts payable are shown under cost of goods sold (CHF 175,000). Previous year's figures remained unadjusted.

Consolidated cash flow statement

in CHF 1,000

	30.9.2004 to 31.3.2005	30.9.2003 to 31.3.2004
Cash flow from operating activities	-212	-730
Cash flow from investing activities	-2,409	-3,427
Cash flow from financing activities	625	8,182
Total cash flow	-1,996	4,025
± Translation differences on cash and cash equivalents	-35	19
Change in cash and cash equivalents	-2,031	4,044
Free cash flow ¹	-2,609	-4,198

¹ Cash flow from operating activities minus net capital expenditures in tangible fixed and intangible assets.

Explanatory notes. These financial statements are prepared in accordance with the International Accounting Standards. These interim financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended September 30, 2004, as they provide an update of previously reported information. The consolidated financial statements were approved on April 18, 2005. In comparison to the last financial statements IFRS 3, IAS 36 and IAS 38 (revised 2004) have been applied for the first time. Except for IAS 38 (Depreciation of Goodwill) none of these standards had an influence on the financial statements at March 31, 2005. The other accounting policies used are consistent with those used in the annual financial statements. The Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

There were no significant acquisitions or disposals during the interim period 2004/2005. No significant changes in the Group's contingent liabilities have occurred since the annual financial statements. Income tax expense is recognized based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

Exchange rates. Rates of exchange for the major currencies used by the Group against the Swiss franc are as follows:

Country	Currency	Balance sheet		Income statement	
		31.3.2005	30.9.2004	30.9.2004 to 31.3.2005	30.9.2003 to 31.3.2004
		CHF	CHF	CHF	CHF
EU	1 EUR	1.55	1.55	1.54	1.56
USA	1 USD	1.19	1.25	1.17	1.28
Thailand	1 THB	0.03	0.03	0.03	0.03
UK	1 GBP	2.26	2.26	2.22	2.28



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