

Interim Report 2006/2007



SCHAFFNER

safety for electronic systems

Schaffner Group posts double-digit growth for the first half of fiscal 2006/2007 thanks to power quality business.

In the first six months of fiscal 2006/2007, the Schaffner Group increased net sales of components for optimizing energy utilization and increasing the operating reliability of electrical and electronic systems by 18.6% on the previous year to CHF 79.2 million (first half 2005/2006: CHF 66.8 million). Adjusted for currency effects, the rise in sales amounted to 16.8%. At the same time, order intake increased by 28.3% to CHF 92.6 million (CHF 72.2 million). The book-to-bill ratio for the first six months of the current fiscal year came to 1.17. Without taking into account the influence of Schaffner Jacke GmbH, which was first consolidated as of November 2006, both net sales, at CHF 68.3 million, and order intake, at CHF 74.7 million, slightly exceeded the previous year's figures. Including the EMC test systems business, which was sold at the end of November 2006 as part of a management buyout (MBO), and the last test systems activity, Cable & ElectroEmulation, which was sold at the end of April 2007, the Schaffner Group achieved net sales of CHF 92.4 million (CHF 91.0 million) and an accumulated order intake of CHF 105.0 million (CHF 96.5 million) in the first half of fiscal 2006/2007.

In the first six months of 2006/2007, the Schaffner Group reported net sales of CHF 79.2 million (CHF 66.8 million) and EBIT of CHF 3.5 million (CHF 5.0 million) from its continuing operations. EBIT margin amounted to 4.4% (7.4%). The drop in profitability compared to the previous year can be attributed mainly to a weak first quarter in the automotive business, start-up costs for new products in Shanghai and a rise in the cost of materials that could only be offset by price increases with a certain time lag in the first six months. The net profit from continuing operations slipped back to CHF 2.0 million (CHF 3.8 million). Discontinued operations generated net sales of CHF 13.2 million (CHF 24.2 million), as well as a net profit of CHF -0.9 million (CHF -3.1 million). The consolidated net profit improved to CHF 1.1 million (CHF 0.8 million).

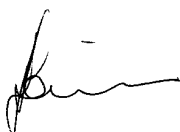
Continuing operations. The sales growth for components for optimizing energy utilization and increasing the operating reliability of electrical and electronic systems has a broad base. Schaffner is global market leader for EMC components, a market segment that is experiencing disproportionate growth in Asia. Since the integration of Jacke Transformatoren GmbH, Schaffner has also ranked as one of the leading manufacturers worldwide of power quality components and is the only company operating globally that offers EMC and power quality competence from a single source. This, in addition to market growth, has resulted in a significant increase in sales in the area of power quality. Schaffner's power quality technology is used in a range of applications including the conversion and regeneration of electricity in solar and wind energy production. It is also used in rail technology. In combination with electronic motor controls, the company's products enable the energy consumed in electric drives to be reduced by a substantial amount.

Shortly after the integration of Jacke Transformatoren GmbH, the manufacture of power quality components also commenced in the Schaffner plants in China and Hungary and production volume was increased considerably in order to meet the needs of the rapidly growing market for power quality solutions and globally active customers. The geographic breakdown of sales shows the international structure of the Schaffner Group: Europe accounted for the lion's share of sales with 74%, the US contributed 9% and 17% was achieved in the dynamic Asia/Pacific market.

Discontinued operations. Following the sale of the EMC test systems business line within the framework of an MBO at the end of November 2006 to an investor group headed by Johannes Schmid, the former Head of Test Systems Division, the divestment of the Test Systems operations was completed at the end of April 2007 with the sale of the last business line, Cable & ElectroEmulation, to the present management team as part of another MBO.

Outlook. In view of the prevailing economic conditions, for the 2006/2007 fiscal year the Schaffner Group expects to achieve a further sustained increase in sales year on year as well as an EBIT margin of around 6%. The increase in profitability required to realize this in the second half of the year will result from the rise in the cost of materials, which has now been passed on to the market, a marked increase in profitability in the automotive business as a result of an upturn in sales and lower manufacturing costs for the part of the power quality components production that was transferred to Hungary.

Luterbach, May 11, 2007



Leo Steiner
Chairman of the Board of Directors



Alexander Hagemann
Chief Executive Officer

Consolidated balance sheet

in CHF 1,000

| | 31.3.2007 | 30.9.2006 |
|---|----------------|----------------|
| Intangible assets | 10,541 | 7,293 |
| Tangible fixed assets | 15,516 | 12,520 |
| Investments | – | 3 |
| Other long-term assets | 9,461 | 5,793 |
| Deferred tax assets | 996 | 1,182 |
| Fixed assets | 36,514 | 26,791 |
| Inventories | 33,588 | 21,334 |
| Trade receivables | 35,147 | 38,081 |
| Tax receivables | 734 | 614 |
| Other receivables and accruals ¹ | 9,557 | 30,703 |
| Short-term investments | – | – |
| Cash and cash equivalents | 24,274 | 9,036 |
| | 103,300 | 99,768 |
| Assets held for sale | 9,580 | 15,206 |
| Current assets | 112,880 | 114,974 |
| Total assets | 149,394 | 141,765 |
| Equity attributable to equity holders of Schaffner Holding AG | 48,651 | 50,982 |
| Minority interests | 2 | 3 |
| Shareholders' equity | 48,653 | 50,985 |
| Provisions | 7,490 | 5,455 |
| Deferred tax liabilities | 2,084 | 1,105 |
| Long-term borrowings | 48,861 | 47,905 |
| Long-term liabilities | 58,435 | 54,465 |
| Short-term borrowings | 853 | 272 |
| Tax liabilities | 2,140 | 1,681 |
| Interest-free liabilities | 34,026 | 34,362 |
| | 37,019 | 36,315 |
| Liabilities directly associated with assets held for sale | 5,287 | – |
| Short-term liabilities | 42,305 | 36,315 |
| Total liabilities | 100,741 | 90,780 |
| Total liabilities and shareholders' equity | 149,394 | 141,765 |

¹ Balance at 30.9.2006 including CHF 20.0 million from sold properties at the Company's headquarters in Luterbach.

Consolidated income statement

in CHF 1,000

| | 1.10.2006 to 31.3.2007 | 1.10.2005 to 31.3.2006 |
|---|---------------------------|---------------------------|
| Continuing operations | | |
| Net sales | 79,170 | 66,758 |
| Cost of goods sold | -53,078 | -43,382 |
| Marketing and sales | -8,632 | -7,635 |
| Research, development and application | -5,011 | -4,429 |
| General and administration | -8,939 | -6,347 |
| EBIT | 3,510 | 4,965 |
| Financial result | -643 | -665 |
| EBT | 2,867 | 4,300 |
| Income taxes | -848 | -462 |
| Profit for the period from continuing operations | 2,019 | 3,838 |
| Discontinued operations | | |
| Profit for the period from discontinued operations¹ | -912 | -3,079 |
| Net profit | 1,107 | 759 |
| Attributable to: | | |
| Equity holders of the parent | 1,108 | 772 |
| Minority interests | -1 | -13 |
| Earnings per share from continuing operations in CHF | | |
| basic | 3.28 | 6.34 |
| diluted | 3.25 | 6.31 |
| Earnings per share from discontinued operations in CHF | | |
| basic | -1.48 | -5.07 |
| diluted | -1.47 | -5.04 |
| Earnings per share in CHF | | |
| basic | 1.80 | 1.27 |
| diluted | 1.78 | 1.27 |

¹ Previous year includes business line Power Electronics divested end of April 2006 as well as business line EMC test systems divested end of November 2006.

Consolidated cash flow statement

in CHF 1,000

| | 1.10.2006 to 31.3.2007 | 1.10.2005 to 31.3.2006 |
|--|---------------------------|---------------------------|
| Cash flow from operating activities | -3,538 | -1,557 |
| Cash flow from investing activities ¹ | 22,508 | -3,159 |
| Cash flow from financing activities | -3,898 | 2,397 |
| ± Translation differences on cash and cash equivalents | 166 | 184 |
| Change in cash and cash equivalents | 15,238 | -2,135 |

¹ The current cash flow from investing activities includes a payment of CHF 20.0 million for Schaffner's Swiss properties at the Company's headquarters in Luterbach sold in September 2006.

Change in consolidated equity

in CHF 1,000

| | Share capital | Capital reserves | Cumulative translation differences | Retained earnings | Treasury shares | Amounts recognized directly in equity | Total shareholders' equity without minority interests | Minority interests | Total shareholders' equity |
|-----------------------------|---------------|------------------|------------------------------------|-------------------|-----------------|---------------------------------------|---|--------------------|----------------------------|
| At 30.9.2005 | 31,797 | 56,757 | -4,764 | -32,691 | -4,923 | -121 | 46,055 | 6 | 46,061 |
| Translation differences | | | 987 | | | 100 | 1,087 | | 1,087 |
| Consolidated net profit | | | | 772 | | | 772 | -13 | 759 |
| Comprehensive income | | | 987 | 772 | | 100 | 1,859 | -13 | 1,846 |
| Treasury shares | | | | -89 | -453 | | -542 | | -542 |
| Dividend payment | | | | | | | | | |
| Stock option plans | | 225 | | | | | 225 | | 225 |
| At 31.3.2006 | 31,797 | 56,982 | -3,777 | -32,008 | -5,376 | -21 | 47,597 | -7 | 47,590 |
| At 30.9.2006 | 31,797 | 57,374 | -3,875 | -29,241 | -5,734 | 661 | 50,982 | 3 | 50,985 |
| Translation differences | | | 1,898 | | | 51 | 1,949 | | 1,949 |
| Consolidated net profit | | | | 1,108 | | | 1,108 | -1 | 1,107 |
| Comprehensive income | | | 1,898 | 1,108 | | 51 | 3,057 | -1 | 3,056 |
| Repayment of nominal value | -6,995 | | | | | | -6,995 | | -6,995 |
| Treasury shares | | | | -157 | 1,510 | | 1,353 | | 1,353 |
| Dividend payment | | | | | | | | | |
| Stock option plans | | 254 | | | | | 254 | | 254 |
| At 31.3.2007 | 24,802 | 57,628 | -1,977 | -28,290 | -4,224 | 712 | 48,651 | 2 | 48,653 |

Segment information

in CHF 1,000

| | 1.10.2006 to 31.3.2007 | 1.10.2005 to 31.3.2006 |
|--|---------------------------|---------------------------|
| Net sales Components and Modules ¹ | 79,170 | 66,758 |
| Net profit Components and Modules ¹ | 2,019 | 3,838 |
| Net sales Test Systems ² | 13,220 | 24,243 |
| Net profit Test Systems ² | -912 | -3,079 |
| Consolidated net sales | 92,390 | 91,001 |
| Consolidated net profit | 1,107 | 759 |

¹ Continuing operations

² Discontinued operations

Explanatory notes

The financial statements of the Schaffner Group are prepared in conformity with International Accounting Standard (IAS) 34 Interim Financial Reporting. These interim financial statements should be read in conjunction with the consolidated financial statements for the fiscal year ended September 30, 2006, as they provide an update of previously reported information.

The consolidated financial statements were approved on May 7, 2007. Except for new or changed standards and interpretations, the accounting policies of the Schaffner Group are consistent with those used in the annual financial statements.

The following changes were taken into account as of October 1, 2006: Amendments to IAS 19 Employee Benefits, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 39 Financial Instruments: Recognition and Measurement and the introduction of IFRS 6 Exploration for and Evaluation of Mineral Resources, IFRIC 4 Determining whether an Arrangement contains a Lease, IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment, IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies, IFRIC 8 Scope of IFRS 2 as well as IFRIC 9 Reassessment of Embedded Derivatives.

These standards do not have any influence to the balance sheet and income statement of Schaffner Group, as either they represent just disclosure requirements or do not have practical relevance for Schaffner Group.

Divestment of EMC test systems business line. At the end of November 2006 the EMC test systems business line was sold through a management buyout to a group of investors led by Johannes Schmid, former Head of the Test Systems Division. Schaffner's former EMC test systems activities in Luterbach and Berlin as well as distribution and service subsidiaries in China, Japan, Singapore, the US, the UK and France were brought together into a new group of companies (TESEQ). In addition a credit limit of CHF 1 million over the next 18 months has been granted to the buyer at market conditions to secure liquidity in the initial phase. The selling price was adjusted by CHF 0.6 million to CHF 9.0 million at the occasion of the closing.

in CHF 1,000

| | |
|--|--------------|
| Intangible assets | 100 |
| Tangible fixed assets | 2,300 |
| Inventories | 7,000 |
| Asset disposed | 9,400 |
| Asset disposed | -9,400 |
| Payment to TESEQ for warranty acceptance | -300 |
| Translation differences | 0 |
| Cash payment | 9,000 |
| Net profit included | -700 |

Acquisition Jacke. On November 3, 2006, Schaffner acquired 100% of the shares of Jacke Transformatoren GmbH for CHF 3.1 million. The company continues operations with the engineering and production capacities in Büren, Germany, under the leadership of the current management. An initial payment of EUR 1 million was made to take over Jacke Transformatoren GmbH. In addition an earn-out model has been agreed that provides for additional payments up to a maximum of EUR 1.2 million if certain targets are met.

In accordance with IFRS 3.69, accounting of the acquisition Jacke is of a provisional nature in the interim report of March 31, 2007, since it could be assumed that, with respect to the purchase price allocation, further information will become known concerning the market-based valuation.

| in CHF 1,000 | Book value | Market value adjustments | Market value |
|---------------------------------------|----------------|--------------------------|----------------|
| Intangible assets | 500 | 3,300 | 3,800 |
| Tangible fixed assets | 500 | | 500 |
| Other long-term assets | 600 | | 600 |
| Inventories | 8,100 | | 8,100 |
| Trade receivables | 2,700 | | 2,700 |
| Other receivables and accruals | 300 | | 300 |
| | 12,700 | 3,300 | 16,000 |
| Provisions | -500 | | -500 |
| Deferred tax liabilities | 0 | -1,300 | -1,300 |
| Long-term borrowings | -500 | | -500 |
| Short-term borrowings | -5,300 | | -5,300 |
| Interest-free liabilities | -5,300 | | -5,300 |
| | -11,600 | -1,300 | -12,900 |
| Net assets | 1,100 | 2,000 | 3,100 |
| Total purchase price | | | 3,100 |
| Offset by: | | | |
| Cash | | | 1,600 |
| Earn-out (net) | | | 1,400 |
| Directly attributable costs | | | 100 |
| Net cash outflow from the acquisition | | | 1,700 |

If Jacke Transformatoren GmbH had been acquired on the first day of the fiscal year, Schaffner would have posted an additional CHF 2.0 million in consolidated net sales with a consolidated net profit of CHF 0.1 million. Chargeable net sales and net profit since the acquisition of CHF 11.8 million and CHF 0.1 million, respectively, have been posted.

Divestment of Cable & ElectroEmulation (CEE) test systems business line. An agreement has been signed for the sale of the Cable & ElectroEmulation business to the existing management. This completes the divestment of Schaffner's Test Systems. As part of the management buy-out, the existing management will take over the activities of Schaffner Electrotest GmbH of Germany, Schaffner Electrotest BV of the Netherlands, Schaffner Electrotest S.r.l. of Italy and the US activities of the Electrotest business. The sale is expected to be completed by the end of April 2007.

No other significant changes in the Group's contingent liabilities have occurred since the annual financial statements.

Schaffner Group operates in industries where significant seasonal or cyclical variations in total sales are not experienced during the financial year.

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 | |
|----------|----------|---------------|-----------|---------------------------|---------------------------|
| | | 31.3.2007 | 30.9.2006 | 1.10.2006 to 31.3.2007 | 1.10.2005 to 31.3.2006 |
| | | CHF | CHF | CHF | CHF |
| EU | 1 EUR | 1.62 | 1.58 | 1.61 | 1.56 |
| US | 1 USD | 1.22 | 1.30 | 1.22 | 1.30 |
| Thailand | 1 THB | 0.04 | 0.03 | 0.04 | 0.03 |
| UK | 1 GBP | 2.39 | 2.26 | 2.39 | 2.28 |

