

Cover photo. Component production at the Schaffner plant in Lamphun, Thailand

Photos. The Schaffner Group is present throughout the world. All around the globe, Schaffner employees are developing, producing and marketing EMC solutions and products for technologically related areas. This Annual Report presents a series of snapshots from the international Schaffner world.

China: Shanghai, Beijing (page 2); UK: Capel, Wokingham (page 4); Japan: Tokyo (page 8); Hungary: Kecskemét (page 12); Thailand: Lamphun (title page and page 16); Germany: Berlin, Karlsruhe, Wertheim (page 20); US: Edison, New Jersey (page 24); Finland: Lohja (page 26). Further locations can be found on page 30 of this report.

Dieser Geschäftsbericht ist auch in Deutsch erhältlich. This Annual Report is also available in German.

The German version is legally binding.

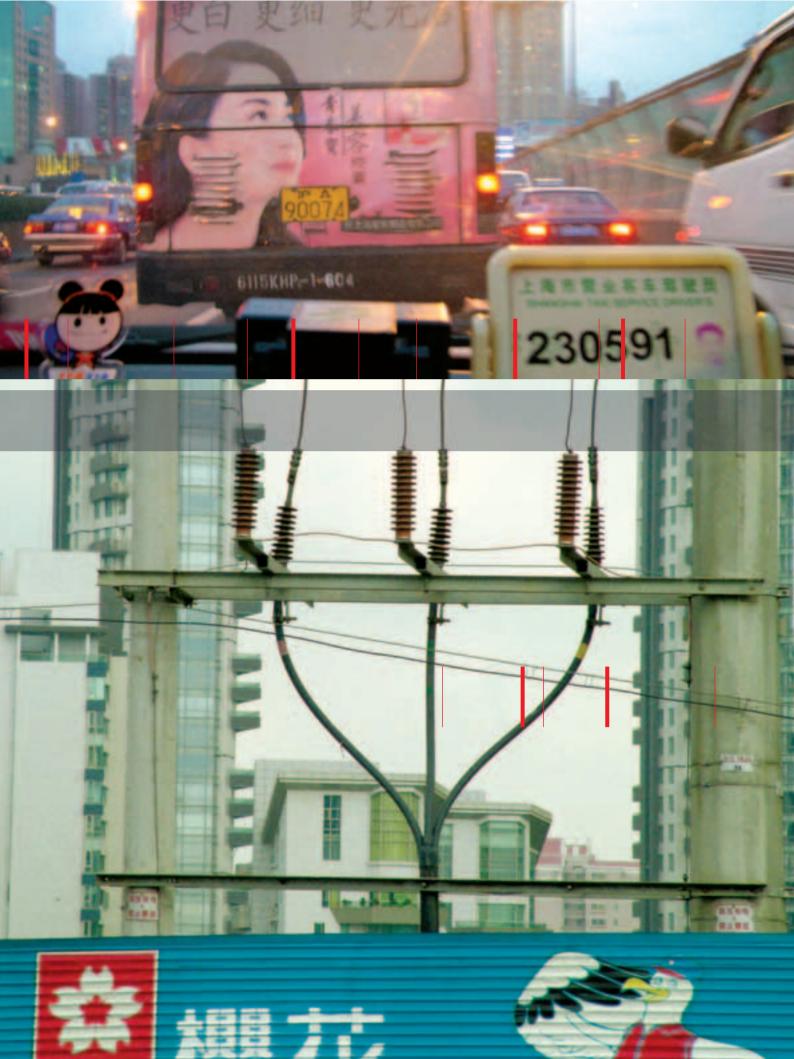


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Profile

As the density and complexity of electronic systems rise, ensuring their proper functioning at all times and thus guaranteeing people's well-being becomes both more crucial and more challenging:



Schaffner is the international leader in electromagnetic compatibility (EMC), focusing on high-growth sectors such as automotive, building automation, industrial and consumer electronics, aerospace, medical technology, power supplies, telecommunications and transportation as well as the public sector. Its core competence is ensuring electromagnetic compatibility in its role as a supplier by leveraging its extensive experience and the right technologies to guarantee that different electronic systems are able to work together smoothly.

Schaffner strives to secure and expand on its leading market positions as a global provider through a program of innovation, a constant drive for quality, cost-efficient practices and customer-focused logistics.

Schaffner develops, produces and markets standard and customer-specific components, modules, test systems and test facilities. Customer relationship management and product marketing are handled by an in-house engineering and sales organization that spans the globe as well as with the help of external partners.

Schaffner accords high priority to its corporate social responsibility and is strongly committed to ethical and environmental principles in generating added value for all stakeholder groups, i.e. customers, employees, shareholders, partners, suppliers and government bodies.



QUality Policy

Customer satisfaction through superior quality.

The Schaffner Group is a Switzerland-based, internationally active company committed to providing its customers with superior quality. Our quality standards enable us to achieve superior performance and set us apart from our competitors, as well as building the basis for success and long-term, sustained growth.

For us, this means:

- Quality and stakeholders

We create **sustainable added value** for customers, employees and shareholders. We understand their global needs and expectations and know how to meet them successfully.

- Quality and management

We strive for **continuous improvement** in our products, processes, systems and services. Based on excellence and careful resource allocation we create the foundations for long-term success. As managers, we live up to this commitment on a day-to-day basis.

- Quality and employees

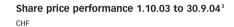
Get it right first time! This is our common motto for all functions, areas and tasks. With measurable goals, transparent communication, ongoing training and a team-oriented working culture, we create the necessary prerequisites.

The schaffner share

Key share figures	03/04	02/03	01/02	00/01	99/00	
key stidle figures	03/04	02/03	01/02	00/01	99/00	
Number of shares (par value CHF 50)	635,940	635,940	635,940	635,940	633,100	
Weighted average number of outstanding shares						
(dividend-bearing)	610,491	622,028	632,672	626,681	623,436	
Net earnings per share before reappraisals in CHF	3.70	2.09	-9.10	16.92	33.96	
Net earnings per share in CHF	3.70	-13.25	-9.10	16.92	33.96	
Shareholders' equity per share in CHF	72.69	68.88	81.61	100.37	98.02	
Dividend per share in CHF	2.00¹	0.00	0.00	3.50	5.00	
Free float in %	95.5	96.1	96.5	97.6	n.a.	
Stock market prices ²						
12-month high in CHF	232.00	230.00	460.00	620.00	474.00	
12-month low in CHF	164.00	90.00	198.00	261.00	187.00	
Year-end in CHF	190.00	203.00	216.00	320.00	464.00	
Stock market capitalization ²						
12-month high in CHF million	148	145	293	394	300	
12-month low in CHF million	104	57	126	166	118	
Year-end in CHF million	121	129	137	204	294	

As per the proposal of the Board of Directors to the Annual General Meeting of Shareholders to be held on January 12, 2005

Share price performance 17.6.98 to 30.9.04 $^{\mbox{\tiny 3}}$ $^{\mbox{\tiny CHF}}$







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Swiss Performance Index

Share trading. The registered shares of Schaffner Holding AG are traded on SWX Swiss Exchange under the securities number 906 209. The convertible bond of Schaffner Holding AG is traded on the SWX Swiss Exchange under the securities number 175 4641.

Ticker symbols. Registered share: SAHN; convertible bond: SAH04

For more information on the Schaffner share, please see page 37 of the Finance Report.

 $^{^{\,2}\,}$ Fiscal year from October 1 to September 30 (source: Bloomberg)

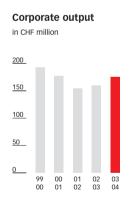
³ Source: Datastream

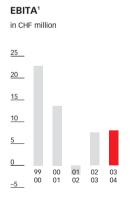
schaffner Group

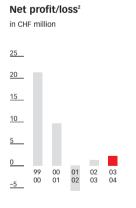
Key figures	03/04	02/03	01/02	00/01	99/00	
in CHF 1,000						
Net sales	175,376	163,350	159,309	177,235	184,892	
Components business	122,877	109,252	109,139	122,890	144,133	
Test Systems business	52,499	54,098	50,170	54,345	40,759	
Corporate output	175,575	159,317	153,806	177,193	192,932	
Restructuring	_	1,849	-4,535	-1,498	_	
EBITA ¹	7,966	7,502	-2,110	13,610	22,758	
as % of corporate output	4.5	4.7	-1.4	7.7	11.8	
EBIT	5,887	4,762	-4,768	12,176	21,674	
as % of corporate output	3.4	3.0	-3.1	6.9	11.2	
Net profit/loss before reappraisals	2,250	1,282	-5,757	9,654	21,172	
as % of corporate output	1.3	0.8	-3.7	5.4	11.0	
Net profit/loss	2,256	-8,243	-5,757	9,654	21,172	
as % of corporate output	1.3	-5.2	-3.7	5.4	11.0	
Total assets	131,097	126,354	141,095	132,350	146,518	
Shareholders' equity	46,229	43,801	51,897	63,831	62,058	
as % of total assets	35.3	34.7	36.8	48.2	42.4	
Number of employees (annual average)	2,114	1,749	1,640	1,746	1,586	
Number of employees (as at September 30)	2,136	1,856	1,607	1,435	1,922	

 $^{^{\}rm 1}\,$ Until 1999/2000 including operating currency difference

² Net profit/loss before reappraisals











To our shareholders

A global presence. Schaffner employees develop and produce customer-specific solutions and standard products throughout the world. Our dense network of development facilities and sales outlets enables us to serve customers in all corners of the globe. The forward-looking glo-

balization strategy adopted in the 1980s is now beginning to bear fruit. The carefully planned and implemented expansion, particularly in the Asian region, is a key strategic element in the long-term success of the Schaffner Group. After the recessive trends of recent years, the high-turnover, high-margin Components business made a rapid return to above-average, profitable growth in fiscal 2003/2004. In the Test Systems business, however, further improvement is required with regard to sales growth and profitability following the completion of the restructuring program. Corresponding measures have been consistently initiated and are already being implemented.

Schaffner recorded a positive sales performance in the year under review. The Group boosted its consolidated net sales by over 7% (around 6% after adjustment for currency effects), with the high-margin Components business posting growth of around 12%. Sales in Asia were up by more than 60%. The economic uncertainty of the last few years has changed the world. Global presence is now a crucial success factor, and multinational corporations have adapted their processes accordingly. Development now takes place on a decentralized basis, often in conjunction with the client. Production, on the other hand, is concentrated in Asia, with China in particular becoming the workshop to the world.

Globally established Schaffner Group. We have had a production facility in Thailand for 15 years. We opened our first branch in China ten years ago, and since mid-2002 we have operated our own engineering and production center in Shanghai. Production capacity was tripled in August 2004 on the back of the excellent performance in the Asian region. Schaffner has branches in China, Finland, France, Germany, Hungary, Ireland, Italy, Japan, the Netherlands, Singapore, Sweden, Switzerland, Taiwan, Thailand, the UK, and the US, and is a global and flexible partner at both the international and local level.





Alex Oechslin

Fritz Gantert

The key to success. Our success is based on global presence, innovation, an uncompromising approach to quality, short delivery times, and systematic cost management. Schaffner engineers are represented on all the major international EMC standardization bodies, and Schaffner instruments such as the innovative NSG 438 30kV ESD generator are setting benchmarks in the industry. Schaffner quality complies with the most stringent guidelines worldwide. In the automotive industry, for example, Schaffner antennas in keyless access systems help to make drivers' lives easier, Schaffner components in immobilizer systems provide increased theft protection, and Schaffner technology in tire-pressure monitoring systems helps to reduce the risk of accidents. Be it the automotive or telecommunications industry, industrial electronics or medical technology: wherever there is electricity, there is potential for Schaffner.

Dividend proposal. The Schaffner Group returned to profit in fiscal 2003/2004. After the restructuring carried out over the past few years, our Group is now ready for the future. In addition, Schaffner also has an extremely solid capital base following the issue of a 2.25 % convertible bond (term 2004 to 2010) in January 2004. With this in mind, the Board of Directors of Schaffner Holding AG will submit a proposal to the Annual General Meeting of Shareholders on January 12, 2005 to pay a dividend of CHF 2 per registered share (with a par value of CHF 50).

Changes in the Board of Directors and the Group Management. The end of fiscal 2005/2004 sees the completion of the care-fully managed succession at Schaffner. Alex Oechslin is to step down from the Board of Directors at the 2005 Annual General Meeting of Shareholders, having reached the statutory age limit. His designated successor as Chairman is Leo Steiner, who holds a diploma degree in ME from the ETH Zurich. Peter Leuthold, Emeritus Professor of Information Technology at the Federal Institute of Technology (ETH) Zurich, will leave the Board of Directors at the same time. Matthias Zwicky, the former Executive Vice President, Head of Test Systems, left the Group Management at the end of October 2004 to seek a new challenge outside the Schaffner Group, with Fritz Gantert taking over the leadership of the Test Systems business on an interim basis. In addition, Richard Müller, Executive Vice President, Head of Business Development, is to retire at the end of January 2005 after 22 years as a member of management at the Schaffner Group.

Thanks. We would like to thank all our partners, and in particular our employees, for their support. Their hard work has made a significant contribution to the successful performance of the Group in the year under review. A big thank you, too, to our customers for their excellent cooperation, and also to our shareholders for their interest and trust.

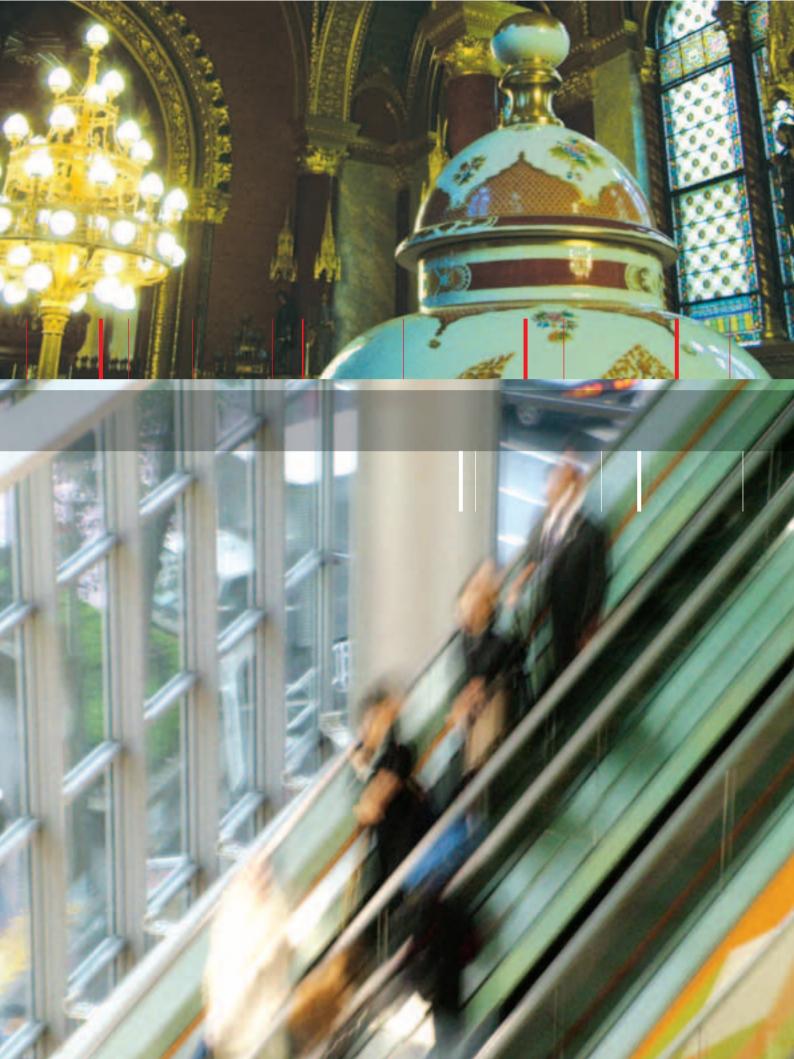
Alex Oechslin

Chairman of the Board of Directors

Fritz Gantert

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

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The Schaffner Group 2003/2004

Strong growth in Components. The Schaffner Group's net sales in fiscal 2003/2004 were at the upper end of expectations (CHF 173 million to CHF 176 million). At CHF 175.4 million, net sales were up 7.4% (5.9% after adjustment for currency effects) on the year-back figure (fiscal 2002/2003: CHF 163.4 million). Although the Test Systems business failed to meet its targets, EBIT grew by 24% to CHF 5.9 million (CHF 4.8 million). Free cash flow fell to CHF 3.7 million (CHF 9.2 million), due in part to changes in inventories. The net result rose from CHF –8.3 million (CHF 1.3 million on a comparative basis before reappraisals) to CHF 2.3 million.

Some 70% or CHF 122.9 million (CHF 109.5 million) of group sales were generated by the high-margin Components business and CHF 52.5 million (CHF 54.1 million) by Test Systems. Consolidated order intake was up 5.1% year-on-year at CHF 176.3 million (CHF 167.7 million). Broken down according to business, Components recorded a 12.1% rise in order intake to CHF 124.6 million (CHF 111.1 million), while Test Systems posted a fall of 8.6% to CHF 51.7 million (CHF 56.6 million). At the end of fiscal 2003/2004, the Group's book-to-bill ratio was 1.01.

Automotive sector becomes increasingly important. The sector split reveals a further substantial increase in the contribution made by the automotive sector, which generated 12% (10%) of sales. With a 34% (37%) share of sales, industrial electronics was once again the biggest contributor in the year under review, while the telecommunications sector accounted for 16% (15%) of sales. In addition to the three key revenue drivers – the automotive industry, industrial electronics, and telecommunications – the Schaffner Group continues to enjoy a solid, broadbased reach in terms of both sector coverage and customer base, in particular in the area of medical technology.

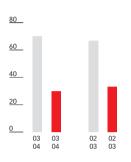
Massive growth in Asia. With an increase of over 60%, sales performance in the strategically important growth region of Asia clearly exceeded objectives. Given the huge potential of the region, especially in China, the Schaffner Group tripled production capacity in Shanghai in August 2004. The Asian region's contribution to sales was increased to 20% (14%) in fiscal 2003/2004. 69% (75%) of sales were generated in Europe and 11% (15%) in the Americas.

Management change in the Test Systems business. Following the restructuring of the Test Systems business over the past few years, the Head of Test Systems, Matthias Zwicky, relinquished control of the business at the end of October 2004 and is to seek a new challenge outside the Schaffner Group. The Board of Directors of Schaffner Holding AG would like to thank Matthias Zwicky for his efforts and wish him every success in the future. Fritz Gantert, President & Chief Executive Officer of the Schaffner Group, has taken over as head of the business on an interim basis. The primary goal now is to accelerate the pace of profitable market growth. The product range will also be examined and adapted to market potential through the definition of clear margin and growth requirements. Measures have already been initiated to boost margins over the long term.

Solid start to the new fiscal year. With order intake up significantly on the year-back level, the Schaffner Group has made a solid start to the new fiscal year. The dynamic growth trend in Asia is continuing, and demand in the high-turnover, high-margin Components business remains strong. In the automotive sector, Schaffner has followed up its successes in the European and Asian markets by establishing itself in the US automotive industry as well through its qualification as a supplier of components for tire-pressure monitoring systems (TPMS) to the US branch of a globally active systems supplier. Once all new cars in the US are required by law to be fitted with TPMS systems (from 2006 onwards), independent observers anticipate that TPMS will also become obligatory for new cars in most other countries, generating huge growth potential for qualified producers. In the Test Systems business, sales figures for our newly launched products, including the unrivaled NSG 438 30kV ESD generator and the modular, highly flexible "Modula" testing platform, have been extremely positive. The new NSG 5500 and NSG 5600 immunity test systems for the automotive industry, which were launched at "electronica 2004", also met with strong interest from the market. In addition, the product range was supplemented in the year under review with new cable and electroemulation test devices in lower-priced market segments. As such, the Schaffner Group's Test Systems business now also possesses a solid base from which to achieve its desired margin and growth targets and generate long-term, profitable growth overall.

Fritz Gantert President & Chief Executive Officer

Sales by core business



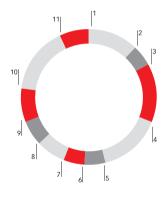
2003/2004 Components 70.1% Test Systems 29.9%

2002/2003 Components

Components 66.9% Test Systems 33.1%

Sales by sector

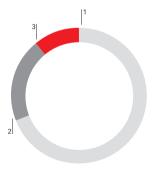
2003/2004



1	Automotive	12%
2	EDP + office automation	5%
3	Drives + control systems	14%
4	Process automation	15%
5	Elevators + lifting systems	5%
6	Consumer goods	5%
7	Medical technology	7%
8	Government + defense	6%
9	Power supply	8%
10	Telecommunications	16%
11	Other	7%

Sales by core market

2003/2004



1	Europe	69%
2	Asia	20%
3	America	11%



components business

High and profitable growth. The Components business posted net sales of CHF 122.9 million in fiscal 2003/2004 (2002/2003: CHF 109.3 million). Order intake was up 12.1% year-on-year to CHF 124.6 million (CHF 111.1 million). The high-margin Components business contributed over two thirds of the Schaffner Group's consolidated net sales.

Globally successful. The Components business worked extremely well in all geographical markets in fiscal 2003/2004, with the ambitious growth targets in Asia being met in line with strategy. Production capacity in Shanghai was tripled as a result of excellent capacity utilization. An engineering center and sales outlet in Taiwan were added to the already highly successful distribution organization. Sales in Asia accounted for 12% (9%) of net component sales in the year under review. Europe was also an outstanding market, contributing 78% (79%) to sales. We continue to see strong growth momentum in renewable energy, with filter combinations for the smooth running of solar and wind-power systems, but also in the telecommunications industry and for customers in the elevators + lifting systems, aerospace and rail transport sectors. We expect medical technology to increase in importance, particularly in the US, where we generated 10% (12%) of our sales in the year under review.

Continued growth of the automotive segment. The main market for Schaffner components is constituted by EMC applications for a wide range of sectors and uses, from straightforward

EMC filters to integrated modules. These include the unique, patented high-current power connector with integrated EMC filter, developed in conjunction with the US company Anderson Power Products (APP). The automotive industry continues to be the fastest-growing sector. In the sector mix, the contribution to sales made by components for the automotive industry rose by a further 3 percentage points to $7\,\%$ (4 %). With $18\,\%$ (23 %) of sales, drives + control systems remained the largest single sector. Process automation contributed $20\,\%$ (20 %) to sales, while $21\,\%$ (18 %) was attributable to components for the telecommunications industry. The remainder of sales were generated with customers from a further five sectors.

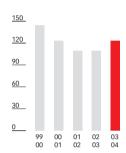
Global partner. Our ability to develop solutions on a decentralized basis and in collaboration with the customer has enabled us to establish ourselves as an innovative strategic partner to our customers. What is more, our rapid market success in the automotive supplier segment has also proven our high level of reliability and supply quality when it comes to larger volumes. Schaffner components dominate the global EMC market for complex applications. With our capacity for innovation and commitment to quality, customer-focused logistics and cost discipline, we are constantly strengthening our position vis-à-vis discerning customers throughout the world. Our global presence makes a vital contribution to the above-average, profitable growth of the Components business. We have the necessary flexibility to develop solutions close to where our customers are located at any time, and to deliver high volumes within a short space of time. The principle of "supporting our customer wherever he acts" has fundamentally changed the way in which we think and act, and to us it means much more than the expected physical proximity of a global organization. For us, supporting our customer wherever he acts also means identifying and anticipating customer requirements in connection with EMC and related applications. We want to surprise our customers with customer-oriented innovations, support their success with our specific solutions, promote their image by means of consistent high quality and customer-focused logistics, and strengthen their competitiveness via intensive cost awareness.

Outlook. On the one hand, the future of the Components business lies in the traditional EMC market, in which Schaffner is the undisputed technological leader and benefits directly from the increasing number of electrical and electronic processes confined to ever smaller spaces. The establishment of new and binding guidelines such as "Chinese Compulsory Certification" is also supporting the market development of the Components business. On the other hand, the targeted high growth is based on our ability to find innovative solutions and produce them on an industrial scale, either independently or together with partners. These solutions focus on the creative use of our core competencies, both in connection with EMC and in related areas. Schaffner Components has proven its ability to convert innovative technological solutions into high-quality products within the shortest space of time, to produce them in large quantities and to a wide range of customer specifications, and to deliver them almost anywhere in the world at the required time.

Roland Küpfer Executive Vice President, Head of Components

Sales trend in the Components business

in CHF million



Sales by sector

2003/2004



1	Automotive	7%
2	EDP + office automation	6%
3	Drives + control systems	18%
4	Process automation	20%
5	Elevators + lifting systems	6%
6	Consumer goods	4%
7	Medical technology	6%
8	Power supply	7%
9	Telecommunications	21%
10	Other	5%





Test systems business

Expectations not met in difficult environment. The

Test Systems business posted net sales of CHF 52.5 million in fiscal 2003/2004, down from CHF 54.1 million in fiscal 2002/2003. Order intake fell from CHF 56.6 million to CHF 51.7 million. The book-to-bill ratio was 0.99, the share of group sales 29.9%. In a market that was difficult overall, expectations for the year under review were not met.

High capacity for innovation. The successful restructuring of the past two years has served to bundle our know-how and streamline processes throughout the Group. Our capacity for innovation is reflected in the warm reception given to new products launched recently, including the unrivaled NSG 438 30kV ESD generator, the modular and highly flexible

"Modula" testing platform, and most recently the NSG 5500 and NSG 5600 immunity test systems for the automotive industry, which were launched at "electronica 2004". We also filled gaps in the lower-priced market segments for cable and electroemulation testing.

Potential for market optimization. Meanwhile, there is still room for improvement in market development as regards returning to sustainable and profitable growth. While Electrotest, which was integrated in 2002, has met its earnings targets in its core market, the projection of synergy potential in relation to the global Schaffner structure appears to have been too optimistic. We also lost an important contract from the aerospace industry in the year under review due to a pricing disadvantage brought about by USD exchange rates. Schaffner enjoys undisputed technological leadership with its "Optimo" test device, launched last year. Based on MOST (Media Oriented System Transport) technology, the device uses fiberoptics to test communication links in cars. However market growth was slower than originally expected. With the exception of the pure EMC business, fiscal 2003/2004 was a challenging year for Test Systems.

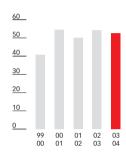
World leader in EMC. Net sales of classical EMC instruments increased in fiscal 2003/2004, with the book-to-bill ratio standing at 1.04. In geographical terms, the sharpest increase was recorded in Asia. China in particular is proving to be a stable growth market. Our client base remains broadly supported across a range of key sectors: automotive, rail, aviation, telecommunications, and industrial electronics. We expect growth in China to speed up further going forward, driven in part by the country's increasing industrialization. While many test steps are still carried out manually, rising production costs and the inexorable spread of automation are rapidly expanding the scope for this market.

Growth potential. Our highly sophisticated instruments, experienced specialists and global structure will ensure growth and technological superiority in the years ahead. After a lengthy lean period, US orders started to pick up again in the year under review. Schaffner's test systems are the favorite of US automotive firms. We also profited to a great extent from the consolidation seen in recent years. Compared with the volatile Components business, however, the key performance indicators in Test Systems have shown much slower trends. This is clearly illustrated by the persistently poor demand for test systems in Europe, which contrasts with above-average growth in components sales in most European countries in the year under review. The Test Systems business will generally remain dependent on the pace of capital spending in its main client industries and thus show evidence of cyclical trends. Projects such as the major order for Turkey's National Metrology Laboratory will continue to make meaningful analyses of orders and sales difficult, especially over the short term. We are nevertheless confident that our technological skills will allow us to continually update our instrument offering and ensure that it is tailored to the market's requirements. Schaffner is thus well placed to achieve profitable long-term growth ahead of the market average in the Test Systems business.

Matthias Zwicky
Executive Vice President, Head of Test Systems
(until October 31, 2004)

Sales trend in the Test Systems business

in CHF million



Sales by sector

2003/2004

1	Automotive	25%
2	EDP + office automation	2%
3	Drives + control systems	3%
4	Process automation	3%
5	Elevators + lifting systems	2%
6	Consumer goods	7%
7	Medical technology	9%
8	Government + defense	19%
9	Power supply	10%
10	Telecommunications	6%
11	Other	14%



corporate governance

Corporate responsibility. Corporate governance nowadays requires decisionmaking competence and efficiency at the very highest level of management as well as a system of checks and balances between leadership and control on the one hand and transparent communication with all target groups on the other. Schaffner's Board of Directors and Group Management are committed to upholding these principles and have organized themselves to comply with the latest corporate governance standards. In addition to the information on the Group Management and the Board of Directors given on the following pages, more detailed information on the Group's corporate governance structures can be found in the Finance Report on pages 2 to 15 or on our website at www.schaffner.com.

> Group Management. On September 30, 2004, Schaffner's Group Management comprised the following members:

		since	
Fritz Gantert (1958)	President & Chief Executive Officer	2001	
Martin Zwyssig (1965)	Executive Vice President & Chief Financial Officer	2003	
Roland Küpfer (1958)	Executive Vice President, Head of Components	2001	
Richard Müller (1942)	Executive Vice President, Head of Business Development	1982	
Matthias Zwicky (1956)	Executive Vice President, Head of Test Systems	2000	

Changes in the Group Management. Matthias Zwicky left the Group Management on October 31, 2004. The Test Systems business is being headed by Fritz Gantert on an interim basis. Richard Müller will retire on January 31, 2005.

Statutory and group auditors. Ernst & Young AG, Berne.















Board of Directors. On September 30, 2004, the Board of Directors of Schaffner Holding AG was composed as follows:

	since	elected until	
Alex Oechslin, Chairman	1998	2006	
Former President & Chief Executive Officer of the Schaffner Group			
Fritz Gantert, Delegate	2002	2006	
President & Chief Executive Officer of the Schaffner Group			
Peter Leuthold	1998	2006	
Emeritus Professor of Information Technology and former Head of the Institute for			
Communications Technology at the Federal Institute of Technology in Zurich			
Peter E. Rüd	1998	2006	
Former Delegate of the Board of Directors & Chief Executive Officer			
of Phoenix Mecano Group, Stein am Rhein			
Robert Scherer	1998	2006	
Former member of the Executive Board of SIG			
Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen am Rheinfall			
Robert F. Spoerry	1998	2006	
Chairman, President & Chief Executive Officer of Mettler-Toledo International Inc., Greifensee			
Leo Steiner	2002	2006	
Delegate of the Board of Directors & Chief Executive Officer of Komax Holding AG, Dierikon			

Secretary to the Board

Martin Zwyssig

Executive Vice President & Chief Financial Officer of the Schaffner Group

Committees of the Board of Directors	Members
Audit Committee	Robert Scherer, Chairman
	Peter E. Rüd
Compensation Committee	Alex Oechslin, Chairman
	Robert F. Spoerry
	Leo Steiner

Changes in the Board of Directors. Alex Oechslin will leave the Board of Directors at the Annual General Meeting of Shareholders 2005, as he will have reached the statutory maximum age. Peter Leuthold will leave the Board of Directors at the same time.



Group Components	Production (Marketing and Sales	Application Engineering	Research and Development	Logistics	Test Systems	Production	Marketing and Sales	Application Engineering	Research and Development	Logistics	
Headquarters												
Schaffner Holding AG												
Eurologistics Center												
Schaffner EMC S.A.S.					-						•	
FURORE												
EUROPE												
Finland Solveffren Ov												
Schaffner Oy	_	_	_	_	_							
France Schaffner EMC S.A.S.												
		_	_					_				
Germany Schaffner Electrotest GmbH												
Schaffner EMV GmbH							_	_	_	_	_	
Hungary			_									
Schaffner EMV Hungary Kft.												
Ireland	_											
Schaffner Limited												
Italy												
Schaffner Electrotest S.r.I.									_			
Schaffner EMC S.r.l.												
Netherlands												
Schaffner Electrotest BV												
Sweden												
Schaffner EMC AB												
Switzerland												
Schaffner EMV AG												
UK												
Schaffner Ltd.												
Schaffner EMC Systems Ltd.							_		_			
ASIA/USA												
China								_				
Schaffner Beijing		_	_				_					
Schaffner EMC Ltd. Shanghai												
Japan Schaffner EMC K.K.												
Singapore		_	_					_			_	
Schaffner EMC Pte. Ltd.												
Taiwan			_		_							
Schaffner EMV Ltd.												
Thailand		_										
Schaffner EMC Co. Ltd.												
USA												
Schaffner EMC Inc.												

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Finance Report 2003.2004

The Finance Report 2003/2004 is an integral part of the Annual Report 2003/2004 and available in German as well.

Der Finanzbericht 2003/2004 ist integrierender Bestandteil des Geschäftsberichts 2003/2004. Er ist auch in Deutsch erhältlich.

December 2004



corporate Governance and Finance Report of Schaffner Group

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corporate governance

Group structure and shareholders

Management structure

Board of Directors President & Chief Executive Officer Fritz Gantert Components Corporate **Test Systems Business Development** Martin Zwyssig Roland Küpfer Fritz Gantert ad interim Richard Müller Finance + Accounting **Group Controlling** IT Fritz Gantert Corporate Communications + **Investor Relations** Group Quality + Sustainability Management **Human Resources Group companies Group companies**

Companies of the Schaffner Group. The following companies were included in the Schaffner Group's scope of consolidation as of September 30, 2004:

	Company		Base Capital in 1,000		Holding in %	
	Schaffner Holding AG	CH-Luterbach	CHF	31,797	100	
	Schaffner EMV AG	CH-Luterbach	CHF	14,000	100	
	Schaffner Oy	FI-Lohja	EUR	34	100	
	Schaffner EMC S.A.S.	FR-Illzach	EUR	2,330	100	
	Schaffner EMC Systems Ltd.	UK-Capel	GBP	1,300	100	
	Schaffner Ltd.	UK-Wokingham	GBP	260	100	
	Schaffner EMV Hungary Kft.	HU-Kecskemét	HUF	8,000	100¹	
	Schaffner Limited	IE-Limerick	EUR	549	100	
	Schaffner EMC S.r.l.	IT-Milan	EUR	100	100	
	Schaffner Electrotest S.r.l.	IT-Milan	EUR	10	95	
	Schaffner EMC AB	SE-Sollentuna	SEK	2,205	100	
	Schaffner EMC Inc.	US-Edison N.J.	USD	1,030	100	
	Schaffner EMC Ltd.	CN-Shanghai	CNY	23,583	100	
	Schaffner EMC K.K.	JP-Tokyo	JPY	10,000	100	
	Schaffner EMC Pte. Ltd.	Singapore	SGD	600	95	
	Schaffner EMC Co. Ltd.	TH-Lamphun	THB	140,000	100	
	Schaffner EMV Ltd. (Taiwan Branch)	TW-Taipei	TWD	5,000	100 ²	
	Schaffner Deutschland Holding GmbH	DE-Wertheim	EUR	25	100	
	Schaffner Deutschland Holding GmbH & Co. KG	DE-Wertheim	EUR	10,422	100	
<u> </u>	Schaffner EMV GmbH	DE-Karlsruhe	EUR	511	100	
	Schaffner Electrotest GmbH	DE-Wertheim	EUR	2,301	100	
	Schaffner Electrotest BV	NL-Drunen	EUR	18	100	
	·					

¹ 2% held by Schaffner Holding AG, CH-Luterbach

For further information on the above companies, see page 29 of the Annual Report 2003/2004.

² Established in May 2004, initial consolidation

Schaffner Holding AG is a public listed company under Swiss law. Its ordinary share capital of CHF 31,797,000 is divided into 635,940 registered shares with par value CHF 50 each. The registered shares of Schaffner Holding AG are traded on the main segment of SWX Swiss Exchange under the securities number 906 209. The stock market capitalization as of September 30, 2004 was CHF 121 million based on the number of shares in circulation. The convertible bond of Schaffner Holding AG is traded on the SWX Swiss Exchange under the securities number 175 4641.

Ticker symbols:

Registered share: SAHNConvertible bond: SAH04

Significant shareholders. Schaffner Holding AG had approximately 2,190 registered shareholders on September 30,2004. The following shareholders held $5\,\%$ or more of the share capital and voting rights on the accounting cut-off date:

- Julius Baer Multistock SA, Luxembourg: 6.0 %
- Sarasin Investmentfonds AG "SaraSelect", Switzerland: 8.4% (disclosed on December 5, 2003 pursuant to Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading, SESTA)

The free float is 95.5%.

Cross-shareholdings. No cross-shareholdings with other public listed companies exist.



Capital structure

Ordinary share capital	CHF 31,797,000 Divided into 635,940 registered shares with par value CHF 50 each.			
	The share capital is fully paid up.			
	Each share grants the owner one vote at the Annual General Meeting of Shareholders.			
	All shares which are not held by the Company or one of its subsidiaries are			
	dividend-bearing.			
Conditional share capital	CHF 1,067,000 (for employee share option plan)			
Conditional share capital	Divided into 21,340 registered shares with par value CHF 50 each.			
Conditional share capital				
Conditional share capital	Divided into 21,340 registered shares with par value CHF 50 each.			
Conditional share capital	Divided into 21,340 registered shares with par value CHF 50 each. Shareholders' pre-emptive rights are excluded.			
Conditional share capital	Divided into 21,340 registered shares with par value CHF 50 each. Shareholders' pre-emptive rights are excluded. CHF 9,500,000 (for 2.25% convertible bond)			

Outstanding convertible bond. On January 28, 2004, Schaffner Holding AG issued a 2.25 % convertible bond with a principal amount of CHF 49.4 million and final redemption after 6 years (2004–2010). The conversion price determined in a book-building procedure is CHF 260, which corresponds to a conversion ratio of 3.846 shares of Schaffner Holding AG per convertible bond with a principal value of CHF 1,000 each.

More information on the conditional share capital:

- Employee share option plan, pages 12 and 36 of the Finance Report 2003/2004
- Convertible bond, pages 17 and 44 of the Finance Report 2003/2004 and in the issue prospectus dated January 26, 2004

Changes in capital. The changes in the share capital, capital reserves, retained earnings and consolidated equity are listed on page 21 of this Finance Report and on page 21 of the Finance Report 2002/2003.

Limitations to transferability and nominee registrations. Anyone registered in the share register is considered to be a shareholder or beneficial owner. Anyone purchasing registered shares is registered by the Board of Directors in the Share Register on request as a shareholder with voting rights, provided they expressly declare that the shares have been bought and will be held for their own account.

The Board of Directors registers nominees with voting rights in the share register up to a maximum of 5% of the share capital recorded in the Commercial Register. Above this limit, registered shares of nominees with voting rights are only registered in the share register if the nominee discloses the names, addresses and holdings of the persons for whose account he or she holds 5% or more of the registered share capital. Nominees are persons who do not expressly declare in their registration request that they are holding the shares for their own account. The Board of Directors is entitled to conclude agreements with nominees regarding reporting obligations within the scope of the applicable law. The Board may grant exceptions to the nominee ruling on a case-by-case basis.

Legal entities and legal communities connected by capital, voting rights, management or in any other way are regarded as a single purchaser, as are all natural persons, legal entities or legal communities acting in a coordinated manner by agreement, as a syndicate or in any other way with a view to circumventing the nominee ruling.

The Company may cancel registrations in the share register and backdate such cancellation to the date of registration request if such registrations are found to be based on false information given by the purchaser. In such case, the purchaser must be informed immediately of the cancellation.

The registration restrictions described above also apply to shares bought or subscribed via the exercise of pre-emptive rights, conversion rights or options.

Board of Directors

Members. The Board of Directors of Schaffner Holding AG is primarily composed of independent, external members. Its membership on September 30, 2004 was as follows:

	since	elected until	
Alex Oechslin, Chairman	1998	2006	
Fritz Gantert, Delegate [*]	2002	2006	
Peter Leuthold	1998	2006	
Peter E. Rüd	1998	2006	
Robert Scherer	1998	2006	
Robert F. Spoerry	1998	2006	
Leo Steiner	2002	2006	
Secretary to the Board: Martin Zwyssig			

^{*} Executive member (President & Chief Executive Officer of the Schaffner Group)

Changes in the Board of Directors. Alex Oechslin will leave the Board of Directors at the Annual General Meeting of Shareholders 2005, as he will have reached the statutory maximum age. Peter Leuthold will leave the Board of Directors at the same time.

Information on the members of the Board of Directors

Alex Oechslin, Chairman

1934, Swiss.

Ph.D. in ME, ETH Zurich.

Former President & Chief Executive Officer of the Schaffner Group.

With the Schaffner Group since 1981; President & Chief Executive Officer up to July 31, 2001.

Other mandates on the boards of listed companies:

Member of the Board of Directors of Comet Holding AG, Flamatt.

Fritz Gantert, Delegate

1958, Swiss.

Ph.D. in ME, ETH Zurich.

Worked for Ascom from 1988 to 1998, then for Sarna Kunststoff Holding AG from 1998 to 2001.

President & Chief Executive Officer of the Schaffner Group since August 1, 2001.

Other mandates on the boards of listed companies:

Member of the Board of Directors of Eichhof Holding AG, Lucerne.

Peter Leuthold

1937, Swiss.

Prof. and Ph.D. in EE, ETH Zurich.

Emeritus Professor of Information Technology and former Head of the Institute for Communications Technology at the ETH Zurich.

Peter E. Rüd

1945, Swiss.

BSc in Engineering, degree course in Industrial Management at the ISZ/SIB.

Former Delegate of the Board of Directors and Chief Executive Officer of the Phoenix Mecano Group, Stein am Rhein (2000 to 2001). Worked for the Phoenix Mecano Group from 1982 to 2001.

Robert Scherer

1940, Swiss.

Business diploma.

Former Member of the Executive Board of SIG Schweizerische Industrie-Gesellschaft Holding AG, Neuhausen am Rheinfall (1998 to 2000), and Group Controller up to 2000.

Robert F. Spoerry

1955, Swiss.

Diploma degree in ME, ETH Zurich, and MBA, University of Chicago.

Chairman, President & Chief Executive Officer of Mettler-Toledo International Inc., Greifensee, since 1998.

Other mandates on the boards of listed companies:

Member of the Boards of Directors of Conzzeta Holding AG, Zurich, and Phonak Holding AG, Stäfa.

Leo Steiner

1943, Swiss.

Diploma degree in ME, ETH Zurich.

Delegate of the Board of Directors of Komax Holding AG, Dierikon, and Komax Group CEO since 1992.

Other mandates on the boards of listed companies:

Member of the Boards of Directors of Kardex Holding AG, Zurich, and Sarna Holding AG, Sarnen.

Cross-directorships. There are no cross-directorships with any other company.

Election and term of office. The members of the Board of Directors are elected by the Annual General Meeting of Shareholders for a term of four years. Members may offer themselves for re-election. The statutory maximum age is 70. The Board of Directors constitutes itself. It appoints a Chairman and a Secretary, who does not have to be a member of the Board.

Internal organization. The Board of Directors of Schaffner Holding AG is responsible for determining the Group's strategy. It reviews the Company's underlying plans and objectives and identifies internal and external risks and opportunities. The tasks of the Board of Directors of Schaffner Holding AG and the division of powers between the Board and the Group Management are defined in the Swiss Code of Obligations, the Company's articles of association and the organization regulations. The organization regulations are reviewed annually and amended if required.

The Board of Directors has a quorum when the majority of its members participates in spoken discussions and votes. Its decisions are passed by a simple majority vote. If the vote is tied, the Chairman casts the deciding vote. The Board is authorized to pass decisions in connection with capital increases regardless of the number of members present. The Board may also pass decisions regarding proposals submitted to it by written vote insofar as no member requests a spoken discussion. In this case, the decision is passed if it is supported by the majority of all Board members.

The Board of Directors holds a half-day meeting at least four times a year and generally convenes for a full-day closed session once a year. It undertakes to ensure that all members are mutually and comprehensively informed at all times.

The Board of Directors met six times in fiscal 2003/2004. All the Board members attended all the meetings. The Audit Committee and Compensation Committee each met twice. The Chief Financial Officer was present at both Audit Committee meetings, the Chief Executive Officer was present at one meeting of the Compensation Committee.

Committees. The Board of Directors of Schaffner Holding AG is supported by the committees detailed below. The latter are primarily tasked with providing specialist input to form the basis of the decisions passed by the Board. The committees are made up exclusively of

non-executive directors. They meet as often as necessary and inform the Board as to their findings and proposals at the normal Board meetings. They may also inform the Chairman or Delegate of the Board at any time in cases of urgency. Outside the normal Board meetings, the directors who sit on the committees also work directly with the Group Management. The term of office of committee members normally coincides with the four-year term of their director's mandate. If required, however, new committees can be created or existing ones reorganized or wound up.

Audit Committee

		Term
Rob	ert Scherer (Chairman)	2002–2006
Pete	er E. Rüd	2002–2006

The Audit Committee assists the Group Management in dealing with financial matters. In particular, it provides the Board with expert opinions on the following responsibilities of the Group Management:

- accuracy and clarity of group accounts,
- the financial part of the annual budget,
- the annual consolidated financial statements
- and other major tasks assigned to the finance department.

The Audit Committee takes receipt of the reports submitted by the statutory and group auditors on behalf of the Board and presents them to the Board for approval and opinions.

Compensation Committee

	Term
Alex Oechslin (Chairman)	2002–2006
Robert F. Spoerry	2002–2006
Leo Steiner	2002–2006

The Compensation Committee has the following responsibilities:

- At the start of each term of office, it submits proposals to the Board concerning the nature and amount of annual directors' fees.
- It also submits proposals concerning the remuneration of each individual member of the Group Management to the Board for approval on an annual basis.

The Compensation Committee also examines the following on behalf of the Board:

- Applications for the promotion of employees to the Group Management.
- Applications for the recruitment or dismissal of Group Management members.
 When a new member is to be recruited, members of the Compensation Committee take part in the process of assessing candidates.

Division of powers. Within the scope of the applicable legal and statutory provisions, the Board of Directors has delegated the operational management of the Schaffner Group to the Group Management, which is chaired by the Delegate of the Board of Directors (Chief Executive Officer). The Group Management is responsible for implementing group policies in line with the guidelines set out by the Board of Directors. Its tasks and powers are defined in the organization regulations.

Group Management information and controlling instruments. The Group Management provides the Board with a written report on Schaffner's business every month. Reports include details of the individual accounts of all Group companies, which are shown consolidated in the balance sheet and the income and cash flow statements. Results are compared to prior year and budgeted figures. The Board discusses the monthly reports at its meetings.

Principles and organization of management. The Schaffner Group divides its activities into four areas: Corporate (comprising Business Support departments), two businesses (Components and Test Systems) and Business Development. Corporate is managed by the President & Chief Executive Officer (Corporate Communications, Investor Relations, Group Quality & Sustainability Management, Human Resources) and the Chief Financial Officer (Finance & Accounting, Group Controlling, IT), while the two businesses and Business Development are each managed by an Executive Vice President. In accordance with the principle of decentralized management, the Schaffner Group delegates decision-making powers to the lowest possible function and encourages its staff to act entrepreneurially in line with their rank.

The Group Management is headed by the Chief Executive Officer and comprises the Chief Financial Officer and the Executive Vice Presidents. It is responsible for executing business policy in line with the requirements laid down by the Board of Directors, and in particular for achieving annual targets and implementing medium and long-term goals. It is also responsible for process planning, controlling and applying group-wide standards.

The Chief Executive Officer formulates the group strategy for the attention of the Board of Directors and is responsible for the implementation of this strategy. He sets the targets for all areas of the Group.

The Chief Financial Officer defines the framework for all strategic and operational controlling activities, takes care of the Group's financing, optimizes its financing and tax structure and supports the Chief Executive Officer and the Executive Vice Presidents in all financial matters.

The Executive Vice Presidents are responsible for achieving the short and medium-term targets set for their areas of authority. This includes in particular achieving a leading position in selected market segments and fostering continuous innovation in order to remain competitive in those segments.

Group Management

Members. On September 30, 2004, Schaffner's Group Management comprised the following members:

			since
Fritz Gar	ntert	President & Chief Executive Officer	2001
Martin Z	wyssig	Executive Vice President & Chief Financial Officer	2003
Roland K	Cüpfer	Executive Vice President, Head of Components	2001
Richard I	Müller	Executive Vice President, Head of Business Development	1982
Matthias	s Zwicky	Executive Vice President, Head of Test Systems	2000

Changes in the Group Management. Matthias Zwicky left the Group Management on October 31, 2004. The Test Systems business is being headed by Fritz Gantert on an interim basis. Richard Müller will retire on January 31, 2005.

Information on the members of the Group Management

Fritz Gantert

1958, Swiss.

Ph.D. in ME, ETH Zurich.

Various management functions at Ascom, including Managing Director of Ascom Autelca AG; member of Group Management and Head of the Sarnamotive division of Sarna Kunststoff Holding AG.

President & Chief Executive Officer of the Schaffner Group since August 1, 2001.

Mandates on the boards of listed companies:

Delegate of the Board of Directors of Schaffner Holding AG, Luterbach; Member of the Board of Directors of Eichhof Holding AG, Lucerne.

Martin Zwyssig

1965, Swiss.

Ph.D. in Economics, University of St. Gallen.

Sarna Kunststoff Holding AG, Head of Controlling for the Sarnatech/Sarnamotive division; EMS-Togo Group, member of the Executive Board and Head of Finance & Controlling. Executive Vice President & Chief Financial Officer of the Schaffner Group since April 1, 2003.

Roland Küpfer

1958, Swiss.

BSc in Engineering; MBA GSBA Zurich/MBA SUNY, Albany, USA.

Various management functions at Ascom; Haag-Streit AG, Managing Director.

Executive Vice President, Head of Components of the Schaffner Group since November 1, 2001.

Richard Müller

1942, Swiss.

BSc in Engineering.

With the Schaffner Group since 1982; Executive Vice President, Head of Business Development since July 1, 2000.

Matthias Zwicky

1956, Swiss.

Ph.D. in EE, ETH Zurich.

Schaffner EMV AG, Head of Development Components; IUB Ingenieurunternehmung AG, Electrical and Electromechanical Engineering; Aare Tessin AG (Atel), member of the Executive Board and Head of Energy Technology.

Executive Vice President, Head of Test Systems of the Schaffner Group from July 1, 2000 to October 31, 2004.

Management agreements. Schaffner Holding AG and its group companies have no management agreements with third parties.

Compensation, shareholdings and loans

Content and determination of compensation and share option plans. Based on proposals made by the Compensation Committee, the Board of Directors

- determines the amount of the fixed remuneration paid to its members and
- defines the fixed remunerations and the conditions for the profit-related component (bonus) for the members of the Group Management.

Extraordinary efforts beyond the scope of normal directorial duties of the members of the Board of Directors may be remunerated separately.

The bonuses paid to the President & Chief Executive Officer, the Chief Financial Officer and the Executive Vice President Business Development depend mainly on the group result and free cash flow as well as on the achievement of the personal targets.

The bonuses paid to the Executive Vice Presidents responsible for the two businesses depend mainly on the group result and the operating income of the respective businesses as well as on the achievement of the personal targets.

Compensation of active members of corporate bodies. The following total compensation was paid to active members of the Group's corporate bodies in fiscal 2003/2004:

CHF 1,735,364	Executive members of the Board of Directors and members of the Group Management
CHF 207,000	Non-executive members of the Board of Directors

The above amounts do not include option allocations. For information on the employee share option plan, see pages 12 and 36 of the Finance Report.

Severance payments. No severance payments were made in fiscal 2003/2004.

Compensation of former members of corporate bodies. No compensation was paid to former members of corporate bodies in fiscal 2003/2004.

Share allocations. No shares were allocated to members of the Board of Directors or the Group Management in the year under review.

Shareholdings. The members of the Board of Directors and the Group Management held the following number of Schaffner Holding AG registered shares on September 30, 2004:

340 shares	Executive members of the Board of Directors and members of the Group Management
6 980 shares	Non-executive members of the Roard of Directors

Options. A total of 4,200 options with a strike price of CHF 192 each were issued to members of the Board of Directors and the Group Management in fiscal 2003/2004.

Executive members of the Board of Directors and members of the Group Management

Issue date	Options issued	Strike price	Expiry	Exercised	
30.09.1998	1,000	145.00	30.09.2008	1,000	
25.11.1999	400	212.50	25.11.2009	0	
15.12.2000	1,500	543.00	15.12.2010	0	
04.12.2001	1,500	295.50	04.12.2011	0	
20.11.2002	3,300	159.00	20.11.2012	0	
24.11.2003	3,000	192.00	24.11.2013	0	
Total	10,700			1,000	

Non-executive members of the Board of Directors

Issue date	Options issued	Strike price	Expiry	Exercised	
30.09.1998	3,000	145.00	30.09.2008	1,800	
25.11.1999	900	212.50	25.11.2009	60	
15.12.2000	400	543.00	15.12.2010	0	
04.12.2001	1,000	295.50	04.12.2011	0	
20.11.2002	1,200	159.00	20.11.2012	0	
24.11.2003	1,200	192.00	24.11.2013	0	
Total	7,700			1,860	

For more information on the employee share option plan, see page 36 of the Finance Report.

Additional fees and remunerations. No additional fees or remunerations were paid to members of the Board of Directors or the Group Management in fiscal 2003/2004.

Loans to members of corporate bodies. There were no outstanding loans to members of the Group's corporate bodies on the accounting cut-off date.

Highest total compensation. The compensation package for the highest-paid member of the Board of Directors in fiscal 2003/2004 was made up as follows:

CHF 511,876	Total compensation
No. 1500	Ontions

Shareholders' rights

Limitation of voting rights and entry in the Share Register. Voting rights are not limited in any way. All shareholders whose names are entered in the Group's Share Register 20 days before the Annual General Meeting of Shareholders are entitled to vote.

Statutory quorums. The articles of association contain no provisions that deviate from the applicable law.

Convening and agenda of the Annual General Meeting of Shareholders. The agenda is sent out together with the invitations at least 20 days before the Annual General Meeting of Shareholders. Decisions cannot be passed on unannounced agenda items unless an extraordinary general meeting or special audit is called.

Changes in control and defense measures

Offer obligation. The articles of association of Schaffner Holding AG contain neither an opting-out clause nor an opting-up clause. Any individual or entity acquiring one third $(53^1/5\%)$ of the share capital of Schaffner Holding AG is obliged under Art. 32 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) to submit a public offer to purchase the remaining shares.

Clauses on changes of control. Upon a change of control (as defined below), any and all options then outstanding shall become fully and immediately exercisable by members of the employee share option plan (Board of Directors, Group Management, middle managers and employees). For the purpose of this provision, "change in control" means any of the following:

- the acquisition, directly or indirectly, by any person or entity of such number of shares of the Company which according to Art. 32 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) would trigger the obligation of such offeror to make an offer to acquire all listed shares of the Company or
- the sales of all or a substantial proportion of all of the Company's assets.

Auditors

Duration of the mandate and term of office of the auditor in charge. Statutory and group auditors are elected by the Annual General Meeting of Shareholders every year. Ernst & Young AG, Berne, has acted as statutory and group auditor since fiscal 2002/2003. The auditor in charge of the mandate is Roland Ruprecht.

Audit fees. Ernst & Young AG charged fees totaling CHF 337,600 for its audit work in fiscal 2003/2004.

Additional fees. In fiscal 2003/2004 additional fees in the amount of CHF 79,000 were paid to Ernst & Young AG.

Audit supervision and control instruments. The Audit Committee assesses the work done and fees charged by the statutory and group auditors, as well as their impartiality, every year and submits a proposal to the Board of Directors concerning which external auditors should be presented for election by the Annual General Meeting of Shareholders.

The Audit Committee also reviews the scope of the external audit, the audit plans and the relevant procedures every year. The results of each audit are discussed with the external auditors.

Information policy

Schaffner Holding AG informs its shareholders, the media, financial analysts and other groups with an interest in the capital market equitably and with maximum transparency. To this end, it employs the following instruments:

- Annual Report and Interim Report, prepared in accordance with the International Financial Reporting Standards;
- Presentation of annual results to media representatives and analysts;
- Annual General Meeting of Shareholders;
- Press releases concerning quarterly order intake and sales figures, plus reports on significant events lying within the SWX ad hoc reporting requirement;
- Conference calls;
- Roadshows for institutional investors and
- The website www.schaffner.com, which includes up-to-date information on the company and the price of its registered shares.

Official organ of publication. Swiss Commercial Gazette (Schweizerisches Handelsamtsblatt, SHAB).

 $\label{lem:company:c$

Investor Relations contacts

- Fritz Gantert, President & Chief Executive Officer of the Schaffner Group (fgantert@schaffner.com) and
- Martin Zwyssig, Executive Vice President & Chief Financial Officer of the Schaffner Group (mzwyssig@schaffner.com)

Calendar of events

11.01.2005	Publication of first quarter 2004/2005 net sales and order intake
12.01.2005	Annual General Meeting of Shareholders
14.04.2005	Publication of second quarter 2004/2005 net sales and order intake
12.05.2005	Publication of 2004/2005 Interim Report
08.07.2005	Publication of third quarter 2004/2005 net sales and order intake
03.11.2005	Publication of fourth quarter 2004/2005 net sales and order intake
08.12.2005	Publication of Annual Report 2004/2005
11.01.2006	Publication of first quarter 2005/2006 net sales and order intake
12.01.2006	Annual General Meeting of Shareholders



Report of the CFO

Profitability improves further. The Schaffner Group had two main financial targets in fiscal 2003/2004: firstly to increase net sales in order to exploit operational leverage – i.e. to increase earnings more strongly in relation to net sales – and secondly to benefit from the interest rate environment in order to finance the Schaffner Group cost-effectively over the long term.

The Schaffner Group increased its year-back net sales by CHF 12.0 million to CHF 175.4 million in fiscal 2003/2004 (fiscal 2002/2003: CHF 163.4 million). Net profit on a like-for-like basis, i.e. excluding the extraordinary adjustments made the previous year, was up CHF 1.0 million to CHF 2.3 million (CHF 1.3 million). Adjusted for the release of unused restructuring provisions in the previous year to the tune of CHF 1.8 million, an absolute earnings increase of CHF 2.8 million was achieved. The Components business posted a significant margin increase, more than compensating for the corresponding reduction in

Test Systems. Overall, the Schaffner Group succeeded in improving the ratio of manufacturing costs to net sales by 0.4 percentage points. Excluding the release of restructuring provisions, overheads rose by CHF 3.4 million, due primarily to the increase in production capacity in Shanghai, higher commissions within Test Systems, bonus payments in the Components business and currency effects. In addition, the higher net sales also led to a 10.3% increase in personnel costs. However, the aim of converting the increase in net sales into even stronger earnings growth and thus also creating a broader base for the Group's global structure has not yet been achieved. In terms of EBIT (earnings before interest and taxes), the Schaffner Group posted an increase of around CHF 1.1 million to CHF 5.9 million, or 3.4% of net sales (CHF 4.8 million; 2.9%), despite failing to meet its targets in the Test Systems business. Adjusted for the above-mentioned changes in provisions, the EBIT increase was CHF 3.0 million. Financial income was CHF -2.8 million, versus CHF -2.7 million the previous year. Of this year's figure, CHF -2.6 million were attributable to pure financing costs, while the remainder was the result of currency effects. The gearing was improved from 1.1 to 0.9.

More efficient capital management. The Schaffner Group had consolidated total assets of CHF 131.1 million on September 30, 2004, CHF 4.7 million above the year-back level (September 30, 2003: CHF 126.4 million). The Group nevertheless succeeded in increasing its capital turnover ratio (net sales to total assets) from 1.29 to 1.34, further improving the efficiency of its capital management.

Despite the good fourth quarter, accounts receivable were down CHF 1.8 million as at September 30, 2004, while inventories were up CHF 2.9 million due to a shortage of various raw materials, after having been reduced by CHF 5.9 million the previous year. The change in the inventory level also had a considerable effect on free cash flow: after having risen the previous year, it fell significantly to CHF 3.7 million in fiscal 2003/2004 (fiscal 2002/2003: CHF 9.2 million).

Convertible bond secures long-term financing. On January 28,2004, Schaffner Holding AG issued a convertible bond worth CHF 49.4 million with a coupon of $2.25\,\%$. This transaction will secure the long-term financing of the Group while exploiting the favorable interest rate level. Annual interest payments currently lie at CHF 1.1 million. Financial expenses as per IFRS also include approximately CHF 1 million for the issuing expenses to be amortized over

the life of the bond and the option right related to the convertible bond. As a valuation expense with no effect on cash flow, this sum is also considered a financial expense.

Outlook. Our focus over the coming fiscal year will be on even more systematic cost management, with the result that any increase in net sales will have a disproportionate influence on earnings. Provided the economic environment remains stable, the Schaffner Group should thus be in a position to continue its net profit growth trend in fiscal 2004/2005. In combination with a cautious investment policy, this will again lead to considerably higher free cash flow.

Martin Zwyssig
Executive Vice President & Chief Financial Officer

schaffner Group

Consolidated balance sheet	Note	30.9.2004	30.9.2003	
in CHF 1,000				
Intangible assets	3	17,835	19,928	
Tangible fixed assets	4	28,467	30,291	
Investments		3	3	
Other long-term assets	5	3,291	3,114	
Deferred tax assets	16	566	329	
Fixed assets		50,162	53,665	
Inventories	6	31,177	28,283	
Trade receivables	7	34,342	36,147	
Tax receivables ¹		1,085	1,199	
Other receivables and accruals ¹	8	5,507	3,778	
Short-term investments		5	15	
Cash and cash equivalents		8,819	3,267	
Current assets		80,935	72,689	
Total assets	17	131,097	126,354	
Shareholders' equity		46,229	43,801	
Minority interests		3	9	
Provisions	9	3,974	4,731	
Deferred tax liabilities	16	2,419	2,492	
Long-term borrowings	10	46,652	42,239	
Long-term liabilities		53,045	49,462	
Short-term borrowings		3,208	7,231	
Tax receivables		2,200	2,541	
Interest-free liabilities	11	26,412	23,310	
Short-term liabilities		31,820	33,082	
Total liabilities		84,865	82,544	
Total liabilities and shareholders' equity		131,097	126,354	

¹ Previous year adjusted for VAT

Consolidated income statement	Note	2003/2004	2002/2003	
in CHF 1,000	Note	2003/2004	2002/2003	
Net sales	17	175,376	163,350	
Change in inventory		199	-4,033	
Corporate output		175,575	159,317	
The same samples			,	
Cost of goods		-102,735	-92,172	
Marketing and sales		-25,135	-25,041	
Research, development and application		-14,409	-15,569	
Logistics		-2,918	-2,990	
General and administration		-22,412	-17,892	
Restructuring	21	0	1,849	
EBITA		7,966	7,502	
Goodwill amortization	3	-2,079	-2,740	
EBIT		5,887	4,762	
Financial result	15	-2,820	-2,654	
EBT		3,067	2,108	
Income taxes	16	-817	-826	
Net profit/loss before reappraisals		2,250	1,282	
Reappraisals	22	0	-9,540	
Net profit		2,250	-8,258	
Minority interests		6	15	
Net profit after minority interests		2,256	-8,243	
Depreciation and amortization (without goodwill)	3, 4	-7,510	-7,781	
Personnel expenses	13	-64,466	-58,468	
		2.4.20	30,.00	
Earnings per share in CHF				Ì
basic	19	3.70	-13.25	
diluted	19	3.67	-13.25	

schaffner Group

Consolidated cash flow statement	Note	2003/2004	2002/2003	
in CHF 1,000				
Net profit after minority interests		2,256	-8,243	
+ Depreciation of tangible fixed assets	4	5,931	5,679	
+ Amortization of other intangible assets	3	1,579	3,375	
± Change in provisions		-765	-1,180	
± Change in inventory according to the balance sheet		-2,894	5,865	
± Change in accounts receivables according to the balance sheet		190	-2,425	
± Change in short-term liabilities according to the balance sheet		2,761	4,016	
± Translation differences on net working capital		-685	284	
+ Goodwill amortization	3	2,079	5,342	
± Change in deferred taxes	16	-421	3,510	
± Change in other cash flow items		-268	-1,211	
Cash flow from operating activities		9,763	15,012	
 Capital expenditure (tangible fixed assets) 	4	-5,226	-3,590	
+ Gain from sale of tangible fixed assets		712	256	
 Capital expenditure (intangible assets) 	3	-1,565	-2,704	
± Change in short-term investments		10	-1	
± Change in loans and long-term assets		-83	3	
Cash flow from investing activities		-6,152	-6,036	
± Share capital paid in and changes in treasury shares		-812	20	
+ Convertible bond issue		47,941	0	
± Change in borrowings		-44,921	-10,528	
Cash flow from financing activities		2,208	-10,508	
± Translation differences on cash and cash equivalents		-267	383	
		5,552	-1,149	
= Change in cash and cash equivalents		5,552	-1,149	
Cash and cash equivalents previous year		3,267	4,416	
Cash and cash equivalents for the fiscal year		8,819	3,267	
Free cash flow ¹		3,684	9,167	
Additional information				
Interest expense	15	-2,248	-2,073	
Interest paid		-1,512	-2,098	
Tax expense	16	-1,238	-1,521	
Taxes paid		-754	-763	

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

	Change in consolidated equity	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Treasury shares	Total shareholders' equity	
	in CHF 1,000							
	At 1.10.2002	31,797	53,129	-3,799	-22,358	-6,872	51,897	
	Translation differences			127			127	
	Treasury shares				-1,342	1,362	20	
	Net profit/loss				-8,243		-8,243	
	Dividend payment				0		0	
	At 30. 9. 2003	31,797	53,129	-3,672	-31,943	-5,510	43,801	
	Capital increase ¹		2,647				2,647	
	Translation differences			-1,663			-1,663	
	Treasury shares				-436	-376	-812	
	Net profit				2,256		2,256	
	Dividend payment				0		0	
	At 30.9.2004	31,797	55,776	-5,335	-30,123	-5,886	46,229	
·	·							

¹ Equity component of convertible bond

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

Notes to the consolidated financial statements

Consolidation and valuation principles

Principles. The consolidated financial statements are based on the individual financial statements of the Schaffner Group companies and Schaffner Holding AG as of September 30, drawn up in accordance with the uniform guidelines of the Schaffner Group. The financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared using the historical cost convention except that, as disclosed in the accounting policies below, certain items, including derivatives and available-for-sale investments, are shown at fair value.

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.

Reappraisals. In the previous year, several valuation adjustments were made on capitalized development costs, deferred tax assets and on inventories. Impaired goodwill on a group company was fully amortized. Provisions for holidays, years-of-service awards and severance payments were created. For the first time the employer contribution reserve in the

Swiss pension fund was recognized as an asset in the consolidated financial statements.

According to the allowed alternative method of IAS 8 these reappraisals are reported on the income statement of fiscal 2002/2003. In the fiscal year under review no reappraisals were made.

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 exchange 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 and software purchased. Apart from goodwill, these are amortized over a period of three to five years using the straight-line method.

Acquisitions and goodwill. Companies are consolidated from the date at which control is acquired. The identifiable assets and accounts payable are revalued and included according to the purchase method. Any difference between the cost of acquisition and the net assets acquired constitutes goodwill and is amortized straight-line over the expected useful life of maximum 20 years.

In case of impairment tests showing the necessity of adjustments, the goodwill is impaired accordingly. If a subsidiary is sold, the difference between the selling price and the net assets plus the accumulated translation exchange differences is reported as operating profit in the consolidated profit and loss statement.

Research and development cost. Contract-related engineering costs are capitalized in work in progress. Other research and development expenses are immediately recognized in the profit and loss statement. Development costs for new products are not capitalized, since a future economic benefit can only be proven after successful market introduction.

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.

The buildings not used for operational purposes are carried at cost less accumulated depreciation.

Impairment of assets. The recoverable amount of an asset is estimated as soon as signals of an impairment of an asset occur. In case the carrying amount of assets being higher than the recoverable amount, the impairment of the asset is recorded in the income statement. The recoverable amount is the higher of an asset's net selling price and its value in use, which corresponds to the present value of estimated future cash flows.

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 value. Other securities contain shares which are not (yet) listed and are valued if possible at market, else at cost. 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, with original maturity of up to 90 days.

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. The pro rata billings, including a conservatively estimated share of profit, are taken up in net sales and in trade accounts receivable after offset of advance payments received.

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. Acutarial gains or losses are amortized in the income statement over the remaining average service years.

Borrowing costs. Borrowing costs are recognized in the period in which they are incurred.

Segment information. The Schaffner Group concentrates on products and services in the market of electromagnetic compatibility. The value added is generated in a uniform organization, which is only divided into geographical sections. Segment information therefore shows the added value per region.

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. Deferred taxes are recognized in accordance with the comprehensive liability method. Thus, the impact on income taxes from temporary differences arising from differences between group values and the corresponding tax basis is recorded as either non-current liability or non-current asset, using the effective or the expected local tax rates. The change in deferred tax assets and liabilities is recognized as income tax. Deferred tax liabilities are calculated on all taxable temporary differences.

Deferred tax assets including assets for unused tax loss carry-forwards and expected tax credits are only recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Financial assets and liabilities. Financial assets and liabilities are classified into the following categories:

- Financial assets held for trading.
- Financial investments held to maturity.
- Financial instruments available for sale, which include all financial instruments not assignable to one of the above-mentioned categories.
- Financial liabilities mainly comprise financial debts, which are valued at their (discounted)
 costs. Liabilities arising from trading activities and derivatives, are valued at market
 values.

The first-time valuation of the financial assets are recognized at purchase cost, including transaction costs. All purchases and sales of financial assets are recognized on their trading date. Financial assets held for trading are valued at their market value. Any value adjustments are recorded in financial income/expense for the respective reporting period. Financial instruments held to maturity are valued by the effective interest method, or at purchase cost.

Financial instruments available for sale are recognized at market value, changes in market value (after tax) being recorded in shareholders' equity. At the time of sale, impairment, or other disposal, the accumulated gains and losses recorded in shareholders' equity are reported in financial income/expense for the current period.

Assets included in the balance sheet at a value other than market value are tested for impairment when indications of possible impairment exist. Impairment adjustments are recorded in the income statement. Financial assets are derecognized when Schaffner gives up its control over them. Financial liabilities are derecognized when they are repaid.

Long-term financial liabilities are valued by the effective interest method. The interest expense therefore includes not only the actual interest payments, but also the annual discounted amounts and pro rata transaction costs.

Derivative financial instruments are initially recognized at their purchase price including transaction costs. Sales and purchases are recorded on the date of trading and subsequently carried at market value.

Risk management. Due to the global business activities of the Schaffner Group, distribution and procurement transactions are entered into using different currencies and interest rates. Significant exposures arising from such transactions or corresponding balance sheet positions are recognized and managed centrally by the Group headquarters. For the hedging of those currency and interest rate risks derivative financial instruments are used.

Exchange rate risk management: The major part of the currency exchange risk is eliminated by setting off the transactions centrally. Major remaining risks, especially with long-term projects, are secured by term drafts in foreign currency based on risk estimation.

Interest rate risks: Due to the central financing of the Group, the drafts are mainly taken in Switzerland. Normally no interest rate hedging is entered into by the Schaffner Group.

Credit risks: Short-term bank accounts are with first-class institutes. The risk from accounts receivables is very low as the Schaffner Group has a very broad customer portfolio with first-class ratings.

 $\textbf{1. Foreign currencies.} \ \ \textbf{The following exchange rates were applied for the translation of foreign currencies:}$

			Balance sheet	Inc	come statement	
		30.9.2004	30.9.2003	2003/2004	2002/2003	
Country	Currency	CHF	CHF	CHF	CHF	
UK	GBP 100	225.61	219.42	228.45	221.03	
Japan	JPY 10,000	113.15	118.49	116.81	115.79	
Singapore	SGD 100	73.95	76.30	74.51	78.63	
Sweden	SEK 1,000	171.11	170.38	169.51	164.12	
Thailand	THB 1,000	30.11	32.98	31.59	32.53	
USA	USD 100	124.69	132.01	127.12	137.75	
EU	EUR 100	154.72	153.82	154.85	150.15	
China	CNY 100	15.06	16.03	15.38	16.67	
Hungary	HUF 10,000	62.73	60.52	61.03	60.35	
Taiwan	TWD 10,000	366.94	-	375.94	-	

2. Scope of consolidation. In the year under review the in May 2004 newly founded subsidary in Taiwan was for the first time included in the scope of consolidation. For further information on the scope of consolidation, see page 2 of the Finance Report.

		1			
	Development	Software			
3. Intangible assets	cost	and rights	Goodwill	Total	
in CHF 1,000					
Historical cost at 1.10.2003	4,242	7,513	28,265	40,020	
Capital expenditure	0	1,481	84	1,565	
Disposals	-4,290	0	-7,841	-12,131	
Translation differences	48	12	0	60	
Historical cost at 30.9.2004	0	9,006	20,508	29,514	
Accumulated amortization at 1.10.2003	-4,242	-3,578	-12,272	-20,092	
Amortization	0	-1,579	-2,079	-3,658	
Disposals	4,290	0	7,841	12,131	
Translation differences	-48	-12	0	-60	
Accumulated amortization at 30.9.2004	0	-5,169	-6,510	-11,679	
Net book value at 30.9.2004	0	3,837	13,998	17,835	

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

	Lond and	Buildings not used for	Machinery		Furniture		Assets		
4. Tangible fixed assets	Land and buildings	operational purposes	and equipment	EDP	and fixtures	Vehicles	con- struction	Total	
in CHF 1,000	bullulligs	purposes	equipinent	LDI	TIXTUICS	VCITICICS	Struction	Total	
Historical cost									
at 1.10.2003	35,133	6,770	31,884	6,057	9,784	1,124	36	90,788	
Capital expenditure	874	0	2,513	1,002	536	121	180	5,226	
Disposals	-90	0	-3,385	-877	-449	-173	0	-4,974	
Reclassification	618	-607	53	108	-52	71	-190	1	
Translation differences	-290	0	-530	-39	-55	-17	-1	-932	
Historical cost									
at 30.9.2004	36,245	6,163	30,535	6,251	9,764	1,126	25	90,109	
Accumulated depreciation									
at 1.10.2003	-20,225	-3,824	-23,893		-7,085	-760	0	-60,497	
Depreciation	-1,269	-142	-2,755	-709	-893	-163	0	-5,931	
Disposals	0	0	2,801	858	415	188	0	4,262	
Reclassification	-547	547	-33	-68	113	-9	0	3	
Translation differences	114	0	341	18	39	9	0	521	
Accumulated depreciation	04.007	2.440	00 500	4 (44	7 444	705		(4 (40	
at 30.9.2004	-21,927	-3,419	-23,539	-4,611	-7,411	-735	0	-61,642	
Net book value									
at 30.9.2004	14,318	2,744	6,996	1,640	2,353	391	25	28,467	
at 30.7.2004	14,310	2,744	0,770	1,040	2,353	371	25	20,407	

The fire insurance value of group properties on September 30, 2004 amounted to CHF 48,840,000 (30.9.03: CHF 47,565,000). The fire insurance value of other tan-

gible fixed assets at September 30, 2004 amounted to CHF 49,669,000 (30.9.03: CHF 47,181,000).

At September 30, 2004 commitments to purchase tangible fixed assets amounting to CHF 315,000 (30.9.03: CHF 244,000) existed.

Neither in the current fiscal year nor in the previous year were assets impaired or existing impairments reversed.

The market value of the buildings not used for operational purposes amounted to approx. CHF 6.8 million at September 30, 2004. Related rental income amounted to CHF 0.470 million (previous year: CHF 0.644 million) in the current fiscal year, while rental-related expenses amounted to CHF 0.392 million (previous year: CHF 0.343 million).

Finance leases. At September 30, 2004 the assets under finance leasing contracts amounted to CHF 490,000 (30.9.03: CHF 1,016,000).

	30.9.2004	30.9.2003	
in CHF 1,000			
Within 1 year	430	965	
Between 1 and 5 years	74	77	
Thereafter	-	-	
Total payments	504	1,042	
Interests	-14	-26	
Total	490	1,016	

Operating leases. The future minimum payments under non-cancellable operating leases are as follows:

	30.9.2004	30.9.2003	
in CHF 1,000			
Within 1 year	767	588	
Between 1 and 5 years	2,613	1,150	
Thereafter	4,042	4,205	
Total minimum annual payments	7,422	5,943	

In 2003/2004 the total operating lease expense was CHF 906,000 (2002/2003: CHF 791,000).

5. Other long-term assets	30.9.2004	30.9.2003	
in CHF 1,000			
Present value of pension plan assets ¹	2,914	2,804	
Deposits and guarantees	377	310	
Total	3,291	3,114	

¹ See also note 14, page 33

6. Inventories	30.9.2004	30.9.2003	
in CHF 1,000			
Raw materials	14,869	12,605	
Work in process	3,653	3,765	
Semi-finished and finished goods	12,655	11,913	
Total	31,177	28,283	

30.9.2004	30.9.2003	
35,119	36,762	
– 777	-615	
34,342	36,147	
	35,119 -777	35,119 36,762 -777 -615

8. Other receivables and accruals	30.9.2004	30.9.2003	
in CHF 1,000			
Other receivables	4,410	2,836	
Accruals	1,097	942	
Total	5,507	3,778	

9. Provisions	Warranty provisions	Provisions for employee benefits ¹	Restructuring provisions ²	Other provisions	Total	
in CHF 1,000						
Opening balance at 1.10.2003	228	3,421	442	640	4,731	
Additions	9	239	0	0	248	
Use	0	0	-442	-50	-492	
Reversal unused amounts	-21	-501	0	0	-522	
Translation differences	2	7	0	0	9	
Closing balance at 30.9.2004	218	3,166	0	590	3,974	

¹ See also note 14, page 33

10. Borrowings. The average interest rate on loans amounted to 4.1% in 2005/2004 (3.5% in 2002/2003). Taking into consideration the interest swap expired on September 30, 2003, the average interest rate amounted to 5.0% in 2002/2003.

The maturity of the long-term borrowings is shown on the following table:

	30.9.2004	30.9.2003	
in CHF 1,000			
Maturing within 2 years	314	34,237	
Maturing within 3 years	198	3,750	
Maturing within 4 years	153	0	
Maturing within 5 years	108	406	
Maturing in more than 5 years	45,879	3,846	
	46,652	42,239	

11. In	terest-free liabilities	30.9.2004	30.9.2003	
in CHF	1,000			
Trade	payables	11,330	12,113	
Other	short-term liabilities	3,624	2,658	
Accru	ed liabilities	11,458	8,539	
Total		26,412	23,310	

² See also note 21, page 37

12. Contingent liabilities, contingent assets and pledged assets. To secure the liabilities of the Group, receivables in the amount of CHF 5,304,000 were pledged at September 30,2004 (30.9.03: CHF 7,087,000). No contingent liabilities or contingent assets existed at the end of either the 2003/2004 or 2002/2003 fiscal year.

13. Personnel expenses and number of employees	2003/2004	2002/2003	
in CHF 1,000			
Salaries and wages	53,695	48,457	
Termination benefits	568	11	
Social costs	6,169	5,832	
Pension plans – defined contribution plans	2,729	2,774	
Pension plans – defined benefit plans	1,305	1,394	
Total	64,466	58,468	
Number of employees in full-time equivalents (average)	2,114	1,749	

14. Post-employment and other long-term employee benefits. Apart from state pension plans there exist plans in the Group which are classified as defined benefit plans under IAS 19. The present value of obligations was evaluated by specialized actuaries as per September 30, 2002 and is being reviewed every two to three years.

As the over- and undercoverages do not fulfill the criteria for recognition they were not captured in the balance sheet. The greater part of the assets are funded in organizations legally independent of the Company. If the plan is unfunded, the relevant assets and liabilities are shown in the balance sheet.

The actuarial calculations in compliance with IAS 19 showed the following values:

	30.9.2004	30.9.2003	
in CHF 1,000			
Funded plans			
Fair value of plan assets	40,482	36,668	
Present value of obligations	-41,685	-38,241	
Net status of undercoverage	-1,203	-1,573	
Amount not recognized as an asset	1,203	1,573	
Net status in balance sheet	0	0	
Unfunded plans			
Present value of obligations	3,166	3,421	
Past service cost not yet recognized in balance sheet	0	0	
Present value of provision for employee benefits recognized in balance sheet	3,166	3,421	

The plan assets contain shares of Schaffner Holding AG with a fair value of CHF 95,000 (previous year: CHF 101,500).

	30.9.2004	30.9.2003	
in CHF 1,000			
Amounts recognized in balance sheet			
Present value of pension plan assets from reinsurance	1,436	1,326	
Employer contribution reserve	1,478	1,478	
Provision for employee benefits	3,166	3,421	
Changes of liabilities in balance sheet			
Opening balance of provision for employee benefits	3,421	2,100	
Pension cost	48	56	
Past service cost	0	86	
Other long-term employee benefits	-284	1,075	
Translation differences	-19	104	
Closing balance of provision for employee benefits	3,166	3,421	

	2003/2004	2002/2003	
in CHF 1,000			
Amounts recognized in income statement			
Current service cost	2,043	2,200	
Interest cost	1,530	1,461	
Expected return on plan assets	-1,834	-1,824	
Past service cost	0	86	
Employee contributions	-805	-806	
Not recognized as an asset	371	277	
Total expenses as per income statement	1,305	1,394	
Principal actuarial assumptions (weighted)			
Discount rate	4.1%	4.1%	
Expected return on plan assets	5.1%	5.1%	
Future salary increases	0.6%	0.6%	
Future pension increases	0.0%	0.1%	

15. Financial income	2003/2004	2002/2003	
in CHF 1,000			
Interest income	173	126	
Currency gains	2,045	2,525	
Total financial income	2,218	2,651	
Interest expenses	-2,248	-2,073	
Other financial expenses	-552	-503	
Currency losses	-2,238	-2,729	
Total financial expenses	-5,038	-5,305	
Financial income (net)	-2,820	-2,654	

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schaffner group

16. Taxes	2003/2004	2002/2003	
in CHF 1,000			
Current income taxes	-1,238	-1,521	
Deferred income taxes	421	695	
Total income taxes	-817	-826	
Actual income taxes for the fiscal year	-1,424	-761	
Changes in income taxes for other periods arising in the fiscal year (net)	186	-760	
Total	-1 238	-1 521	

Unused tax losses for which no tax asset has been created:

Total	14,002	15,182	
Expiry in more than 5 years	12,859	11,337	
Expiry in 5 years	518	442	
Expiry in 4 years	625	533	
Expiry in 3 years	0	2,870	
Expiry in 2 years	0	0	
Expiry in 1 year	0	0	

Reconciliation from earnings before taxes (EBT) to effective tax expense:

EBT as per income statement	3,067	2,108	
Applicable tax rate	25.0%	25.0%	
Expected tax at applicable tax rate	-767	-527	
Effect of utilization of prior year losses	-8	-332	
Effect of tax rates other than applicable tax rate	1,128	-429	
Effect of expenses not deductible for tax purposes	-1,344	-488	
Effect of earnings which are not taxable	468	1,210	
Others	-295	-260	
Income taxes as per income statement	-817	-826	

Deferred tax liabilities/assets are split to the following balance sheet positions as per September 30:

	30.9.2004	30.9.2003	
in CHF 1,000			
Intangible assets	242	555	
Tangible fixed assets	1,847	1,779	
Inventories	38	0	
Trade receivables	221	40	
Provisions	-104	0	
Interest-free liabilities	-46	-126	
Tax losses	-345	-85	
Deferred tax liabilities/assets	1,853	2,163	
Whereof shown as deferred tax liabilities in balance sheet	-2,419	-2,492	
Whereof shown as deferred tax assets in balance sheet	566	329	

2003/2004	2002/2003	
121,354	122,205	
34,645	21,489	
19,377	19,656	
175,376	163,350	
105,734	105,128	
18,217	13,403	
7,146	7,823	
131,097	126,354	
4,284	4,811	
2,353	1,444	
154	39	
6,791	6,294	
647	647	
1,443	1,078	
1,443	.,	
24	24	
-	121,354 34,645 19,377 175,376 105,734 18,217 7,146 131,097 4,284 2,353 154 6,791	121,354 122,205 34,645 21,489 19,377 19,656 175,376 163,350 105,734 105,128 18,217 13,403 7,146 7,823 131,097 126,354 4,284 4,811 2,353 1,444 154 39 6,791 6,294

18. Employee share option plan. Since October 1, 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 as well on conditional share capital in the amount of CHF 1,067,000, representing 21,340 shares in Schaffner Holding AG with a nominal value of CHF 50 each, as on treasury shares. 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 after ten years at the latest.

	2003/2004	2002/2003	
Outstanding share options in number of options			
At beginning of the year	41,630	33,097	
Granted	9,200	8,900	
Exercised	-1,920	0	
Expired/cancelled	-551	-367	
At end of the year	48,359	41,630	
Of which covered by conditional capital	21,340	21,340	
Of which covered by treasury shares	27,019	20,290	

In the 2003/2004 fiscal year, share options with an exercise price of CHF 192 (2002/2003: CHF 159) were granted. The earliest execution date of the options granted in 2003/2004 is November 24, 2004, and all of the options granted in 2003/2004 expire on November 24, 2013. The share options were issued without being considered in the fair value of the income statement.

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

	Exercise price	2003/2004	2002/2003	
Outstanding share options in number of options				
Expiry date 30.09.2008	145.00	7,147	9,067	
Expiry date 02.12.2008	202.00	360	360	
Expiry date 11.01.2009	208.00	360	360	
Expiry date 25.11.2009	212.50	6,543	6,543	
Expiry date 01.12.2010	465.00	600	600	
Expiry date 15.12.2010	543.00	6,600	6,600	
Expiry date 25.06.2011	472.00	600	600	
Expiry date 04.12.2011	295.50	8,500	8,600	
Expiry date 20.11.2012	159.00	8,599	8,900	
Expiry date 24.11.2013	192.00	9,050		
Total		48,359	41,630	

19. Net profit per share	2003/2004	2002/2003	
Net profit after minority interests, in CHF 1,000	2,256	-8,243	
Weighted average number of outstanding (dividend-bearing) shares	610,491	622,028	
Basic earnings per share, in CHF	3.70	-13.25	
Options granted, number of shares	48,359	41,630	
Discount factor	8.0%	0.9%	
Relevant number of outstanding share options	3,868	361	
Adjusted weighted average number of outstanding shares	614,359	622,389	
Diluted earnings per share, in CHF	3.67	-13.25	

- **20.** Financial instruments. Fair values of financial instruments correspond to the carrying value. The convertible bond has been included at cost. The market value is CHF 3.4 million higher. No derivative financial instruments were held at the end of the fiscal year.
- ${\bf 21.\,Restructuring\,expenses.}\ The\ restructurings\ announced\ and\ provided\ for\ in\ fiscal\ 2002/2003\ have\ been\ completed\ in\ fiscal\ 2003/2004.$

schaffner Group

22. Reappraisals (IAS 8). In the previous year several valuation adjustments were made on capitalized development costs, deferred tax assets and on inventories. Impaired goodwill on a group company was fully amortized. Provisions for holidays, years-of-service awards and severance payments were created. The employer contribution reserve in the Swiss pension fund was recognized as an asset in the consolidated financial statements. According to the allowed alternative method of IAS 8 these reappraisals are reported on the income statement of fiscal 2002/2003.

No reappraisals occured during the current year. The previous year's reappraisals were as follows:

	30.9.2003	
in CHF 1,000		
Capitalized development costs	-1,273	
Deferred tax assets	-4,794	
Goodwill	-2,602	
Inventory valuation	-1,312	
Employee benefits	-1,037	
Employer contribution reserve	1,478	
Total	-9.540	

For additional information, please refer to the Finance Report 2002/2003, page 38.

- **23**. **Related parties**. The following total compensation was paid to active members of the Group's corporate bodies in fiscal 2003/2004 (see also page 11):
- CHF 1,735,364 Executive members of the Board of Directors and members of the Group Management
- CHF 207,000 Non-executive members of the Board of Directors

Receivables and payables due from and to associated companies and other related parties are disclosed separately in the respective notes. All business transactions with related parties have been held "at arm's length". With no related parties have unusual transactions taken place during the periods reported.

- **24.** Release of the consolidated financial statements for publication. The consolidated financial statements were released for publication by the Board of Directors of Schaffner Holding AG on November 29, 2004.
- **25.** Events after the balance sheet date. Per end of October 2004, with immediate effect Fritz Gantert, President & Chief Executive Officer, has taken over the leadership of the Test Systems business from Matthias Zwicky, who will be leaving the Schaffner Group.

Report of the group auditors

To the General Meeting of Schaffner Holding AG, Luterbach

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes) on pages 18 to 38 of the Schaffner Group for the year ended September 30, 2004.

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 (ISA), 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.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Ernst & Young Ltd

Manuel Aeby

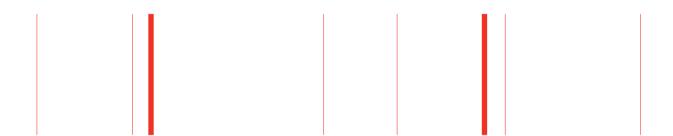
Swiss Certified Accountant

Roland Ruprecht

Swiss Certified Accountant

(in charge of the audit)

Berne, November 30, 2004



Finance Report Of Schaffner Holding AG

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42	Ral	lanca	sheet
44.2	na	iance	sneer

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- Notes to the financial statements
- 45 Proposal for the appropriation of retained earnings
- 46 Report of the statutory auditors

schaffner Holding AG

Balance sheet 30.9.2004 30.9.2003 in CHF 1,000 48,050 0 Loan Schaffner EMV AG 48,050 0 Investments 85,001 85,001 Fixed assets 133,051 85,001 Receivables from group companies 4,803 2,295 Receivables from third parties and accruals 111 118 Short-term investments and deposits 5,455 4,993	
Loan Schaffner EMV AG 48,050 0 Investments 85,001 85,001 Fixed assets 133,051 85,001 Receivables from group companies 4,803 2,295 Receivables from third parties and accruals 111 118	
Investments	
Fixed assets133,05185,001Receivables from group companies4,8032,295Receivables from third parties and accruals111118	
Receivables from group companies 4,803 2,295 Receivables from third parties and accruals 111 118	
Receivables from third parties and accruals 111 118	
Receivables from third parties and accruals 111 118	
·	
Short-term investments and deposits 5,455 4,993	
Cash and cash equivalents 54 59	
Current assets 10,423 7,465	
Total assets 143,474 92,466	
Share capital 31,797	
Legal reserves 315 315	
Reserve for treasury shares 5,886 5,510	
Share premium 50,357	
Retained earnings 3,450 4,201	
Net profit/loss of the year 480 -375	
Shareholders' equity 92,285 91,805	
Convertible bond 49,565 0	
Other third-party liabilities 270 145	
Accrued liabilities 1,354 516	
Total liabilities 51,189 661	
Total liabilities and shareholders' equity 143,474 92,466	

Income statement	2003/2004	2002/2003	
in CHF 1,000			
Dividends	2,660	560	
Other income	7,116	6,633	
Total income	9,776	7,193	
Personnel expenses	-4,712	-3,871	
Operating expenses	-4,616	-3,546	
Interest expenses	-915	-4	
Other financial expenses	-351	-220	
Interest income	1,298	79	
Currency transaction gains and losses on borrowings (net)	0	0	
Income taxes	0	-6	
Net profit/loss	480	-375	
·			

Notes to the financial statements

Contingent liabilities	30.9.2004	30.9.2003	
in CHF 1,000			
Joint liability for group companies	20,500	74,250	

As a result of the group value added tax system for the Swiss companies, there is a joint liability for the tax owed by the VAT group in favor of the Swiss federal tax authority.

Conditional share capital. 211,340 shares at par value of CHF 50 each, i.e. CHF 10,567,000 in total. Thereof 190,000 (CHF 9,500,000 nominal) are dedicated to the convertible bond. 21,340 (CHF 1,067,000 nominal) are assigned to the option plan.

At September 30, 2004 48,359 share options were open conferring the right to buy one registered share in Schaffner Holding AG. In fiscal 2003/2004 no options were exercised out of conditional share capital.

Investments. Schaffner EMV AG, Luterbach, Switzerland: 100% of share capital of CHF 14.0 million. Schaffner EMV Hungary Kft., Kecskemét, Hungary: 2% of share capital of HUF 8.0 million.

Issue of convertible bond. On January 28, 2004, the Group issued a 2.25% convertible bond with a principal amount of CHF 49.4 million with the final redemption after 6 years (2004-2010). The final redemption is at 103% of the principal amount.

Information about treasury shares. At September 30, 2004 Schaffner Holding AG held 28,713 treasury shares (30.9.03: 24,598) at an average purchase price of CHF 205 (previous year: CHF 224) each. The special reserve for treasury shares therefore amounts to CHF 5,886,165. In the balance sheet treasury shares are valuated at the year-end rate per September 30, 2004 of CHF 190. In fiscal 2003/2004 no options were exercised out of treasury shares.

Important shareholders	30.9.2004 Number of shares	Capital stake	30.9.2003 Number of shares	Capital stake	
Julius Baer Multistock	38,100	6.0%	44,287	7.0%	
Sarasin Investmentfonds	53,288	8.4%			
Shareholders with					
a stake of less than 5%	515,839	81.1%	567,055	89.1%	
Free float	607,227	95.5%	611,342	96.1%	
Treasury shares	28,713	4.5%	24,598	3.9%	
Total shares	635,940	100%	635,940	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

The Board of Directors proposes to the Annual General Meeting that the retained earnings be appropriated as follows:

	2003/2004	2002/2003	
in CHF 1,000			
Net profit/loss of the business year	480	-375	
Retained earnings carried forward	3,824	2,837	
Changes in reserves for treasury shares	-374	1,362	
Retained earnings at disposal of Annual General Meeting of Shareholders	3,930	3,824	
Allocation to legal reserves	-24	0	
Dividend of CHF 2.00 gross per registered share	-1,214	0	
To be carried forward	2,692	3,824	
Total registered shares issued	635,940	635,940	
Shares held by the Company or its subsidiaries	-28,713	-24,598	
Dividend-bearing shares	607,227	611,342	

 $^{^{\}star}$ All shares which are not held by the Company or one of its subsidiaries are dividend-bearing



Report of the Statutory auditors

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) on pages 42 to 45 of Schaffner Holding AG for the year ended September 30, 2004.

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.

Ernst & Young Ltd

Manuel Aeby

Swiss Certified Accountant

Roland Ruprecht

Swiss Certified Accountant

(in charge of the audit)

Berne, November 30, 2004



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