



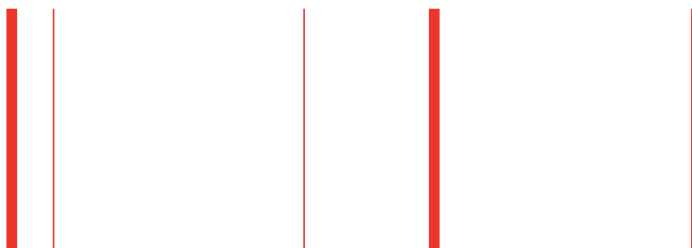
energy efficiency and reliability

ANNUAL REPORT 2007/2008



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Schaffner share

Key share figures		07/08	06/07	05/06	04/05	03/04	
Number of shares (par value CHF 36)		635,940	635,940	635,940	635,940	635,940	
Weighted average number of outstanding shares (dividend-bearing)		606,317	616,198	621,882	608,737	610,491	
Earnings per share	in CHF	14.53	8.77	5.76	-0.65	3.70	
Shareholders' equity per share	in CHF	82.74	81.31	80.17	72.43	72.69	
Dividend per share	in CHF	0.00 ¹	0.00	0.00	0.00	2.00	
Repayment of nominal value	in CHF	3.50 ¹	3.00	11.00	0.00	0.00	
Free float	in %	94.0	96.4	95.2	95.9	95.5	
Stock market prices ²							
12-month high	in CHF	271	277	195	208	232	
12-month low	in CHF	214	166	148	150	164	
Year-end	in CHF	230	267	178	195	190	
Stock market capitalization ²							
12-month high	in CHF million	172	176	124	132	148	
12-month low	in CHF million	136	106	94	95	104	
Year-end	in CHF million	146	169	113	124	121	

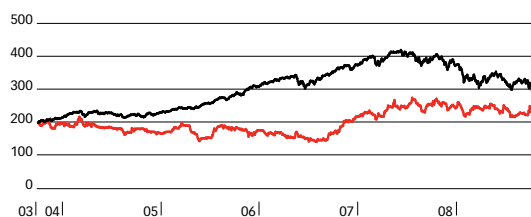
¹ As per the proposal of the Board of Directors to the Annual General Meeting of Shareholders of January 14, 2009

³ Source: Thomson Datastream

² Fiscal year from October 1 to September 30 (source: Bloomberg)

Share price performance 1.10.03 to 30.9.08³

CHF



■ Schaffner registered shares
■ Swiss Performance Index (adjusted)

Share price performance 1.10.07 to 30.9.08³

CHF



Share trading. The registered shares of Schaffner Holding AG are traded on SIX Swiss Exchange under the securities number 906 209. The convertible bond of Schaffner Holding AG is traded on the SIX Swiss Exchange under the securities number 1 754 641.

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

For more information on the Schaffner share, please see page 57.

Schaffner GROUP

Key figures

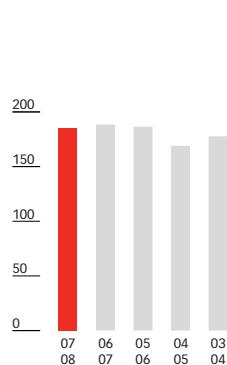
in CHF 1,000

	07/08	06/07 ¹	05/06 ¹	04/05	03/04
Net sales	182,445	186,134	184,046	166,822	175,376
Components and Modules Division	182,445	170,281	137,798	122,755	122,877
Test Systems Division	0	15,853	46,248	44,067	52,499
Operating result (EBIT)	13,606	9,632	7,658	2,476	5,887
as % of net sales	7.5	5.2	4.2	1.5	3.4
Net profit/loss	8,808	5,403	3,580	-390	2,250
as % of net sales	4.8	2.9	1.9	-0.2	1.3
Total assets	140,802	147,213	141,765	133,959	131,097
Shareholders' equity	52,617	51,710	50,985	46,061	46,229
as % of total assets	37.4	35.1	36.0	34.4	35.3
Number of employees	2,318	2,375	2,244	2,095	2,136

¹ Pro-forma figures for comparison (without IFRS 5)

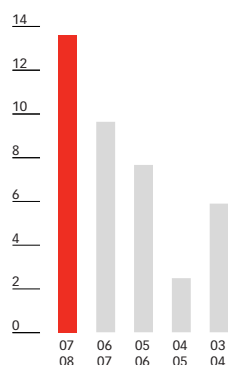
Net sales

in CHF million



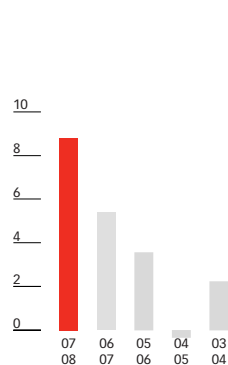
EBIT

in CHF million



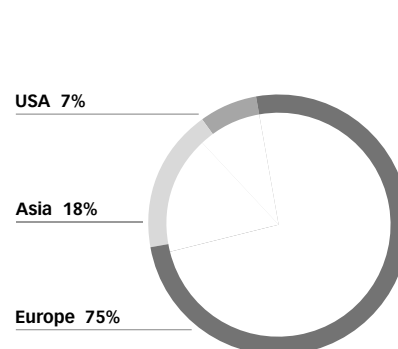
Net profit/loss

in CHF million



Geographical breakdown of net sales

in %



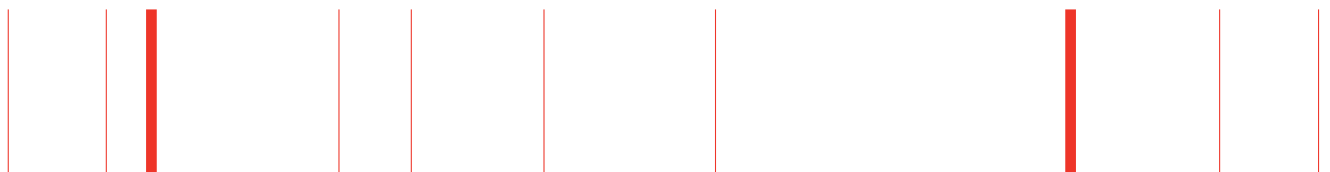
Schaffner Corporate Profile

Schaffner is the global leader in the fields of electromagnetic compatibility and power quality, supplying components that support the efficient and reliable use of electrical energy. Customers benefit from the technological know-how of the Schaffner Group in the development, manufacture and marketing of high-performance products that offer optimized and fault-free operation of electrical devices and systems in compliance with all major quality and performance standards.



With the EMC and power quality components it develops and its global services for OEM customers, equipment manufacturers and systems integrators, the Schaffner Group plays a key role in the promotion of technologies and the generation of renewable energies and enables the development of systems that meet the requirements of energy efficiency.

The Schaffner Group offers its expertise and services worldwide in the fields of development consultancy, EMC testing, application support and production. Through its worldwide network of sales, application and production centers, as well as research and development teams and efficient logistics management, Schaffner provides local support to regional and global customers.



Well on course following strategic realignment.

The 2007/2008 fiscal year was no longer weighed down by the impact of the former test systems business, and both sales and earnings in the core business of EMC and power quality components were well above the previous year's. Consolidated net sales rose by 7.1% to CHF 182.4 million (2006/2007: CHF 170.3 million). Adjusted for currency effects, this represented an increase of 9.7%. At the same time, order intake grew by 8.2% to CHF 188.5 million (CHF 174.3 million). At 1.03 (1.02), the book-to-bill ratio in 2007/2008 was satisfactory, and the Schaffner Group started the new fiscal year on October 1, 2008, with a healthy order backlog. The operating result (EBIT) increased by 33.8% year-on-year to CHF 13.6 million (CHF 10.2 million), while the EBIT margin expanded to 7.5% (6.0%). Consolidated net profit rose by 63.0% from CHF 5.4 million to CHF 8.8 million, resulting in an earnings per share (EPS) of CHF 14.53 (CHF 8.77).

Sustainable profitability improvement. The operational excellence program was continued rigorously, and profitability increased further as a result. The ambitious targets were reached in all divisions with the exception of Schaffner Jacke in Büren, Germany. At Schaffner Jacke, historical structural and margin problems were systematically addressed. Prices were increased and productivity in Büren was improved markedly. The measures aimed at a sustainable improvement of profitability and income are bearing fruit, and margins are steadily rising with the increasing concentration of European manufacturing at the new production center in Kecskemét, Hungary. In connection with the commissioning of the Hungarian production center, around 30 jobs were relocated from Büren to Kecskemét, and the staff headcount in Luterbach was reduced from 148 to 115 employees as at November 30, 2008. Initial positive effects were already perceptible in the reporting period; the actions taken will develop their impact mainly in the course of the current fiscal year.

A number of one-off effects on income were largely neutralized in 2007/2008. Earnings therefore show the improvement in profitability effectively achieved by the Schaffner Group. On the positive side, a provision for an earn-out from the acquisition of Jacke was reversed, and a dispute arising from the sale of the test systems division was settled in the Schaffner Group's favor. However, a revaluation of inventory and a provision for fixed-price contracts with below-average margins at Schaffner Jacke, due to expire in fiscal 2009, as well as costs for the restructuring in Luterbach had a negative impact. The concentration of production at three centers worldwide (the majority of Schaffner's production is now in Hungary, Thailand and China) continued to provide natural hedging against currency exchange risks.

Stable demand. There was strong demand in most of the Schaffner Group's markets in 2007/2008. For the first time ever, the energy-efficient drive systems and electronic motor controls sector made up the largest market, with an increase from 19.7% to 20.5% of group sales. The renewable energy sources sector also grew strongly, rising from 11.0% to 14.0%, particularly due to a very pleasing demand for photovoltaic inverter components. The public transport sector also increased in importance, from 5.8% to 7.1% of group sales. This market is driven by growing investments in rail infrastructure worldwide. The key sectors machine tools and robotics, electronic devices and power supplies, and telecoms showed a stable development with minor changes in share and also contributed to the successful development of the Schaffner Group in fiscal 2007/2008. Although the share of sales from the automotive industry fell from 8.7% to 5.6% due to the difficult market situation, the profitability of these products also rose further. The geographical breakdown of



Leo Steiner



Alexander Hagemann

sales shows that Europe still accounts for the lion's share of sales with 75%, while the Asian markets once more demonstrate strong growth dynamics, with organic growth of 40% being achieved in China and Southeast Asia. In absolute terms, the proportion of sales accounted for by the USA remained constant at 7%.

Appropriation of retained earnings. The Board of Directors of Schaffner Holding AG proposes to the Annual General Meeting that the net result for fiscal 2007/2008 be carried forward and that, instead of a dividend, CHF 3.50 per registered share be paid out in the form of a repayment of nominal value (previous year: CHF 3.00). The proposed payout, which is around 25% of net income, is in line with the long-term payout policy of the Schaffner Group.

Outlook. Order intake in the last quarter of 2007/2008 was substantially higher compared with the previous year, giving the Schaffner Group a solid order backlog and a positive start to fiscal 2008/2009. Measures aimed at enhancing productivity are taking effect, with further measures to follow. New products, Schaffner's strength in sustainable growth markets and systematic expansion of its market position in China and Southeast Asia, where economic prospects are still favorable, should enable it to absorb in part the impact of the expected general weakening of market conditions.

Word of thanks. The Board of Directors and Group Management would like to thank all employees for their enormous efforts and their willingness to actively support the long-term development of the Schaffner Group. A big vote of thanks also goes to all of our business partners for the excellent working relationships we enjoy, and to our shareholders for the trust they have once again placed in us.

Luterbach, December 10, 2008

Leo Steiner
Chairman of the Board of Directors

Alexander Hagemann
Chief Executive Officer

Markets and services

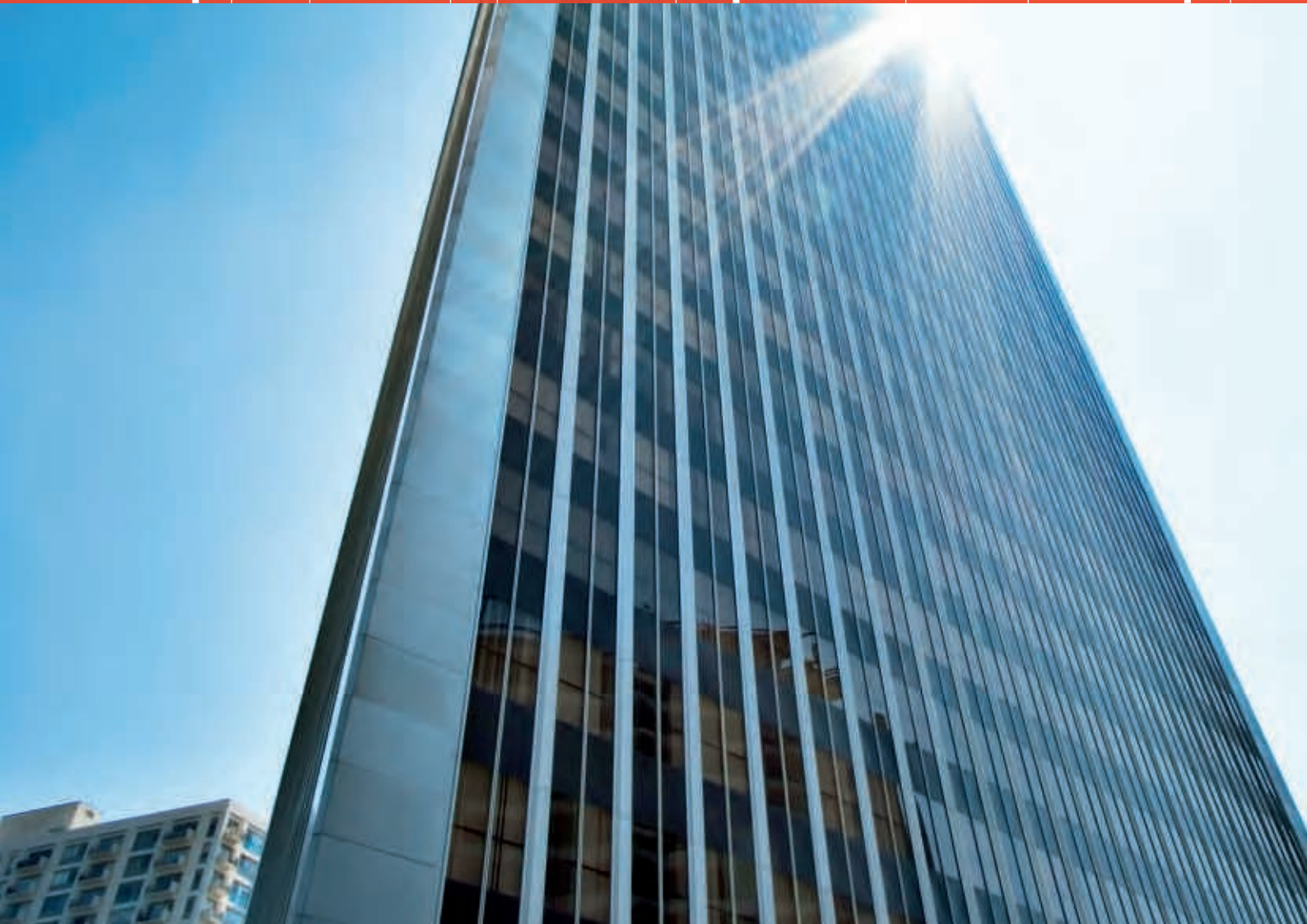
Key competence: energy efficiency in electricity.


Electrical energy is central to the world economy. There are very few products that are produced, marketed or used without electricity. When using electrical energy, it is necessary to be able to change current and voltage properties – for example in a computer power supply unit or when controlling electric motors using frequency converters. Interference or voltage distortions occur here which result in malfunctioning and can lead to increased energy consumption. This is why manufacturers of devices and systems powered with electrical energy are continually striving to eliminate or screen out sources of interference. They are also required to comply with increasingly strict EMC standards and regulations.

Schaffner Group products and solutions are designed to minimize the effects of interference caused by the use of electrical energy and to protect sensitive systems from such interference. Modern EMC filters protect electronic devices in power grids and protect these grids from emissions from electronic and electrical devices. They improve power quality and enable substantial savings in consumption and costs. Besides enhancing efficiency, the useful life of the electricity-powered devices and systems is significantly extended. Components from Schaffner therefore help to reduce power consumption in the long term and also support economic and ecological objectives. Schaffner has the expertise to identify potential sources of EMC and power quality interference early and isolate them, both in the development of new products and in subsequent system optimization. The Schaffner Group has a broad range of standard components, an efficient measurement service, expert technical advisers, and the capacity to develop and produce customized solutions and deliver them in large unit volumes to all key markets throughout the world. The Group operates three modern, high-capacity production centers worldwide: in Kecskemét (Hungary), Lamphun (Thailand) and Shanghai (China). Specialists around the world in 15 customer service and application centers are in close contact with the development and application engineers of regional and global customers in strong market sectors. In the key market of China alone, the presence was expanded from four to six locations in the reporting period. This means that the Schaffner Group has significantly extended its already strong position in the Chinese market – which will continue to grow sustainably in light of major infrastructure investment projects, particularly in the energy and railroad sectors.



The Schaffner Group is the first global company to offer one-stop EMC and power quality solutions worldwide. Improved power quality helps reduce consumption in the long term while also supporting economic and ecological objectives. Schaffner components are used in many applications, including modern in-house installations, sustainable energy production and public transport.



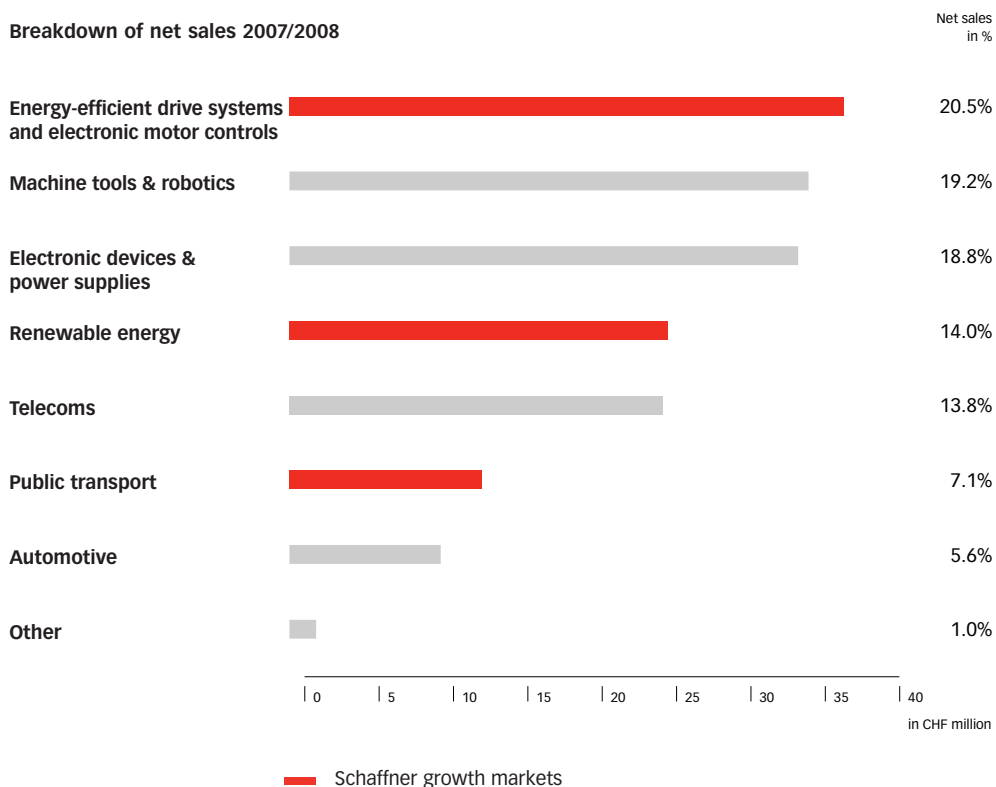


Thanks to greatly improved efficiency and incentives in the form of attractive government grant programs, renewable energy such as wind power has become a serious alternative to traditional sources.



Core markets of the Schaffner Group. In the reporting period, the Schaffner Group posted its strongest growth in the technology sectors energy-efficient drive systems and electronic motor controls, renewable energy sources and public transport, which substantially support energy savings based on the efficient use of electrical power.

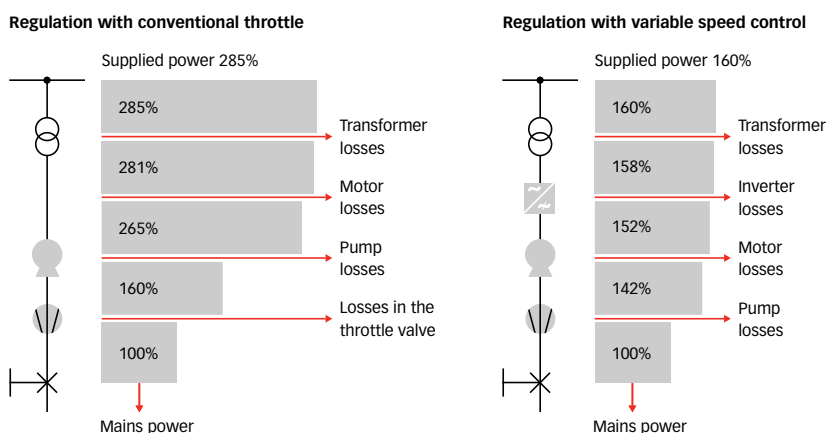
Breakdown of net sales 2007/2008




Energy-efficient drive systems and electronic motor controls. The energy-efficient drive systems and electronic motor controls sector succeeded the machine tools and robotics sector as the Schaffner Group's biggest single market in 2007/2008. Electric motors are now the main users of power. Their annual power consumption far exceeds that of lighting or heating. Electric motors continue to account for around two-thirds of the total electrical power used by industry. Because the sustainable use of electrical power is taking on growing economic and regulatory significance, solutions with lower energy consumption are becoming more and more important, and it is expected that the demand for energy-efficient electric motors will continue to grow in the long term.

Industrial electricity consumption could be reduced by around 30% within a short time by the systematic use of electronic motor controls. Schaffner components are used in these efficiency-optimized electronic motor controls to help drives function perfectly and enable their interference-free integration into complete systems. The comprehensive advice provided to customers includes analysis of the application requirements, the development, production and delivery of the components required and function testing of the finished products and applications at the customer's premises or in Schaffner's development laboratories.


Power demand of a pump: comparison of conventional throttle vs. electronic variable speed control



Source: ZVEI



Electronic motor control components optimize energy consumption, improve efficiency, increase the reliability of electric motors and enable integrated solutions in areas such as air-conditioning.



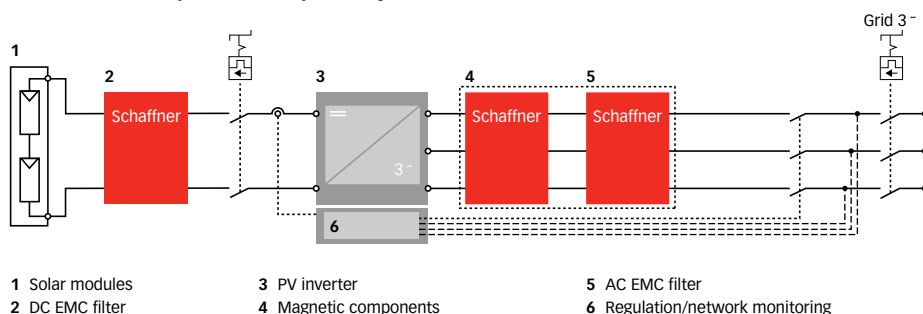
Photovoltaics, the direct conversion of solar energy into electricity, as well as wind farms make an important contribution to environmentally friendly and sustainable power generation.

Renewable energy. The renewable energy sector also grew vigorously in the reporting period, already contributing CHF 25.5 million to group sales. Robust medium-term development is expected to continue in the European market, while the demand for technologies for the use of renewable energy will increase rapidly in the USA and Asia. In addition to the use of solar (photovoltaic) energy, wind energy generation is expected to show a disproportionately high increase in demand. Schaffner components adapt electrical power generated from renewable sources to the requirements of the power grids, enabling unproblematic feed-in.

Major technical progress has been achieved in the past years in the use of renewable energy. Thanks to greatly improved efficiency and incentives in the form of attractive government grant programs as well as the trend in oil and gas prices, renewable energy has become a serious alternative to traditional sources. However, electrical energy from regenerative sources cannot be fed directly into the power grids, which require, first, alternating current, and second, a stable network frequency that meets the requirements of the national grids of the country in question. Solar energy systems and fuel cells, however, generate direct current. Wind turbines produce alternating current, but generally with wide fluctuations in frequencies because of variable wind speeds.

In order to be able to feed electricity from renewable energy sources into power grids, alternating current with a constant network frequency has to be generated using power electronics, i.e. frequency converters or inverters. The manufacturers of frequency converters use fast-switching power semiconductors that produce interference which can impair the function of other electrical and electronic devices and actually infringe the voltage quality standards that must be met if electrical energy is to be fed into a power grid.

Grid feed-in from photovoltaic power system

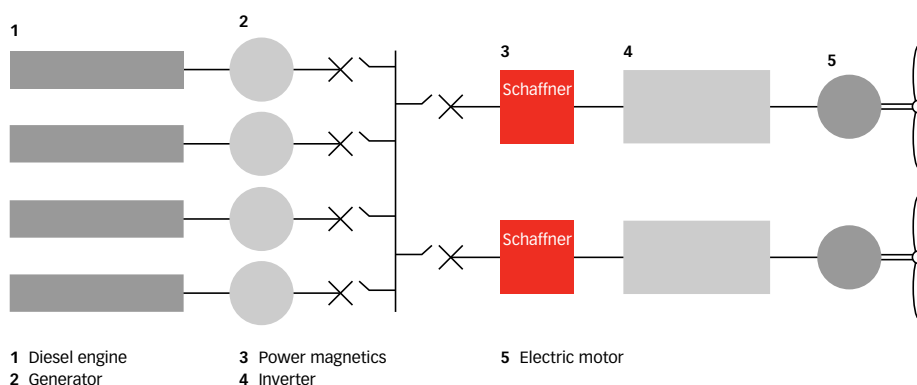



Public transport: rail and ship. The Schaffner Group's public transport market sector also grew significantly in the reporting period. Now that the Chinese government has increased the investment program for expansion of the rail infrastructure to 2 billion yuan and rail infrastructure investment programs are increasingly under discussion in emerging markets such as India and Brazil, this sector can also expect long-term, sustainable growth.

Schaffner components – transformers and power inductors – are used in the drive units of locomotives and increasingly in ships with modern hybrid drives (diesel/electric motors) as well as in railroad coaches to ensure the efficient use of power and an interference-free flow of energy in front of the drive system and between the drive system and the engine. They also prevent interference in the electrical functions. With hybrid diesel/electric drives in modern ship designs, the diesel engine no longer drives the screw directly, but instead operates an electricity generator. The energy generated here is fed into electric motors which then act as a variable drive for the ship's propeller. Schaffner products are also used in a typical frequency converter application to translate drive energy in a similar way. In addition, every ship requires an enormous amount of energy. The stability of on-board power networks and the flawless functioning of power-driven equipment offer major potential for Schaffner components.

Components for use in modern rolling stock and ships have to be highly resistant to temperature variations and vibration as well as extremely reliable and durable. Simulation of customer specifications is therefore carried out in the initial stages of product development. Following construction of prototypes, various tests are carried out. This gives Schaffner's customers a substantial reduction in the time-to-market for new products, and individual requirements can be taken into account. During product development, Schaffner draws on its broad application knowledge and applies a proven computer-aided measurement and testing procedure. The components developed on this basis are then tailored to the customer's systems and integrated, for example, in modern locomotives and ships.

Electric ship propulsion systems





Wherever electrical energy is converted into mechanical energy by drive systems, there is potential for Schaffner products such as transformers, EMC filters, line reactors and output filters.



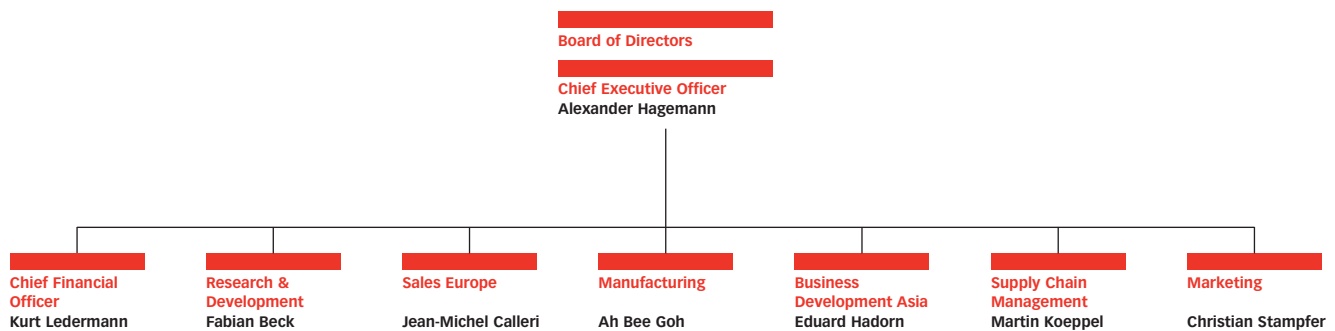
The complexity of systems used in modern rolling stock is constantly increasing; today, EMC filters and power quality components are essential for smooth operation and a reliable rail infrastructure.



CORPORATE GOVERNANCE

Group structure and shareholders

Management structure



Companies of the Schaffner Group. Schaffner Holding AG is a public listed company under Swiss law headquartered in Luterbach. Its ordinary share capital of CHF 22,893,840 is divided into 635,940 registered shares with a par value of CHF 36 per share. The registered shares of Schaffner Holding AG are traded on the main segment of the SIX Swiss Exchange under securities number 906 209. The stock market capitalization as of September 30, 2008, was CHF 146 million, based on the number of shares in circulation. The convertible bond of Schaffner Holding AG is traded on the SIX Swiss Exchange under securities number 1 754 641.

Ticker symbols:

- Registered share: SAHN
- Convertible bond: SAH04

The companies belonging to the Schaffner Group are listed on page 64 under note 27.

Significant shareholders. Information on significant shareholders can be found on page 70.

As at September 30, 2008, 1,325 shareholders with voting rights (previous year: 1,508) were listed in the share register of Schaffner Holding AG.

CORPORATE GOVERNANCE

Of the total shares issued, the free float is 93.99%. Schaffner owns 6.01% treasury shares.

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

Capital structure

Ordinary share capital	CHF 22,893,840 Divided into 635,940 registered shares with a nominal value of CHF 36 per share. The share capital is fully paid in. Each share grants the owner one vote at the Annual General Meeting. All shares not held by the Company or one of its subsidiaries are dividend-bearing.
Conditional share capital	CHF 768,240 (for employee share option plan) Divided into 21,340 registered shares with a nominal value of CHF 36 per share. Shareholders' pre-emptive rights are excluded. CHF 6,840,000 (for 2.25% convertible bond) Divided into 190,000 registered shares with a nominal value of CHF 36 per share. Shareholders' pre-emptive rights are excluded. A pre-emptive subscription right was granted to shareholders.

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 six years (2004–2010). The conversion price determined in a book-building procedure was CHF 260, which corresponded to a conversion ratio of 3.846 shares of Schaffner Holding AG per convertible bond with a nominal value of CHF 1,000 each.

In accordance with Art. III Section 5 (d), (i) of the issue prospectus, the conversion price and the conversion ratio are reduced subject to the occurrence of certain events. This resulted in an adjustment of the conversion price on January 29, 2007, from CHF 260 to CHF 238.32. The difference between the previous and the new conversion price is paid in cash by the issuer in the event of conversion. The repayment of nominal value as at April 5, 2007, resulted in a further adjustment of the conversion price to CHF 232.16 and an adjustment of the conversion ratio to 3.948 shares per convertible bond.

No bonds had been converted as at September 30, 2008.

More information on the conditional share capital:

- Employee share option plan, page 54 of the Annual Report 2007/2008
- Convertible bond, pages 49 and 69 of the Annual Report 2007/2008 and in the issue prospectus dated January 26, 2004

Changes in capital. A decision was passed at the Annual General Meeting of January 17, 2007, to reduce the ordinary share capital of Schaffner Holding AG from CHF 31,797,000 to CHF 24,801,660 by decreasing the nominal value per share from CHF 50 to CHF 39.

A decision was passed at the Annual General Meeting of January 16, 2008, to reduce the ordinary share capital of Schaffner Holding AG from CHF 24,801,660 to CHF 22,893,840 by decreasing the nominal value per share from CHF 39 to CHF 36. The conditional share capital was also reduced accordingly.

The changes in share capital, capital reserves, retained earnings and other items of the consolidated equity are listed on page 35 of the Annual Report 2007/2008. The information for the two previous years can be found on page 37 of the Annual Report 2006/2007 and page 19 of the Financial Report 2005/2006.

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 application 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.

CORPORATE GOVERNANCE

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 the registration application if such registrations are found to be based on false information given by the purchaser. In such cases, 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 composed of five to seven members who must be shareholders.

Its membership on September 30, 2008, was as follows:

	Since	Elected until	
Leo Steiner, Chairman	2002	2010	
Hans Hess	2006	2010	
Peter E. Rued	1998	2010	
Robert F. Spoerry	1998	2010	
Markus Zenhausern	2008	2012	
Secretary to the Board: Kurt Ledermann			

Information on members of the Board of Directors

Leo Steiner, Chairman

1943, Swiss.

Degree in Mechanical Engineering, Federal Institute of Technology, Zurich.

Until 2007 Delegate of the Board of Directors of Komax Holding AG, Dierikon, and Chief Executive Officer of the Komax Group, Dierikon.

Other mandates on the boards of listed companies:

Chairman of the Board of Directors of Komax Holding AG, Chairman of the Board of Directors of Kardex AG, Zurich.

Hans Hess

1955, Swiss.

Degree in Mechanical Engineering, Federal Institute of Technology, Zurich;

MBA, University of Southern California.

From September 8, 2006, to March 31, 2007, Delegate of the Board of Directors ad interim of Schaffner Holding AG. Until 2005 held a variety of management positions within the Leica Group, most recently 10 years as Chief Executive Officer and Delegate of the Board of Directors of Leica Geosystems, Heerbrugg.

Other mandates on the boards of listed companies:

Chairman of the Board of Directors of Burckhardt Compression Holding AG, Winterthur, Chairman of the Board of Comet Holding AG, Flamatt, member of the Board of Directors of Geberit AG, Jona.

Peter E. Rued

1945, Swiss.

Degree in Engineering; Degree in Industrial Management, ISZ/SIB.

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

Robert F. Spoerry

1955, Swiss.

Degree in Mechanical Engineering, Federal Institute of Technology, Zurich;

MBA, University of Chicago.

Executive Chairman, Mettler-Toledo International Inc., Greifensee.

Other mandates on the boards of listed companies:

Member of the Board of Directors of Conzzeta Holding AG, Zurich, Sonova Holding AG, Staefa, and Holcim Ltd., Jona.

CORPORATE GOVERNANCE

Markus Zenhausern

1962, Swiss.

Degree in Economics, University of St. Gallen; PhD, University of Fribourg.

Chief Financial Officer and member of the Group Management of Swiss Post, Berne.

Election and term of office. The members of the Board of Directors are elected by the Annual General Meeting 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 Board of Directors has a quorum when the majority of its members participates in spoken discussions and votes. Resolutions are passed by a simple majority vote. If the vote is tied, the Chairman casts the deciding vote. The Board is authorized to pass resolutions in connection with capital increases irrespective of the number of members present. The Board may also pass resolutions regarding proposals submitted to it by written vote insofar as no member requests a spoken discussion. In this case, the resolution is passed if it is supported by the majority of all Board members.

The Board of Directors convenes at least four times a year and generally holds a closed session once a year. It undertakes to ensure that all members are reciprocally and comprehensively informed at all times.

The Board of Directors convened five times in fiscal 2007/2008. All members of the Board were present at all but two meetings, at each of which one member was absent. In addition, the Audit Committee convened three times and the Compensation Committee once. The Chief Executive Officer and the Chief Financial Officer attended all of the meetings of the Board of Directors and the Audit Committee.

Committees. The Board of Directors of Schaffner Holding AG is supported by the committees detailed below. The committees are primarily responsible for providing specialist input as the basis of decisions to be passed by the Board. The committees support the Board of Directors. The duties and powers assigned to the Board rest with the Board as a whole.

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 of the Board or the Chief Executive Officer at any time on matters that require urgent attention. Outside the normal Board meetings, the directors who sit on the committees also work directly with Group Management. The term of office for committee members normally coincides with the term of office of their director's mandate. If required, however, new committees can be created or existing ones newly appointed or disbanded.

CORPORATE GOVERNANCE

Audit Committee

	Term
Markus Zenhaeusern, Chairman	2008–2012
Hans Hess	2006–2010
Peter E. Rued	2002–2010

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

- 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
Leo Steiner, Chairman	2002–2010
Robert F. Spoerry	2002–2010

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 member of Group Management to the Board for approval on an annual basis.
- It defines the incentive programs.

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

- Applications for the promotion of employees to Group Management.
- Applications for the recruitment or dismissal of Group Management members.

In the case of new recruits, members of the Compensation Committee participate in the assessment procedure.

Division of powers. Within the scope of the applicable legal and statutory provisions, the Board of Directors has delegated operational management of the Schaffner Group to Group Management, chaired by the Chief Executive Officer. Group Management is responsible for implementing the Group's business policy in line with the guidelines set by the Board of Directors.

Group Management information and controlling instruments. Group Management provides the Board with a monthly written report on the Group's performance. The reports include details of the individual results of all group companies, which are shown consolidated in the balance sheet and the income and cash flow statements. The figures are compared against the prior-year and budgeted figures. The Board discusses the monthly reports at its meetings. The Chief Executive Officer and the Chief Financial Officer attend all meetings.

Group Management carries out a risk assessment on behalf of the Board of Directors at regular intervals. General risks and the overall balance sheet positions are analyzed and evaluated. Controlling points and processes are defined based on the risk assessment. These are executed by the management responsible for the process. The Board of Directors monitors the risk assessment and checks the risk management processes.

Principles and organization of management. Group Management is headed by the Chief Executive Officer and also includes the Chief Financial Officer and six Vice Presidents for Research & Development, Sales Europe, Manufacturing, Business Development Asia, Supply Chain Management and Marketing. It is responsible for implementing the Group's 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 implementing group-wide standards.

The Chief Executive Officer formulates the group strategy for the attention of the Board of Directors and is responsible for implementing the strategy. He sets the targets for all units 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 other Group Management members in all financial matters.

The Vice Presidents are responsible for achieving the 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, 2008, Schaffner Group Management comprised the following members:

		Since
Alexander Hagemann	Chief Executive Officer	2007
Kurt Ledermann	Chief Financial Officer	2008
Fabian Beck	Vice President Research & Development	2007
Jean-Michel Calleri	Vice President Sales Europe	2007
Ah Bee Goh	Vice President Manufacturing	2007
Eduard Hadorn	Vice President Business Development Asia	2007
Martin Koepfel	Vice President Supply Chain Management	2007
Christian Stampfer	Vice President Marketing	2007

Information on the members of Group Management

Alexander Hagemann

1962, German.

Degree in Mechanical Engineering, RWTH Aachen University.

Joined the Schaffner Group as Chief Executive Officer on March 1, 2007.

Prior to that held a number of management positions with the Schott Group, including Executive Vice President, Optics for Devices, preceded by various management roles in the area of production and logistics at BMW.

Kurt Ledermann

1968, Swiss.

MSEE, Federal Institute of Technology, Zurich; MBA, University of St Gallen.

Joined the Schaffner Group as Chief Financial Officer on June 1, 2008.

Previous roles include Executive Vice President, Finance & IT, RUAG Aerospace; Head of Finance & Accounting, Schaffner Group; Chief Financial Officer, Medivision; Group Controller and Head of Investor Relations, Sika Group.

Fabian Beck

1969, Swiss.

MSEE, Federal Institute of Technology, Zurich; Executive Master of Business and Engineering. With the Schaffner Group since 1994, Vice President Research & Development since March 1, 2007.

Previously Head of Research and Development, EMC Test Engineer, Quality Engineer and Applications Engineer.

Jean-Michel Calleri

1956, French.

Electrical Engineering Diploma ESIGELEC, Rouen; IESTO CNAM, Paris.

With the Schaffner Group since 1999, Vice President Sales Europe since July 1, 2007.

General Manager of Schaffner EMC S.A.S., Argenteuil; prior to that held a variety of management positions in Marketing & Sales, Thomson Passive Components.

Ah Bee Goh

1950, Singaporean.

Honours Bachelor of Science in Production Engineering, University of Strathclyde; MSc in Industrial Engineering, National University of Singapore; MSc in Finance, University of Leicester; MBA, University of Surrey.

Joined the Schaffner Group as Vice President Manufacturing on July 1, 2007.

Previously Managing Director at Leica Instruments; various management roles at Maxtor Peripherals, Seagate Technology and Tandon/Western Digital.

Eduard Hadorn

1956, Swiss.

Business Economist.

With the Schaffner Group since 2003, Vice President Business Development Asia since March 1, 2007.

Managing Director, Schaffner EMC Ltd., Shanghai; prior to that General Manager of the Technology Division, Diethelm & Co; Head of Marketing & Sales, Beringer Hydraulik.

Martin Koeppel

1960, Swiss.

Studies in Precision Engineering, Systems Engineering and Software Engineering.

Joined the Schaffner Group in 1996, Vice President Supply Chain Management since March 1, 2007.

Previously Head of Production Components and Modules and Head of Technology and Planning with the Schaffner Group; Project Manager, Swatch Group; Project Manager, Logotrans; responsible for Robotics at Schaffner Elektronik.

Christian Stampfer

1962, German.

Degree in Electrical Engineering, University of Applied Sciences Bochum/Gelsenkirchen; MBA, State University of New York, Albany.

With the Schaffner Group since 1995, Vice President Marketing since July 1, 2007.

Previously Head of Sales Switzerland and International, Head of Product Marketing Components and Modules and Product Manager EMC Components; Product Manager for Medium Voltage Switchgears and Switches, Schneider Electric Germany.

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. The members of the Board of Directors receive fixed annual compensation for their work, specifically for preparing and participating in meetings and serving on committees. The Compensation Committee determines the amount of the annual compensation once a year.

The members of Group Management are compensated taking their duties, performance and the development of the business into account. In addition to a fixed annual sum, their compensation contains a variable share of 25 to 40 percent of the salary, which depends mainly on the operating result. Based on proposals made by the Compensation Committee, the Board of Directors determines the amount of the Chief Executive Officer's compensation once a year. The compensation of the other members of the Group Management is set once a year based on proposals made by the Compensation Committee in collaboration with the Chief Executive Officer.

Since October 1, 1998, options to the value of CHF 500,000 to CHF 900,000 on the purchase of registered shares in Schaffner Holding AG have been granted to key management members and the members of the Board of Directors every year under the Schaffner Share Option Plan. The options are allotted by the Board of Directors and are based on appraisals of individual performance. For further information, see note 19, page 54 of the notes to the consolidated financial statements.

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 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. The agenda is sent out together with the invitations at least 20 days before the Annual General Meeting. 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 (33⅓%) 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 will 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 a number of shares in the Company that, according to Art. 32 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), would trigger the obligation to make an offer to acquire all listed shares of the Company or
- the sale by Schaffner Holding AG of all or a substantial portion of the Company's assets.

Auditors

Duration of the mandate and term of office of the auditor-in-charge. The statutory and group auditor is appointed annually by the Annual General Meeting.

Ernst & Young AG, Berne, has acted as statutory and group auditor since fiscal 2002/2003. The auditor-in-charge is Roland Ruprecht (since fiscal 2002/2003).

Audit fees. Ernst & Young AG charged fees totaling CHF 502,000 for its audit work in fiscal 2007/2008.

Additional fees. In fiscal 2007/2008 additional fees of CHF 155,000 were paid to Ernst & Young AG.

Information instruments of the external auditor. The Audit Committee meets once a year with the external statutory auditor to discuss the annual financial statements. The Chief Executive Officer and the Chief Financial Officer take part in this meeting. The external statutory auditor reports to the Board of Directors in a management letter prepared after year-end closing and in the reports of the group auditor and statutory auditor. The Audit Committee reviews the performance, independence and fees of the external statutory auditor and makes a recommendation on its appointment on behalf of the Board of Directors and the Annual General Meeting. The term of office of the auditor-in-charge is a maximum of seven years.

Information policy

Schaffner Holding AG provides information to 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 International Financial Reporting Standards
- Presentation of annual results to media representatives and analysts
- Annual General Meeting
- Press releases on events subject to the SIX ad hoc reporting requirement; registration at www.schaffner.com
- Teleconferences
- Roadshows for institutional investors
- 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 Official Gazette of Commerce (SOGC; Schweizerisches Handelsamtsblatt).

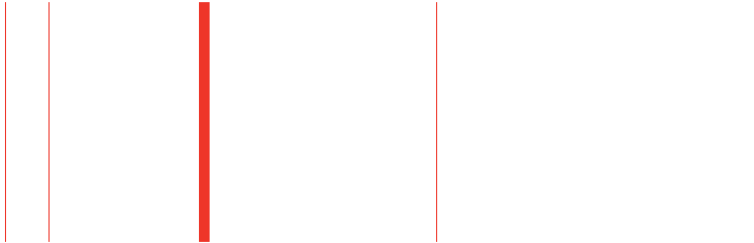
Articles of association. The articles of association can be viewed or obtained at the Company's head office.

Investor Relations contacts

- Alexander Hagemann, Chief Executive Officer (alexander.hagemann@schaffner.com)
- Kurt Ledermann, Chief Financial Officer (kurt.ledermann@schaffner.com)

Calendar of events. Schaffner Holding AG's fiscal year runs from October 1 to September 30.

14.01.2009	Annual General Meeting
13.05.2009	Publication of 2008/2009 Interim Report
08.12.2009	Publication of 2008/2009 Annual Report
13.01.2010	Annual General Meeting



Consolidated financial statements Of the Schaffner Group

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Consolidated balance sheet

in CHF 1,000

	Note	30.9.2008	30.9.2007
Intangible assets	3	13,402	13,298
Tangible fixed assets	4	15,068	14,531
Other long-term assets	5, 22	6,318	7,072
Deferred income tax assets	16	563	793
Fixed assets		35,351	35,694
Inventories	6	30,077	29,963
Trade receivables	7, 22	34,124	33,415
Income tax receivables		679	203
Other receivables and accruals	8, 22	13,643	19,142
Cash and cash equivalents	22	26,928	28,796
Current assets		105,451	111,519
Total assets	18	140,802	147,213
Equity attributable to equity holders of Schaffner Holding AG		52,617	51,710
Shareholders' equity		52,617	51,710
Long-term provisions	9	4,375	6,818
Deferred income tax liabilities	16	2,310	2,880
Long-term borrowings	10, 22	49,520	49,042
Long-term liabilities		56,205	58,740
Short-term provisions	9	3,157	0
Short-term borrowings	22	6	363
Income tax liabilities		1,613	1,411
Interest-free liabilities	11, 22	27,204	34,989
Short-term liabilities		31,980	36,763
Total liabilities		88,185	95,503
Total liabilities and shareholders' equity		140,802	147,213

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated income statement in CHF 1,000				
		Note	2007/2008	2006/2007
Continuing operations				
Net sales		18	182,445	170,281
Cost of goods sold			-128,289	-115,913
Gross profit			54,156	54,368
Other income		2	1,803	0
Marketing and sales			-17,124	-16,025
Research, development and application			-10,639	-10,094
General and administration			-13,891	-17,434
Earnings before amortization of customer relations			14,305	10,815
Amortization of customer relations ¹		3	-699	-646
Operating result (EBIT)			13,606	10,169
Financial income		15	3,230	5,973
Financial expenses		15	-5,246	-6,541
Earnings before income taxes (EBT)			11,590	9,601
Income taxes		16	-2,782	-2,038
Profit for the period from continuing operations			8,808	7,563
Discontinued operations				
Loss for the period from discontinued operations		23	0	-2,160
Net profit			8,808	5,403
Earnings per share from continuing operations in CHF		20		
basic			14.53	12.27
diluted			12.27	10.59
Earnings per share from discontinued operations in CHF		20		
basic			0.00	-3.51
diluted			0.00	-2.64
Earnings per share in CHF		20		
basic			14.53	8.77
diluted			12.27	7.95

¹ To be assigned to the marketing and sales line item, taking into account the cost of sales method

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated cash flow statement

in CHF 1,000

	Note	2007/2008	2006/2007
Net profit		8,808	5,403
+ Depreciation and impairment of tangible fixed assets	4	3,560	3,587
+ Amortization and impairment of intangible assets	3	1,756	1,842
+ Valuation of other long-term assets		0	2,008
± Result from sale of fixed and intangible assets		309	-1,857
± Change in provisions	2, 9	2,086	-455
± Change in inventories		-1,418	-1,147
± Change in accounts receivables ^{1,2}		-1,234	1,743
± Change in short-term liabilities		-6,769	-3,990
± Change in deferred income taxes	16	-251	-125
- Result from divestment of a subsidiary or business	23	0	-398
+ Financial expenses for convertible bond		976	935
+ Share-based payments		553	514
± Translation differences from intra-group positions		-32	-667
- Release earn-out	2	-1,598	0
Cash flow from operating activities³		6,746	7,393
- Capital expenditure tangible fixed assets	4	-5,193	-4,808
+ Proceeds from sale of tangible fixed assets ¹		3,873	20,178
- Capital expenditure intangible assets	3	-2,055	-414
+ Cash flow from divestment of a subsidiary or business ²	23	682	13,239
- Cash flow from acquisition of a subsidiary	2	0	-1,683
± Change in loans and other long-term assets		598	-2,510
Cash flow from investing activities³		-2,095	24,002
- Purchase of treasury shares	21	-5,497	-4,629
+ Sale of treasury shares	21	46	3,471
+ Proceeds from exercised options by employees	21	1,354	1,751
- Repayment of nominal value		-1,814	-6,773
+ Increase in borrowings		6	146
- Repayment of borrowings		-348	-5,721
Cash flow from financing activities³		-6,253	-11,755
± Translation differences from cash and cash equivalents		-266	120
= Change in cash and cash equivalents		-1,868	19,760
Cash and cash equivalents opening balance		28,796	9,036
Cash and cash equivalents closing balance		26,928	28,796
Free cash flow⁴		3,371	22,349
Income and expenses included in cash flow from operating activities			
Interest paid		-1,340	-1,047
Interest received		597	560
Income taxes paid		-1,036	-2,396

¹ Reporting period includes a deferred sales price payment of EUR 2.4 million for properties in Wertheim, Germany, sold in September 2007.

Previous year includes a deferred sales price payment of CHF 20 million for properties in Luterbach, Switzerland, sold in September 2006.

² Reporting period contains a deferred sales price payment from divestment of subsidiaries and businesses (TESEQ).

³ In previous year these line items include net cash flows from discontinued operations (see note 23, page 62).

⁴ Cash flow from operating activities minus net capital expenditures in tangible fixed and intangible assets

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of shareholders' equity									
	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Trea- sury shares	Amounts recognized directly in equity ¹	Total share- holders' equity without minor- ity interests	Minority interests	Total share- holders' equity
in CHF 1,000									
At 1.10.2006	31,797	57,374	-3,875	-29,241	-5,734	661	50,982	3	50,985
Translation differences			1,732			-661	1,071		1,071
Net profit				5,403			5,403		5,403
Total income and expense	0	0	1,732	5,403	0	-661	6,474	0	6,474
Treasury shares				-26	-1,132		-1,158		-1,158
Acquisition of minorities				-80			-80	-3	-83
Repayment of nominal value ²	-6,995			222			-6,773		-6,773
Stock option plans		514			1,751		2,265		2,265
At 30.9.2007	24,802	57,888	-2,143	-23,722	-5,115	0	51,710	0	51,710
Translation differences			-2,543				-2,543		-2,543
Net profit				8,808			8,808		8,808
Total income and expense	0	0	-2,543	8,808	0	0	6,265	0	6,265
Treasury shares				-363	-5,088		-5,451		-5,451
Repayment of nominal value ³	-1,908			94			-1,814		-1,814
Stock option plans		553			1,354		1,907		1,907
At 30.9.2008	22,894	58,441	-4,686	-15,183	-8,849	0	52,617	0	52,617

¹ Previous year contains translation differences relating to net assets of divested subsidiaries or businesses

² CHF 11.00 per share

³ CHF 3.00 per share

Share capital. The share capital of Schaffner Holding AG is presented by 635,940 registered shares with a par value CHF 36 each. The share capital is fully paid in. Each share grants the owner one vote at the Annual General Meeting of Shareholders. All shares not held by the Company or one of its subsidiaries are dividend-bearing. The share capital was reduced by CHF 1,907,820 as per March 28, 2008, owing to the repayment of the nominal value of CHF 3 per share.

There is also conditional share capital of 211,340 shares with a total nominal value of CHF 7,608,240. Thereof 190,000 registered shares (CHF 6,840,000 nominal) are dedicated to the convertible bond (see note 10, page 49) and 21,340 registered shares (CHF 768,240 nominal) are assigned for the employee share option plan (see note 19, page 54).

Capital reserves. The capital reserves consist of the premium for the share capital paid. The increase in the capital reserves in the year under review is a result of the grant of conversion rights from the employee share option plan and allotted restricted shares (see note 19, page 54).

Cumulative translation differences. Historical rates apply to shareholders' equity. The resulting foreign exchange differences have no effect on financial income up to the point of disposal of the subsidiary company and are shown in the shareholders' equity as a separate line item.

The accompanying notes are an integral part of 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 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. The financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS).

The Schaffner Group used the same principles as in the previous year. Newly issued and amended standards and interpretations are an exception to this rule. The Schaffner Group introduced the following changes on October 1, 2007:

IFRS 7 – Financial Instruments: Disclosures – This standard supersedes those parts of IAS 32 that cover the disclosure of financial instruments. IFRS 7 has not a material effect on the consolidated financial statements of the Schaffner Group, but requires additional disclosures concerning risk policy and risk management for financial instruments.

In addition amendment to IAS 1 – Presentation of financial statements: Objectives, principles and processes in connection with capital management, amendments to IAS 39 – Reclassification of Financial Assets, introduction of IFRIC 10 Interim Financial Reporting and Impairment and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. These standards have no effect on the consolidated balance sheet or income statement of the Schaffner Group, as they are either simply disclosure regulations or are of little significance to the Schaffner Group.

IFRS standards applicable after the balance sheet date. The following new and revised standards and interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements. Their impact on the consolidated financial statements of Schaffner Group has not yet been systematically analyzed. However, a preliminary assessment has been conducted and the expected impact of each standard and interpretation is presented in the table below.

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Standard	Assessment	Effective date	Planned application by Schaffner Group	
IFRIC 12 – Service Concession Arrangements	*	01.01.2008	2008/2009	
IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	***	01.01.2008	2008/2009	
IFRIC 13 – Customer Loyalty Programmes	*	01.07.2008	2008/2009	
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	*	01.10.2008	2008/2009	
IAS 1 – Presentation of Financial Statements – Revised	**	01.01.2009	2009/2010	
IAS 23 – Borrowing Costs	*	01.01.2009	2009/2010	
IFRS 8 – Operating Segments	**	01.01.2009	2009/2010	
IFRS 2 Amendment – Vesting Conditions and Cancellations	*	01.01.2009	2009/2010	
IAS 32 and IAS 1 – Amendments – Puttable Financial Instruments and Obligations Arising on Liquidation	*	01.01.2009	2009/2010	
IFRS 1 and IAS 27 Amendments – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	*	01.01.2009	2009/2010	
IFRS 3 Amended – Business Combinations	*	01.07.2009	2009/2010	
IAS 27 Amended – Consolidated and Separate Financial Statements	*	01.07.2009	2009/2010	
IAS 39 Amendment – Eligible Hedged Items	*	01.07.2009	2009/2010	
IFRIC 15 – Agreements for the Construction of Real Estate	*	01.01.2009	2009/2010	

* No impact or no significant impact is expected on the consolidated financial statements.

** The impact on the consolidated financial statements is expected to result in additional disclosures or changes in presentation.

*** The impact on the consolidated financial statements can not yet be determined with sufficient reliability.

Estimates. The consolidated financial statements of Schaffner contain assumptions and estimates which affect the reported financial position, financial performance and cash flows. These assumptions and estimates were made on the basis of management's best knowledge at the time of preparation of the accounts. Actual results could differ from the values reported. The following estimates have the largest effects on the consolidated accounts:

- Intangible assets: For acquisitions, the fair value of the acquired net assets (including acquired intangible assets) is estimated. Any amount paid in excess of this estimate represents goodwill. Intangible assets with a finite life are amortized over the expected period of use; those with an indefinite life (primarily goodwill) are not amortized, but are tested annually for impairment. The valuation of goodwill and other intangibles and the estimation of useful life have an effect on the consolidated financial statements.
- Provisions: Provisions are recognized only if the specific criteria under IFRS are met. Provisions represent presumed obligations arising from a past event and are recognized only if their amount can be estimated reliably. Nevertheless, provisions are based on assumptions, which may later turn out to be incorrect.
- Income taxes: The Schaffner Group is subject to income tax in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

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 on 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.

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. The purchase and sale of minorities is recognized directly in equity according to the entity concept method. 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 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, customer relations and software purchased. Apart from goodwill, these are amortized over their estimated useful life using the straight-line method as follows:

Software and rights	3–8 years
Customer relations	10 years

Acquisitions and goodwill. Companies are consolidated from the date at which control is acquired. The identifiable assets, liabilities and contingencies are revalued and included according to the purchase method. Any difference between the cost of acquisition and the net assets acquired constitutes goodwill assessed for impairment yearly. Any impairment is recorded in the income statement. Goodwill is impaired accordingly. If a subsidiary is sold, the difference between the selling price and the net assets, plus the cumulated translation differences, is reported as operating profit in the consolidated income statement.

Research and development costs. Development costs for new products are not capitalized, since a future economic benefit can only be proven after successful market introduction.

Development costs for software are capitalized under intangible assets on condition that it will generate profit in the future through being either sold or used within the company and that its production cost can be reliably estimated. Other conditions that must be met concern the technical feasibility, the intention and

ability to complete the development, and the availability of sufficient resources. Amortization is charged on a straight line basis using estimated useful economic life. Potential impairment of the capitalized production costs is tested annually if the software is not yet being used, or more frequently if there are justified indications of loss of value.

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	10–50 years
Machinery and equipment	5–10 years
Furniture and fixtures	5–10 years
Vehicles	3–6 years
EDP hardware	3–5 years
Tools	1–5 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 installments over the life of the contract.

Impairment of assets. The recoverable amount of an asset is estimated as soon as signals of an impairment of an asset occur. If the assets are carried at an amount 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. Purchased products are valued at acquisition cost while own manufactured products are valued at manufacturing cost including related production expenses. For simplicity, inventory is valued at standard cost in the balance sheet. This value is also used in the income statement for the cost of goods sold. Provisions are made for inventories with a lower market value, or which are slow-moving. Unsalable inventory is fully written off. Inventory is valued at net realizable value at most.

Trade receivables. The balance sheet carrying value corresponds to the nominal value less appropriate value adjustments for claims where recovery is difficult or impossible (provision for doubtful debts).

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 are valued if possible at market price, or otherwise at cost. Treasury shares are presented as a deduction from equity.

Cash and cash equivalents. Cash and cash equivalents consist of cash in hand, deposits on postal and bank accounts as well as call and short-term deposits, with original maturity of up to 90 days.

Provisions. Provisions are recognized when the Group has a third party obligation as a result of past events, 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 recognized after transfer of risk and reward.

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 future 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. Actuarial 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 have incurred.

Segment reporting. The primary segmentation is based on the two divisions, Components and Modules and Test Systems. Following the conclusion of the divestment, the Test Systems segment was given up in the previous year. The secondary segmentation is by geographic area. There were no transactions between the divisions.

Segment disclosures for income and expenses are consistent with the data from internal management reporting. All assets and liabilities were assigned to the Components segment on September 30, 2008.

Income taxes. Tax accruals 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 income tax liabilities are calculated on all taxable temporary differences. Deferred income tax assets including assets for unused tax loss carry-forwards 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 at fair value through profit and loss (assets classified as held for trading, and certain financial assets and liabilities designated as falling into the category)
- Financial investments held to maturity
- Loans and receivables
- 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 value.

The first-time valuation of the financial assets is recognized at purchase cost, including transaction costs (exception: financial assets at fair value through profit and loss are recognized excluding transaction costs). All purchases and sales of financial assets are recognized on their trading date. Financial assets at fair value through profit and loss are recorded at market value. Any value adjustments are recorded in financial income/expenses for the respective reporting period. Financial instruments held to maturity, loans and receivables are valued by the effective interest rate method or at purchase cost.

Financial instruments available for sale are recognized at market value, changes in market value (after income 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/expenses 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. 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 expenses therefore include 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.

Share-based payments. The fair value of the granted options is calculated using the Enhanced American Model (sophisticated binomial model) at the grant date. The fair values for options were expensed over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting.

Assets held for sale and discontinued operations (IFRS 5). A group of assets is classified as held for sale if a sale is highly probable within one year. The assets must be available for immediate sale in their present condition. A discontinued operation is a substantial component that either has been disposed of or is classified as held for sale. Tangible and intangible assets held for sale are measured at the lower of their carrying amount at the date of their first recognition as held for sale and fair value less costs to sell. Such assets are no longer depreciated or amortized systematically. A possible impairment is included in the income statement.

1. Foreign currencies. The following exchange rates were applied for the translation of foreign currencies:

			Balance sheet		Income statement	
			30.9.2008	30.9.2007	2007/2008	2006/2007
Country	Currency		in CHF	in CHF	in CHF	in CHF
UK	GBP	100	199.83	238.17	211.82	240.95
Japan	JPY	100	1.06	1.01	1.00	1.02
Singapore	SGD	100	78.25	78.36	76.71	79.55
Sweden	SEK	100	16.24	18.06	17.19	17.70
Thailand	THB	100	3.30	3.64	3.37	3.64
USA	USD	100	112.41	116.41	107.60	121.43
EU	EUR	100	158.23	165.96	161.87	162.88
China	CNY	100	16.42	15.50	15.18	15.77
Hungary	HUF	100	0.65	0.66	0.65	0.65
Taiwan	TWD	100	3.48	3.56	3.43	3.69

2. Scope of consolidation. In connection with previous year's acquisition of the Jacke Transformatoren GmbH an earn-out model has been agreed upon that foresees secondary payments of up to a maximum of EUR 0.7 million if certain targets are met. With an agreement signed in the reporting period the selling party abandoned without restriction the payment of the earn-out of EUR 0.7 million which was recorded as provision as at September 30, 2007, as well as the payment of a borrowing of EUR 0.3 million. The total amount of EUR 1 million is shown under other income. For further information on the scope of consolidation, see page 64.

	Software and rights	Goodwill	Customer relations	Intangible assets under construction	Total
3. Intangible assets in CHF 1,000					
Historical cost 1.10.2006	5,589	4,817	0	0	10,406
Capital expenditure	414				414
Acquisition of a subsidiary	538		6,839		7,377
Disposals	-582				-582
Divestment of a subsidiary or business	-834				-834
Translation differences	91		310		401
Historical cost 30.9.2007	5,216	4,817	7,149	0	17,182
Capital expenditure	85			1,654	1,739
Internally developed				316	316
Disposals	-187				-187
Translation differences	-6		-333		-339
Historical cost 30.9.2008	5,108	4,817	6,816	1,970	18,711
Accumulated amortization 1.10.2006	-3,010	0	0	0	-3,010
Amortization	-1,162		-646		-1,808
Impairment	-34				-34
Disposals	546				546
Divestment of a subsidiary or business	495				495
Translation differences	-63		-10		-73
Accumulated amortization 30.9.2007	-3,228	0	-656	0	-3,884
Amortization	-1,057		-699		-1,756
Disposals	187				187
Translation differences	98		46		144
Accumulated amortization 30.9.2008	-4,000	0	-1,309	0	-5,309
Net book value 30.9.2007	1,988	4,817	6,493	0	13,298
Net book value 30.9.2008	1,108	4,817	5,507	1,970	13,402

Goodwill acquired through business combinations has been allocated to the cash-generating unit Components and Modules. The recoverable amount has been determined based on a value in use calculation using cash flow projections covering a 5-year period based on financial budgets approved by the Group Management and the Board of Directors for the fiscal year 2008/2009 and a supplementary multi-year forecast. Cash flows beyond the 5-year period are extrapolated using a 0% growth rate. The discount rate applied is 9.2% and is based on a risk-free 10-year bond adjusted for risk.

Customer relations were capitalized the first time at November 3, 2006 using the excess earnings method for valuation of the existing customers at acquisition date of Schaffner Jacke. Customer relations are amortized over their estimated useful life of 10 years, using the straight-line method. As per September 30, 2008 the remaining amortization period is 8 years and 1 month.

A project with the objective of a new implementation of a group-wide SAP system has been launched during the reporting period. Until going live of the system the external and internal expenditures will be capitalized as intangible assets under construction and will not be amortized. Going live of the first stage is planned during the following reporting period. Useful life of the core system will be 5 years, of the country specific programming 8 years.

In the consolidated income statement amortization of intangible assets is assigned to cost of goods sold, marketing and sales, research, development and application, general and administration as well as amortization of customer relations.

	Land and buildings	Machinery and equipment	EDP hard- ware	Furniture and fixtures	Vehicles	Assets under con- struction	Total
4. Tangible fixed assets							
in CHF 1,000							
Historical cost 1.10.2006	11,845	34,195	5,582	4,766	1,412	104	57,904
Capital expenditure	498	3,114	429	202	424	141	4,808
Acquisition of a subsidiary		429			10	10	449
Disposals	-4,715	-2,452	-153	-210	-174		-7,704
Divestment of a subsidiary or business	-261	-8,419	-493	-2,085	-41		-11,299
Reclassifications	78	68			8	-154	0
Translation differences	649	1,176	64	188	67	10	2,154
Historical cost 30.9.2007	8,094	28,111	5,429	2,861	1,706	111	46,312
Capital expenditure	141	3,138	529	210	640	535	5,193
Disposals	-84	-2,273	-1,336	-321	-391		-4,405
Reclassifications	160	529	2	-139		-552	0
Translation differences	-432	-1,077	-95	-124	-48	-10	-1,786
Historical cost 30.9.2008	7,879	28,428	4,529	2,487	1,907	84	45,314
Accumulated depreciation 1.10.2006	-6,517	-24,869	-4,493	-4,049	-796	0	-40,724
Depreciation	-414	-1,965	-497	-182	-203		-3,261
Disposals	2,667	2,281	148	208	132		5,436
Divestment of a subsidiary or business	156	6,314	268	1,831	3		8,572
Impairment ¹	-168	-87	-16	-52	-3		-326
Reclassifications	5	-6		1			0
Translation differences	-355	-875	-45	-167	-36		-1,478
Accumulated depreciation 30.9.2007	-4,626	-19,207	-4,635	-2,410	-903	0	-31,781
Depreciation	-459	-2,271	-373	-203	-254		-3,560
Disposals	29	2,028	1,226	258	239		3,780
Reclassifications		-139		139			0
Translation differences	273	799	73	140	30		1,315
Accumulated depreciation 30.9.2008	-4,783	-18,790	-3,709	-2,076	-888	0	-30,246
Net book value 30.9.2007	3,468	8,904	794	451	803	111	14,531
Net book value 30.9.2008	3,096	9,638	820	411	1,019	84	15,068

¹ Impairment of assets of divested Cable & ElectroEmulation business

Tangible fixed assets are covered under a group-wide insurance contract. The maximum insured amount is CHF 70 million per claim. As at September 30, 2008, there were commitments to purchase tangible fixed assets of CHF 1,703,000 (previous year: CHF 0). Neither in the current fiscal year nor in the previous year were assets impaired or existing impairments reversed.

Finance leases. As at September 30, 2008, as well as previous year, there were no assets under finance leasing contracts.

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

	30.9.2008	30.9.2007
in CHF 1,000		
Within 1 year	3,255	2,391
Between 1 and 5 years	10,506	6,712
Thereafter	6,679	4,800
Total minimum annual payments	20,440	13,903

In 2007/2008 the total operating lease expenses were CHF 946,000 (previous year: CHF 1,030,000).

5. Other long-term assets	30.9.2008	30.9.2007
in CHF 1,000		
Present value of defined benefit assets and employer's contribution reserve ¹	3,543	3,446
Deposits and guarantees	2,775	2,825
Loans	0	801
Total	6,318	7,072

¹ See also note 14, page 50

6. Inventories	30.9.2008	30.9.2007
in CHF 1,000		
Raw materials	14,323	16,380
Work in process and semi-finished goods	2,893	4,274
Finished goods	12,861	9,309
Total	30,077	29,963

Inventory write-downs	2007/2008	2006/2007
in CHF 1,000		
Opening balance	3,111	3,296
Additions	1,588	648
Usage	-253	-707
Reversal unused amounts	-580	-281
Translation differences	-147	155
Closing balance	3,719	3,111

7. Trade receivables

in CHF 1,000

	30.9.2008	30.9.2007
Debtors	34,696	34,182
Provision for doubtful debts	-572	-767
Total	34,124	33,415

8. Other receivables and accruals

in CHF 1,000

	30.9.2008	30.9.2007
Other receivables	12,950	18,655
Accruals	693	487
Total	13,643	19,142

9. Provisions

in CHF 1,000

	Warranty provisions	Provisions for employee benefits ¹	Other provisions	Total
Balance 1.10.2006	240	4,167	1,048	5,455
Additions	86	173	2,405	2,664
Acquisition of a subsidiary	139		346	485
Usage		-90	-1,034	-1,124
Reversal of unused amounts	-117	-431	-336	-884
Divestment of a subsidiary or business		-40		-40
Translation differences	16	196	50	262
Balance 30.9.2007	364	3,975	2,479	6,818
Additions		383	2,441	2,824
Usage	-20	-171	-18	-209
Reversal of unused amounts	-15		-1,626	-1,641
Translation differences	-18	-189	-53	-260
Balance 30.9.2008	311	3,998	3,223	7,532
Long-term provisions 30.9.2007	364	3,975	2,479	6,818
Short-term provisions 30.9.2007	0	0	0	0
Total provisions 30.9.2007	364	3,975	2,479	6,818
Long-term provisions 30.9.2008	243	3,948	184	4,375
Short-term provisions 30.9.2008	68	50	3,039	3,157
Total provisions 30.9.2008	311	3,998	3,223	7,532

¹ See also note 14, page 50

In the case of short-term provisions, the outflow of resources is expected within twelve months. The long-term provisions mature only after twelve months and the expected cash flows are discounted in the event of a significant interest rate effect.

Other provisions include provisions for a contested customs payment demand in France (CHF 1,092,000) and for impending losses for delivery commitments (CHF 449,000). Furthermore a provision for an additional income tax payment out of a tax audit in Germany has been made. Schaffner has analyzed the situation and recognized a provision based on today's state of knowledge. Because of the early stage a final judgment is not yet possible. The payments of these provisions will fall due within twelve month. The principal cash flow from the left other provisions is expected to accrue in 1 to 5 years.

Warranty provisions will fall due between 1 and 10 years.

10. Borrowings. The average interest rate on loans amounted to 4.7% in fiscal 2007/2008 (previous year: 4.1%).

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

	30.9.2008	30.9.2007
in CHF 1,000		
Maturing within 2 years	49,520	498
Maturing within 3 years	0	48,544
Total	49,520	49,042

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 was CHF 260, which corresponded to a conversion ratio of 3.846 shares of Schaffner Holding AG per convertible bond with a nominal value of CHF 1,000 each.

In accordance with Art. III Section 5 (d), (i) of the issue prospectus, the conversion price and the conversion ratio will be reduced in the event of certain conditions. This resulted in an adjustment of the conversion price on January 29, 2007, from CHF 260 to CHF 238.32. The difference between the previous and new conversion price will be paid in cash by the issuer in the event of conversion. The repayment of nominal value on April 5, 2007, resulted in a further adjustment of the conversion price to CHF 232.16 and an adjustment of the conversion ratio to 3.948 shares per convertible bond.

Up to September 30, 2008, no bonds were converted.



11. Interest-free liabilities

in CHF 1,000

	30.9.2008	30.9.2007
Trade payables	12,267	13,717
Other short-term liabilities	4,938	9,750
Accrued liabilities	9,999	11,522
Total	27,204	34,989

12. Contingent liabilities, contingent assets and pledged assets. To secure the liabilities of the Group, neither receivables and inventories (previous year: CHF 564,000) nor buildings (previous year: CHF 1,411,000) were pledged as at September 30, 2008.

As the Group is active internationally, there are tax risks that cannot currently be estimated. Consequently, no provision has been made for them.

13. Personnel expenses and number of employees

in CHF 1,000

	2007/2008	2006/2007
Salaries and wages	43,408	49,458
Termination benefits	304	315
Share-based payments	553	514
Social and other costs	11,471	11,987
Pension plans – defined benefit plans	1,482	1,333
Total	57,218	63,607
Number of employees in full-time equivalents (average)	2,318	2,375

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, 2008, and is to be reviewed every year. Actuarial gains or losses are amortized in the income statement over the remaining service years, if in excess of a corridor of 10%. As the over- and undercoverages on the accounting closing date did not fulfill the criteria for recognition, they were not reported 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.

	2007/2008	2006/2007
in CHF 1,000		
Funded plans		
Fair value of defined benefit assets	40,066	45,969
Present value of defined benefit obligations	-35,496	-36,294
Unrecognized part of defined benefit assets	-3,092	-6,990
Unrecognized actuarial gains and losses	0	-1,207
Total	1,478	1,478
Unfunded plans and employee benefits		
Present value of defined benefit obligations	-3,516	-3,465
Past service cost not recognized	0	0
Present value of obligations recognized	-3,516	-3,465
Other		
Present value of defined benefit obligations	-482	-510
Past service cost not recognized	0	0
Present value of obligations recognized	-482	-510
Present value of defined benefit obligation		
Opening balance	-40,269	-42,971
Current service cost of employer	-1,704	-1,603
Contributions by the participants	-671	-817
Interest cost	-1,532	-1,348
Actuarial gains and losses	1,412	831
Effect of curtailment/divestment	0	2,007
Benefits paid	3,088	3,818
Translation differences	182	-186
Closing balance	-39,494	-40,269
Fair value of defined benefit assets		
Opening balance	45,969	46,560
Expected return on defined benefit assets	2,104	1,757
Actuarial gains and losses	-6,804	905
Contributions by the employer	1,140	1,438
Contributions by the participants	671	817
Effect of curtailment/divestment	0	-1,768
Benefits paid	-3,014	-3,740
Closing balance	40,066	45,969
Amounts recognized in the balance sheet		
Present value of defined benefit assets (from reinsurance)	2,065	1,968
Employer's contribution reserve (assets)	1,478	1,478
Provision for pensions	-3,516	-3,465
Provisions for other employee benefits	-482	-510
Expenses recognized in income statement		
Current service cost of employer	-1,704	-1,603
Interest cost	-1,532	-1,348
Expected return on defined benefit assets	2,104	1,757
Effect of curtailment/divestment	0	287
Past service cost not recognized	0	0
Change in unrecognized positions	-350	-426
Total	-1,482	-1,333
Actual return on defined benefit assets	-11.7%	5.8%
Discount rate	4.0%	3.9%
Expected rate of return	4.3%	3.7%
Expected rate of salary increases	1.5%	0.7%
Expected rate of pension increases	0.5%	0.5%
Experience gains/losses on defined benefit obligations	3.5%	-2.2%
Categories of defined benefit assets		
Equity instruments	11,711	14,922
Debt instruments	17,625	19,942
Property	4,972	0
Other assets	5,758	11,105
Total fair value of defined benefit assets	40,066	45,969

The expected return on assets is based on the asset allocation as at beginning of the year and the following expected returns per asset class: cash 2.8%, Swiss bonds 2.8%, foreign-currency bonds 3%, convertible bonds 2.8%, real estate 4.5%, Swiss shares CHF 6.5%, foreign-currency shares 6.7%, others 5.8%. Returns in subsequent year are expected to be on the same level as in the reporting period.

Multi-year comparison in CHF 1,000	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004
Fair value of plan assets	40,066	45,969	46,560	44,351	41,489
Present value of obligations	-39,494	-40,269	-38,804	-42,814	-40,861
Surplus/insufficient cover	572	5,700	7,756	1,537	628
Experience gains/losses on defined benefit assets	-17.0%	2.0%	4.6%	4.4%	14.0%
Experience gains/losses on defined benefit obligations	3.5%	-2.2%	0.3%		

The employer's contributions to staff pension funds are estimated at CHF 1.7 million for 2008/2009.

15. Financial result Financial income in CHF 1,000	2007/2008	2006/2007
Interest income	599	461
Currency gains	2,631	5,498
Other financial income	0	14
Total	3,230	5,973

Financial expenses in CHF 1,000	2007/2008	2006/2007
Interest expenses	-2,307	-1,761
Currency losses	-2,895	-4,746
Other financial expenses	-44	-34
Total	-5,246	-6,541

16. Income taxes in CHF 1,000	2007/2008	2006/2007
Actual income taxes for the fiscal year	-2,037	-2,663
Changes in income taxes for other periods arising in the fiscal year (net)	-996	336
Current income taxes	-3,033	-2,327
Current income taxes	-3,033	-2,327
Deferred income taxes	251	125
- Income taxes from discontinued operations	0	164
Income taxes	-2,782	-2,038

Deferred income taxes are made up of deferred income taxes of CHF 196,000 (previous year: CHF 437,000) on account of the addition and reversal of temporary valuation differences and of deferred income taxes of CHF 55,000 (CHF -312,000) owing to the change of the applicable tax rate.

Unused income tax losses for which no deferred income tax asset has been capitalized:

	30.9.2008	30.9.2007
in CHF 1,000		
Expiry in 1 year	137	516
Expiry in 2 years	151	197
Expiry in 3 years	61	140
Expiry in 4 years	276	232
Expiry in 5 years	481	537
Expiry in more than 5 years	18,816	13,154
Total	19,922	14,776

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

	2007/2008	2006/2007
in CHF 1,000		
EBT as per income statement	11,590	9,601
EBT from discontinued operations	0	-1,996
EBT total	11,590	7,605
Applicable tax rate	19%	28%
Expected tax at applicable tax rate	-2,218	-2,141
Effect of not capitalized current year tax losses	-1,131	-1,018
Effect of tax rates other than applicable tax rate	120	51
Effect of expenses not deductible for tax purposes	-1,240	-236
Effect of earnings which are not taxable	2,171	625
Utilization of unrecognized prior year's tax losses/gains	397	253
From prior years	-996	336
Others	115	-72
- Income taxes from discontinued operations	0	164
Income taxes as per income statement	-2,782	-2,038

The applicable tax rate is calculated as the weighted average of the local applicable tax rates. The decrease of the applicable tax rate was the result of the tax optimization of the principal structure and changes in the profitability of the group companies in their respective countries.

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

	30.9.2008	30.9.2007
in CHF 1,000		
Intangible assets	-1,941	-2,369
Tangible fixed assets	-464	-289
Other long-term assets	-75	0
Inventories	326	340
Trade receivables	-152	-23
Provisions	404	196
Interest-free liabilities	155	58
Tax losses	0	0
Deferred income tax assets/liabilities	-1,747	-2,087
Whereof shown as deferred income tax liabilities in balance sheet	-2,310	-2,880
Whereof shown as deferred income tax assets in balance sheet	563	793

17. Segments by divisions in CHF 1,000	30.9.2008			30.9.2007		
	Components and Modules	Test Systems (discontinued operations)	Total	Components and Modules	Test Systems (discontinued operations)	Total
Third-party net sales	182,445	0	182,445	170,281	15,853	186,134
Segment result	13,606	0	13,606	10,169	-537	9,632
Financial result			-2,016			-2,027
Income taxes			-2,782			-2,202
Net profit			8,808			5,403
Assets	140,802	0	140,802	147,213	0	147,213
Liabilities	-88,185	0	-88,185	-95,503	0	-95,503
Net assets	52,617	0	52,617	51,710	0	51,710
Capital expenditures	7,248	0	7,248	4,756	466	5,222
Depreciation/amortization	-5,316	0	-5,316	-5,069	0	-5,069
Other impairment	0	0	0	0	-360	-360
Other non-cash expenses	-1,041	0	-1,041	-1,400	-661	-2,061

The Board of Directors of Schaffner Holding AG decided in July, 2005, to discontinue the activities of the Test Systems Division. After the sale of the power electronics business line at the end of April 2006 and the EMC test systems business line as part of an MBO at the end of November 2006, the divestment of the Test Systems Division was concluded at the end of April 2007 with the sale of the last business line, Cable & ElectroEmulation, as part of another MBO.

18. Segments by region in CHF 1,000	30.9.2008				30.9.2007			
	Europe	Asia	USA	Total	Europe	Asia	USA	Total
Third-party net sales	137,364	32,411	12,670	182,445	137,818	31,000	17,316	186,134
Assets	106,974	30,031	3,797	140,802	114,325	30,038	2,850	147,213
Capital expenditures	5,401	1,847	0	7,248	2,602	2,620	0	5,222

19. 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 Schaffner Holding AG Employee Share Option Plan 1998 (ESOP), before and after the changes of November 13, 2006, which bases itself on conditional share capital in the amount of CHF 768,240 representing 21,340 shares in Schaffner Holding AG with a nominal value of CHF 36 each, as well as on treasury shares.

- Employee Share Option Plan before the changes of November 13, 2006: before the changes of November 13, 2006, the beneficiaries of the ESOP “equity settled” were allowed to exercise 20% of the options granted to them one year after having received the options, and another 20% in each consecutive year. After five years, all granted options could be exercised. The options were vested over three years in equal shares. This resulted in different vesting periods for each share. Options expired after ten years at the latest.
- Employee Share Option Plan after the changes of November 13, 2006: after the changes of November 13, 2006, the beneficiaries of the ESOP “equity settled” are allowed to exercise 25% of the options granted to them one year after having received the options, and another 25% in each consecutive year. After four years, all granted options can be exercised. Options expire after seven years at the latest.

	Average exercise price in CHF	2007/2008	Average exercise price in CHF	2006/2007	
Outstanding share options in number of options					
Opening balance	249	58,721	239	61,947	
Granted	260	7,900	214	8,950	
Exercised	177	–7,649	168	–10,447	
Expired/cancelled	265	–6,048	192	–1,729	
Closing balance	260	52,924	249	58,721	
Thereof exercisable	281	33,928	282	37,120	
Thereof covered by conditional capital		21,340		21,340	
Thereof covered by treasury shares		31,584		23,027	
Thereof uncovered		0		14,354	

Share options with an exercise price of CHF 260 (November 9, 2007) were granted in the 2007/2008 fiscal year (previous year: CHF 212 respectively CHF 250). The earliest exercise date of the options granted in 2007/2008 is November 9, 2008, and all options granted in 2007/2008 expire on November 9, 2014.

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

	Exercise price in CHF	30.9.2008	Exercise price in CHF	30.9.2007
Number of options				
Expiry date 30.09.2008	145.00	0	145.00	2,540
Expiry date 02.12.2008	202.00	0	202.00	360
Expiry date 11.01.2009	208.00	360	208.00	360
Expiry date 25.11.2009	212.50	4,813	212.50	5,293
Expiry date 01.12.2010	465.00	600	465.00	600
Expiry date 15.12.2010	543.00	5,600	543.00	6,600
Expiry date 25.06.2011	472.00	600	472.00	600
Expiry date 04.12.2011	295.50	7,500	295.50	8,500
Expiry date 20.11.2012	159.00	3,982	159.00	5,659
Expiry date 14.11.2013	212.00	5,750	212.00	7,850
Expiry date 24.11.2013	192.00	5,407	192.00	7,110
Expiry date 17.04.2014	250.00	500	250.00	500
Expiry date 09.11.2014	260.00	7,600	260.00	0
Expiry date 29.11.2014	180.00	5,618	180.00	6,788
Expiry date 11.11.2015	180.00	4,594	180.00	5,961
Total		52,924		58,721

The Enhanced American Model (sophisticated binomial model) used to determine the fair value of the options granted is based on the following parameters:

	2007/2008	2006/2007
Grant date	Grant date	Grant date
9.11.2007	17.4.2007	14.11.2006
Share price at grant date in CHF	260	215
Expected volatility ¹	38.61%	40.10%
Expected dividend yield	0.64%	0.77%
Risk-free interest rate	2.98%	2.46%
Expected lifetime of the option	5.07 years	5.07 years
Expected exit rate per year after blocking period	5.00%	5.00%
Strike in CHF	260	212
Fair value in CHF	90.96	76.16

¹ The expected volatility is calculated from historical, long-term volatilities. These volatilities are based on daily returns between Schaffner's IPO (June 1998) and the respective grant date. The annualization of the volatility assumes 252 trading days.

In the fiscal year 2007/2008, CHF 520,000 (previous year: CHF 514,000) were charged to the income statement.

As at April 8, 2008, 850 restricted shares were allocated to the key people in the ongoing SAP project. This allotment will take effect provided that the beneficiaries are still employed at Schaffner on June 30, 2011, and are not under notice on that date, and that they have worked successfully on the SAP project during that period.

The market value of these restricted shares of CHF 248.70 per share will be charged to the income statement over a period of 39 months. The amount charged to the income statement in the reporting period came to CHF 33,000.

	2007/2008	2006/2007
20. Net profit per share		
Basic earnings per share		
Net profit after minority interests in CHF 1,000	8,808	5,403
Weighted average number of outstanding shares (dividend-bearing)	606,317	616,198
Basic earnings per share in CHF	14.53	8.77
Diluted earnings per share		
Net profit after minority interests in CHF 1,000	8,808	5,403
Interest on convertible shares in CHF 1,000	1,112	1,112
Net profit adjusted for the effects of the convertible shares in CHF 1,000	9,920	6,515
Relevant number of outstanding share options	6,989	7,913
Convertible shares, number of shares	195,031	195,031
Adjusted weighted average number of outstanding shares	808,337	819,143
Diluted earnings per share in CHF	12.27	7.95
Earnings per share from continuing operations		
Profit from continuing operations in CHF 1,000	8,808	7,563
Interest on convertible shares in CHF 1,000	1,112	1,112
Profit from continuing operations adjusted for the effects of the convertible shares in CHF 1,000	9,920	8,675
Basic earnings per share in CHF	14.53	12.27
Diluted earnings per share in CHF	12.27	10.59
Earnings per share from discontinued operations		
Loss from discontinued operations in CHF 1,000	0	-2,160
Basic earnings per share in CHF	0.00	-3.51
Diluted earnings per share in CHF	0.00	-2.64

The diluted earnings per share take the dilution effects of a potentially complete conversion of employee share options, the convertible bond and of the restricted shares allotted to employees.

21. Treasury shares	Number of shares	Average rate per share in CHF	At average rate in CHF 1,000
At 1.10.2006	30,617	187	5,734
+ Purchase ¹	19,284		4,629
- Sale ¹	-16,427		-3,471
- Shares used for employee share option plan ¹	-10,447		-1,751
Valuation differences			-26
At 30.9.2007	23,027	222	5,115
+ Purchase ¹	23,053		5,497
- Sale ¹	-180		-46
- Shares used for employee share option plan ¹	-7,649		-1,354
Valuation differences			-363
At 30.9.2008	38,251	231	8,849

¹ At actual rates

22. Financial instruments. The Schaffner Group has a variety of financial assets, such as cash and cash equivalents and receivables and accruals, arising directly from its own trading and other long-term assets. Market value of financial assets does not differ from book value.

	Cash and cash equivalents	Receivables and accruals	Other long-term assets	Total book value	Total market value	
Financial assets in CHF 1,000						
Receivables and loans	26,928	47,767	6,318	81,013	81,013	
Total financial assets 30.9.2008	26,928	47,767	6,318	81,013	81,013	
Receivables and loans	28,796	52,557	7,072	88,425	88,425	
Total financial assets 30.9.2007	28,796	52,557	7,072	88,425	88,425	

The Schaffner Group's main financial liabilities comprise the outstanding convertible bond and trade payables. These financial liabilities are principally intended to secure the financing of the Group's business. For the evaluation of the market value of the convertible bond, included in financial liabilities, the corresponding quotation on the balance sheet date was used. Market value of all other financial liabilities does not differ from book value.

	Long-term borrowings	Short-term borrowings	Interest-free liabilities	Total book value	Total market value	
Financial liabilities in CHF 1,000						
At historical cost	49,520	6	27,204	76,730	76,264	
Total financial liabilities 30.9.2008	49,520	6	27,204	76,730	76,264	
At historical cost	49,042	363	34,989	84,394	91,425	
Total financial liabilities 30.9.2007	49,042	363	34,989	84,394	91,425	

	Receivables and loans	Financial liabilities at historical cost	Total	
Financial instruments in CHF 1,000				
Book value 30.9.2008	81,013	76,730		
Interest income/expenses	599	-2,307	-1,708	
Currency gains/losses	-264		-264	
Other financial income/expenses	-44		-44	
Change in provision for doubtful debts	86		86	
Net gain/loss in income statement	377	-2,307	-1,930	
Net gain/loss in shareholders' equity ¹	-1,580		-1,580	
Total net gain/loss 2007/2008	-1,203	-2,307	-3,510	
Book value 30.9.2007	88,425	84,394		
Interest income/expenses	461	-1,761	-1,300	
Currency gains/losses	752		752	
Other financial income/expenses	-20		-20	
Change in provision for doubtful debts	-191		-191	
Net gain/loss in income statement	1,002	-1,761	-759	
Net gain/loss in shareholders' equity ¹	-167		-167	
Total net gain/loss 2006/2007	835	-1,761	-926	

¹ From valuation of equity-like loans

The most significant risks in connection with the Group's financial instruments are interest rate risk, foreign currency risk and credit and liquidity risk. The Audit Committee approves and reviews the guidelines for controlling all these risks, which are summarized below.

Interest rate risk. The Schaffner Group's exposure to the risk of change in interest rates relates primarily to short-term interest-bearing financial assets. No hedging activities (such as interest swaps) were carried out in the reporting period. The Schaffner Group is not exposed to interest rate risk caused by long-term borrowings. The Group manages its interest expenses and income using variable interest rates and deposits.

The sensitivity of earnings before income taxes to a reasonably possible change in interest rates, with all other variables held constant, is shown in the following table. The respective range of fluctuation during the specific reporting period was applied for the change in interest rates in base points. The effect on earnings before income taxes mainly derives from interest bearing assets.

	2007/2008		2006/2007	
	Decrease in base points	Effect on EBT	Decrease in base points	Effect on EBT
in CHF 1,000				
CHF	30	-46	45	-86
EUR	55	-71	60	-23
USD	100	-10	50	-11

With a corresponding increase in interest rates, the effect on EBT is reciprocal.

Foreign currency risk. Because of its worldwide activities and global alignment, the Schaffner Group is exposed to currency risks arising from the purchase and sale of goods in foreign currencies which are not invoiced in the functional currency of the respective subsidiary. The foreign currency risk incurred in operational business can be partially reduced by purchasing and selling in the corresponding foreign currency (natural hedging). The table below shows the sensitivity of the earnings before income taxes and equity to a reasonable possible change in the exchange rate in the euro, US dollar and Thai bath to Swiss francs, with all other variables held constant.

	2007/2008			2006/2007		
	Increase in percentage	Effect on EBT	Effect on equity	Increase in percentage	Effect on EBT	Effect on equity
in CHF 1,000						
EUR/CHF	6	712	1,044	2	375	166
USD/CHF	9	234	76	7	200	501
THB/CHF	12	-535	0	9	-243	0

With a corresponding decrease in exchange rates, the effect on EBT and equity is reciprocal.

The respective range of fluctuation during the specific reporting period was applied for the change in the exchange rates in percentage. The effect on earnings before income taxes derives from usage of changed exchange rates for translation of material positions of financial instruments which are recognized in other currency than the functional currency of the corresponding subsidiary. The effect on equity derives from validation of equity-like loans between group companies in euro and US dollar.

Credit risk

Cash and cash equivalents. The Schaffner Group is exposed to losses from credit risks if financial institutions do not fulfill their obligations.

In order to minimize this risk, the Group divides up its liquid assets over a variety of first-class financial institutions and invests only in secure investments with a low default risk.

The table below shows the balance of the three major counterparties at the balance sheet date.

	30.9.2008		30.9.2007	
	Rating	Balance	Rating	Balance
Creditworthy third parties				
in CHF 1,000				
Bank A	A	13,036	A	2,359
Bank B	A+	7,842	A+	20,227
Bank C	AA-	1,243	AA-	261
Other counterparties		4,750		5,909
Total cash and cash equivalents (without cash in hand)		26,871		28,756

Trade receivables. The Schaffner Group produces a wide range of products. Its customer base is large in number and broadly distributed all over the world, limiting cluster risks in trade receivables. The receivables outstanding and payment terms are regularly assessed and monitored locally by the group companies.

Overdue receivables are accounted for by individual value adjustments on the base of experienced data. Receivables are only written off, if there is adequate evidence that no payment can be expected any more. Past shows that the risk of bad debt losses can be classed as relatively low.

	2007/2008	2006/2007
Provision for doubtful debts		
in CHF 1,000		
Opening balance	767	1,007
Addition	304	628
Acquisition of a subsidiary	0	73
Usage	-281	-122
Reversal of unused amounts	-163	-831
Translation differences	-55	12
Closing balance	572	767

The maturity structure of outstanding trade receivables is as follows:

	Total	Not overdue	Overdue			
			< 30 days	30 to 60 days	61 to 90 days	> 90 days
in CHF 1,000						
Trade receivables 30.9.2008	34,124	28,912	2,830	984	410	988
Trade receivables 30.9.2007	33,415	27,533	3,186	833	307	1,556

Maximum credit risk of Schaffner Group as per September 30, 2008 amounts to CHF 81 million (previous year: CHF 88.4 million) and includes all financial assets.

Liquidity risk. The liquidity risk describes the danger that the Schaffner Group can no longer fully meet its financial obligations.

The Schaffner Group monitors its liquidity risk and tries to avoid liquidity bottlenecks through prudent liquidity management. In addition, bottom-up rolling liquidity and cash flow forecasts are generated with a planning horizon of six months.

The following table summarizes the maturity structure of the Schaffner Group's financial liabilities as at September 30, on the basis of contractual, undiscounted payments.

	Book value	Total	Cash outflow			
			< 1 month	1 to 3 months	3 to 12 months	1 to 5 years
in CHF 1,000						
Long-term financial liabilities	49,520	52,365			1,112	51,253
Short-term financial liabilities	27,210	27,210	10,031	9,976	7,203	
Total financial liabilities 30.9.2008	76,730	79,575	10,031	9,976	8,315	51,253
Long-term financial liabilities	49,042	53,974			1,112	52,862
Short-term financial liabilities	35,352	35,352	9,007	13,710	12,635	
Total financial liabilities 30.9.2007	84,394	89,326	9,007	13,710	13,747	52,862

Capital management. With its capital management Schaffner Group has the objective to ensure the continuation of the company and constantly increase its value. The Group's financial management uses a system of key figures. These control parameters, which are tailored to the business model, relate to liquidity, growth and profitability.

To monitor the capital structure, the Schaffner Group uses the gearing ratio, i.e. the ratio of net debt to shareholders' equity. The capital structure is designed in the way, that equity covers the business risk and ensures the financial flexibility of the company. In medium term free cash flows have to be able to amortize all financial liabilities.

	30.9.2008	30.9.2007
in CHF 1,000		
Long-term borrowings	49,520	49,042
Short-term borrowings	6	363
Cash and cash equivalents	-26,928	-28,796
Net debt	22,598	20,609
Shareholders' equity	52,617	51,710
Gearing ratio	43%	40%

	30.9.2008	30.9.2007	
23. Discontinued operations and assets held for sale			
in CHF 1,000			
Third-party net sales	0	15,853	
Operational expenses	0	-16,390	
Operating result (EBIT)	0	-537	
Financial result	0	-1,459	
Earnings before income taxes (EBT)	0	-1,996	
Income taxes	0	-164	
Loss for the period from discontinued operations	0	-2,160	
Intangible assets	0	0	
Tangible fixed assets	0	0	
Inventories	0	0	
Trade receivables	0	0	
Other receivables and accruals	0	0	
Cash and cash equivalents	0	0	
Assets classified as held for sale	0	0	
Provisions	0	0	
Long-term borrowings	0	0	
Short-term borrowings	0	0	
Interest-free liabilities	0	0	
Liabilities directly associated with assets held for sale	0	0	
Net assets held for sale	0	0	
Cash flow from operating activities	0	-1,291	
Cash flow from investing activities ¹	0	33,239	
Cash flow from financing activities	0	0	
Total cash flow	0	31,948	

¹ Previous year contains CHF 20.0 million from divested properties, CHF 13.2 million from divestment of a subsidiary or business.

The divestment of the Test Systems Division, decided upon by the Board of Directors of Schaffner Holding AG in July 2005, was completed in the previous fiscal year and the Schaffner Group is now focusing its activities on the global market for components and modules to ensure the correct functioning of electrical and electronic devices.

24. Related parties. Receivables and payables due from and to related parties are disclosed separately in the respective notes. All business transactions with related parties have been held "at arm's length".

Compensation of Group Management and Board of Directors. The following compensation has been paid to members of the Group Management and executive members of the Board of Directors:

	2007/2008	2006/2007	
in CHF 1,000			
Short-term payments (regular compensation) ¹	2,959	1,925	
Termination benefits	0	208	
Share-based payments ²	268	208	
Contribution to pension plan	209	137	
Total	3,436	2,478	

¹ The increase in comparison to previous year is founded in an increase of the member of Group Management from 3 to 8 members as at March 3, 2007 and July 7, 2007.

² 2,950 options with an exercise price of CHF 260 (previous year: 2,150 options with an exercise price of CHF 212 and 500 options with an exercise price of CHF 250)

In addition, CHF 254,000 (previous year: CHF 225,000) has been paid and 1,750 (previous year: 2,400) options at a strike price of CHF 260 (previous year: CHF 212) have been allocated during fiscal year 2007/2008 to the members of the Board of Directors.

Information according to the Swiss Code of Obligations on compensation of Group Management and Board of Directors can be found in the notes to the financial statements of the Schaffner Holding AG on page 71.

Swiss pension funds. Legally independent funds provide for Swiss pensions. In the fiscal year 2007/2008 CHF 1.8 million (previous year: CHF 2.3 million) was paid to these funds. At the balance sheet date, a receivable of CHF 53,583 (previous year: receivable of CHF 50,042) was outstanding. The Swiss pension fund did not own any Schaffner shares.

25. 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 December 4, 2008. The Board of Directors proposes to the Annual General Meeting to pay, instead of a dividend, a repayment of nominal value of CHF 3.5 per share.

26. Events after the balance sheet date. No events have occurred after the accounting closing date that would have a significant effect on the figures in the consolidated financial statements.

27. Companies of the Schaffner Group. The following companies were included in the Schaffner Group's scope of consolidation as of September 30, 2008:

Company	Base	Capital in 1,000	Holding in %
Schaffner Holding AG	CH-Luterbach	CHF 22,894	100
Schaffner Trading AG	CH-Luterbach	CHF 250	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 5,330	100
Schaffner Ltd.	UK-Wokingham	GBP 260	100
Schaffner EMC Systems Ltd.	UK-Capel	GBP 1,300	100
Schaffner EMV Hungary Kft.	HU-Kecskemét	HUF 8,000	100
Schaffner EMC S.r.l.	IT-Milan	EUR 100	100
Schaffner Jacke GmbH	DE-Büren	EUR 375	100
Schaffner EMC AB	SE-Sollentuna	SEK 200	100
Schaffner EMC Inc.	US-Edison N.J.	USD 1,030	100
Schaffner EMC Ltd.	CN-Shanghai	CNY 52,815	100
Schaffner EMC K.K.	JP-Tokyo	JPY 10,000	100
Schaffner EMC Pte. Ltd.	Singapore	SGD 1,200	100
Schaffner EMC Co. Ltd.	TH-Lamphun	THB 140,000	100
Schaffner EMV Ltd. (Taiwan Branch)	TW-Taipeh	TWD 5,000	100
Schaffner Deutschland Holding GmbH	DE-Karlsruhe	EUR 25	100
Schaffner EMV Deutschland Holding GmbH & Co. KG	DE-Karlsruhe	EUR 1,000	100
Schaffner EMV GmbH	DE-Karlsruhe	EUR 511	100
Schaffner Electrotest GmbH	DE-Karlsruhe	EUR 2,045	100

For further information on the above companies, see page 74.

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 32 to 64 of the Schaffner Group for the year ended September 30, 2008.

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 Swiss Auditing Standards 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



Roland Ruprecht
Swiss Certified Accountant
(in charge of the audit)



Marc Christen
Swiss Certified Accountant

Berne, December 4, 2008

Financial Statements Of the Schaffner Holding AG

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Balance sheet

in CHF 1,000

	30.9.2008	30.9.2007	
Loan Schaffner EMV AG	48,050	48,050	
Investments	85,251	85,251	
Fixed assets	133,301	133,301	
Receivables from group companies	4,961	9,869	
Receivables from third-parties and accruals	88	98	
Short-term investments and deposits	7,408	5,119	
Cash and cash equivalents	83	60	
Current assets	12,540	15,146	
Total assets	145,841	148,447	
Share capital	22,894	24,802	
Legal reserves	339	339	
Reserve for treasury shares	8,849	5,115	
Share premium	50,357	50,357	
Retained earnings	10,533	7,664	
Net loss/profit of the fiscal year	-288	6,603	
Shareholders' equity	92,684	94,880	
Liabilities to group companies	1,024	727	
Convertible bond	50,553	50,306	
Other third-party liabilities	135	358	
Accrued liabilities	1,445	2,176	
Total liabilities	53,157	53,567	
Total liabilities and shareholders' equity	145,841	148,447	

Income statement

in CHF 1,000

	2007/2008	2006/2007	
Dividends	0	4,000	
Other income	5,415	8,351	
Total income	5,415	12,351	
Personnel expenses	-2,475	-3,579	
Operating expenses	-2,190	-3,135	
Interest expenses	-1,364	-1,368	
Other financial expenses	-1,714	0	
Interest income	2,089	2,047	
Other financial income	0	483	
Currency gains/losses from financing (net)	2	0	
Income taxes	-51	-196	
Net loss/profit	-288	6,603	

Notes to the financial statements

Contingent liabilities

in CHF 1,000

Joint liability for group companies

30.9.2008

30.9.2007

20,500

20,500

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 value-added tax group in favor of the Swiss federal tax authority.

Ordinary share capital. CHF 22,893,840, divided into 635,940 registered shares with a nominal value CHF 36 each. The share capital is fully paid in. Each share grants the owner one vote at the Annual General Meeting of Shareholders. All shares not held by the Company or one of its subsidiaries are dividend-bearing.

Conditional share capital. 211,340 shares with a nominal value of CHF 36 each, i.e. CHF 7,608,240 in total. Thereof 190,000 (CHF 6,840,000 nominal) are dedicated to the convertible bond. 21,340 (CHF 768,240 nominal) are assigned to the employee share option plan. At September 30, 2008, 52,924 share options were open conferring the right to buy one registered share in Schaffner Holding AG. In fiscal 2007/2008 no options were exercised out of conditional share capital.

Investments. Schaffner EMV AG, Luterbach, Switzerland: 100% of share capital of CHF 14 million. Schaffner Trading AG, Luterbach, Switzerland: 100% of share capital of CHF 0.25 million. Schaffner EMV Hungary Kft., Kecskemét: 2% of share capital of HUF 8 million.

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). Up to September 30, 2008, no bonds have been converted.

Release of the financial statements for publication. The financial statements were released for publication by the Board of Directors of Schaffner Holding AG on December 4, 2008, and will be presented to the Annual General Meeting for approval on January 14, 2009. The Board of Directors recommends that the Annual General Meeting approve a repayment of nominal value of CHF 3.50 per share.

Information about treasury shares. The special reserve for treasury shares amounts to CHF 8,849,146. In the balance sheet, treasury shares are valued at the average exercise price of the options (CHF 193.66). In fiscal 2007/2008 7,649 options were exercised.

	Number of shares	Fair value ² per share in CHF	Average rate per share in CHF	At fair value ² in CHF 1,000	At average rate in CHF 1,000
At 1.10.2006	30,617	178	187	5,450	5,734
+ Purchase ¹	19,284			4,629	4,629
- Sale ¹	-16,427			-3,471	-3,471
- Shares used for employee share option plan ¹	-10,447			-1,751	-1,751
Valuation differences				262	-26
At 30.9.2007	23,027	222	222	5,119	5,115
+ Purchase ¹	23,053			5,497	5,497
- Sale ¹	-180			-46	-46
- Shares used for employee share option plan ¹	-7,649			-1,354	-1,354
Valuation differences				-1,808	-363
At 30.9.2008	38,251	194	231	7,408	8,849

¹ At actual rates

² Year-end rate or the lower average exercise price of the options

Significant shareholders	30.9.2008 Number of shares	Capital stake	30.9.2007 Number of shares	Capital stake
Alpine Select AG ¹	155,008	24.38%	129,288	20.33%
Sarasin Investmentfonds AG «SaraSelect»	62,480	9.82%	63,518	9.99%
Buru Holding AG	32,700	5.14%	32,700	5.14%
Shareholders with a stake of less than 5%	347,501	54.65%	387,407	60.92%
Free float	597,689	93.99%	612,913	96.38%
Treasury shares	38,251	6.01%	23,027	3.62%
Total shares	635,940	100.00%	635,940	100%

¹ Incl. Sumara AG, 100% subsidiary of Alpine Select AG

Notes to the financial statements

Compensation of the members of the Board of Directors 2007/2008 in CHF 1,000	Fee in cash	Representation allowance	Share-based payments ¹	Total	Shares holding, number of shares 30.9.2008	Share options holding, number of options 30.09.2008
Members of the Board of Directors						
Leo Steiner, Chairman	80	2	64	146	574	2,060
Hans Hess	40	2	32	74	1,270	750
Peter E. Rued	40	2	32	74	50	1,650
Robert Scherer (resignation 31.1.2008)	13	1	0	14		
Robert F. Spoerry	40	2	32	74	700	1,950
Markus Zenhausern (since 1.1.2008)	30	2	0	32	100	0
Total compensation of the members of the Board of Directors	243	11	160	414	2,694	6,410

¹ At market value according to IFRS 2 (see note 19, page 54)

Compensation of the members of the Group Management 2007/2008 in CHF 1,000	Total Group Management	Of which Alexander Hagemann
Basic salary	2,033	373
Bonus	545	131
Representation allowance	107	12
Contributions to pension funds	209	43
Share-based payments	268	113
Total compensation received	3,162	672
Social security costs	274	42
Total	3,436	714
Holding shares, number of shares 30.9.2008	321	221
Holding share options, number of options 30.9.2008	10,518	1,750

Schaffner did not grant any loans or credits to current members of the Board of Directors, members of the Group Management or persons closely associated with them.

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:

	2007/2008	2006/2007	
in CHF 1,000			
Net loss/profit of the fiscal year	-288	6,603	
Retained earnings carried forward	14,267	7,042	
Changes in reserves for treasury shares	-3,734	622	
Retained earnings at disposal of Annual General Meeting of Shareholders	10,245	14,267	
Allocation to legal reserves	0	0	
To be carried forward	10,245	14,267	
Total registered shares issued	635,940	635,940	
Treasury shares held by the Company or its subsidiaries	-38,251	-23,027	
Dividend-bearing shares ¹	597,689	612,913	

¹ 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 68 to 72 of Schaffner Holding AG for the year ended September 30, 2008.

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 Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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



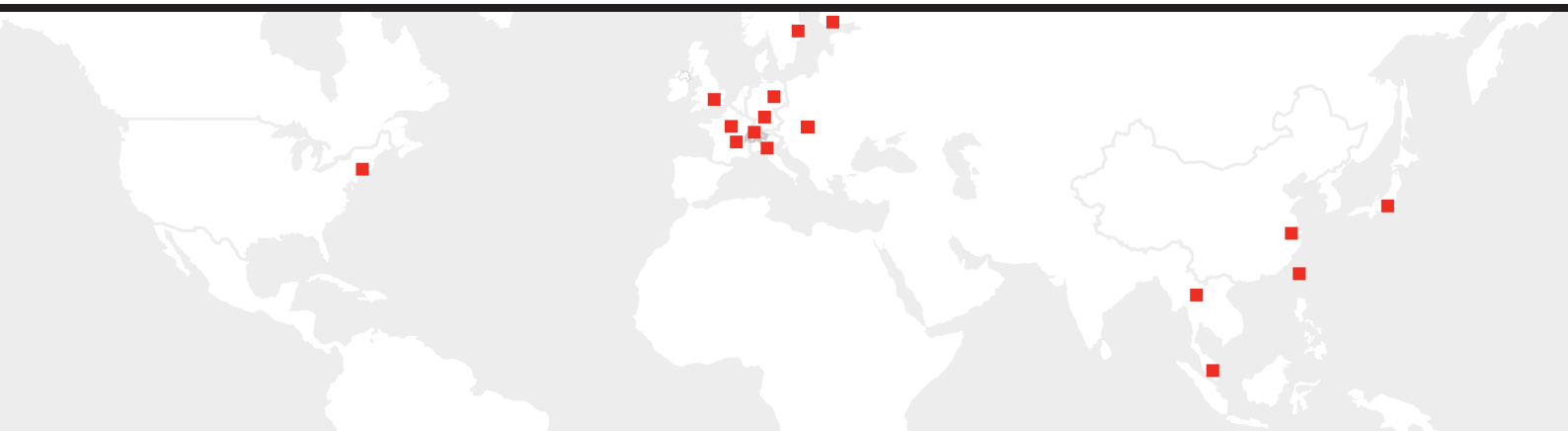
Roland Ruprecht
Swiss Certified Accountant
(in charge of the audit)



Marc Christen
Swiss Certified Accountant

Berne, December 4, 2008

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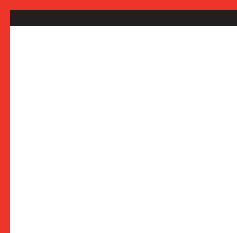
This Annual Report is also available in German.

The German version is legally binding.

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