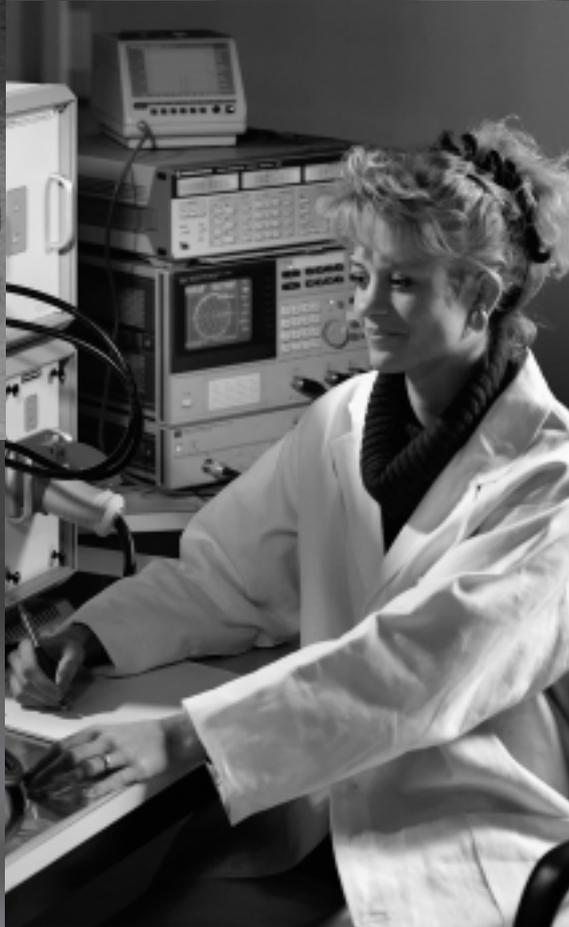
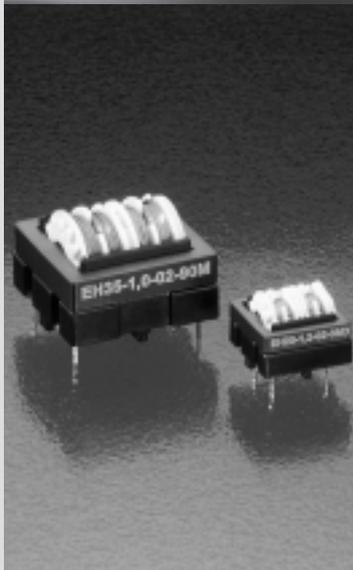


Interim Report

99/00

Schaffner Holding AG



SCHAFFNER

Your number one name for EMC

First-half profit nearly doubles

Dear Shareholders,

The Schaffner Group performed very well in the first half of the 1999/2000 business year (from October 1999 to March 2000) and financial results were up strongly and significantly better than our own high expectations.

Powerful growth

The Schaffner Group's consolidated sales climbed 17.2% in the first half of the 1999/2000 business year compared with the corresponding prior-year period and reached a new high of CHF 82.3 million. The Components product unit made a major contribution to this sales expansion, boosting its revenues by 26.6% to CHF 62.9 million, and recording an even stronger surge of 34.5% in new orders amounting to CHF 71.3 million. In fact sales growth at this product unit has been accelerating since summer 1999. The Test Equipment product unit also had a positive first half, with new orders increasing by 12.4% to CHF 24.5 million. Sales figures, however, declined by 5.6% due to fluctuations in the systems business and stood at CHF 19.4 million for the first half.

Demand rising in all markets

The Schaffner Group benefited from two major trends in the first half of 1999/2000. First of all, the upturn in the main industrial economies had a very positive impact. Demand for EMC components climbed strongly in a wide range of sectors in all the Group's regional markets around the world. Business was brisk above all in the Asian region – an increasingly important sales market for the Schaffner Group – and to a growing extent in Europe as well. The second major boost came from the steeply rising demand from growth industries such as telecommunications and information technology. We are currently working with various leading-edge

technology companies on the development and production of customized EMC components to protect the increasingly complex and powerful Internet and telecommunications infrastructures from electromagnetic interference. In the last two months alone, large-scale projects with major companies in this area led to orders for components for GSM base stations and Internet peripherals amounting to CHF 8 million, which will give the business an additional boost in the second half.

New capacity added at the right time

It was only possible to meet the great demand for EMC components without delivery delays due to the strong expansion of production capacity in Switzerland, Hungary and especially Thailand. The expansion project in Thailand, which only started in summer of 1999 when market conditions were still unfavourable, was completed well ahead of schedule thanks to a major, concerted effort by everybody involved. The additional capacity has been fully utilized since March 2000. The vigorous expansion raised the total number of employees in the Schaffner Group from 1244 to 1563 in the year's first half (an increase of 25.6%). The plant in Thailand now has the appropriate personnel to handle the additional production expected for the second half of the year.

Strong profit growth

The Schaffner Group's operating income also performed very well, advancing 19.7% to outpace the growth in sales and standing at CHF 9.9 million for the first half. The operating margin was lifted from 11.8 to 12.1%, even though bringing the additional capacity on stream in Thailand entailed considerable initial costs. On the other hand, with the transfer of components fabrication from the plant in Ireland to production sites in Hungary and Thailand now over, there were no more restructuring charges to bear,

which produced a sharp and lasting reduction in non-operating expenditure. Net profit rose by a disproportionate 92.3% to CHF 5.2 million, setting a new high for the first half. Free operating cash flow also recorded a vigorous increase, rising from CHF 1.3 million to CHF 7.4 million.

Group Management enlarged

In preparation for the establishment of a new business unit, the Group Management has been expanded to include a new "Corporate Development" function. It will be headed by Matthias Zwicky, Dr. sc. techn. ETH, who joins Schaffner in July 2000. Dr. Zwicky has up to now been a member of the executive management of the Aare Tessin AG (Atel) power company in Olten, in charge of the energy technology division. He is also Chairman of the supervisory board of EuroDCS Energiedaten AG, Mainz, a successful start-up company that trades in energy data in the liberalized electricity market. As a previous head of the Research and Development department of Schaffner EMV AG in 1987 and 1988, Matthias Zwicky is well acquainted with Schaffner.

International recognition for commitment to EMC solutions

The professional reputation and commitment of the Schaffner Group and its specialists to the problems of electromagnetic compatibility have recently received further international recognition. The members of the Technical Committee on Electromagnetic Compatibility of the International Electrotechnical Commission (IEC) elected Heinrich Kunz, head of the Schaffner Group's Research and Technology unit, as their next chairman. This important technical committee, of which Heinrich Kunz has been a member since 1981, issues international standards relating to electromagnetic compatibility of electrical and electronic devices and

systems; its standards are increasingly important around the world. The IEC standards promote the harmonization of national EMC regulations and make a key contribution to the dismantling of technical barriers to trade. More than 50 countries belong to the IEC at the present time.

Further strong growth expected

The Schaffner Group expects the robust sales growth and the promising earnings trend to continue in the second half of the business year. The Components product unit anticipates sustained high demand from the new growth industries as well as from more traditional market segments. The strong inflow of new orders indicates that Test Equipment sales will pick up substantially in the second half.

Luterbach, 16 May 2000



Alex Oechslin
Chairman of the Board of Directors
Chief Executive Officer of the Schaffner Group

Consolidated financial statements

Consolidated balance sheet

in CHF 1000	31/3/00	30/9/99
Non-current assets	39 830	39 088
Current assets	85 647	79 182
Total assets	125 477	118 270
Shareholders' equity	48 135	44 856
Minority interests	162	200
Total liabilities	77 180	73 214
Total liabilities and shareholders' equity	125 477	118 270

Statement of changes in consolidated equity

in CHF 1000	Share capital	Capital reserves	Cumulative translation differences	Retained earnings	Total shareholders' equity
At 30/9/98	31 600	52 537	265	-49 239	35 163
At 31/3/99	31 600	52 537	787	-47 836	37 088
At 30/9/99	31 600	52 537	581	-39 862	44 856
Capital increase from cond. capital	50	95			145
Translation differences			2 223		2 223
Treasury shares				-1 745	-1 745
Net profit after minority interests				5 162	5 162
Dividend payment				-2 506	-2 506
At 31/3/00	31 650	52 632	2 803	-38 951	48 135

Consolidated income statement

in CHF 1000

	First half 1999/2000	First half 1998/99
Net sales	82 305	70 267
Cost of goods sold	-47 670	-41 225*
Gross profit	34 635	29 042
Operating expenses	-24 698	-20 739
Operating result (operating EBIT)	9 937	8 303
Financial income, net	-1 932	-1 799
Non-operating income, net	-1 634	-2 350
Income taxes	-1 209	-1 425
Net profit before minority interests	5 162	2 729
Minority interests	56	-16
Net profit after minority interests	5 218	2 713
Basic earnings per share (in Swiss Fr.)	8.30	4.35
Diluted earnings per share (in Swiss Fr.)	8.17	4.33

*Restatement of prior year in accordance with the definition in the Annual Report 1998/99

Consolidated cash flow statement

in CHF 1000

	First half 1999/2000	First half 1998/99
Cash flow from operating activities	10 165	2 834
Cash flow from investing activities	-3 675	-2 188
Cash flow from financing activities	-5 246	449
= Change in cash and cash equivalents	1 538	1 299

These consolidated interim financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 September 1999.

SCHAFFNER

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