

Annual Report 2000

Annual Report by the Board of Directors
Consolidated financial statements and Auditors' report
Unconsolidated financial statements and Auditors' report



NEXTROM GROUP

Summary

NEXTROM GROUP

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NEXTROM HOLDING S.A.

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Annual Report by the Board of Directors
to the Ordinary General Assembly of Shareholders
to be held on 10 May 2001

With this annual report, we present for your approval the consolidated financial statements of Nextrom Holding S.A. for the year ended 31 December 2000 prepared in accordance with International Accounting Standards and in compliance with Swiss Company Law.

We also submit for your approval the unconsolidated annual accounts of Nextrom Holding S.A. for the year ended 31 December 2000 prepared in compliance with Swiss Company Law.

General

Year 2000 has been a year of turnaround for Nextrom as well as the starting point of a new strategy focusing on the Fiber Optic business only and to divest all other business segments by summer 2002.

The turnaround can be seen in the first increase in sales since 1997, as well as in an all time high orderflow driven principally by the high investment activity of the Fiber Optic industry. Also, the operating result from ordinary activities improved markedly from negative CHF 36.2 million in 1999 to negative CHF 8.1 million in 2000. The fact that the operating result from ordinary activities is still negative is mainly the result of important difficulties encountered in Nextrom's Toronto unit.

The Fiber Optic focus strategy has triggered an important impairment of intangible assets, partially compensated by a very positive result on the sale of Nextrom's real estate property in Finland.

During year 2000, Nextrom has decreased its net debt from CHF 138.6 million at end of December 1999 to CHF 80.3 million, thanks to almost CHF 50 million of cash generated from operations. After the postponement of the planned capital increase, the financing needs of Nextrom have been secured by a subordinated loan from its major shareholder Nokia. Nextrom has furthermore been able during 2000 to successfully re-negotiate its bank loans at improved conditions.

Sales and orderflow

Gross Sales increased from CHF 330 million in 1999 to CHF 359 million for year 2000. This increase is principally the result of the ongoing strong market for Nextrom's Fiber Optic and Fiber Optic cable manufacturing solutions, which started in the second half of 1999. Gross sales for Fiber related applications increased by 50% from CHF 100 million in 1999 to CHF 150 million in year 2000. In the new business segment Fiber Optics that excludes the Fiber applications in Toronto and Shanghai, the increase has been even more significant with a growth of 82% from CHF 77 million in 1999 to CHF 140 million in 2000. The slight decrease in sales in the new Business segment Metallic & Pipe is mainly the result of a stagnant demand for Energy equipment, whereas the Canada and Sao Paulo based business segment Rotating & Twinning has been significantly suffering from low demand for its Stranding and Flexipipe equipment. Sales of Milan's plastic film operations remained stable at CHF 38 million.

Nextrom's orderflow for year 2000 has reached an all time high of CHF 496 million (1999: CHF 328 million), boosted by the ongoing high investment activity of the Fiber Optic industry. The orderflow for Fiber related applications increased by 133% from CHF 120 million in 1999 to 279 million during year 2000 of which CHF 266 million in the new Business Segment Fiber Optics (1999: CHF 98 million). For all other business segments the orderflow amounted to CHF 230 million (1999: CHF 230 million), thanks to a positive development in the Copper telecom sector offset by a lower demand for Nextrom's Energy, Stranding, Flexipipe and Film equipment.

Group Operating Performance

Year 2000 gross profit increased by 72% from CHF 30.2 million in 1999 to CHF 52.0 million, representing 14.5% of sales (1999: 9.1% of sales). This increase is to a large extent due to better project risk control resulting in higher sales margins.

Operating expenses from ordinary activities decreased despite of the increase in volume by CHF 6.2 million to CHF 60.1 million. Total fixed structure costs decreased from CHF 110.7 million to CHF 108.2 million, before restructuring and impairment charges.

As mentioned above, the operating loss from ordinary activities decreased from CHF 36.2 million in 1999 to CHF 8.1 million in year 2000. The new business segment Fiber Optics has been the main contributor to this positive development with an operating income of CHF 15.3 million (1999: CHF 5.4 million). The segment operating result improved also strongly in Metallic and Pipe from CHF 18.1 million loss in 1999 to 3.2 million income in year 2000 as well as in Film (reduction of operating loss from CHF 11 million in 1999 to CHF 1.8 million in 2000). Total Nextrom operating result would have been positive without the problems encountered in the Toronto unit resulting in the segment operating result of Rotating & Twinning worsening from a CHF 6.2 million loss in 1999 to CHF 19.4 million loss in year 2000.

The net Operating loss amounted to CHF 26.0 million (1999: CHF 45.5 million), impacted by CHF 2.9 million restructuring costs from the outsourcing of manufacturing activities in the Ecublens operations as well as by CHF 24.0 million of impairment of intangible assets triggered by the new strategy.

The net result was a loss of CHF 42.1 million (1999: CHF 47.6 million).

Cash flow and Balance Sheet

Cash generated from operations reached CHF 49.3 million (1999: CHF 10.3 million), thanks to a very positive development of working capital. An additional CHF 27.5 million of cash has been generated through proceeds of sales of fixed assets, mainly from the sale of the Group's real estate properties in Vantaa, Finland and New Jersey, USA. Capital expenditures amounted to CHF 8.9 million (1999: CHF 10.9 million) and resulted partially from investments in technology developments.

Due to the positive development in working capital, the sale of fixed assets and the impairment of intangible assets, Nextrom's total assets decreased to CHF 304.9 million at the end of 2000 (CHF 388.2 million in 1999).

Consolidated shareholders' equity at year-end 2000 was CHF 37.9 million (1999: CHF 77.9 million). Including the CHF 46 million subordinated loan from its main shareholder, total equity like funding reaches CHF 83.9 million.

Personnel

The number of employees at year-end 2000 was 862 compared to 952 at the end of 1999 and 1161 at the end of 1998.

Board of Directors

Board members are Olli-Pekka Kallasvuo, Chairman, Dominique Dreyer, Vice Chairman, Rudolph Fischer, Leonardo Vannotti and Jouni Heinonen.

Outlook for 2001

On 1 January 2001 Nextrom had a very strong backlog of CHF 264 million (CHF 127 million on 1 January 2000), of which CHF 169 million belong to the most profitable business segment Fiber Optics.

The strong demand in Fiber Optics is expected to continue. By focusing our activities to this sector we will ensure Nextrom a strong position in this fast growing business.

Although the divestments will impact the sales volume of the whole company, management estimates that year 2001 will see the comeback of Nextrom to profitability.

Ecublens, 23 March 2000

A handwritten signature in black ink, consisting of a vertical line, a horizontal line, and a large loop on the left side.

Olli-Pekka Kallasvuo, Chairman

Consolidated profit and loss accounts
for the years ended 31 December

	Notes	2000 CHF 1'000	1999 CHF 1'000
Gross sales	3	359'432	330'522
Agent commissions		(11'549)	(10'899)
Cost of sales		(295'892)	(289'467)
Gross profit		51'991	30'156
Sales and marketing		(19'832)	(23'621)
Research and development		(7'895)	(10'250)
General, IT and administration		(27'055)	(26'838)
Amortisation of goodwill	10	(5'288)	(5'638)
Sub-Total operating expenses		(60'070)	(66'347)
Operating result before exceptional items	3	(8'079)	(36'191)
Restructuring		(2'944)	(6'342)
Impairment of Intangible assets		(23'995)	(3'565)
Result on sale of fixed assets		9'054	620
Operating result		(25'964)	(45'478)
Interest income		1'345	909
Interest expense		(10'465)	(9'029)
Net exchange gain / (loss)		(13)	975
Other non-operating income / (expense)		(1'042)	-
Total non-operating expenses		(10'175)	(7'145)
Result before tax		(36'139)	(52'623)
Income taxes	4	(5'937)	5'067
Net result		(42'076)	(47'556)
Basic loss per bearer share	5	(69.66)	(95.29)
Basic loss per registered share	5	(23.22)	(31.76)

The notes on pages 9 to 22 form an integral part of these consolidated financial statements.

Consolidated balance sheets
at 31 December

		2000	1999
	Notes	CHF 1'000	CHF 1'000
ASSETS			
Current assets			
Cash and short term deposits	6	28'348	31'719
Trade accounts receivable		89'849	105'291
Accrued revenues		8'731	12'057
Inventories	7	73'820	77'750
Other current assets	8	17'775	23'096
Total current assets		218'523	249'913
Long-term assets			
Land and buildings	9	26'374	54'679
Machinery and equipment	9	10'325	13'986
Long-term financial assets		10'193	1'901
Goodwill	10	13'888	33'234
Deferred tax assets	4	3'504	655
Other long-term assets	11	22'055	33'784
Total long-term assets		86'339	138'239
Total assets		304'862	388'152
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt		9'105	22'780
Current portion of long-term debt	13	4'940	31'944
Trade accounts payable		31'668	41'803
Advances from customers		55'976	22'195
Income taxes payable		514	1'686
Other current liabilities	12	67'456	69'538
Total current liabilities		169'659	189'946
Long-term liabilities			
Long-term debt	13	48'577	115'621
Subordinated loan	14	46'000	–
Deferred tax liabilities	4	2'732	4'698
Total long-term liabilities		97'309	120'319
Shareholders' equity			
Share capital		18'772	15'017
Retained earnings		30'972	72'750
Foreign currency translation adjustments		(11'850)	(9'880)
Total shareholders' equity		37'894	77'887
Total liabilities and shareholders' equity		304'862	388'152

The notes on pages 9 to 22 form an integral part of these consolidated financial statements.

Consolidated statements of cash flow
for the years ended 31 December

	2000	1999
	CHF 1'000	CHF 1'000
Cash flow from operating activities		
Loss before tax	(36'139)	(52'623)
Adjustments for:		
Depreciation, amortisation and impairment	41'461	25'714
Gain on disposal of fixed assets	(9'054)	(620)
Net interest expense	9'120	8'120
Foreign exchange (gain) / loss	13	(975)
Operating profit / (loss) before working capital changes	5'401	(20'384)
Decrease / (increase) in trade account receivable	11'238	387
Decrease / (increase) in accrued revenues	2'903	45'973
Decrease / (increase) in inventories	1'275	(10'685)
Decrease / (increase) in other current assets	534	(4'477)
(Decrease) / increase in trade accounts payable	(8'666)	(503)
(Decrease) / increase in other current liabilities	36'659	13
Cash generated from operations	49'344	10'324
Income taxes paid	(6'883)	(1'321)
Net cash from / (used in) operating activities	42'461	9'003
Cash flow from investing activities		
Purchase of fixed assets	(5'813)	(3'190)
Increase in other long-term assets	(3'130)	(7'738)
Proceeds from sale of fixed assets	27'534	1'948
Interest received	1'345	909
Foreign exchange gain	(13)	975
Net cash used in investing activities	19'923	(7'096)
Cash flow from financing activities		
Decrease in long-term liabilities	–	(1'351)
Proceeds from (reimbursement of) borrowings	(101'898)	17'759
Interest paid	(12'407)	(7'470)
Withholding tax paid	(604)	(137)
Capital increase and sale of treasury shares	3'947	–
Subordinated loan	46'000	–
Net cash from financing activities	(64'962)	8'801
Net change in cash equivalents	(2'578)	10'708
Effect of changes in exchange rates on cash and cash equivalents	(793)	453
Cash and cash equivalents at beginning of period	31'719	20'558
Cash and cash equivalents at end of period (note 6)	28'348	31'719

The notes on pages 9 to 22 form an integral part of these consolidated financial statements.

Consolidated statements of changes
in shareholders' equity for the years ended
31 December 2000 and 1999

	Capital Bearer shares	Capital Registered shares	Treasury shares	Retained earnings	Foreign currency translation adjustments	Total Shareholders' Equity
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Balance at 31 December 1998	11'267	3'750	(350)	111'492	(9'392)	116'767
Change in accounting policies	-	-	-	9'164	-	9'164
Net loss for the year	-	-	-	(47'556)	-	(47'556)
Foreign currency translation adjustment	-	-	-	-	(488)	(488)
Balance at 31 December 1999	11'267	3'750	(350)	73'100	(9'880)	77'887
Net loss for the year	-	-	-	(42'076)	-	(42'076)
Sale of Treasury shares	-	-	298	-	-	298
Ordinary capital increase	2'817	938	-	-	-	3'755
Foreign currency translation adjustment	-	-	-	-	(1'970)	(1'970)
Balance at 31 December 2000	14'084	4'688	(52)	31'024	(11'850)	37'894

The Share capital of Nextrom Holding S.A. is divided into 375'580 fully issued and paid in bearer shares (1999: 375'580) of a nominal value of CHF 30 each, 375'000 fully issued and paid in registered shares (1999: 375'000) of a nominal value of CHF 10 each as well as 93'895 new bearer shares and 93'750 new registered shares.

These new bearer and registered shares have been issued in March 2000 as part of the Ordinary capital increase approved by an Extraordinary General assembly held on 16 December 1999. Nokia Corporation has underwritten this share issue by interim subscription of all issued shares and paid in the nominal value of CHF 10 per new registered share and CHF 30 per new bearer share. The new bearer shares will be offered to Nextrom's shareholders in due course at a subscription price, which will be determined according to prevailing market conditions and practice. These new shares are currently not tradable and Nokia has agreed to abstain from exercising the voting rights relating to the new registered and bearer shares until the newly issued shares have been offered to the other shareholders, which is planned to be realised before summer 2001.

On 29 March 1996 the General Assembly approved the Board of Directors proposal to increase the share capital up to a maximum of CHF 750'000. This conditional capital is divided into 25'000 bearer shares of a nominal value of CHF 30, to be entirely paid in by the exercise of subscription rights granted to the management of the Group. No conditional capital has been issued during 1999 and 2000.

On 11 September 1998, Nextrom Holding acquired 1'500 of its own bearer shares through purchases on the Swiss Stock Exchange. The total amount paid to acquire the shares was CHF 350'000 and has been deducted from retained earnings. During year 2000, Nextrom has used 1'360 of these Treasury shares to serve the exercise of subscription rights granted to the management of the Group at an exercise price of CHF 197 per share.

On 1 January 1999, the Group has adopted the revised IAS 19, "Employee benefits" and SIC 12 published by the IAS's Standing Interpretation Committee covering the consolidation of special purpose entities. Under the requirements of SIC 12, the Social Foundation of Nextrom SA has been consolidated for the first time at 1 January 1999 as the substance of the relationship between Nextrom SA and the Foundation indicates that the Foundation is controlled by Nextrom. In previous years, the Foundation was considered to be pension assets, and included in the IAS 19 calculation. The cumulative net effect of these changes in accounting policies as at 1 January 1999 amounting to CHF 9'164'000 increase in net assets which has been reported as an adjustment to the 1999 opening balance of retained earnings.

The notes on pages 9 to 22 form an integral part of these consolidated financial statements.

The Extraordinary General Assembly held on 16 December 1999 also approved the Board of Directors proposal of an authorised capital increase of a maximum of CHF 7'200'000. This authorised capital increase is divided into either a maximum of 180'000 registered shares of a nominal value of CHF 10 each and a maximum of 180'000 bearer shares of a nominal value of CHF 30 each, or a maximum of 240'000 bearer shares with a nominal value of CHF 30 each. This authorised capital increase expires on 16 December 2001.

Notes to the consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the accounting and reporting requirements of the International Accounting Standards (IAS) as issued by the International Accounting Standards Committee. The financial statements have been prepared using the historical cost convention as modified by the revaluation of marketable securities. The company's significant accounting policies are as follows:

Principles of consolidation

The consolidated financial statements include the accounts of Nextrom Holding S.A. and its subsidiaries (the Nextrom Group). Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

International Accounting Standards effective in 2000

Effective 1 January 2000, the company adopted the following new accounting standards:

IAS 10 (Revised) Events after the Balance Sheet date

IAS 16 (Revised) Property, Plant and Equipment

IAS 22 (Revised) Business Combinations

IAS 36 Impairment of Assets

IAS 37 Provisions, Contingent Liabilities and Contingent Assets and

IAS 38 Intangible Assets.

These standards have had no effect on the brought forward retained earnings of the Group. In accordance with the transitional requirements of IAS 36 – the standard has only been applied prospectively, and has been used to assess the impairment charges taken on goodwill and intangible assets during 2000.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks or maturing within 90 days.

Trade accounts receivable

Trade accounts receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are considered no longer recoverable.

Goodwill

Goodwill, being the excess of acquisition cost over the underlying fair value of net assets of acquired companies, is amortised over its expected useful life. Existing goodwill is amortised over ten years. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity translated at the closing rate. The carrying amount of goodwill is reviewed annually and written down for permanent impairment when considered necessary.

Intangible Assets

Intangible assets are recorded at cost and amortised on a straight-line basis over their expected useful lives. The expected useful life of patents, trademarks and software vary from three to ten years. Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill is assessed and written down immediately to its recoverable amount.

Foreign currency translation

Assets and liabilities of foreign subsidiaries are translated into Swiss francs at year-end exchange rates. Profit and loss accounts are translated at average rates of exchange during the year. Exchange differences arising on translation of foreign currency financial statements are taken to shareholders' equity.

Transactions in foreign currencies are recorded at exchange rates at the date of the transaction. Any unsettled balance at year-end is converted into the respective company's local currency at the year-end exchange rate. Transaction gains or losses are taken to the profit and loss account. Unrealised gains and losses arising from hedges of future transactions are deferred.

Cash flows of foreign subsidiaries are recorded in the Group's reporting currency by applying to the foreign currency amount the average exchange rate for the year.

Revenue recognition

Long-term contract revenue is recognised using the percentage of completion method of accounting, under which the sales value of performance is recognised on the basis of the costs incurred in reaching a critical program milestone. Sales recognised under this method are reported as accrued revenues in the balance sheet.

Smaller contracts and all other revenue is recorded on the basis of shipment of products when title passes.

Research and development

Research and development costs are expensed as incurred, except that development costs are capitalised and amortised on a straight-line basis over the period of expected future benefits where it is expected that the product under development will be profitable and will be produced, and technical feasibility has been demonstrated. Development costs are amortised on a straight-line basis over the period of the expected benefit but not exceeding five years.

Employee benefits

Defined benefit pension plans are maintained by group companies in accordance with local conditions and practices in the countries concerned.

Pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees. Actuarial gains and losses, which exceed the corridor of 10% of the original fair value of fund assets are recognised over the average remaining service lives of employees.

No compensation cost is recognised in the income statement for the grant of stock options based on conditional capital, except for the underlying social security costs. When these options are exercised, the proceeds received are credited, net of any transaction costs, to share capital (nominal value) and share premium.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of assets as follows:

	Years
Buildings	20 - 40
Machinery and equipment	4 - 8

Investments

Marketable securities are carried at market value. Increases/decreases in the carrying amount of marketable securities are credited/charged to the profit and loss account. Fixed asset investments are carried at cost less appropriate provisions.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Taxes

Tax expense includes current and deferred income taxes attributable to the current year's earnings. The Group applies the revised IAS 12, "Income taxes". Under this method, deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting. Currently enacted tax rates are used to determine deferred income tax. Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. No provision has been made for withholding taxes on future dividends from subsidiaries.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The group recognises the estimated liability on all products still under warranty at the balance sheet date. This provision is calculated based on service histories and known warranty cases.

Costs specifically attributable to a restructuring mainly comprise employee termination payments and are recognised in the period in which they are incurred. Employee termination benefits are recognised only after the restructuring plan has been agreed by the board of directors and communicated to the employees.

Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, short term deposits, investments, trade accounts receivable and payable, leases and borrowings. Group companies are responsible for managing their foreign exchange exposures to ensure that the business profit margins are protected against the adverse effects of currency movements. Each company is therefore protecting their own currency denominated result and equity. The group uses derivative financial instruments such as forward foreign exchange contracts and option contracts to hedge its exposure against foreign currency fluctuations on certain assets, liabilities and anticipated transactions. The anticipated transactions hedged comprise the cash receipts which will arise from confirmed sales contracts. Typically the deferred hedge result will be recognised during the first six months of the new accounting period, once the sales invoices are raised.

Disclosures about derivative financial instruments to which the Group is a party are provided in Note 18.

2. DISCONTINUED OPERATIONS

At its meeting on 2 November 2000 the Board of Directors of Nextrom Holdings S.A. decided to focus solely on its Fiber activities, and to divest all other activities. This decision was announced to the workforce and the public on 8 November 2000. The operations which will be divested comprise the Metallic and Pipe activities, based primarily in Ecublens, the Rotating & Twinning activities based in Americas as well as the Film activities in Milan.

It is anticipated that the divestments will be completed by mid-2002. Additional disclosures relating to the businesses to be discontinued are included in Note 3.

3. BUSINESS SEGMENT AND GEOGRAPHICAL DATA / DISCONTINUED OPERATIONS

Primary reporting format – business segments

Following the decision to focus solely on its Fiber activities Nextrom has been organised in 5 Business segments: Fiber Optics, Metallic & Pipe, Rotating & Twinning, Film and Other business units.

The business segment Fiber Optics has operations in Vantaa, Finland as well as sales and commissioning representatives in Asia and the Americas.

The business segment Metallic & Pipe operates in Ecublens, Switzerland, as well as in Vantaa, Finland and has sales and commissioning representatives in Asia and the Americas.

The business segment Film comprise Nextrom's Plastic Film activities in Milan and Rotating & Twinning include the Canada and Brazil based Group Twinning and Rotating stranding activities. Other Business includes Conex extrusion activities in Ecublens as well as Nextrom's operations in Shanghai.

Business segment data, after allocation of corporate assets and expenses, can be summarised as follows (in CHF 1'000):

Year ended 31 December 2000	Fiber Optics	Discontinued operations			Other	Group
		Metallic & Pipe	Rotating & Twinning	Film		
Gross sales	140'187	137'092	47'803	38'271	8'399	371'752
Elimination of internal sales						(12'320)
Segment Operating result	15'266	3'171	(19'440)	(1'841)	(1'825)	(4'669)
Unallocated Holding costs						(3'410)
Operating result before exceptional items						(8'079)
Restructuring						(2'944)
Impairment of intangible assets			(16'647)		(7'348)	(23'995)
Result on sale of Fixed Assets						9'054
Operating result						(25'964)
Net result						(42'076)
Inventories	17'361	27'537	10'379	13'641	4'901	73'819
Trade Receivables and other current assets	37'365	45'137	15'205	15'663	6'489	119'859
Property Plant & Equipment	2'360	9'797	11'285	12'286	972	36'700
Goodwill	13'888	–	–	–	–	13'888
Other long term assets	1'870	14'476	792	67	4'850	22'055
Financial and other unallocated assets						38'541
Total Assets	72'844	96'947	37'661	41'657	17'212	304'862
Advances from customers	31'018	17'465	1'943	2'897	2'653	55'976
Trade payables and other current liabilities	23'201	30'344	8'543	16'189	4'589	82'866
Other segment liabilities	6'471	5'517	3'697	2'842	975	19'502
Financial and other unallocated liabilities						108'624
Equity						37'894
Total Liabilities and shareholders equity	60'690	53'326	12'183	21'928	8'217	304'862
Depreciation and Amortisation	5'986	3'014	5'094	928	2'444	17'466
Segment free cash flow	21'252	6'185	(14'346)	(913)	619	12'797

Segment free cash flow comprises Segment operating result plus depreciation and amortisation.

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Year ended 31 December 1999	Fiber Optics	Discontinued operations			Other	Group
		Metallic & Pipe	Rotating & Twinning	Film		
Gross sales	76'453	143'800	76'175	38'314	6'354	341'097
Elimination of internal sales						(10'575)
Segment Operating result	5'411	(18'140)	(6'214)	(11'001)	(1'942)	(31'885)
Unallocated Holding costs						(3'686)
Operating result before exceptional items						(35'571)
Restructuring						(6'342)
Impairment of intangible assets				(3'565)		(3'565)
Operating result						(45'478)
Net result						(47'556)
Inventories	17'790	29'113	14'019	13'145	3'683	77'750
Trade Receivables	29'148	34'377	19'324	21'709	735	105'293
Financial and other unallocated liabilities						205'109
Total Assets						388'152
Advances from customers	4'857	10'289	3'710	1'882	1'459	22'197
Financial and other unallocated liabilities						288'068
Equity						77'887
Total Liabilities and shareholders equity						388'152

In the 1999 comparative data, only trade receivables, inventory and advances from customers are disclosed by Business segments. All other assets and liabilities cannot be reliably identified by those business segments for 1999 as this organisation has only be introduced towards the end of year 2000.

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

Western Europe: In this area, the Group operates three main production sites in Switzerland, the home country of the parent company, Finland and Italy.

Americas: In this area, the Group operates production sites in Canada and Brazil.

Other: In the rest of the World, Nextrom is operating a smaller production site in China.

CHF 1'000

The geographical analysis, in terms of where the revenues of the Group are recognised and where its assets are located, is as follows:

	2000	1999
Gross sales		
Western Europe	306'692	250'806
Americas	46'150	73'822
Other	6'590	5'894
Total gross sales	359'432	330'522
Assets		
Western Europe	241'833	281'057
Americas	40'710	65'882
Other	8'431	7'979
Goodwill	13'888	33'234
Total assets	304'862	388'152

An analysis of the Group's gross sales to the regional markets is as follows:

	2000	1999
Europe	114'395	111'288
CIS	2'188	2'878
North and South America	103'349	109'732
Middle East and Africa	18'530	15'166
China	45'093	26'171
Pacific Asia, India and Oceania	75'877	65'287
Total gross sales	359'432	330'522

4. INCOME TAXES

CHF 1'000

	2000	1999
Current income taxes	10'749	509
Deferred income taxes	(4'812)	(5'576)
	5'937	(5'067)

The tax on the Group's net profit varies from year to year depending on the country in which the net profit arises, the importance of non tax deductible goodwill amortisation and other expenses not deductible for tax purposes as well as the extent to which the company can utilise tax losses. A reconciliation of the effective tax charge to the tax charge that would arise using the basic corporate tax rate of 30% is as follows:

	2000	1999
Result before tax	(36'139)	(52'623)
Tax calculated at the basic corporate rate of 30%	(10'842)	(15'787)
Effect of local tax rates different from 30%	3'738	3'767
Effect of non-tax deductible amortisation of goodwill	5'985	2'761
Effect of current year unrecognised tax losses	7'056	4'192
Effective tax charge / (credit)	5'937	(5'067)

CHF 1'000

Deferred income tax assets and liabilities are offset when the income taxes relate to the same fiscal authority. Deferred tax assets and liabilities shown in the consolidated balance sheet are as follows:

	2000	1999
Deferred tax asset	(3'504)	(655)
Deferred tax liabilities	2'732	4,698
Net deferred tax (assets) / liabilities	(772)	4,043

Deferred tax assets and liabilities are attributable to the following items:

	2000	1999
Deferred tax liabilities		
Accelerated tax depreciation	–	1'398
Asset revaluations	3'070	3'355
Prepaid pension expenses	1'439	1'890
Other deferred tax liabilities	392	–
	4'901	6'643
Deferred tax assets		
Tax loss carry forwards	(3'503)	(293)
Restructuring costs	(150)	(726)
Provision for bad debts	(620)	(766)
Provision for inventory	(980)	(646)
Other deferred tax assets	(420)	(169)
	(5'673)	(2,600)
Net deferred tax (asset) / liability	(772)	4'043

The movement in net deferred income tax liability is as follows:

Balance at 01.01.00	4'043
Effect of currency movements	(3)
Income statement credit	(4'812)
Balance at 31.12.00	(772)

Unused tax losses for which no deferred tax asset is recognised in the balance sheet amount to CHF 37'083'000 (1999: CHF 15'661'000). These unused tax losses expire within the next 5 to 7 years.

5. EARNINGS PER SHARE

	2000	1999
Net result (CHF 1'000)	(42'076)	(47'556)
Weighted average number of bearer shares in issue (thousands)	453'006	374'080
Weighted average number of registered shares in issue (thousands)	453'125	375'000
Basic loss per bearer share (CHF)	(69.66)	(95.29)
Basic loss per registered share (CHF)	(23.22)	(31.76)

The weighted average number of shares in issue during the year is calculated as the weighted average number of bearer shares and bearer equivalent registered shares in issue, excluding the average number of bearer shares purchased by the company and held as treasury shares.

The outstanding subscription rights have no dilutive effects on the loss per share.

6. CASH AND SHORT TERM DEPOSITS

CHF 1'000

These represent cash and demand deposits, which bear interest at current rates, and are considered cash equivalents.

	2000	1999
Cash at bank	15'843	17'888
Short term deposits with banks	11'570	13'136
Restricted cash of social foundation	935	695
Total cash and short-term deposits	28'348	31'719

7. INVENTORIES

CHF 1'000

	2000	1999
Raw materials and supplies	19'661	22'623
Work-in-progress	40'965	37'984
Finished goods	13'194	17'143
Total inventories	73'820	77'750

8. OTHER CURRENT ASSETS

CHF 1'000

	2000	1999
Advance payments for inventories	2'084	1'714
VAT receivable	3'493	5'740
Hedging Receivable	3'504	561
Income taxes receivable	187	4'532
Prepaid expenses	8'507	10'549
Total other current assets	17'775	23'096

9. PROPERTY, PLANT AND EQUIPMENT

CHF 1'000

Cost	Land & Buildings	Machinery & Equipment	Total Fixed Assets
Cost at 01.01.00	98'886	58'505	157'391
Reclassifications	(2'436)	1'755	(681)
Additions in the year	54	5'759	5'813
Disposals in the year	(34'579)	(16'399)	(50'978)
Effect of currency movements	(3'110)	(1'156)	(4'266)
Cost at 31.12.00	58'815	48'464	107'279
Depreciation			
Accumulated depreciation at 1.1.00	44'207	44'519	88'726
Reclassifications	(2'004)	1'983	(21)
Charge for the year	3'653	4'098	7'751
Disposals	(12'479)	(11'444)	(23'923)
Effect of currency movements	(936)	(1'017)	(1'953)
Accumulated depreciation at 31.12.00	32'441	38'139	70'580
Net Book Value at 01.01.00	54'679	13'986	68'665
Net Book Value at 31.12.00	26'374	10'325	36'699

At 31 December 2000, the companies of the Group have no open commitments to purchase fixed assets (1999: none).

10. GOODWILL

CHF 1'000

	Original Cost	Accumulated Depreciation	Net Book Value
Balance at 01.01.00	57'540	24'306	33'234
Amortisation	–	5'288	(5'288)
Impairment charge	–	14'662	(14'662)
Effect of currency movements	(629)	(1'233)	604
Balance at 31.12.00	56'911	43'023	13'888

The impairment charge of CHF 14'662'000 in 2000 reflects the combined impact of the decision to dispose of activities in Toronto, and the continued poor performance of that entity. The goodwill incurred on the acquisition of Ceeco in July 1996 has been split equally between the activities of the Toronto plant, and the synergies provided by the acquisition – particularly in relation to the improved penetration of the US market.

11. OTHER LONG-TERM ASSETS

CHF 1'000

	Developments	Other Intangible Assets	Investments	Prepaid Pension Expenses	Total
Cost					
Cost at 01.01.00	11'097	31'381	8'254	6'629	57'361
Reclassifications	(4'513)	5'194	–	–	681
Additions in the year	3'027	103	–	–	3'130
Disposals in the year	(200)	(3'909)	(843)	(374)	(5'326)
Effect of currency movements	(37)	(535)	–	–	(572)
Cost at 31.12.00	9'374	32'234	7'411	6'255	55'274
Amortisation					
Accumulated amortisation at 01.01.00	5'230	18'347	–	–	23'577
Reclassifications	(4'149)	4'170	–	–	21
Disposals in the year	–	(3'690)	–	–	(3'690)
Amortisation for the year	969	3'458	–	–	4'427
Impairment charge	5'948	3'385	–	–	9'333
Effect of currency movements	(6)	(443)	–	–	(449)
Accumulated amortisation at 31.12.00	7'992	25'227	–	–	33'219
Net Book Value at 01.01.00	5'867	13'034	8'254	6'629	33'784
Net Book Value at 31.12.00	1'382	7'007	7'411	6'255	22'055

Other intangible assets mainly consist of patents, trademarks and software, which are amortised over their estimated useful lives, ranging from three to ten years.

Investments comprise marketable securities held by the Social Foundation of Nextrom S.A. They are considered to be of a long term nature as a result of restricted use of the foundations' assets.

An impairment charge of CHF 5'948'000 has been taken following management's reassessment of the future profitability of the Conex project. This charge has reduced the capitalised development costs to their residual value.

Other intangible assets include an impairment charge of CHF 1'985'000 related to the write off of patents acquired as part of the acquisition of Ceeco Ltd in July 1996. It furthermore includes an impairment charge of CHF 1'400'000 related to the write off of software development costs.

As at 31 December 2000 and 1999, the Nextrom Group has no open commitments to purchase other long-term assets.

12. OTHER CURRENT LIABILITIES

CHF 1'000

	2000	1999
Accrued salaries and related expenses	8'243	10'995
Project related accrued expenses	20'178	13'027
Warranty provisions	12'144	9'333
Restructuring provision	1'330	7'534
Accrued expenses	25'561	28'649
Total other current liabilities	67'456	69'538

The movement in Warranty and Restructuring provisions can be summarised as follows:

	Warranty provision	Restructuring provision
Provision as at 01.01.00	9'333	7'534
Additional provisions	7'223	1'576
Unused amounts reversed	(1'661)	(1'475)
Utilised during the year	(2'587)	(6'173)
Effect of currency movements	(164)	(132)
Provision as at 31.12.00	12'144	1'330

13. LONG-TERM DEBT

CHF 1'000

	2000	1999
Bank loans	53'517	147'565
Less current portion of long term debt	(4'940)	(31'944)
Total long-term debt	48'577	115'621

Annual maturities of bank loans, adjustable notes and other long-term debt are as follows:

2001	4'940
2002	8'948
2003	10'084
2004	7'325
2005 and later	22'220
Total	53'517

The fair value of the above total long-term debt amount approximates its carrying value.

The bank loans are denominated in following currencies:

	Interest (% p.a.)	
Swiss Francs	4.24%	18'050
Euros	5.83% to 8.25%	12'669
Canadian Dollars	6.64% to 8.5%	21'670
US Dollars	8.85%	1'128
Total		53'517

14. SUBORDINATED LOAN

The loan from a major shareholder, Nokia Corporation, received in order to bridge the financing needs of Nextrom until the finalisation of the ordinary capital increase, has been subordinated to all other debts of Nextrom Holding S.A. and can be repaid only to the extent new equity finance is raised by the company, or following the issuance of a special report by the company's auditor. The subordinated loan is denominated in Swiss Francs and bears interest at 5.35%.

15. LOAN COVENANTS

The bank loans and the subordinated loan include a number of covenants, including a required equity ratio. One of the covenants relates to limits on the sale of Group assets. Following the eventual sale of certain of the discontinued operations, the loans and related covenants will be renegotiated.

16. RETIREMENT BENEFIT OBLIGATIONS

CHF 1'000

The Group has both defined benefit and defined contribution pension plans covering substantially all the employees.

The employees at Nextrom S.A., Ecublens, are covered under the company's defined benefit schemes. The latest actuarial valuation of pension funds was carried out in December 2000. The economic assumptions used in carrying out this valuation reflect management's estimates of anticipated future trends.

Amount recognised in the balance sheet:

	2000	1999
Prepaid pension asset	6'255	6'629

The amounts recognised in the balance sheet are as follows:

	2000	1999
Projected benefit obligation	(101'022)	(111'640)
Fair value of plan assets	144'484	150'056
Funded status	43'462	38'416
Unrecognised surplus	(37'207)	(31'787)
Asset in the balance sheet at 31 December	6'255	6'629

The amounts recognised in the income statement are as follows:

	2000	1999
Current service cost	2'750	2'964
Interest cost	3'907	3'815
Return on assets	(8'287)	(8'068)
Effect of cap on pension asset	3'292	2'274
Net pension cost	1'662	985
Contribution for the period	1'288	985
Net pension cost	(1'662)	(985)
Prepaid pension expense at 1 January	6'629	6'629
Prepaid pension expense at 31 December	6'255	6'629

The principal actuarial assumptions used for accounting purposes were:

	2000	1999
Discount rate	3.50%	3.50%
Expected return on plan assets	5.50%	5.50%
Future salary increases	2.00%	2.00%
Future pension increases	1.00%	1.00%

The employees in other operating companies are mainly covered by pension funds using defined contribution method. Minor benefit plans are not considered material, and pension costs for these plans are charged to the profit and loss account as funded. The total pension costs for the other operating companies amounted to CHF 4'668'000 in 2000 (1999: CHF 4'112'000). Total staff costs for 2000 amounted to CHF 75'385'000 (1999: CHF 82'382'000).

17. COMMITMENTS AND CONTINGENT LIABILITIES

CHF 1'000

As at 31 December 2000 the Group has contingent liabilities amounting to CHF 3'070'000.

In December 2000, The Group has sold its real estate properties in Finland and has entered into a long term lease agreement to rent the premises in Finland in which it operates. The related future minimum lease payments under non cancellable operating leases are as follows:

Due within 1 year	2'702
Due within 2 to 5 years	11'357
Due after 5 years	37'550

Certain litigation is pending against the Group. In management's opinion, any liability arising from such litigation will not have a material effect on the Group's financial position.

18. DERIVATIVE FINANCIAL INSTRUMENTS

CHF 1'000

In order to manage the risks arising from fluctuations in currency exchange rates and interest rates, the Group makes use of forward currency exchange contracts and interest rate swaps.

The notional values and unrealised results of such instruments at year-end are as follows:

Forward currency exchange contracts	Notional Value	Unrealised Gain / (losses)
	2000	2000
Hedging of assets and liabilities	98'322	2'831
Hedging of firm and anticipated commitments	99'450	3'358

The notional value represents the contract value in group companies currencies converted at the year-end closing exchange rate.

Interest Rate Swaps	Currency	Notional Value	Market Value Gain / (losses)
		2000	2000
	CHF	30'000	135

The notional value represents the contract value in group companies currencies. The Group has no significant concentrations of credit risk. Derivative instruments are entered into with, and cash is placed with substantial financial institutions. The credit exposures of derivatives are represented by the net unrealised gains of the contracts, as disclosed above.

19. RELATED PARTY TRANSACTIONS

In 2000, the total remuneration paid to the members of the board of directors, including the salary of the Chief Executive Officer, amounted to CHF 521'367 (1999: CHF 928'616). The company has received a subordinated loan from Nokia Corporation, a significant shareholder who has 1 member of the Board of Directors of Nextrom Holding S.A. Further details of this loan are given in Note 14, and in the opinion of management the conditions reflect market conditions. There are no other transactions with Nokia Corporation.

20. STOCK OPTION PLAN

The Group has issued bearer share options to eligible officers and employees. The terms of the current share option plan are summarised as follows:

Options outstanding at 1 January 1999	Granted during 1999	Lapsed during 1999	Options outstanding at 31 December 1999	Granted during 2000	Lapsed during 2000	Exercise during 2000	Options outstanding at 31 December 2000	Exercise prise CHF	Expiry date
15'800	2'800	3'880	14'720		1'760	1'360	11'600	197	30 March 2006
				44'200			44'200	240	19 June 2007

No compensation expense has been recognised in the income statement for the above bearer shares option plan. In March 1999, the share options originally priced at CHF 570 were repriced at CHF 197. A new grant of options has been made in June 2000 at an exercise prise of CHF 240.

21. GROUP COMPANIES

	Country	% ownership	Activity	Share Capital	
Nextrom Holding S.A.	Switzerland	100	Holding	18'771'750	CHF
Nextrom S.A.	Switzerland	100	Manufacture/sales	1'500'000	CHF
Nextrom Oy	Finland	100	Manufacture/sales	50'015'000	FIM
Nextrom (USA) Inc.	USA	100	Sales	4'000'000	USD
Nokia-Maillefer AB	Sweden	100	Dormant	1'000'000	SEK
Nokia-Maillefer (Far East) Ltd.	Hong Kong	100	Dormant	20	HKD
Shanghai Nextrom Machinery Company Ltd.	China	100	Manufacture	30'777'108	CNY
Nextrom Ltd	Canada	100	Manufacture/sales	24'500'000	CAD
Nextrom Ltda	Brazil	100	Manufacture/sales	507'150	BRL
Nextrom Inc	USA	100	Manufacture/sales	300'000	USD
Kiint. Oy Ensimmäinen Savu	Finland	100	Real Estate	23'050'000	FIM
Nextrom OOO	Russia	85	Manufacture/sales	665'000	RBL
Nextrom S.p.A.	Italy	100	Manufacture/sales	3'500'000'000	ITL
Nextrom Investments S.a.r.l	Luxembourg	100	Holding	13'745'000	CHF
Nextrom China Investments S.a.r.l	Luxembourg	100	Holding	1'750'000	CHF
Nextrom Services S.A.	Switzerland	100	Services	100'000	CHF
Conex Extrusions O.Y.	Finland	100	Technology rights	200'000	FIM
Conex Cables O.Y.	Finland	50	Sales	400'000	FIM
Maillefer S.A.	Switzerland	100	Dormant	50'000	CHF
Fonds social	Switzerland	(*)	Employee benefits		

(*) The Board of the Foundation is appointed by Nextrom S.A.

22. DIVIDENDS AND APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors of Nextrom Holding S.A. approved these financial statements on 23 March 2001 for presentation to the Annual General Meeting. No dividends will be proposed for the year ending 31 December 2000.

Report of the Group Auditors to the General Assembly of Nextrom Holding S.A. Ecublens

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) of Nextrom Holding S.A. for the year ended 31 December 2000.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), 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 Accounting Standards (IAS) and comply with Swiss law.

We recommend that the Consolidated Financial Statements submitted to you be approved.

Geneva, 23 March 2001

PricewaterhouseCoopers SA



Stephan A.J. Bachmann



David Mason

Unconsolidated profit and loss accounts
for the years ended 31 December

	2000	1999
	CHF	CHF
Income		
Dividends from subsidiaries	20'612'590	9'347'817
Interest income	4'040'841	3'549'157
Royalties and licence fees	2'649'491	2'589'662
Other income	398'883	1'305'686
Total income	27'701'805	16'792'322
Expenses		
General and administrative expenses	342'685	183'160
Management fees	3'331'000	3'455'000
Provision against advances to subsidiaries	36'678'280	18'336'000
Amortisation of investments in subsidiaries	28'003'803	20'144'000
Amortisation of other long-term assets	4'114'747	5'065'051
Interest expense	6'855'542	4'608'515
Financial expenses	1'612'980	94'826
Other expenses	607'001	1'213'524
Taxes	635'256	276'234
Total expenses	82'181'294	53'376'310
Net result	(54'479'489)	(36'583'988)

Unconsolidated balance sheets at 31 December

	2000	1999
	CHF	CHF
ASSETS		
Current assets		
Cash	1'349'279	114'381
Treasury shares	38'360	285'147
Advances to subsidiaries	30'737'456	68'263'805
Other current assets	475'231	1'120'876
Total current assets	32'600'326	69'784'209
Long-term assets		
Investments in subsidiaries	70'079'866	56'917'421
Long-term loans to subsidiaries	–	13'634'850
Other long-term assets	4'125'507	7'560'286
Total long-term assets	74'205'373	78'112'557
Total assets	106'805'699	147'896'766
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	4'138'371	21'466'263
Amounts due to subsidiaries	13'643'874	2'371'736
Accrued liabilities	1'156'338	3'541'399
Other current liabilities	1'076	1'352'003
Total current liabilities	18'939'659	28'731'401
Long-term liabilities		
Long-term debt	29'886'820	81'067'056
Subordinated loan	46'000'000	–
Total long-term liabilities	75'886'820	81'067'056
Shareholders' equity		
Share capital	18'771'750	15'017'400
Legal reserve:		
General reserve	3'663'780	3'663'780
Reserve for own shares	38'360	350'000
Revaluation reserve	24'606'050	–
Free reserve	17'961'640	17'650'000
Unappropriated retained earnings		
Brought forward from prior year	1'417'129	38'001'117
Net result for the year	(54'479'489)	(36'583'988)
Total shareholders' equity	11'979'220	38'098'309
Total liabilities and shareholders' equity	106'805'699	147'896'766

Notes to the unconsolidated financial statements

1. Investment in subsidiaries

The list of principal shareholdings appears in note 21 of the consolidated financial statements.

These investments have been revalued as follows:

	CHF
Amortised historical cost	45'473'816
Revaluation	24'606'050
Revalued investments	70'079'866

A revaluation reserve corresponding to the amount of the revaluation has been set up separately in the shareholders' equity.

2. Contingent liabilities

Contingent liabilities at 31 December 2000, which comprises bank guarantees for subsidiaries amounted to CHF 50'962'522 (1999: CHF 50'529'917).

In addition, Nextrom Holding S.A. is guaranteeing the future lease payments of Nextrom Oy under non cancellable operating leases. The minimum payments are as follows:

	CHF
Due within 1 year	2'702'000
Due within 2 to 5 years	11'357'000
Due after 5 years	37'550'000

In addition to these guarantees, the company has issued comfort letters to support credit lines provided to subsidiary companies. At 31 December 2000, these credit lines were being used for a total of CHF 9'806'782 (1999: CHF 40'811'219).

3. Own shares

On 11 September 1998, Nextrom Holding acquired 1'500 of its own bearer shares through purchases on the Swiss Stock Exchange. The total amount paid to acquire the shares was CHF 350'000. During year 2000, Nextrom has used 1'360 of these Treasury shares to meet the exercise of subscription rights granted to management of the Group at an exercise price of CHF 197 per share. At 31 December 2000, Nextrom Holding S.A. owns its own bearer shares for an amount of CHF 38'360. These shares have not been cancelled and are being held as treasury shares.

4. Conditional capital

On 29 March 1996 the General Assembly approved the Board of Directors proposal to increase the share capital up to a maximum of CHF 750'000. This conditional capital is divided into 25'000 bearer shares of a nominal value of CHF 30, to be entirely paid up on the exercise of subscription rights granted to managers of the Group as part of Group stock option plan. Other than the items disclosed in Note 3, during 2000 and 1999, no subscription rights have been exercised.

5. Capital increase

The Share capital of Nextrom Holding S.A. is divided into 375'580 fully issued and paid in bearer shares (1999: 375'580) of a nominal value of CHF 30 each, 375'000 fully issued and paid in registered shares (1999: 375'000) of a nominal value of CHF 10 each as well as 93'895 new bearer shares and 93'750 new registered shares. These new bearer and registered shares have been issued in March 2000 as part of the Ordinary capital increase approved by an Extraordinary General assembly held on 16 December 1999. Nokia Corporation has underwritten this share issue by interim subscription of all issued shares and paid in the nominal value of CHF 10 per new registered share and CHF 30 per new bearer share. The new bearer shares will be offered to Nextrom's shareholders in due course at a subscription price, which will be determined according to prevailing market conditions and practice. These new shares are currently not tradable and Nokia has agreed to abstain from exercising the voting rights relating to the new registered and bearer shares until the newly issued shares have been offered to the other shareholders.

On 16 December 1999, the Extraordinary General Assembly furthermore approved the Board of Directors proposal of an authorised capital increase of a maximum of CHF 7'200'000. This authorised capital increase is divided into either a maximum of 180'000 registered shares of a nominal value of CHF 10 each and a maximum of 180'000 bearer shares of a nominal value of CHF 30 each, or a maximum of 240'000 bearer shares with a nominal value of CHF 30 each. This authorised capital increase expires on 16 December 2001.

6. Subordinated loan

The loan from a major shareholder, Nokia Corporation, received in order to bridge the financing needs of Nextrom until the finalisation of the ordinary capital increase, has been subordinated to all other debts of Nextrom Holding S.A. and can be repaid only to the extent new equity finance is raised by the company, or following the issuance of a special report by the company's auditor. The subordinated loan is denominated in Swiss Francs and bears interest at 5.35%.

7. Loan covenants

The bank loans and the subordinated loan include a number of covenants, including a required equity ratio. One of the covenants relates to limits on the sale of Group assets. Following the eventual sale of certain of the discontinued operations, the loans and related covenants will be renegotiated.

8. Dividends and approval of the financial statements

The Board of Directors of Nextrom Holding S.A. approved these financial statements on 23 March 2001 for presentation to the Annual General Meeting. No dividends will be proposed for the year ending 31 December 2000.

Report of the Statutory Auditors to the General Assembly of Nextrom Holding S.A. Ecublens

As statutory auditors, we have audited the accounting records and the financial statements presented on pages 24 to 27 of Nextrom Holding S.A. for the year ended 31 December 2000.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with the law and the company's articles of incorporation.

We note that the revaluation of the investments in subsidiaries, amounting to CHF 24'606'050, and which has been performed to remedy a situation of overindebtedness, in accordance with article 670 al 1 of the Code of Obligations, complies with the law.

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

Geneva, 23 March 2001

PricewaterhouseCoopers S.A.



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