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NEXTROM HOLDING S.A.

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To the Ordinary General Assembly of Shareholders held on May 7, 2003.

With this annual report, we present for your approval the consolidated financial statements of Nextrom Holding S.A. for the year ended 31 December 2002 prepared in accordance with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) 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 2002 prepared in compliance with Swiss Company Law.

General

Year 2002 has been a very difficult year for Nextrom's core business Fiber Optics. After having experienced record high sales and profits in 2001, the collapse of the Telecommunications market and the resulting production overcapacity for Fiber and Fiber cable has had a material adverse effect on Nextrom's order intake and sales in 2002. Although the company's flexible operational model was designed to absorb important fluctuations in demand, the magnitude of the downturn in the market has forced Nextrom to implement an important restructuring program during the autumn 2002, resulting in material restructuring costs and the impairment of fixed assets.

2002 has also been the year of completion of the divestment program launched in autumn 2000 in accordance with the new strategy to focus on the Fiber Optics business only. The Plastic Film business and the related real estate property in Milan, as well as the Rotating & Twinning activity located in Toronto have been sold. The wind down of the remaining assets, liabilities and minor activities in Toronto, Sao Paolo and Milan is almost completed.

The high level of accounts receivable collection, the decrease of inventory levels as well as the proceeds from disposals of discontinued operations have enabled the company to generate sufficient cash to avoid the need for further bank financing during 2002.

Despite the satisfactory cash flow, the depressed market situation has also triggered the need of a financial restructuring in order to provide Nextrom with new funding to face the current down cycle. This has been achieved through the following measures:

- * The implementation in December 2002 of a capital increase raising approximately CHF 19 million of new equity;
- * The signing in early 2003 of a CHF 40 million three-years term loan facility with the major shareholder Nokia Corporation of which CHF 20 million have been subordinated to all other debts of the company.

In May 2002, the company completed the capital increase decided in December 1999 by offering the related new shares in a technical rights offering to the existing shareholders.

Sales and order intake

In the core business Fiber Optics, gross sales decreased by 52% from CHF 273 million in 2001 to CHF 132 million, approximately CHF 30 to 50 million lower than anticipated in spring 2002.

New orders amounting to CHF 34 million have been received in this segment during 2002, partially offset by CHF 15 million of order cancellations, resulting in a net order intake of CHF 19 million (2001: CHF 222 million). The order backlog in the Fiber Optics segment amounted to CHF 10 million at year-end.

The sales in the other business segments amounted to CHF 15 million compared to CHF 154 million in 2001. This decrease is mainly due to the divestment of these segments.



Group Operating Performance

Year 2002 gross profit decreased by 77% from CHF 79.7 million in 2001 to CHF 18.5 million, representing 12.6% of sales (2001: 19.3% of sales). This decrease is to a large extent due to the drop in sales already discussed as well as to certain project cost overruns encountered in the delivery of different customized Fiber making equipment.

Thanks to the divestments, the group has been able to further decrease its Operating expenses from ordinary activities by 18% from CHF 51.1 million to CHF 42.2 million. The restructuring of the core business implemented during autumn 2002 will really produce its effects on the indirect and fixed costs of the company only during 2003.

The operating result before exceptional items has dropped from a CHF 28.6 million gain in 2001 to a CHF 23.7 million loss in 2002 of which CHF 11.3 million came from the Fiber Optics business (2001: CHF 42.5 million gain) and CHF 8.6 million from discontinued and other operations (2001: CHF 8.9 million loss). The loss in the Fiber Optics segment is mainly the consequence of the sharp decrease in revenues as well as of certain project cost overruns. It also includes CHF 2.9 million development and other structure costs incurred for the set up of the new Photonics activity acquired in spring 2002. CHF 5.1 million of the loss in the discontinued operations is due to the poor performance of the Rotating & Twinning activity, which has also suffered from a very difficult market situation. Unallocated Holding costs decreased from CHF 5.0 million in 2001 to CHF 3.8 million in 2002.

As a consequence of the reorganization of the Group, Nextrom incurred material exceptional operating costs in 2002. Restructuring charges of CHF 15.4 million have been recognized, of which CHF 7.2 million related to the restructuring of the Fiber Optics business and CHF 8.2 million were due to the wind down of the non-core operations. Fixed and other long-term asset impairment charges of CHF 13.5 million have been booked, of which CHF 11.1 million relate to the amortization of goodwill. The company also faces a certain number of litigations and has increased related provisions by CHF 3.0 million. Finally, the disposal of discontinued operations generated an income of CHF 6.9 million, reducing the net exceptional operating costs to CHF 25.0 million.

As a consequence of the above, the Operating result in 2002 is a loss of CHF 48.7 million (2001: loss of CHF 2.1 million).

Thanks mainly to low interest rates and a continuous decrease of the net debt, the total non-operating expenses decreased further by 77% to only CHF 1.1 million. The net loss increased from CHF 16.0 million in 2001 to CHF 51.4 million.

Cash flow and Balance Sheet

Net cash from operating activities was negative CHF 11.6 million which have been almost fully financed by the net cash from investing activities amounting to CHF 10.5 million. The implementation of the capital increases realized in May and December 2002 has generated an additional cash inflow of CHF 19.5 million.

Due to the working capital management, as well as the divestment and wind down of the discontinued operations the total balance sheet decreased further by 48% from CHF 202.6 million in 2001 to CHF 105.8 million.

Consolidated shareholders' equity at year-end 2002 amounted to minus CHF 13.0 million (2001: CHF 20.4 million positive). Including the unchanged CHF 46 million subordinated loan from its main shareholder total equity like funding reaches CHF 33.0 million as at December 31, 2002. In addition, post balance sheet date, the main shareholder has granted in early 2003 a CHF 40 million term loan facility to the company, of which CHF 20 million have been subordinated.



Personnel

The number of employees at year-end 2002 was 343 compared to 493 at the end of 2001.

Board of Directors


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

Outlook for 2003

The opening backlog of CHF 10 million and the further delay in the recovery of the Fiber Optic and Fiber Optic cable markets will impact negatively 2003. Sales volume will drop significantly below CHF 100 million this year. The company will therefore despite the recent restructuring actions post an operating loss in 2003.

Morges, 19 March 2003

Olli-Pekka Kallasvuo, Chairman


CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER

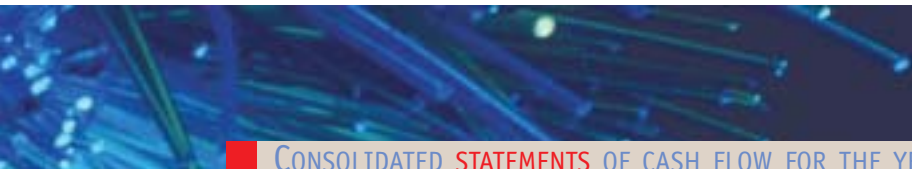
	Notes	2002 CHF 1'000	2001 CHF 1'000
Gross sales	5	147'417	413'139
Agent commissions		(2'820)	(7'768)
Cost of sales		(126'127)	(325'671)
Gross profit		18'470	79'700
Sales and marketing		(14'541)	(17'045)
Research and development		(7'747)	(7'804)
General, IT and administration		(17'035)	(23'754)
Amortisation of goodwill	14	(2'828)	(2'525)
Sub-total operating expenses		(42'151)	(51'128)
Operating result before exceptional items	5	(23'681)	28'572
Restructuring		(15'433)	(8'573)
Impairment of fixed and other long term assets		(13'462)	(8'587)
Result on sale of fixed assets		19	(1'882)
Result on disposal of discontinued operations	3	6'902	(11'607)
Litigations	17	(3'045)	-
Operating result	5	(48'700)	(2'077)
Interest income		1'633	1'994
Interest expense		(1'931)	(5'938)
Net exchange gain/(loss)		(376)	171
Other non-operating income/(expense)		(379)	(879)
Total non-operating expenses		(1'053)	(4'652)
Result before tax		(49'753)	(6'729)
Income taxes	6	(1'630)	(9'251)
Net result		(51'383)	(15'980)
Basic loss per bearer share	7	(68.17)	(25.53)
Basic loss per registered share	7	(22.72)	(8.51)

The notes on pages 36 to 53 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

	Notes	2002 CHF 1'000	2001 CHF 1'000
ASSETS			
Current assets			
Cash and short term deposits	8	33'081	22'226
Trade accounts receivable		13'749	64'365
Accrued revenues	9	3'916	4'270
Inventories	10	17'579	44'874
Income tax receivables		2'611	1'234
Other current assets	11	3'769	10'198
Total current assets		74'705	147'167
Long-term assets			
Land and buildings	12	590	7'743
Machinery and equipment	12	2'376	5'187
Long-term financial assets	13	24'265	26'197
Goodwill	14	-	11'363
Deferred tax assets	6	-	282
Other long-term assets	15	3'875	4'703
Total long-term assets		31'106	55'475
Total assets		105'811	202'642
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt		2'260	4'371
Current portion of long-term debt	16	14'830	3'006
Trade accounts payable		3'935	18'483
Advances from customers		8'332	36'588
Income taxes payable		9	4'543
Other current liabilities	17	43'279	53'402
Total current liabilities		72'645	120'393
Long-term liabilities			
Long-term debt	16	-	15'669
Subordinated loan	18	46'000	46'000
Deferred tax liabilities	6	190	207
Total long-term liabilities		46'190	61'876
Shareholders' equity			
Share capital		7'513	18'783
Retained earnings		(5'928)	14'696
Fair value and other reserves		(14'609)	(13'106)
Total shareholders' equity		(13'024)	20'373
Total liabilities and shareholders' equity		105'811	202'642

The notes on pages 36 to 53 form an integral part of these consolidated financial statements


CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER

	2002 CHF 1'000	2001 CHF 1'000
Cash flow from operating activities		
Loss before tax	(49'753)	(6'729)
Adjustments for:		
Depreciation and amortisation	5'607	10'338
Impairment of fixed and other long term assets	13'462	8'587
(Gain)/loss on disposal of fixed assets	(19)	1'882
(Gain)/loss on disposal of discontinued operations	(6'902)	11'607
Net interest expense	298	3'944
Fair value gains on forward contracts	-	(394)
Cumulative translation adjustment	(568)	-
Foreign exchange (gain)/loss	944	(171)
Operating profit/(loss) before working capital changes	(36'931)	29'064
Decrease in trade accounts receivable	48'470	4'279
Decrease in accrued revenues	275	4'296
Decrease in inventories	23'558	5'223
Decrease in other current assets	5'567	1'500
Decrease in trade accounts payable	(13'760)	(5'916)
Increase/(Decrease) in other current liabilities	(32'055)	6'560
Cash generated from operations	(4'876)	45'006
Income taxes paid	(6'750)	(5'830)
Net cash from operating activities	(11'626)	39'176
Cash flow from investing activities		
Purchase of fixed assets	(1'065)	(2'743)
Increase in other long-term assets	(877)	(393)
Proceeds from sale of fixed assets	380	7'216
Proceeds from disposal of discontinued operations	13'780	(4'780)
Acquisition of photonics automation	(2'270)	-
Interest received	1'531	1'994
Foreign exchange gain/(loss)	(944)	171
Net cash from investing activities	10'535	1'465
Cash flow from financing activities		
Reimbursement of borrowings	(4'201)	(39'721)
Interest paid	(1'756)	(6'638)
Withholding tax paid	(418)	(25)
Capital increase	19'489	74
Purchase of treasury shares	-	(83)
Subordinated loan	-	-
Net cash used in financing activities	13'114	(46'393)
Net change in cash equivalents	12'023	(5'752)
Effect of changes in exchange rates on cash and cash equivalents	(1'168)	(370)
Cash and cash equivalents at beginning of period	22'226	28'348
Cash and cash equivalents at end of period	33'081	22'226

The notes on pages 36 to 53 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEARS ENDED 31 DECEMBER



	Capital Bearer shares	Capital Registered shares	Treasury shares	Retained earnings	Fair value and other reserves	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 1999	11'267	3'750	(350)	73'100	(9'880)	77'887
Number of Shares	375'580	375'000	1'500			
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
Number of Shares	469'475	468'750	140			
Impact of adopting IAS 39	-	-	-	(276)	2'571	2'295
Net loss for the year	-	-	-	(15'980)	-	(15'980)
Purchase of Treasury shares	-	-	(83)	-	-	(83)
Capital increase	11	-	-	63	-	74
Fair value gains/(losses)	-	-	-	-	(616)	(616)
Hedging reserves, transfer to income statement	-	-	-	-	(2'571)	(2'571)
Foreign currency translation adjustment	-	-	-	-	(640)	(640)
Balance at 31 December 2001	14'095	4'688	(135)	14'831	(13'106)	20'373
Number of Shares	469'855	468'750	960			
Net loss for the year	-	-	-	(51'383)	-	(51'383)
Capital Reduction	(12'686)	(4'219)	-	16'905	-	0
Capital increase	4'229	1'406	-	13'854	-	19'489
Foreign currency translation adjustment	-	-	-	-	(1'503)	(1'503)
Balance at 31 December 2002	5'638	1'875	(135)	(5'793)	(14'609)	(13'024)
Number of Shares	1'879'420	1'875'000	960			

The notes on pages 36 to 53 form an integral part of these consolidated financial statements

On January 1, 2002, the share capital of Nextrom Holding S.A. was divided into 375'960 fully issued and paid in bearer shares of a nominal value of CHF 30 each, 375'000 fully issued and paid in registered shares 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 had 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 were offered to Nextrom's shareholders in May 2002 at a subscription price of CHF 40 each. The net proceeds from this rights offering as well as the payment of the agio on the new registered shares amounted to CHF 573'000 which have been included in the General reserve.

Based on a resolution of the extraordinary shareholder's meeting of December 6, 2002 and the resolution of the Board of Directors of the same date, the Company reduced its nominal share capital by 90% from CHF 18'783'150 to CHF 1'878'315 by decreasing the nominal value of each of the 469'855 bearer shares from CHF 30 to CHF 3 and each of the CHF 468'750 registered shares from CHF 10 to CHF 1 and subsequently re-increased its share capital from CHF 1'878'315 to CHF 7'513'260 by issuing 1'409'565 new bearer shares with a nominal value of CHF 3 each and 1'406'250 new registered shares with a nominal value of CHF 1 each. The new bearer shares have subsequently been offered to Nextrom's shareholders in December 2002 at a subscription price of CHF 10.65 each. The net proceeds from this rights offering as well as the payment of the agio on the new registered shares amounted to CHF 13'281'153 which have been included in the General reserve.

On December 6, 2002, the Extraordinary General Assembly approved the Board of Directors proposal to increase the share capital up to a maximum of CHF 600'000. This conditional capital is divided into 200'000 bearer shares of a nominal value of CHF 3, to be entirely paid up on the exercise of subscription rights to be granted to employees of the Group according to an employees' participation plan to be determined by the Board of Directors.

The Group adopted IAS 39 at 1 January 2001. The impact of the adoption of this standard (net of deferred income tax), amounting to CHF 2'571'000, has been taken to fair value and other reserves.

The Group, upon the adoption of IAS 39 in 2001, has also recognised certain derivatives not qualifying as hedges and measured them at fair value. The Group recorded a net amount of CHF 276'000 in retained earnings to recognise the difference between the carrying values and fair values of these derivatives.

As at 31 December 1999, Nextrom held 1'500 of its own bearer shares. 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. During 2001, Nextrom has disposed of the residual 140 shares and acquired 960 of its own bearer shares for CHF 111'200.

The foreign currency translation adjustment in 2002 includes CHF 568'000 of cumulative translation differences transferred to the income statement as a result of the disposal of foreign currency affiliates.



1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Committee. The financial statements have been prepared using the historical cost convention except for certain financial assets and liabilities which are shown at fair value. 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 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. 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.

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 original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

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. 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 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 until they are realised on disposal of the affiliate when they are reclassified in the income statement.

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.

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

A defined benefit pension plan was maintained by Nextrom SA, Ecublens, a company divested in September 2001. For this defined benefit plan, pension costs were assessed using the projected unit credit method : the cost of providing pensions was charged to the income statement so as to spread the regular cost over the service lives of employees. The pension obligation was 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 were 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 were recognised over the average remaining service lives of employees.

The employees in other Nextrom Group companies are mainly covered by pension funds using defined contribution method. Pension costs for these plans are charged to the profit and loss account as incurred.

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	3-8

**Investments**

At 1 January 2001, the Group adopted IAS 39 and classified its investments into the categories defined in the standard.

During the year the Group did not hold any financial assets for trading or held-to-maturity investments. Available for sale investments, which comprise an interest in an unquoted company are held at cost less impairment because in the current market situation the fair value of this investment can not be reliably measured.

Borrowing costs

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

Taxes

Tax expenses include current and deferred income taxes attributable to the current year's earnings. 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 a 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 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 future cash flows. The future cash flows hedged comprise the cash receipts which will arise from confirmed sales contracts. All derivative financial instruments are carried at fair value. All changes in the fair value of derivative financial instruments are charged to the profit and loss account since the group does not comply with the documentation requirements for cash flow hedges under IAS 39.

Disclosures about derivative financial instruments to which the Group is a party are provided in Note 21.



2. Business outlook and financing needs

The optical fiber and fiber optic cable industry is currently facing an all-time cyclical low, which is characterised by severe overcapacity and very low level of orders for the equipment produced by the Group. Short-term visibility is poor and it is extremely difficult to estimate the timing of a market recovery.

The Board of Directors has performed a thorough review of the Group's ability to continue as a going concern analysing, in particular, the cashflow forecasts and the forecast equity position for a period of 12 months following the date of the approval of these financial statements. In response to the review the Board sought and received from the majority shareholder a subordination of CHF 20 million of the term loan facility drawn in February 2003, and an advance waiver of the financial covenants for a 12 months period for the remaining CHF 20 million of this term loan facility.

As a result of the receipt of the subordination and advance waivers the Board of Directors has concluded that the Group is able to continue as a going concern for the period under review.

In the medium term the Group will remain dependant upon the continued support of the parent as well as an improvement in the order intake.

3. Discontinued operations

On 8 November 2000, Nextrom announced its intention to focus solely on its Fiber activity and to divest all other activities. During 2002 the main actions undertaken concern the following business segments:

Film

In accordance with the voluntary liquidation announced in February 2002, Nextrom sold its Plastic Film activities in July 2002 as well as its Milan real state property in November 2002.

Exceptional items related to this segment include restructuring costs amounting to CHF 1'682'000, provisions for litigations amounting to CHF 3'045'000 and a fixed assets impairment charge of CHF 139'000.

Rotating & Twinning

During December 2002, the company sold its Rotating & Twinning activities in Toronto, while the wind down of related segment operations in Sao Paolo was decided in November 2002.

A fixed assets impairment charge of CHF 1'504'000 as well as restructuring costs amounting to CHF 6'301'000 related to this segment have been recognized in the profit and loss account.

Metallic & Pipe

Following the divestment of its Metallic & Pipe activities in September 2001, net exceptional charges amounting to CHF 878'000 have been recognized in the profit and loss account. These charges relate to guarantees granted to the new owners during the sale of the segment, partially compensated by CHF 600'000 increase of the final sales price.

The sales, results and free cash flows related to the disposal of the above mentioned discontinued operations were as follows:



Year ended 31 December 2002	Film	Rotating & Twinning	Metallic & Pipe	Total Discontinued Operations
	CHF 1'000	CHF 1'000	CHF 1'000	CHF 1'000
Sales	4'324	10'917		15'241
Operating loss	(3'031)	(5'139)		(8'170)
Segment cash flow	(3'031)	(4'472)		(7'503)
The assets and liabilities disposed of were as follows:				
Property plant & equipment	6'396	91		6'487
Current assets	726	267		993
Total assets	7'122	358		7'480
Total liabilities	853	156		1'009
Net assets	6'269	202		6'471
The gain/(loss) on disposal was determined as follows :				
Net Assets sold	(6'269)	(202)		(6'471)
Proceeds from sale	12'165	2'086	(878)	13'373
Gain/(loss) on disposal	5'896	1'884	(878)	6'902
Tax thereon	(2'123)	(622)		(2'745)
Utilisation of previously unrecognized tax losses	2'123	622		2'745
After-tax gain on disposal	5'896	1'884	(878)	6'902
The net cash inflow on sale is determined as follows :				
Proceeds from sale	12'165	2'086	(878)	13'373
Less granted guarantees	(305)	(88)		(393)
Plus accrued expenses			800	800
Net cash inflow on sale	11'860	1'998	(78)	13'780
Cumulative translation on discontinued operations	(993)	2'205		1'212

4. Acquisitions

In March 2002, the company announced the launching of a new business in photonics automation based in Gals, Switzerland. The new capabilities, resources and know-how were acquired from Sysmelec SA, Switzerland,

Cash paid	2'270
Earn out	250
Total purchase considerations	2'520
Fair value of net assets acquired	-
Goodwill (see also note 14)	2'520

5. Business segment and geographical data

Primary reporting format - business segments

With the divestment of its Metallic & Pipe business segment in 2001, the voluntary liquidation of its Plastic Film activities in Milan and the sale and wind down of the Rotating & Twinning activities in Toronto and Sao Paolo respectively, the company has completed by the end of 2002 the major actions in accordance with its strategy to focus exclusively on the Fiber Optics business segment.

An important restructuring plan was implemented in the core business during the second half of 2002 in order to adapt the organisation to the depressed market situation. The main restructuring measures included personnel reduction in Finland, Atlanta, Gals and the headquarters in Switzerland, as well as the close down of sales offices in Manchester (UK) and Sao Paolo (Brazil).

As a result of these actions, a fixed and other long-term assets impairment charge of CHF 11'819'000 and restructuring costs of CHF 7'187'000 have been recognized in the profit and loss account of the segment Fiber Optics. The impairment charge mainly includes the write down of goodwill amounting to CHF 11'055'000.

At the end of 2002, the remaining activities of the Fiber Optic business segment comprise operations in Vantaa (Finland) and Shanghai (China), a spare parts and services center at the Waigaoqiao free trade zone of Shanghai (China), a research, development and services center in Atlanta (USA), sales offices in Moscow (Russia) and Tokyo (Japan) as well as assets and liabilities of Nextrom's Holding and Service companies.

Other Business includes the down sized activities of Conex and the non fiber related activity of Nextrom Shanghai.

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



Year ended 31 December 2002	Discontinued operations					Group
	Fiber Optics	Metallic & Pipe	Rotating & Twinning	Film	Other	
Gross sales	131'512		10'917	4'324	664	147'417
Segment operating result	(11'345)		(5'139)	(3'031)	(401)	(19'916)
Unallocated holding costs						(3'765)
Operating result before exceptional items						(23'681)
Restructuring	(7'187)		(6'301)	(1'682)	(263)	(15'433)
Impairment of fixed and other long term assets	(11'819)		(1'504)	(139)		(13'462)
Result on sale of fixed assets			11		8	19
Result on disposal of discontinued operations		(878)	1'884	5'896		6'902
Provisions for litigations				(3'045)		(3'045)
Operating result						(48'700)
Net result						(51'383)
Inventories	17'350		135		94	17'579
Trade receivables and other current assets	22'026		1'821	198		24'045
Property plant & equipment	2'893		73			2'966
Goodwill						-
Other long term assets	975		15	15		1'005
Financial and other unallocated assets						60'216
Total assets	43'244	-	2'044	213	94	105'811
Advances from customers	8'126		47	87	72	8'332
Trade payables and other current liabilities	9'963	455	546	809		11'773
Other segment liabilities	26'029	345	2'413	6'230	433	35'450
Financial and other unallocated liabilities						63'280
Equity						(13'024)
Total liabilities and shareholders equity	44'118	800	3'006	7'126	505	105'811
Depreciation and amortisation	4'619	-	667	-	321	5'607
Segment cash flow	(6'726)	-	(4'472)	(3'031)	(80)	(14'309)
Capital expenditures	3'824	-	44	36	558	4'462

Segment cash flow comprises segment operating result plus depreciation and amortization.

Year ended 31 December 2001	Discontinued operations					Group
	Fiber Optics	Metallic & Pipe	Rotating & Twinning	Film	Other	
Gross sales	272'855	88'841	35'304	25'708	4'133	426'841
Elimination of internal sales						(13'702)
Segment operating result	42'518	3'017	(3'580)	(3'773)	(4'628)	33'554
Unallocated holding costs						(4'982)
Operating result before exceptional items						28'572
Restructuring			(3'258)	(4'607)	(708)	(8'573)
Impairment of fixed and other long term assets				(4'850)	(3'737)	(8'587)
Result on sale of fixed assets			(1'882)			(1'882)
Result on sale of Metallic & Pipe segment		(11'607)				(11'607)
Operating result						(2'077)
Net result						(15'980)
Inventories	36'426		6'062	2'174	212	44'874
Trade receivables and other current assets	67'262		6'760	3'656	2'671	80'349
Property plant & equipment	3'021		2'203	6'526	1'181	12'931
Goodwill	11'363					11'363
Other long term assets	972		487	83	163	1'705
Financial and other unallocated assets						51'420
Total assets	119'044		15'512	12'439	4'227	202'642
Advances from customers	34'308		1'163	1'066	51	36'588
Trade payables and other current liabilities	40'658		4'479	7'186	5'513	57'836
Other segment liabilities	14'471		2'111	1'255	961	18'798
Financial and other unallocated liabilities						69'047
Equity						20'373
Total liabilities and shareholders equity	89'437		7'753	9'507	6'525	202'642
Depreciation and amortization	4'681	2'281	1'950	739	687	10'338
Segment cash flow	47'199	5'298	(1'630)	(3'034)	(3'941)	43'892
Capital Expenditures	1'121	136	193	197	1'489	3'136

Segment cash flow comprises segment operating result plus depreciation and amortization.



Secondary reporting format - geographical segments

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

	2002 CHF 1'000	2001 CHF 1'000
Gross sales		
Western Europe	125'642	368'366
Americas	12'940	34'780
Other	8'835	9'993
Total gross sales	147'417	413'139
Assets		
Western Europe	92'920	163'768
Americas	6'984	20'519
Other	5'907	6'992
Goodwill	-	11'363
Total assets	105'811	202'642

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

	2002 CHF 1'000	2001 CHF 1'000
Europe	16'359	118'928
CIS	23'946	1'945
North and South America	10'698	132'615
Middle East and Africa	7'823	13'554
China	74'225	77'697
Pacific Asia, India and Oceania	14'366	68'400
Total gross sales	147'417	413'139

6. Income taxes

	2002 CHF 1'000	2001 CHF 1'000
Current income taxes	1'365	9'463
Deferred income taxes	265	(212)
	1'630	9'251

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:

	2002 CHF 1'000	2001 CHF 1'000
Result before tax	(49'753)	(6'729)
Tax calculated at the basic corporate rate of 30%	(14'926)	(2'019)
Effect of local tax rates different from 30%	3'799	1'848
Effect of non-tax deductible amortisation of goodwill	3'409	758
Effect of current year unrecognised tax losses	10'133	9'124
Utilisation of previously unrecognised tax losses	(785)	(460)
Effective tax charge	1'630	9'251

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:

	2002 CHF 1'000	2001 CHF 1'000
Deferred tax asset	-	(282)
Deferred tax liabilities	190	207
Net deferred tax (assets)/liabilities	190	(75)

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

	CHF 1'000
Balance at 1.1.02	(75)
Income statement debit	265
Balance at 31.12.02	190

Unused tax losses from continued operations, for which no deferred tax asset is recognised in the balance sheet amount to CHF 23'254'000. These unused tax losses expire within the next 5 to 7 years.



7. Loss per share

	2002	2001
Net result (CHF 1'000)	(51'383)	(15'980)
Weighted average number of bearer shares in issue	565'441	469'534
Weighted average number of registered shares in issue	565'068	468'750
Basic loss per bearer share (CHF)	(68.17)	(25.53)
Basic loss per registered share (CHF)	(22.72)	(8.51)

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.

8. Cash and short term deposits

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

	2002 CHF 1'000	2001 CHF 1'000
Cash at bank	28'054	12'551
Short term deposits with banks	2'371	8'684
Restricted cash	2'656	991
Total cash and short-term deposits	33'081	22'226

Restricted cash represents cash held in escrow accounts or cash pledged to guarantee the execution of certain obligations of the Group.

9. Construction contracts

The total amount of construction contracts revenue recognized in 2002 was CHF 138'948'000.

The aggregate amount of recognised revenue, costs incurred and accrued revenues for contracts in progress at the balance sheet date were as follows:

	2002 CHF 1'000	2001 CHF 1'000
Recognised contract revenue	10'678	5'370
Recognised contract expenses	(6'872)	(3'738)
Recognised profit	3'806	1'632
Recognised contract revenue	10'678	5'370
Advances received	(6'637)	(993)
Effect of currency movements	(125)	(107)
Accrued revenues	3'916	4'270
Potential retentions on construction contracts	223	619

10. Inventories

	2002	2001
	CHF 1'000	CHF 1'000
Raw materials and supplies	3'257	6'913
Work-in-progress	3'283	28'203
Finished goods	11'039	9'758
Total inventories	17'579	44'874

11. Other current assets

	2002	2001
	CHF 1'000	CHF 1'000
Advance payments for inventories	234	2'450
VAT receivable	945	2'289
Derivative instruments	709	243
Prepaid expenses	1'881	5'216
Total other current assets	3'769	10'198

12. Property, plant and equipment

CHF 1'000	Land & Buildings	Machinery & Equipment	Total Fixed Assets
Cost			
Cost at 1.1.02	15'570	33'784	49'354
Transfer to other long term assets	-	(202)	(202)
Additions in the year	135	930	1'065
Disposals of Film segment	(13'598)	(3'367)	(16'965)
Disposals in the year	(225)	(6'890)	(7'115)
Effect of currency movements	(555)	(2'760)	(3'315)
Cost at 31.12.02	1'327	21'495	22'822
Depreciation			
Accumulated depreciation at 1.1.02	7'827	28'597	36'424
Transfer to other long term assets	-	(144)	(144)
Charge for the year	119	1'542	1'661
Disposal of Film segment	(7'202)	(3'367)	(10'569)
Disposals in the year	(226)	(6'437)	(6'663)
Impairment charge	543	1'270	1'813
Effect of currency movements	(324)	(2'342)	(2'666)
Accumulated depreciation at 31.12.02	737	19'119	19'856
Net Book Value at 1.1.02	7'743	5'187	12'930
Net Book Value at 31.12.02	590	2'376	2'966

At 31 December 2002, the companies of the Group have no open commitments to purchase fixed assets (2001: none).



13. Long-term financial assets

Long-term financial assets as at 31 December 2002, comprise a CHF 13'005'000 first rank mortgage loan to the owner of the real estate in Ecublens which was sold as part of the divestment of the Metallic & Pipe segment. The real estate has an estimated market value of CHF 22 million. It furthermore comprises CHF 9'772'000 long term loan granted to the real estate company that acquired Nextrom's premises in Finland during 2000. This long-term loan is pledged against the rent payments for the operating lease of these premises.

14. Goodwill

CHF 1'000	Original Cost	Accumulated Depreciation	Net Book Value
Balance at 1.1.02	56'911	45'548	11'363
Photonics acquisition	2'520	-	2'520
Amortisation	-	2'828	(2'828)
Impairment charge	-	11'055	(11'055)
Balance at 31.12.02	59'431	59'431	-

15. Other long-term assets

CHF 1'000	Developments	Other Intangible Assets	Investments	Total
Cost				
Cost at 1.1.02	771	25'820	3'486	30'077
Transfer from property, plant & equipment		202		202
Additions in the year	280	597		877
Disposal of Film segment		(476)		(476)
Disposals in the year		(754)		(754)
Effect of currency movements	(15)	(356)		(371)
Cost at 31.12.02	1'036	25'033	3'486	29'555
Amortisation				
Accumulated amortisation at 1.1.02	475	24'283	616	25'374
Transfer from property, plant & equipment		144		144
Disposal of Film segment		(476)		(476)
Disposals in the year		(753)		(753)
Amortisation for the year	302	816		1'118
Impairment charge		594		594
Effect of currency movements	(14)	(307)		(321)
Accumulated amortisation at 31.12.02	763	24'301	616	25'680
Net Book Value at 1.1.02	296	1'537	2'870	4'703
Net Book Value at 31.12.02	273	732	2'870	3'875

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 as at 31 December 2002, comprise the Group's 21% investment in Maillefer S.A. Switzerland which is valued at cost less impairment. The management has no objective evidence at the balance sheet date that would result in a further impairment of this investment.

As at 31 December 2001 and 2000, the Nextrom Group has no open commitments to purchase other long-term assets.

16. Long-term debt

	2002 CHF 1'000	2001 CHF 1'000
Bank loans	14'830	18'675
Less current portion of long term debt	(14'830)	(3'006)
Total long-term debt	-	15'669

The bank loan contracts include a number of covenants, some of which are not met at year-end 2002. All the bank loans have therefore been classified as current. As at December 31, 2002, these loans bore interest at rates between 2.2% and 4.1%.

On January 22, 2003, Nextrom has entered into a CHF 40'000'000 senior long-term facility agreement with Nokia Corporation in order to refinance the senior bank facilities existing as at December 31, 2002 as well as to finance general working capital requirements. This term loan facility contains customary representations, warranties and covenants for credit arrangements of this nature including financial covenants which are measured quarterly starting March 31, 2004. The facility matures in January 2006 and bears interest at Libor plus 4.5%. Nokia Corporation has furthermore agreed in March 2003 to subordinate CHF 20 million of the portion drawn down in February 2003 under this term loan facility to all other debts of Nextrom Holding S.A. with the exclusion of the CHF 46 million subordinated loan (see note 18).

17. Other current liabilities

	2002 CHF 1'000	2001 CHF 1'000
Accrued salaries and related expenses	3'507	10'955
Project related accrued expenses	12'328	21'245
Warranty provisions	7'149	11'274
Restructuring provision	8'145	1'787
Litigations provision	3'539	500
Other provisions	4'289	2'238
Accrued expenses	4'322	5'403
Total other current liabilities	43'279	53'402

The movement in provisions can be summarised as follows:

CHF 1'000	Warranty	Restructuring	Litigations	Other
Provisions at 1.1.02	11'274	1'787	500	2'238
Additional provisions	4'312	12'754	3'045	3'725
Unused amounts reversed	(4'570)	(265)	-	(471)
Utilised during the year	(3'333)	(5'565)	-	(1'133)
Disposal of discontinued operations	(156)	-	-	-
Effect of currency movements	(378)	(566)	(6)	(70)
Provisions at 31.12.02	7'149	8'145	3'539	4'289

Warranty

Production lines and components delivered by the Group are subject to warranties customary for such products. Warranty provisions are made based on the companies past experience of warranty costs incurred.



Restructuring

The restructuring provision mainly consist of severance packages and other termination benefits, the provisions for leasing and other contracts that have become onerous through the restructuring actions as well as the provision for obligations contracted to implement the restructuring. The outflow of economic benefits relating to the restructuring is expected to incur over the next 2 years.

Litigations

The Group is subject to different legal proceedings mainly related to discontinued operations. The amounts provided are based on Executive Management's best estimates of the financial exposure.

Other provisions

These provisions mainly concern late delivery penalties as well as guarantees granted on delivered equipments.

18. Subordinated loan

A loan amounting to CHF 46'000'000 from the major shareholder, Nokia Corporation, 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 provided that the annual report of Nextrom Holding does not make any reference to Article 725 paragraph 2 of the Swiss code of obligations and that the consolidated equity plus the subordinated loan after repayment exceed 33% of total consolidated assets. The subordinated loan is denominated in Swiss Francs. It bore interest at 3.55% during the first 6 months of 2002 and has been interest free during the second half of 2002.

19. Retirement benefit obligations

A defined benefit pension plan was maintained by Nextrom SA, Ecublens, a company divested in September 2001. The amounts recognised in the income statement were as follows:

	2001 CHF 1'000
Current service cost	1'265
Interest cost	2'862
Return on assets	(5'297)
Effect of cap on pension asset	2'029
Net pension cost	859
Contribution for the period	859
Net pension cost	(859)
Prepaid pension expense at 1 January	6'255
Disposal of subsidiary	(6'255)
Prepaid pension expense at 31 December	-

The principal actuarial assumptions used for accounting purposes were:

	2001
Discount rate	3.50%
Expected return on plan assets	5.50%
Future salary increases	2.00%
Future pension increases	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 3'080'000 in 2002 (2001: CHF 4'026'000). Total staff costs for 2002 amounted to CHF 35'520'000 (2001: CHF 68'960'000).

20. Commitments and Contingent Liabilities

As at 31 December 2002 the Group has contingent liabilities, mainly relating to litigations, amounting to CHF 9'943'898 of which CHF 3'725'000 have been provided for as at December 31, 2002.

In addition, some of Nextrom customers are subject to patent infringement claims related to their use of equipment supplied by Nextrom. Certain of these customers assert that Nextrom must indemnify them in respect of these claims. If any such claim against one or more of Nextrom's customers is successful, and if any of these customers successfully claim indemnification from Nextrom, this could have a material adverse effect on Nextrom's financial position.

Certain other litigations are pending against the Group. In management's opinion, the possibility of any outflow under these litigations is either remote or will not have a material effect on the Group's financial position.

Future minimum lease payments, including the future minimum lease payments related to the operating lease of the Group's premises in Finland, under non cancellable operating leases are as follows

	CHF 1'000
Due within 1 year	4'167
Due within 2 to 5 years	14'812
Due after 5 years	30'505

21. Financial Instruments

At 31 December 2002, the company does not hold any derivative financial instruments meeting the criteria's of cash flow hedge.

The net fair value of derivative financial instruments at the balance sheet date non qualifying for hedge accounting was :

	2002 CHF 1'000	2001 CHF 1'000
Forward foreign exchange contracts		
With positive fair values	709	133
With negative fair values	(96)	(619)

The net fair value of embedded derivatives at the balance sheet date was :

	2002 CHF 1'000	2001 CHF 1'000
Embedded derivative		
With positive fair values	-	116
With negative fair values	-	-

22. Related party transactions

Related party transactions relating to the financing of the company are described in note 16 and 18 above as well as in the consolidated statements of changes to the shareholders' equity.

In 2002, the total remuneration cost of the members of the board of directors, including the salary of the Chief Executive Officer, amounted to CHF 683'404 (2001: CHF 586'970).



23. 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 outstand at 1 January 2001	Granted during 2001	Lapsed during 2001	Exerc. during 2001	Options outstand.at 31 Dec. 2001	Granted during 2002	Lapsed during 2002	Exerc. during 2002	Options outstand at 31 Dec. 2002	Exercise price CHF	Expiry date
11'600		5'000	520	6'080		380		5'700	197	30 March 2006
44'200				44'200		16'100		28'100	240	19 June 2007
	6'700			6'700	1'100	1'000		6'800	125-254	2008

The above mentioned Stock option plan summary includes the following share options granted to acting members of the Management board :

Options outstand at 1 January 2001	Granted during 2001	Lapsed during 2001	Exerc. during 2001	Options outstand.at 31 Dec. 2001	Granted during 2002	Lapsed during 2002	Exerc. during 2002	Options outstand at 31 Dec. 2002	Exercise price CHF	Expiry date
2'600				2'600				2'600	197	30 March 2006
15'200				15'200				15'200	240	19 June 2007
	5'700			5'700				5'700	125-254	2008

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 price of CHF 240. Share options have been granted during 2001 and 2002 with an exercise price range from CHF 125 to CHF 254.

24. Group companies

	Country	% ownership	Activity	Share Capital	
Nextrom Holding S.A.	Switzerland	100	Holding	7'513'260	CHF
Nextrom OY	Finland	100	Manufacture/sales	8'503'000	EUR
Nextrom (USA) Inc.	USA	100	Sales/R&D	5'704'000	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/sales	30'777'108	CNY
Nextrom Electrical Machinery Trading Company Ltd.	China	100	Sales	1'655'000	CNY
Ceeco Machinery Manufacturing Ltd.	Canada	100	Manufacture/sales	34'500'000	CAD
Nextrom Ltda	Brazil	100	Manufacture/sales	4'771'000	BRL
Nextrom (Brasil) Ltda	Brazil	100	Sales	114'000	BRL
Nextrom Inc	USA	100	Dormant	300'000	USD
Nextrom OOO	Russia	85	Dormant	665'000	RUB
Nextrom S.p.A. in liquidazione	Italy	100	In Liquidation	1'197'750	EUR
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 Photonics S.A.	Switzerland	100	Sales	1'500'000	CHF
Nextrom Services S.A.	Switzerland	100	Services	100'000	CHF
Conex Technologies S.A.	Switzerland	100	Sales	100'000	CHF
Conex Extrusions OY	Finland	100	Technology rights	33'638	EUR
Conex Cables OY	Finland	50	Sales	67'275	EUR
Nextrom S.A.	Switzerland	100	Dormant	100'000	CHF

25. Dividends and approval of the financial statements

The Board of Directors of Nextrom Holding S.A. approved these financial statements on 19 March 2003 for presentation to the Annual General Meeting. No dividends will be proposed for the year ending 31 December 2002.



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 2002.

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, 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.

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which describes the business outlook and financing needs of the Group.

Geneva, 19 March, 2003

PricewaterhouseCoopers SA

Stephan A.J. Bachmann

David Mason



UNCONSOLIDATED **PROFIT** AND LOSS ACCOUNTS FOR THE YEARS ENDED 31 DECEMBER

	2002 CHF	2001 CHF
Income		
Dividends from subsidiaries	22'059'474	22'460'429
Interest income	1'366'004	1'482'695
Royalties and licence fees	1'662'944	3'071'943
Income on sales of investments	600'000	10'558'499
Other income	-	1'968'107
Total income	25'688'422	39'541'673
Expenses		
General and administrative expenses	259'773	228'917
Management fees	4'544'427	5'256'775
Provision against advances to subsidiaries	12'015'197	15'269'770
Amortisation of and provision against Investments in subsidiaries	30'892'852	10'480'708
Amortisation of other long-term assets	-	4'125'506
Interest expense	1'924'786	4'735'703
Exchange losses	1'118'424	-
Financial expenses	13'409	37'264
Provision for warranty costs	1'478'470	-
Provision for Group reorganisation	1'150'000	-
Other expenses	2'713'378	1'773'975
Taxes	67'645	27'513
Total expenses	56'178'361	41'936'131
Net result	(30'489'939)	(2'394'458)

UNCONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

	Notes	2002 CHF	2001 CHF
ASSETS			
Current assets			
Cash	5	17'062'990	7'361'369
Treasury shares	6	10'000	111'200
Advances to subsidiaries		8'967'545	10'110'146
Other current assets		167'762	312'665
Total current assets		26'208'297	17'895'380
Long-term assets			
Investments in subsidiaries	2	345'152	47'336'409
Other investments		2'870'420	2'870'420
Loans to subsidiaries		-	7'706'360
Long-term financial assets		14'505'000	15'700'000
Total long-term assets		17'720'572	73'613'189
Total assets		43'928'869	91'508'569
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term debt	10	16'330'080	2'074'660
Amounts due to subsidiaries		1'459'009	20'281'609
Accrued liabilities and provisions		6'085'974	2'170'704
Other current liabilities		1'076	1'076
Total current liabilities		23'876'139	24'528'049
Long-term liabilities			
Long-term debt	10	-	15'416'650
Subordinated loan	9	46'000'000	46'000'000
Total long-term liabilities		46'000'000	61'416'650
Shareholders' equity			
Share capital		7'513'260	18'783'150
Legal reserve:			
General reserve		13'854'153	3'727'239
Reserve for own shares		111'200	111'200
Revaluation reserve		-	20'510'300
Free reserve		-	17'888'800
Unappropriated retained earnings			
Brought forward from prior year		(16'935'944)	(53'062'361)
Net result for the year		(30'489'939)	(2'394'458)
Total shareholders' equity		(25'947'270)	5'563'870
Total liabilities and shareholders' equity		43'928'869	91'508'569

1. Business outlook and financing needs

The optical fiber and fiber optic cable industry is currently facing an all-time cyclical low, which is characterised by severe overcapacity and very low level of orders for the equipment produced by the Group. Short-term visibility is poor and it is extremely difficult to estimate the timing of a market recovery.

The Board of Directors has performed a thorough review of the Group's ability to continue as a going concern analysing, in particular, the cash flow forecasts and the forecast equity position for a period of 12 months following the date of the approval of these financial statements. In response to the review the Board sought and received from the majority shareholder a subordination of CHF 20 million of the term loan facility drawn in February 2003, and an advance waiver of the financial covenants for a 12 months period for the remaining CHF 20 million of this term loan facility.

As a result of the receipt of the subordination and advance waivers the Board of Directors has concluded that the Group is able to continue as a going concern for the period under review.

In the medium term the Group will remain dependant upon the continued support of the parent as well as an improvement in the order intake.

2. Investment in subsidiaries

The list of principal shareholdings appears in note 24 of the consolidated financial statements. These investments have been valued as follows:

	31.12.2002 CHF	31.12.2001 CHF
Amortised historical cost	345'152	26'826'109
Revaluation reserve	-	20'510'300
	345'152	47'336'409

The revaluation reserve of CHF 20'510'300 shown separately in the shareholders' equity as at December 31, 2001 has been released.

3. Long-term financial assets

Long-term financial assets as at 31 December 2002, comprise a CHF 13'005'000 first rank mortgage loan to the owner of the real estate in Ecublens which was sold as part of the divestment of the Metallic & Pipe segment in 2001.

4. Contingent liabilities

Contingent liabilities at 31 December 2002, which comprises bank guarantees for subsidiaries and liabilities that may result from pending litigations amounted to CHF 5'950'000. (2001: CHF 10'483'359). An amount of CHF 2'900'000 has been included in accrued liabilities and provisions in relation to these contingent liabilities (2001: CHF 500'000).

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	2'690'000
Due within 2 to 5 years	11'310'000
Due after 5 years	30'160'000

In addition to these guarantees, the company has issued comfort letters to support credit lines provided to subsidiary companies. At 31 December 2002, these credit lines were not used (2001: CHF 3'597'105).

5. Assets pledged

Cash for a total amount of CHF 892'519 has been pledged or is held in an escrow account to guarantee the execution of certain obligations by a subsidiary.

6. Own shares

During September and October 2001, Nextrom Holding acquired 960 of its own shares through purchases on the Swiss Stock Exchange. The total amount paid to acquire those shares was CHF 111'200. They have not been cancelled and are being held as treasury shares at the lower of historical value and market value at 31 December 2002.

7. Capital reduction / capital increase

On January, 1, 2002, the Share capital of Nextrom Holding S.A. was divided into 375'960 fully issued and paid in bearer shares of a nominal value of CHF 30 each, 375'000 fully issued and paid in registered shares 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 had 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 were offered to Nextrom's shareholders in May 2002 at a subscription price of CHF 40 each. The net proceeds from this rights offering as well as the payment of the agio on the new registered shares amounted to CHF 573'000 which have been included in the General reserve.

Based on a resolution of the extraordinary shareholder's meeting of December 6, 2002 and the resolution of the Board of Directors of the same date, the Company reduced its nominal share capital by 90% from CHF 18'783'150 to CHF 1'878'315 by decreasing the nominal value of each of the 469'855 bearer shares from CHF 30 to CHF 3 and each of the CHF 468'750 registered shares from CHF 10 to CHF 1 and subsequently re-increased its share capital from CHF 1'878'315 to CHF 7'513'260 by issuing 1'409'565 new bearer shares with a nominal value of CHF 3 each and 1'406'250 new registered shares with a nominal value of CHF 1 each. The new bearer shares have subsequently been offered to Nextrom's shareholders in December 2002 at a subscription price of CHF 10.65 each. The net proceeds from this rights offering as well as the payment of the agio on the new registered shares amounted to CHF 13'281'153 which have been included in the General reserve.

8. Conditional capital

On December 6, 2002, the Extraordinary General Assembly approved the Board of Directors proposal to increase the share capital up to a maximum of CHF 600'000. This conditional capital is divided into 200'000 bearer shares of a nominal value of CHF 3, to be entirely paid up on the exercise of subscription rights to be granted to employees of the Group according to an employees participation plan to be determined by the Board of Directors.

9. Subordinated loan

A loan amounting to CHF 46'000'000 from the major shareholder, Nokia Corporation, 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 provided that the annual report of Nextrom Holding does not make any reference to Article 725 paragraph 2 of the Swiss code of obligations and that the consolidated equity plus the subordinated loan after repayment exceed 33% of total consolidated assets. The subordinated loan is denominated in Swiss Francs. It bore interest at 3.55% during the first 6 months of 2002 and has been interest free during the second half of 2002.

10. Debt

The bank loan contracts include a number of covenants, some of which are not met at year-end 2002. All the bank loans have therefore been classified as current. As at December 31, 2002, these loans bore interest at rates between 2.2% and 4.1%.

On January 22, 2003, Nextrom has entered into a CHF 40'000'000 senior long term facility agreement with Nokia Corporation in order to refinance the senior bank facilities existing as at December 31, 2002 as well as to finance general working capital requirements. This term loan facility contains customary representations, warranties and covenants for credit arrangements of this nature including financial covenants which are measured quarterly starting March 31, 2004. The facility matures in January 2006 and bears interest at Libor plus 4.5%. Nokia Corporation has furthermore agreed in March 2003 to subordinate CHF 20 million of the portion drawn down in February 2003 under this term loan facility to all other debts of Nextrom Holding S.A. with the exclusion of the CHF 46 million subordinated loan (see note 9).

11. Dividends and approval of the financial statements

The Board of Directors of Nextrom Holding S.A. approved these financial statements on 19 March 2003 for presentation to the Annual General Meeting. No dividends will be proposed for the year ending 31 December 2002. The Board of Directors proposes to the Annual General Assembly of Shareholders to use the general reserves amounting to CHF 13'854'153 to absorb retained losses brought forward from previous years. After utilisation of the general reserves, unappropriated retained earnings will amount to a loss of CHF 33'571'730.

12. Post balance sheet event

On March 19, 2003, Nextrom Holding has made a capital contribution of EUR 10'000'000 to its fully owned subsidiary Nextrom Oy, Finland. Depending on the performance of Nextrom Oy in 2003, this investment may have to be amortised partially or in full in the 2003 accounts of Nextrom Holding.

REPORT OF THE STATUTORY AUDITORS TO THE GENERAL ASSEMBLY OF NEXTROM HOLDING S.A. MORGES

As statutory auditors, we have audited the accounting records and the financial statements presented on pages 56 to 60 of Nextrom Holding S.A. for the year ended 31 December 2002.

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 Swiss law and the company's articles of incorporation.

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

Without qualifying our opinion we draw your attention to the fact that the company is overindebted. This overindebtedness would also be confirmed by an interim balance sheet prepared under liquidation valuation principles, and according to forecasts will also increase during 2003. Since, in addition to the subordination of the loan of CHF 46m, the majority shareholder has also subordinated a further CHF 20m of the credit line drawn by the company in February 2003 (Note 10) the Board of Directors has elected not to inform the judge in accordance with S725 al. 2 of the Code of Obligations.

We also draw your attention to Note 1 which describes the business outlook and financing needs of the company.

Geneva, 19 March, 2003

PricewaterhouseCoopers S.A.



Stephan A.J. Bachmann



D. Mason