



NEXTROM INTERIM REPORT

JANUARY - JUNE 2003



INTERIM REPORT 2003

General

The continuously depressed Telecommunication and Fiber Optics market has impacted Nextrom's results negatively during the first 6 months 2003.

In the core business Fiber Optics, new orders amounting to CHF 6.2 million have been received during the first 6 month 2003 (first 6 months 2002: CHF 15 million). The order backlog in the core business amounted to CHF 6.9 million at end of June 2003 (end of June 2002: CHF 56 million).

Gross sales for the first 6 months amounted to CHF 10.3 million, of which CHF 9.6 million from the core business Fiber Optics (first 6 month 2002: CHF 81.8 million).

The operating result also suffered from the depressed market situation. In the core business Fiber Optics, the operating result before exceptional items decreased from CHF 0.7 million loss for the first 6 month 2002 to CHF 9.1 million loss during the same period in 2003. This decrease is mainly due to the very low sales volume, fortunately partially compensated by the positive effects of the important restructuring actions implemented last autumn. The additional restructuring actions launched in spring this year have not yet impacted positively the first 6 months results.

The discontinued operations generated an operating profit of CHF 1.5 million during the first 6 months 2003, a clear improvement over the CHF 9.2 million operating loss including exceptional items posted by these segments during the same period last year. This positive impact is mainly the result of a smooth liquidation of these segments. Unallocated Holding costs also decreased from CHF 2 million during the first 6 month 2002 to CHF 1.1 million during the same period in 2003, again thanks to the restructuring actions implemented at the end of last year.

Exceptional items amounting to CHF 2.1 million mainly include charges related to the new restructuring plan launched in spring this year (CHF 3.0 million), compensated by the release of provisions concerning discontinued operations (CHF 0.7 million) and gain on sales of assets of CHF 0.2 million.

Overall, the operating loss of the Group reached CHF 11.7 million during the first 6 month 2003, a slight improvement compared to the CHF 11.9 million operating loss during the same period last year. The net loss decreased from CHF 13.4 million during the first 6 months of 2002 to CHF 12.0 million.

During the first six months of 2003 the company has drawn CHF 25 million on the CHF 40 million long-term loan facility granted by its main shareholder in early 2003, allowing the group to complete the reimbursement of the senior bank loans (CHF 15.6 millions) and to finance the net cash used by operating activities (CHF 8.9 million). Nokia Corporation has furthermore agreed in March 2003 to subordinate CHF 20 million of this loan to all other debts of the company with the exclusion of the already existing CHF 46 million subordinated loan.



Outlook

The Telecommunication and Fiber Optics market, although showing some positive signs, has not yet recovered. As a result, Nextrom's order intake has been further delayed and management now estimates that sales will not exceed CHF 20 million for the whole of 2003. Restructuring related to the Group's rented premises in Finland and the US is anticipated to result in additional restructuring charges. The Group's Operating loss including all restructuring charges is expected to reach CHF 30 million at year-end.



Consolidated Interim Financial Information

Condensed consolidated income statements for the periods

	Notes	Jan–Jun 03 KCHF	Jan-Dec 02 KCHF	Jan-Jun 02 KCHF
Gross sales	2	10'331	147'417	89'722
Gross profit		(3'248)	18'470	16'227
Operating result before exceptional items	3	(9'623)	(23'681)	(7'707)
Operating result	3	(11'708)	(48'700)	(11'878)
Result before tax		(11'942)	(49'753)	(12'881)
Net result		(12'025)	(51'383)	(13'407)
Basic loss per bearer share	4	(4.80)	(68.17)	(21.45)
Basic loss per registered share	4	(1.60)	(22.72)	(7.15)

Condensed consolidated balance sheets for the periods ending

	Jun 03 KCHF	Dec 02 KCHF	Jun 02 KCHF
Assets			
Cash and short term deposits	34'643	33'081	8'252
Other current assets	28'285	41'624	90'078
Long term assets	30'502	31'106	54'250
Total assets	93'430	105'811	152'580
Liabilities and shareholders' equity			
Current finance liabilities	810	17'090	4'626
Other current liabilities	45'827	55'555	82'938
Long term debt	5'000	-	12'779
Other long term liabilities	-	190	25
Subordinated loan	66'000	46'000	46'000
Shareholders' equity	(24'207)	(13'024)	6'212
Total liabilities and shareholders' equity	93'430	105'811	152'580



Condensed consolidated cash flow statements for the periods

	Jan-Jun 03 MCHF	Jan-Dec 02 MCHF	Jan-Jun 02 MCHF
Result before tax	(11'942)	(49'753)	(12'881)
Adjustments for non cash items	411	12'822	5'466
Movement in net current assets	312	32'055	5'994
Income tax paid	2'355	(6'750)	(3'640)
Net cash used by operating activities	(8'864)	(11'626)	(5'061)
Net cash from investing activities	531	10'535	(2'910)
Loans from Nokia	25'000	-	-
Reimbursement of borrowings	(15'686)	(4'201)	(4'575)
Interest and Withholding tax paid	(326)	(2'174)	(1'304)
Capital increase	-	19'489	580
Net cash from financing activities	8'988	13'114	(5'299)
Net change in cash equivalents	655	12'023	(13'270)
Currency effects on cash	907	(1'168)	(704)
Cash at beginning of period	33'081	22'226	22'226
Cash at end of period	34'643	33'081	8'252

Condensed consolidated statements of changes in Shareholder's equity for the periods

	Capital Bearer shares CHF 1'000	Capital Registered shares CHF 1'000	Treasury shares CHF 1'000	Retained earnings CHF 1'000	Fair value and other reserves CHF 1'000	Total Shareholders' Equity CHF 1'000
Balance at 31 December 2001	14'095	4'688	(135)	14'831	(13'106)	20'373
Net loss for the period	—	—	—	(13'407)	—	(13'407)
Capital increase	—	—	—	580	—	580
Foreign currency translation adjustment	—	—	—	—	(1'334)	(1'334)
Balance at 30 June 2002	14'095	4'688	(135)	2'004	(14'440)	6'212
Net loss for the period	—	—	—	(37'976)	—	(37'976)
Capital Reduction	(12'686)	(4'219)	—	16'905	—	—
Capital increase	4'229	1'406	—	13'274	—	18'909
Foreign currency translation adjustment	—	—	—	—	(169)	(169)
Balance at 31 December 2002	5'638	1'875	(135)	(5'793)	(14'609)	(13'024)
Net loss for the period	—	—	—	(12'025)	—	(12'025)
Foreign currency translation adjustment	—	—	—	—	842	842
Balance at 30 June 2003	5'638	1'875	(135)	(17'818)	(13'767)	(24'207)
Number of Shares at 30 June 2003	1'879'420	1'875'000	960			



Notes to the consolidated financial information

1. Accounting policies

The consolidated profit and loss accounts and balance sheets have been prepared applying consistently the accounting policies detailed in the 2002 consolidated financial statements. The interim financial statements comply with IAS 34

2. Gross sales by Business Segments

	Jan–Jun 03	Jan-Dec 02	Jan-Jun 02
	MCHF	MCHF	MCHF
Fiber Optics	9'601	131'512	81'801
Rotating & Twinning	462	10'917	4'921
Film	-	4'324	3'000
Other	268	664	-
Total gross sales	10'331	147'417	89'722

3. Segment Operating Result

	Jan–Jun 03	Jan–Dec 02	Jan-Jun 02
	MCHF	MCHF	MCHF
Fiber Optics	(9'130)	(11'345)	(701)
Rotating & Twinning	155	(5'139)	(3'033)
Film	-	(3'031)	(1'832)
Other	425	(401)	(144)
Unallocated Holding costs	(1'073)	(3'765)	(1'997)
Operating result before exceptional items	(9'623)	(23'681)	(7'707)
Exceptional items	(2'085)	(25'019)	(4'171)
Operating result	(11'708)	(48'700)	(11'878)

Exceptional items comprise principally restructuring charges, impairments of fixed and other long-term assets, as well as the gains and losses from the disposal of discontinued operations.



4. Loss per Share

	Jan–Jun 03	Jan–Dec 02	Jan-Jun 02
Net result (CHF 1'000)	(12'025)	(51'383)	(13'407)
Weighted average number of bearer shares in issue	1'878'460	565'441	468'895
Weighted average number of registered shares in issue	1'875'000	565'068	468'750
Basic loss per bearer share (CHF)	(4.80)	(68.17)	(21.45)
Basic loss per registered share (CHF)	(1.60)	(22.72)	(7.15)

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.

5. Stock option plan

On April 15th, 2003 the Group has granted to eligible officer and employees 132'050 bearer share options at an exercise price of 10.65 CHF.

6. Contingent liabilities

Subsequent to the publication of the last annual balance, in the opinion of management there has been a decrease of approximately CHF 1.5 million in the contingent liabilities as a result of favourable developments of the litigations involving the Group.

7. Subsequent events

The board has agreed on August 27, 2003 on restructuring measures concerning the Group's rented premises in Finland. These measures are expected to result in additional restructuring charges during the second half of 2003.
