



NEXTROM INTERIM REPORT

JANUARY - JUNE 2005



INTERIM REPORT 2005

General

The market development in the beginning of 2005 has been a disappointment against the expectations. The investment levels in the Fiber Optics industry continued extremely low and the expectations for the recovery of the market were not fulfilled.

Nextrom received new orders worth of CHF 4.0 million during the first 6 months of 2005 (first 6 months 2004: CHF 12.0 million). The order backlog amounted to CHF 2.7 million at the end of June 2005 (end of June 2004: CHF 8.2 million).

Gross sales for the first 6 months amounted to CHF 13.2 million (first 6 month 2004: CHF 7.9 million).

The operating result continued suffering strongly from the depressed market situation. The low sales combined with a cost structure for a bigger business activity has lead to losses. The operating loss of the first six months decreased however from previous year, being CHF 7.6 million (CHF 9.9 million for the same period in 2003). Since the market situation has continued to be more difficult than anticipated, the company has decided on major restructuring and reorganization program, the details of which will be published in a separate press release and to large extent to be carried out in September.

Outlook

The expectations of the recovery of the Telecommunication and Fiber Optics market have been continuously postponed. As a result, the development in Nextrom's order intake has been slower than earlier anticipated. The company now estimates that sales for the whole year 2005 will be between CHF 15 million and CHF 20 million and that the company will show losses also from the second half of the year.



Consolidated Interim Financial Information

Condensed consolidated income statements for the periods

	Notes	Jan-Jun 05 CHF 1'000	Jan-Dec 04 CHF 1'000	Jan-Jun 04 CHF 1'000
Gross sales	2	13'180	20'985	7'940
Gross profit		1'147	7'046	1'115
Operating result before exceptional items	3	(5'650)	(15'151)	(9'894)
Operating result	3	(7'556)	(11'095)	(9'873)
Result before tax		(7'005)	(11'241)	(11'359)
Net result		(7'004)	(11'234)	(11'475)
Basic and diluted loss per bearer share	4	(4.58)	(4.49)	(4.58)
Basic and diluted loss per registered share	4	(1.53)	(1.50)	(1.53)

Condensed consolidated balance sheets for the periods ending

	Jun 05 CHF 1'000	Dec 04 CHF 1'000	Jun 04 CHF 1'000
Assets			
Cash and short term deposits	8'105	17'336	27'701
Other current assets	13'355	12'807	11'817
Long term assets	3'743	23'519	25'257
Total assets	25'203	53'662	64'775
Liabilities and shareholders' equity			
Current finance liabilities			
Other current liabilities	11'779	33'706	26'406
Long term debt	1'503	1'509	20'000
Subordinated loan	-	66'000	66'000
Shareholders' equity	11'921	(47'553)	(47'631)
Total liabilities and shareholders' equity	25'203	53'662	64'775



Condensed consolidated cash flow statements for the periods

	Jan-Jun 05 CHF 1'000	Jan-Dec 04 CHF 1'000	Jan-Jun 04 CHF 1'000
Result before tax	(7'005)	(11'241)	(11'360)
Adjustments for non cash items	(69)	2'219	1'862
Movement in net working capital	(4'158)	(12'906)	(970)
Income tax paid	5	30	(21)
Net cash used by operating activities	(11'227)	(21'898)	(10'489)
Net cash from investing activities	(136)	2'139	1'764
Loans from Nokia	-	15'000	15'000
Reimbursement of borrowings	1'583	1'760	836
Interest and Withholding tax paid	(22)	(627)	(610)
Capital increase	357	-	-
Net cash from financing activities	1'918	16'133	15'226
Net change in cash equivalents	(9'445)	(3'625)	6'501
Currency effects on cash	214	(345)	(106)
Cash at beginning of period	17'336	21'306	21'306
Cash at end of period	8'105	17'336	27'701



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

	Capital Bearer shares	Capital Registered shares	Treasury shares	Capital Contribution	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	CHF 1'000
Balance at 31 December 2003	5'638	1'875	(135)		(30'027)	(14'112)	(36'761)
Net loss for the period					(11'475)		(11'475)
Reversal of fair value adjustment						616	616
Foreign Currency translation adjustment						(11)	(11)
Balance at 30 June 2004	5'638	1'875	(135)	(41'502)	(13'507)	(47'631)	
Net profit for the period						241	
241							
Foreign Currency translation adjustment						(163)	(163)
Balance at 31 December 2004	5'638	1'875	(135)	(41'261)	(13'670)	(47'553)	
Net profit for the period						(7'004)	
(7'004)							
Foreign Currency translation adjustment						121	121
Sale of treasury shares				135			
135							
Share capital increase through exercise of options	101					121	222
Waiver of shareholder loan				66'000			66'000
Balance at 30 June 2005	5'739	1'875	0	66'000	(48'265)	(13'428)	11'921
Number of Shares at 30 June 2005	1'912'870	1'875'000					



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 2004 consolidated financial statements. The interim financial statements comply with IAS 34.

2. Gross sales by Business Segments

	Jan-Jun 05 CHF 1'000	Jan-Dec 04 CHF 1'000	Jan-Jun 04 CHF 1'000
Fiber Optics	13'150	20'982	7'940
Discontinued operations	30	3	-
Total gross sales	13'180	20'985	7'940

3. Segment Operating Result

	Jan-Jun 05 CHF 1'000	Jan-Dec 04 CHF 1'000	Jan-Jun 04 CHF 1'000
Fiber Optics	(5'190)	(13'179)	(9'350)
Discontinued operations	(69)	(506)	(28)
Unallocated Holding costs	(391)	(1'466)	(516)
Restructuring charges	(1'906)	920	-
Other income	-	3'136	21
Operating result	(7'556)	(11'095)	(9'873)



4. Loss per Share

	Jan–Jun 05	Jan-Dec 04	Jan–Jun 04
Net result (CHF 1'000)	58'996	(11'234)	(11'475)
Weighted average number of bearer shares in issue	1'896'145	1'878'461	1'878'460
Weighted average number of registered shares in issue	1'875'000	1'875'000	1'875'000
Basic and diluted loss per bearer share (CHF)	(2.76)	(4.49)	(4.58)
Basic and diluted loss per registered share (CHF)	(0.92)	(1.50)	(1.53)

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 during the period as treasury shares.

5. Stock option plans

The number of outstanding share options as per June 30, 2005 of the April 2003 plan was 74'000 to granted to management and 10'500 granted to eligible employees.

6. Long term debt and subordinated loan

In March 2005 at the closing of the transaction between Nokia and Knill-Gruppe the subordinated loan of CHF 66 million from Nokia to Nextrom was waived and CHF 18,5 million of the CHF 20 million senior loan was repaid through the sale of two long term financial assets
The senior loan contains financial covenants for which advance waivers have been received for the period up until March 31, 2006.

7. Contingent liabilities

In the transaction between Nokia and Knill-Gruppe Nextrom's contingent liability arising from its long term lease agreement for the building in Vantaa, Finland was decreased by CHF 33,1 million so that the amount of future minimum lease payments under non cancelable operating leases were at the end of June 5,7 Mill CHF.
