

NEXTROM INTERIM REPORT

JANUARY - JUNE 2002

INTERIM REPORT 2002

General

The continuously depressed Telecommunication and Fiber Optics market has impacted Nextrom's results negatively during the first 6 months 2002.

In the core business Fiber Optics, new orders amounting to CHF 32 million have been received during the first 6 month 2002. During the same period, order cancellations amounting to CHF 10 million and currency devaluations of the order backlog amounting to CHF 7 million have been recorded, resulting in a net order intake of CHF 15 million (first 6 month 2001: CHF 165 million). The order backlog in the core business amounted to CHF 56 million at end of June 2002 (end of June 2001: CHF 207 million).

The other business segments reported an order intake of CHF 7 million during the first 6 month 2002, mainly in Rotating & Twinning. The backlog in these segments as at end of June 2001 amounted to CHF 5 million.

Gross sales for the first 6 month amounted to CHF 90 million, of which CHF 82 million from the core business Fiber Optics (first 6 month 2001: CHF 131 million).

The operating result also suffered from the depressed market situation. In the core business Fiber Optics, the operating result decreased from a CHF 22.2 million profit for the first 6 month 2001 to CHF 0.7 million loss during the same period in 2002. In all other segments, the operating loss increased from CHF 4.2 million in June 2001 to CHF 5.1 million during the first 6 month 2002. Overall, including Holding costs and some additional exceptional charges related to warranty claims from the Metallic & Pipe divestment and the liquidation of the Film activity, the operating loss of the Group for the first 6 month 2002 amounted to CHF 11.9 million (first 6 month 2001: profit of CHF 20.2 million).

The first 6 months of 2002 resulted in a net loss of CHF 13.4 million (first 6 month 2001: profit of CHF 11.4 million).

Cash generated from operations was despite the negative operating result close to break even (negative CHF 1.4 million) and the total balance sheet decreased further to CHF 152.6 million. This includes additional goodwill in the amount of CHF 2.5 million, resulting from the acquisition in spring 2002 of the Photonics activities of Sysmelec SA.

Outlook

Due to the depressed market situation, Management does not expect any longer the core business to be break even in 2002. Together with the development costs of the Photonics activity, the core business is expected to post sales of CHF 140 to 145 million and an operating loss in the range of CHF 10 to 15 million for the whole of 2002. Further operating losses are also expected from the Rotating & Twinning activity. The Film liquidation is estimated to generate some income during the next 6 month, thanks to the sale on July 22, 2002 of part of the activities to an Italian Film machinery supplier, resulting in a gain of approximately CHF 1.5 million.

Management estimates that the Fiber optics market will only recover very slowly. The sales volume in Nextrom's core business is therefore expected to fall below CHF 100 million in 2003. An important restructuring plan will be implemented during this autumn in order to adapt the organisation to the lower volume levels.

Consolidated Interim Financial Information

Summarised consolidated profit and loss accounts for the periods

		Jan – Jun 02	Jan - Dec 01	Jan - Jun 01
		MCHF	MCHF	MCHF
Gross sales	(Note 2)	89.8	413.1	234.3
Gross profit		16.2	79.7	48.6
Operating result	(Notes 3, 5)	(11.9)	(2.1)	20.2
Result before tax		(12.9)	(6.7)	18.6
Net result		(13.4)	(15.9)	11.4

Summarised consolidated balance sheets for the periods ending

	Jun 02	Dec 01	Jun 01
Assets	MCHF	MCHF	MCHF
Cash and short term deposits	8.3	22.2	43.2
Other current assets	90.0	123.9	206.2
Long term assets	54.3	56.5	81.1
Total assets	152.6	202.6	330.5
Liabilities and shareholders' equity			
Current finance liabilities	4.6	7.4	11.6
Other current liabilities	83.0	113.0	173.3
Long term debt	12.8	15.6	44.6
Other long term liabilities	-	0.2	4.5
Subordinated loan	46.0	46.0	46.0
Shareholders' equity (Note 4)	6.2	20.4	50.5
Total liabilities and shareholders' equity	152.6	202.6	330.5

Summarised consolidated cash flow for the periods

	Jan - Jun 02 MCHF	Jan - Dec 01 MCHF	Jan - Jun 01 MCHF
Cash flow from operating activities			
Result before tax	(12.9)	(6.7)	18.6
Adjustments for:			
Depreciation, amortisation and impairment	2.7	18.9	4.7
Loss on disposal of fixed assets	-	1.9	-
Loss on disposal of Metallic & Pipe segment	1.9	11.6	-
Financial income and expenses	0.9	3.4	1.2
Operating profit before working capital changes	(7.4)	29.1	24.5
Decrease / (increase) in current operating assets	30.3	15.3	(13.0)
(Decrease) / increase in current operating liabilities	(24.3)	0.6	16.3
Cash generated from operations	(1.4)	45.0	27.8
Income tax paid	(3.6)	(5.8)	(6.2)
Net cash from operating activities	(5.0)	39.2	21.6

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 2001 consolidated financial statements. International Accounting Standard Committee pronouncements that become effective for annual financial statements commencing 1 January 2002 have been implemented.

2. Gross sales by Business Segments

	Jan - Jun 02 MCHF	Jan - Dec 01 MCHF	Jan - Jun 01 MCHF
Fiber Optics & Photonics *	81.7	272.9	130.8
Metallic & Pipe	-	88.8	76.9
Rotating & Twinning	5.0	35.3	19.2
Film	3.0	25.7	14.9
Other *	0.1	4.1	2.6
Elimination of internal sales	-	(13.7)	(10.1)
Total gross sales	89.8	413.1	234.3

3. Segment Operating Result

	Jan – Jun 02 MCHF	Jan – Dec 01 MCHF	Jan - Jun 01 MCHF
Fiber Optics & Photonics *	(0.7)	42.5	22.2
Metallic & Pipe	-	3.1	5.5
Rotating & Twinning	(3.0)	(3.6)	(0.9)
Film	(1.9)	(3.8)	0.2
Other *	(0.2)	(4.6)	(3.5)
Unallocated Holding costs	(2.0)	(5.0)	(2.0)
Operating result before exceptional items	(7.8)	28.6	21.5
Exceptional items	(4.1)	(30.7)	(1.3)
Operating result	(11.9)	(2.1)	20.2

* Shanghai Fiber Optic related Sales and Operating result for the first 6 months 2001 have been reclassified from Segment Other to Segment Fiber Optics & Photonics in order to ensure proper comparability with the current period.

Exceptional items comprise principally the gains and losses from the disposal of the non-core activities.

4. Rights issue

Based on the resolution of the extraordinary shareholders' meeting of 16 December 1999 and the resolution of the board of directors of 3 March 2000, Nextrom has increased in 2000 its share capital by issuing 93,895 bearer shares with a nominal value of CHF 30 each and 93,750 registered shares with a nominal value of CHF 10. Pursuant to an agreement between Nextrom and Nokia, Nokia subscribed for and paid the nominal value relating to these new shares.

The new bearer shares have been offered in June 2002 to existing shareholders in a technical rights offering. At the same time, Nokia has paid in the agio for the new registered shares. The net proceeds from this rights issue amounted to CHF 0.6 million.

5. Post balance sheet event

As a result of Nextrom's strategy to concentrate on its Fiber Optics activities only, Nextrom has sold on July 22, 2002 part of its Plastic Film activities in Milan in accordance with the voluntary liquidation announced in February 2002. Management estimates this divestment will result in a gain of CHF 1.5 million, gain that will be recognized in the second half year 2002.