



First-Half Report 2006

**komax**

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# Komax Group: Business in the first half of 2006

## Sharp rise in sales and profit – bright forecast for the year as a whole

**The Komax Group substantially improved sales and profit in the first six months of 2006. First-half net sales came in at CHF 150.3 million, a 25.5% increase on the corresponding period of the previous year. Group profit after tax (EAT) jumped 87.0% to CHF 14.1 million. Komax expects market activity to remain at a solid level in the second half.**

In the first six months of 2006, the Komax Group posted consolidated net sales of CHF 150.3 million (H1 2005: CHF 119.7 million), a 25.5% advance on the prior-year figure. After stripping out acquisitions, the increase amounts to 17.3%. This marked growth is broadly diversified: Komax lifted sales by 18% in Europe, by 41% in North America and by as much as 67% in Asia. On the basis of its development and production activities in Shanghai, Komax also expects to gain additional momentum in the Chinese market.

The company's earnings power was given an unexpectedly strong boost by the increase in sales. Operating profit (EBIT) soared 76.7% to CHF 17.7 million (H1 2005: CHF 10.0 million), representing an EBIT margin of 11.8% (H1 2005: 8.4%). Consolidated profit (EAT) improved by 87.0% to stand at CHF 14.1 million (H1 2005: 7.5 million), resulting in an EAT margin of 9.4% (H1 2005: 6.3%).

## Markets and environment

At present, the market environment for wire-processing machines is extremely favourable, especially in the automotive sector. The increased use of electronics and electrics in motor vehicles is having a positive impact on business for Komax. Two other factors come into play: Many original equipment manufacturers (OEMs) are moving their production facilities to new areas in Eastern Europe, Latin America and China, thereby triggering new rounds of investment. They are also expanding their product portfolios, with the broader range of models subsequently leading to greater investment activity in the wire-processing segment.

The shift toward IDC (insulation displacement connection) technology in household equipment is advancing at a steady pace, again encouraging investment activity.

The medtech market is also performing in line with the high expectations. Thanks to the reorientation of its American production facility, Komax Systems Rockford, creating a focus on medtech business, the Group gained additional customers in the United States. Strong growth was also reported among inhaler production systems.

Equally gratifying trends can be noted on the photovoltaic market. The Xcell 2500 machine system generated particularly high sales for Komax. In addition, the Group delivered further types of machine used in the production of solar modules. For the year as a whole, Komax expects growth in this area to exceed 100%.

## Outlook

In the first half of 2006, Komax has created a sound base, putting it on track to achieve the bright growth forecast for the year as a whole. The Group expects market activity to remain high in the second half of the year. In mid-August, Komax entered into a joint venture with a Malaysian systems manufacturer. This collaboration boosts Komax's production capacity in the Asia region, thus strengthening its market position. In spite of the potential slowdown in the US economy, the Group expects a substantial improvement in its full-year result compared with 2005.

# Consolidated balance sheet

	30.6.2006		31.12.2005	
	CHF 1,000	%	CHF 1,000	%
<b>Assets</b>				
Cash and cash equivalents	30,961		29,679	
Securities	2,024		2,080	
Trade receivables	81,869		74,271	
Other receivables and accrued income / prepaid expenses	8,099		6,451	
Inventories	40,654		34,626	
<b>Total current assets</b>	<b>163,607</b>	58.4	<b>147,107</b>	55.0
Deferred tax assets	9,660		10,341	
Other long-term assets	301		230	
Prepayments for pension fund liabilities	1,893		2,023	
Shares in joint ventures	0		8	
Sachanlagen	72,583		74,635	
Tangible assets	31,922		33,055	
<b>Total fixed assets</b>	<b>116,359</b>	41.6	<b>120,292</b>	45.0
<b>Total assets</b>	<b>279,966</b>		<b>267,399</b>	
<b>Liabilities and shareholders' equity</b>				
Financial liabilities	13,781		15,611	
Trade payables	17,660		14,124	
Other liabilities and accrued expenses / deferred income	27,059		32,736	
Tax liabilities	3,060		3,259	
Provisions	3,880		2,510	
<b>Total current liabilities</b>	<b>65,440</b>	23.4	<b>68,240</b>	25.5
Financial loans	19,600		19,600	
Deferred tax liabilities	7,721		7,818	
<b>Total long-term liabilities</b>	<b>27,321</b>	9.8	<b>27,418</b>	10.3
<b>Total liabilities</b>	<b>92,761</b>	33.2	<b>95,658</b>	35.8
Share capital	17,953		17,601	
Treasury shares	-4,018		-3,584	
Capital surplus (premium)	47,966		45,195	
Retained earnings	111,222		96,068	
Group profit	14,082		16,461	
<b>Total shareholders' equity</b>	<b>187,205</b>	66.8	<b>171,741</b>	64.2
<b>Total liabilities and shareholders' equity</b>	<b>279,966</b>		<b>267,399</b>	

# Consolidated income statement

	First half 2006		First half 2005	
	CHF 1,000	%	CHF 1,000	%
<b>Net sales</b>	<b>150,273</b>	100.0	<b>119,711</b>	100.0
Cost of goods sold	62,790	41.8	50,798	42.4
Personnel expenses	48,941	32.6	41,096	34.3
Rent and additions	1,792	1.2	1,786	1.5
Repairs and maintenance	5,016	3.3	4,244	3.5
Representation and marketing	4,592	3.1	4,122	3.4
Depreciation	3,827	2.5	3,901	3.3
Other operating expenses	5,632	3.7	3,755	3.1
<b>Operating expenses</b>	<b>132,590</b>	88.2	<b>109,702</b>	91.5
<b>Operating profit</b>	<b>17,683</b>	11.8	<b>10,009</b>	8.4
Financial income	1,899	1.3	1,836	1.5
Financial expenses	-2,046	-1.4	-2,724	-2.3
<b>Profit before tax</b>	<b>17,536</b>	11.7	<b>9,121</b>	7.6
Taxes	3,454	2.3	1,590	1.3
<b>Group profit after tax</b>	<b>14,082</b>	9.4	<b>7,531</b>	6.3
<b>To be attributed to:</b>				
- Shareholders	14,082		7,531	
	<b>14,082</b>		<b>7,531</b>	
<b>To be attributed to shareholders:</b>				
Basic earnings per share (in CHF)	4.40		2.38	
Diluted earnings per share (in CHF)	4.33		2.33	

# Consolidated cash flow statement

CHF 1,000	First half 2006	First half 2005
<b>Group profit after tax</b>	<b>14,082</b>	<b>7,531</b>
Adjustments for non-cash items		
- Taxes	3,454	1,590
- Depreciation and impairment of tangible assets	2,987	3,018
- Depreciation and impairment of intangible assets	840	905
- Profit (-) / Loss (+) from sale of fixed assets	-12	-128
- Expense for share-based payments	425	423
- Net financial result	147	888
- Expense from share in joint ventures	8	23
Interest received and other financial income	442	157
Interest paid and other financial expenses	-591	-354
Taxes paid	-3,761	-1,854
<b>Cash flow before change in net current assets and provisions</b>	<b>18,021</b>	<b>12,199</b>
Increase (+) / decrease (-) in provisions	1,370	-1,047
Increase (-) / decrease (+) in trade receivables	-8,689	-14,051
Increase (-) / decrease (+) in inventories	-6,506	-3,273
Increase (+) / decrease (-) in trade payables	3,665	2,864
Increase (-) / decrease (+) in other net current assets	-5,710	8,220
<b>Total net cash from operating activities</b>	<b>2,151</b>	<b>4,912</b>
Investment in tangible assets	-1,559	-2,119
Sale of tangible assets	86	128
Investment in intangible assets	-398	-709
Acquisition of Group companies and investments <sup>1)</sup>	0	-23,875
<b>Total net cash from investing activities</b>	<b>-1,871</b>	<b>-26,575</b>
Increase in current financial liabilities	1,350	4,500
Decrease in current financial liabilities	-3,180	-8,600
Purchase (-) / sale (+) of securities	56	-1,828
Purchase of treasury shares	-4,547	-5,245
Sale of treasury shares	3,897	1,606
Increase in long-term financial liabilities	0	12,100
Decrease in long-term financial liabilities	0	0
Capital increase (share-based payments)	3,123	765
<b>Total net cash from financing activities</b>	<b>699</b>	<b>3,298</b>
Effect of currency translations on cash and cash equivalents	303	-1,168
<b>Increase (+) / decrease (-) in funds</b>	<b>1,282</b>	<b>-19,533</b>
Funds at January 1	29,679	39,042
Funds at June 30	30,961	19,509

The structure of the prior-year figures has been adjusted to facilitate comparison.

1) Minus cash and cash equivalents acquired.

## Consolidated shareholders' equity

as at June 30, 2006 CHF 1,000	Share capital	Treasury shares	Reserves			Shareh. equity
			Premium	Cumulative currency differences	Retained earnings	
<b>Balance on January 1, 2006</b>	17,601	-3,584	45,195	-3,619	116,148	171,741
Currency translation differences				-1,516		-1,516
<b>Net result stated directly in shareholders' equity</b>	0	0	0	-1,516	0	-1,516
Group profit in first half of 2006					14,082	14,082
<b>Net income 1<sup>st</sup> half 2006</b>	0	0	0	-1,516	14,082	12,566
Capital increase from exercise of options	352		2,771			3,123
Transactions in treasury shares		-434			-216	-650
Share-based payment					425	425
<b>Balance on June 30, 2006</b>	17,953	-4,018	47,966	-5,135	130,439	187,205

  

as at June 30, 2005 CHF 1,000	Share capital	Treasury shares	Reserves			Shareh. equity
			Premium	Cumulative currency differences	Retained earnings	
<b>Balance on January 1, 2005</b>	23,861	-463	43,672	-7,386	99,127	158,811
Currency translation differences				2,418		2,418
<b>Net result stated directly in shareholders' equity</b>	0	0	0	2,418	0	2,418
Group profit in first half of 2005					7,531	7,531
<b>Net income 1<sup>st</sup> half 2005</b>	0	0	0	2,418	7,531	9,949
Capital increase from exercise of options	65		700			765
Transactions in treasury shares		-3,471			-168	-3,639
Share-based payment					423	423
<b>Balance on June 30, 2005</b>	23,926	-3,934	44,372	-4,968	106,913	166,309

The structure of the prior-year figures has been adjusted to facilitate comparison.

Capital and reserves attributable to shareholders	30.6.2006	30.6.2005
Share capital	17,953	23,926
Treasury shares	-4,018	-3,934
Reserves	173,270	146,317
<b>Total Equity</b>	<b>187,205</b>	<b>166,309</b>

# Notes to the semiannual statements dated June 30, 2006

## 1. Consolidation principles

The present, unaudited semiannual statements of the Komax Group were prepared in accordance with International Financial Reporting Standards (IFRS), with particular reference to IAS 34 "Interim Financial Reporting". The statements are based on the accounting principles set out in the 2005 Annual Report of the Komax Group, which were applied without changes.

## 2. Capital reduction and adjustment of the conditional capital

The General Meeting on May 11, 2006, adopted a par value repayment of CHF 2 per registered share in place of a dividend, thereby reducing the par value to CHF 3.50 per registered share. The payment to shareholders was remitted as of value date July 31, 2006, the last trading day with par value of 5.50 being July 28, 2006.

As a result of the par value reduction, the nominal amount of the conditional capital was reduced by CHF 524,880 to CHF 918,540.

## 3. Contingent liabilities

Contingent liabilities decreased by CHF 0.8 million compared with December 31, 2005.

## 4. Events after the balance sheet date

On July 24, 2006, the reduction in share capital from CHF 17,600,957 to CHF 11,200,609 adopted at the General Meeting on May 11, 2006, was entered in the Commercial Register.

Between the balance sheet reference date and the adoption of the consolidated financial statements by the Board of Directors on August 24, 2006, no further significant events occurred which might make the 2006 semiannual financial statements less meaningful or which would warrant disclosure at this point.

## Important exchange rates as of the balance sheet reference date and on average:

Currency	Rate on 30.6.06	Average rate in 1 <sup>st</sup> half 2006	Rate on 31.12.05	Average rate in 2005
USD	1.240	1.280	1.320	1.250
EUR	1.580	1.570	1.560	1.560
BRL	0.564	0.581	0.561	0.517
SGD	0.785	0.793	0.798	0.748

## Information for shareholders

Komax Holding AG registered shares are listed on the main stock exchange in Zurich. Security no.: 1 070 215; Telekurs: KOMN; Reuters: KOMn.S

	30.6.2006 <sup>1)</sup>	31.12.2005
Share capital (in CHF 1,000)	11,425	17,601
Number of shares (in units)	3,264,160	3,200,174
Market capitalization as of reference date (in CHF 1,000)	355,467	308,177
Closing price as of reference date (in CHF)	108.90	96.30

1) After taking account of the capital reduction adopted at the General Meeting on May 11, 2006, and entered in the Commercial Register on July 24, 2006.

