



komax

First-Half Report 2008

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Komax Group: Business in the first half of 2008

Higher sales and strong order intake

The Komax Group lifted sales by 2.6 percent in the first half of 2008 to CHF 170.2 million. Order intake was up by 15.6 percent, pointing to a healthy result for the year as a whole.

The Komax Group lifted sales to CHF 170.2 million in the first half of 2008 (previous year: CHF 165.8 million), a rise of 2.6 percent (adjusted for exchange rate movements: 6.8 percent). Operating profit (EBIT) decreased by 2.3 percent to CHF 20.1 million (previous year: CHF 20.6 million), with the Group posting an EBIT margin of 11.8 percent (adjusted for exchange rate movements: 13.3 percent). Earnings after tax (EAT) came to CHF 14.5 million (previous year: CHF 16.0 million). The 8.9 percent decline was due to net finance costs of CHF -1.5 million (previous year: CHF -0.2 million), which stemmed in turn from exchange rate movements.

Order intake showed a most encouraging picture. At the end of the first six months, orders in hand were up by 15.6 percent year on year (adjusted for exchange rate movements: 18.1 percent) to CHF 209.7 million (previous year: CHF 181.4 million). The high order intake also impacted on free cash flow, which stood at CHF 11.8 million (previous year: CHF 20.9 million) due to the increase in net current assets.

Broadly diversified growth

Business in Europe in particular continued to perform well: here the Group as a whole increased sales by 16 percent. Growth was also strong in North Africa where sales doubled on the back of some large orders in the cable segment. In the US too, cable segment sales rose sharply year on year and were therefore much improved, while in Asia wire-processing sales increased by around 30 percent.

In addition, Komax established a new subsidiary in India on 1 July 2008 and opened a new representative office in Russia during the first half of the year. Going forward, this will bring a sustained improvement in the Group's market coverage in these regions and will further expand its distribution and service network.

Market leadership further extended. The Group continued to extend its market leadership in wire processing, mainly as a result of its broad range of highly innovative machines spanning cut and strip, crimp to crimp and processing systems for the assembly of complete wire harnesses. The wire-processing machines are used primarily to manufacture wire harnesses in motor vehicles, domestic appliances and various electronic devices.

Demand in the first half of the year far outstripped expectations, especially in the automotive sector. This is partly because petrol consumption can be reduced by increasing the number of electronic devices and controllers on board a vehicle – with stop-and-go automation a key feature. This trend is particularly noticeable among the booming hybrid cars, which have up to 40 percent more wire connectors than conventional cars. However, demand is being sustained not only by new, alternative drive concepts, but also by comfort and safety applications.

Assembly automation and medtech

Profit margins in the assembly automation segment, and more specifically on the manufacture of systems for the assembly of electronic and mechanical components, have come under increasing pressure in recent years due to continuing strong competition. Komax has therefore become much more selective in choosing projects. Furthermore, any capacity that becomes available is urgently required in the photovoltaic segment.

Business performance in the medtech segment fell slightly short of the high expectations in the first half of the year. Various larger orders were put on hold or placed late. Komax expects a clear improvement in the situation in the second half of 2008.

High growth in photovoltaics

The photovoltaic segment remains in a robust state of health. Here, Komax supplies sophisticated solutions for the production of both crystalline modules (stringing) and thin-film / back-end modules (contact attachment systems). Komax has expanded its product portfolio significantly in recent years.

At the most important trade fair for the photovoltaic industry, the 23rd European Photovoltaic Solar Energy Conference and Exhibition to be held in Valencia in September, Komax will present a variety of products including the new Xcell 3400 stringer, a further milestone in the automated manufacture of solar modules. Overall, Komax is confident of maintaining the strong growth in the photovoltaic segment. The Group Management has been bolstered by the addition of Walter Nehls, a newcomer to the Group, who heads its photovoltaic business.

Outlook

The strong business performance is likely to continue during the second half of 2008. The high order intake in the first half of the year points to another healthy result for 2008 as a whole.

Consolidated balance sheet

CHF 1,000	30.6.2008	31.12.2007
Assets		
Cash and cash equivalents	48,804	35,417
Marketable securities	141	124
Trade receivables	104,743	108,142
Other current assets and accrued income / prepaid expenses	15,715	12,718
Inventories	46,121	42,972
Total current assets	215,524	199,373
Deferred tax assets	5,348	5,187
Other non-current assets	502	451
Prepaid pension assets	3,183	2,973
Property, plant and equipment	70,378	72,493
Intangible assets	28,998	30,469
Total non-current assets	108,409	111,573
Total assets	323,933	310,946
Liabilities and shareholders' equity		
Financial liabilities	33,967	13,507
Trade payables	17,554	17,769
Other current liabilities and accrued expenses / deferred income	38,033	39,820
Tax liabilities	2,424	1,130
Provisions	4,818	3,970
Total current liabilities	96,796	76,196
Financial loans	2,000	2,000
Deferred tax liabilities	7,260	7,473
Total non-current liabilities	9,260	9,473
Total liabilities	106,056	85,669
Share capital	338	336
Treasury shares	-6,264	-8,931
Capital surplus (premium)	56,464	54,093
Other reserves	166,661	178,993
Equity attributable to equity holders of the parent	217,199	224,491
Minority interest	678	786
Total shareholders' equity	217,877	225,277
Total liabilities and shareholders' equity	323,933	310,946

Consolidated income statement

CHF 1,000	First half 2008	First half 2007
Net sales	170,234	165,847
Cost of goods sold	70,033	67,972
Personnel expenses	56,829	54,692
Rental expenses	2,291	2,147
Maintenance and repair expenses	2,748	2,854
Representation and advertising expense	5,006	4,414
Depreciation	3,955	3,871
Other operating expenses	9,231	9,289
Operating expenses	150,093	145,239
Operating profit before interest and tax	20,141	20,608
Financial income	3,986	1,622
Financial expenses	-5,480	-1,779
Group profit before tax	18,647	20,451
Taxes	4,121	4,501
Group profit after tax	14,526	15,950
Of which attributable to:		
- Equity holders of the parent	14,563	15,739
- Minority interest	-37	211
	14,526	15,950
Attributable to equity holders of the parent		
Basic earnings per share (in CHF)	4.38	4.81
Diluted earnings per share (in CHF)	4.32	4.70

Consolidated cash flow statement

CHF 1,000	First half 2008	First half 2007
Cash flows from operating activities		
Group profit after tax (EAT)	14,526	15,950
Adjustments for non-cash items:		
- Taxes	4,121	4,501
- Depreciation and impairment of property, plant and equipment	3,235	3,150
- Depreciation and impairment of intangible assets	720	721
- Profit (-) / loss (+) from sale of non-current assets	-118	-80
- Expense for share-based payment	1,042	764
- Net financial result	1,494	157
Interest received and other financial income	456	351
Interest paid and other financial expenses	-328	-462
Taxes paid	-3,201	-5,286
Cash flows before change in net current assets and provisions	21,947	19,766
Increase (+) / decrease (-) in non-current provisions	848	185
Increase (-) / decrease (+) in trade receivables	-499	5,167
Increase (-) / decrease (+) in inventories	-4,986	-5,280
Increase (+) / decrease (-) in trade payables	345	-247
Increase (-) / decrease (+) in other net current assets	-3,755	4,199
Total cash flows from operating activities	13,900	23,790
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,953	-2,705
Disposal of property, plant and equipment	140	179
Investment in intangible assets	-275	-350
Total cash flows from investing activities	-2,088	-2,876
Cash flows from financing activities		
Increase in financial liabilities	20,460	8
Decrease in financial liabilities	0	-3,600
Purchase of treasury shares	-3,312	-4,522
Disposal of treasury shares	5,751	8,307
Capital increase (share-based payment)	2,373	3,613
Dividends paid	-21,718	0
Total cash flows from financing activities	3,554	3,806
Effect of currency translations on cash and cash equivalents	-1,979	221
Increase (+) / decrease (-) in funds	13,387	24,941
Cash and cash equivalents at 1 January	35,417	27,986
Cash and cash equivalents at 30 June	48,804	52,927

Consolidated shareholders' equity

As at 30 June 2008 CHF 1,000	Attributable to equity holders of the parent						Minority interest	Total shareholders' equity
	Share capital	Treasury shares	Premium	Other reserves				
				Currency differences	Retained earnings			
Balance on 1 January 2008	336	-8,931	54,093	-6,287	185,280	786	225,277	
Currency translation differences				-5,991		-71	-6,062	
Net result taken directly to equity	0	0	0	-5,991	0	-71	-6,062	
Group profit in first half of 2008					14,563	-37	14,526	
Net income in first half of 2008	0	0	0	-5,991	14,563	-108	8,464	
Capital increase from exercise of options	2		2,371				2,373	
Dividends paid					-21,718		-21,718	
Transactions in treasury shares		2,667			-228		2,439	
Share-based payment					1,042		1,042	
Balance on 30 June 2008	338	-6,264	56,464	-12,278	178,939	678	217,877	
As at 30 June 2007 CHF 1,000	Attributable to equity holders of the parent						Minority interest	Total shareholders' equity
	Share capital	Treasury shares	Premium	Other reserves				
				Currency differences	Retained earnings			
Balance on 1 January 2007	11,577	-11,187	50,156	-5,155	149,635	534	195,560	
Currency translation differences				1,914		37	1,951	
Net result taken directly to equity	0	0	0	1,914	0	37	1,951	
Group profit in first half of 2007					15,739	211	15,950	
Net income in first half of 2007	0	0	0	1,914	15,739	248	17,901	
Capital increase from exercise of options	154		3,459				3,613	
Transactions in treasury shares		5,929			-2,144		3,785	
Share-based payment					764		764	
Balance on 30 June 2007	11,731	-5,258	53,615	-3,241	163,994	782	221,623	

Notes to the half-year financial statements as of 30 June 2008

1. Consolidation methods

These unaudited half-year financial statements of the Komax Group were prepared in accordance with International Financial Reporting Standards (IFRS), in particular IAS 34, "Interim Financial Reporting", and the requirements set out in the Listing Rules of SWX Swiss Exchange. They are based on the separate financial statements of the Group companies as of 30 June 2008, which were prepared in accordance with uniform standards, and the accounting policies of the Komax Group outlined in the 2007 Annual Report, which were applied unchanged.

2. Effect of the introduction of new Standards and Interpretations

Changes relating to Standards and Interpretations and the effects of those changes on the consolidated financial statements of Komax are explained in detail in the 2007 Annual Report. The new Standards and Interpretations published since then are as follows:

- IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". This Interpretation was adopted by the Komax Group as of 1 January 2008 but does not affect its accounting.
- IFRIC 15, "Agreements for the Construction of Real Estate". This Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11, "Construction Contracts", or IAS 18, "Revenue", and when revenue from the construction should be recognized. IFRIC 15 is effective for annual periods beginning on or after 1 January 2009. This Interpretation is not applicable to the consolidated financial statements since the activities of the Komax Group do not include the construction and sale of real estate.
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation". This Interpretation provides clarification on: (a) whether foreign currency risks arise from the translation of the functional currency of a foreign operation into that of the parent's consolidated financial statements; (b) where hedging instruments can be held to qualify for hedge accounting in accordance with IAS 39; and (c) how to determine the amounts to be reclassified from equity to profit or loss when

the entity disposes of an investment. IFRIC 16 is effective for annual periods beginning on or after 1 October 2008. Komax does not currently hedge the foreign currency risk arising from investments in foreign operations. Therefore, this Interpretation is not applicable to the Group's consolidated financial statements.

3. Consolidated Group

The consolidated half-year financial statements include the separate financial statements of Komax Holding AG, Dierikon (Switzerland), and all subsidiaries where Komax Holding AG directly or indirectly holds more than 50% of the voting power or otherwise exercises control over the entity's financial and operating policies. A full list of the subsidiaries can be found on pages 116 and 117 of the 2007 Annual Report. Effective 1 January 2008, Ismeca Automation Holding SA merged with Komax Holding AG. Otherwise there were no changes in the consolidated Group in the period to 30 June 2008.

4. Key assumptions and sources of uncertainty in relation to estimates

Correct application of the accounting principles requires the Board of Directors and Group Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses as well as the presentation of those items. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Revenue recognition under the POC method (construction contracts), assets and liabilities in respect of employee benefit schemes, measurement of deferred taxes and impairment testing of non-current assets are areas where estimates have a material effect on the items' carrying amount.

5. Seasonal influences

The Komax Group's activities are not subject to seasonal fluctuations.

6. Contingent liabilities

Contingent liabilities decreased by CHF 5.9 million compared with 31 December 2007.

7. Conditional capital

As of 1 January 2008, the conditional capital created for executive and employee share ownership schemes consisted of 310,937 registered shares, each with a par value of CHF 0.10. During the first half of 2008, 24,367 options were converted into Komax Holding AG registered shares.

8. Dividend distribution

The General Meeting on 14 May 2008 resolved to distribute a dividend of CHF 3.50 gross per registered share plus a special dividend of CHF 3.00 gross per registered share. The value date of the payment to shareholders was 19 May 2008.

9. Treasury shares

During the first half of 2008, a net 15,627 registered shares were sold from the 55,337 treasury shares held as of 31 December 2007.

10. Events after the balance sheet date

Between the balance sheet date and the adoption of the consolidated financial statements by the Board of Directors on 14 August 2008, no further significant events occurred which might make the 2008 half-year financial statements less meaningful or which would warrant disclosure at this point.

Notes to the half-year financial statements as of 30 June 2008

11. Exchange rates

The most important half-year and average exchange rates are as follows:

Currency	Rate on 30.6.08	Average rate in 1 st half 2008	Rate on 31.12.07	Average rate in 2007
EUR	1.620	1.630	1.680	1.650
USD	1.020	1.080	1.140	1.220
BRL	0.665	0.645	0.674	0.634
CNY	0.154	0.156	0.162	0.163

12. Information for shareholders

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

	30.6.2008	31.12.2007
Share capital (in CHF 1,000)	338	336
Number of shares (in units)	3,383,430	3,359,063
Market capitalization as of reference date (in CHF 1,000)	461,838	607,990
Closing price as of reference date (in CHF)	136.50	181.00

Forward-looking statements

Any statements in this report that are not based on historical facts are forward-looking statements based on current assumptions and expectations and providing no guarantee of future performance. They involve risks and uncertainties relating to changes in the economic and legal environment, legal disputes, currency fluctuations, unexpected market behaviour on the part of competitors and other factors beyond the company's control.

This First-Half Report appears in German and English. The original German-language version is binding. You can find further information on Komax and the German and English versions of the 2007 Annual Report at www.komaxgroup.com.