

READY FOR
THE FUTURE –
PROVING IT TODAY.

> KEY FIGURES

Total Group	2002	2001	2002	in million
	CHF	CHF	EUR	
Sales	1 490	2 127	1 013	
– Change in %	–30%	–35%	–28%	
Operating result before depreciation and amortization (EBITDA)	71	182	48	
Operating result from current activities	–83	–11	–57	
– in % of sales	–6%	–1%	–6%	
Impairment losses on goodwill	0	200	0	
Operating result (EBIT)	–83	–211	–57	
Other result	47	297	32	
Financial result	–11	0	–7	
Result before taxes	–47	86	–32	¹ Net assets include all
Net income/loss of the period	–39	111	–26	operating current and
Total assets	2 525	3 016	1 742	non-current assets
Shareholders' equity	1 476	1 667	1 018	(excluding cash and cash
– in % of total assets	58%	55%	58%	equivalents and financial
Net liquidity	686	768	473	assets), less operating
– in % of shareholders' equity	47%	46%	47%	liabilities (excluding finan-
Net assets¹	1 075	1 202	741	cial debts, provisions for
Capital expenditures in property, plant and equipment	74	186	50	post-employment benefits
Research and development	157	208	107	and for taxes and other
Personnel expense	634	775	431	provisions not charged
Number of employees at year-end	6 544	7 241	6 544	against operating result).
Business development on comparable basis	2002	2001	2002	
(Excluding amounts related to the sold activities in both years, so that the actual performance of the remaining operations is apparent.)	CHF	CHF	EUR	in million
Unaxis totals²				² excluding the Materials
Orders received	1 428	1 334	971	activities sold in 2002 as
Sales to third parties	1 426	1 796	970	well as business segments
Operating result (EBIT)	–86	–258	–58	sold in 2001: Leybold
Net assets ¹	1 064	1 145	734	Optics, Decorative Coating,
Information Technology³				Hapsite and Contraves
Orders received	684	536	465	Inc. USA
Orders on hand	209	195	142	³ excluding the Materials
Sales to third parties	650	913	442	activities sold in 2002
Operating result before depreciation and amortization (EBITDA)	–64	–19	–44	
– in % of sales	–10%	–2%	–10%	
Operating result from current activities	–146	–132	–99	
– in % of sales	–22%	–14%	–22%	
– in % of net assets (RONA)	–21%	–18%	–20%	
Operating result (EBIT)	–146	–332	–99	
Net assets ¹	706	736	487	
Surface Technology⁴				⁴ excluding the Decorative
Orders received	305	319	208	Coating operations sold in
Orders on hand	0	0	0	2001
Sales to third parties	306	326	208	
Operating result before depreciation and amortization (EBITDA)	82	90	56	
– in % of sales	27%	28%	27%	
Operating result (EBIT)	42	50	28	
– in % of sales	14%	15%	14%	
– in % of net assets (RONA)	21%	22%	21%	
Net assets ¹	198	223	136	
Components and Special Systems⁵				⁵ excluding the Leybold
Orders received	439	479	298	Optics operations sold in
Orders on hand	197	232	134	2001
Sales to third parties	471	557	320	
Operating result before depreciation and amortization (EBITDA)	32	49	22	
– in % of sales	7%	9%	7%	
Operating result (EBIT)	19	34	13	
– in % of sales	4%	6%	4%	
– in % of net assets (RONA)	35%	45%	34%	
Net assets ¹	54	75	37	
Others⁶				⁶ excluding the Hapsite
Sales	0	1	0	and Contraves Inc. USA
Operating result (EBIT)	0	–9	0	operations sold in 2001

> COMMENTS REGARDING KEY FIGURES

Group

In 2002, the Unaxis Group achieved sales of CHF 1 490 million (2001: CHF 2 127 million) and received orders totalling CHF 1 494 million (2001: CHF 1 572 million). Because certain operations have been sold in connection with redimensioning the Group, a direct comparison of the financial data for the years 2001 and 2002 cannot be made. On a comparable basis, i.e. excluding the activities of the Materials division, which was divested in 2002, and excluding those operations sold during the prior year – Leybold Optics, Decorative Coating, Hapsite and Contraves Inc. USA – orders received increased during the year 2002 by 7 percent to CHF 1 428 million (2001: CHF 1 334 million). The Information Technology segment, which showed a significant increase of 28 percent in orders received, was largely responsible for this achievement. Nevertheless, in an overall much weaker business environment, the level of orders received remained low over the course of the year. This, combined with low backlogs at the beginning of the year (CHF 427 million versus CHF 889 million at the beginning of 2001), resulted in a 21 percent decline in sales, to CHF 1 426 million (2001: CHF 1 796 million) on a comparable basis. A negative impact of currency translation of 4 percent is also reflected in this decline.

The results of operations (EBIT) for the year 2002 amounted to CHF –83 million. In making comparisons with the prior year EBIT of CHF –211 million, the impairment of goodwill paid for ESEC of CHF 200 million must be considered. Operating results from current activities – i.e. excluding the impairment of goodwill – declined by CHF 72 million. This reduction is mainly attributable to the massive drops in sales experienced by the Semiconductors Front End and Displays divisions as a result of the market situation. Despite the lower level of business volume and increasingly bitter competitive battle in the marketplace, the company was able to maintain margins and reduce overhead costs by CHF 160 million during the year under review. Of that amount, CHF 60 million was attributable to the altered structure of the company. On a comparable basis, Unaxis lowered those costs by CHF 100 million.

As a result of lower interest rates and the weakness of the Group's main foreign currencies compared with the Swiss franc, the financial result of CHF –11 million was below that of the prior year (2001: CHF 0 million). Unaxis disposed of Materials division activities and made additional smaller divestments during the year. The results of these sales, together with the reversal of provisions for guarantee commitments in the amount of CHF 53 million related to sales in prior years, generated other income of CHF 47 million (2001: CHF 297 million due to the sale of Pilatus Flugzeugwerke and the Leybold Optics division). Overall, a consolidated net loss of CHF –39 million thus resulted for the year 2002 (2001: net income of CHF 111 million).

Information Technology segment

On a comparable basis, i.e. excluding the activities of the Materials division, which was sold in 2002, Information Technology segment sales of CHF 650 million were 29 percent below the prior-year level (2001 CHF 913 million). Orders received climbed by 28 percent to CHF 684 million (2001: CHF 536 million), but still remained at a very low level. Consequently, the increase in orders received was not able to offset the low order backlog of CHF 195 million at the beginning of the year (beginning of 2001: CHF 556 million). The Information Technology segment reported EBIT of CHF –146 million (CHF –132 million before amortization and write-down of goodwill). In particular, drops in sales

of the Semiconductors Front End and Displays divisions had a negative impact on results. By contrast, Data Storage reported improvements in both sales and EBIT contribution, which were achieved in part due to the change in the business model and the emphasis on line business. Semiconductors Back End showed a clear improvement in EBIT in spite of lower sales, as a result of cost reduction measures introduced in 2001.

Surface Technology segment

Thanks to a clear orientation towards customer needs, as well as consistent efforts to optimize business processes, Surface Technology was able to maintain its position in a difficult economic environment. On a comparable basis, i.e. excluding the Decorative Coating activities sold in 2001, the Surface Technology segment achieved sales of CHF 306 million in 2002, which represents a decline of 6 percent compared with the prior year (2001: CHF 326 million). Excluding the negative effects of currency translation, the decline was only 2 percent. Nevertheless, margins could not be completely maintained, and EBIT declined from CHF 50 million in 2001 to CHF 42 million in the current year.

Components and Special Systems Segment

On a comparable basis, i.e. excluding the Leybold Optics division sold in 2001, sales reported by Components and Special Systems for the year 2002 totalled CHF 471 million, and were thus 15 percent less than the prior year (2001: CHF 557 million). At CHF 439 million, orders received decreased by 8 percent compared to 2001 (2001: CHF 479 million). In addition to the weaker business developments in the Leybold Vacuum division as a result of economic pressures, this decrease was largely attributable to the lower backlog at the beginning of the year (CHF 232 million compared with CHF 314 million at the beginning of 2002). As a result of the decline in Leybold Vacuum sales, EBIT of CHF 19 million was 44 percent below the prior-year amount (2001: CHF 34 million).

Net assets, investments and number of employees of the Group

As a result of reduced sales volumes, consolidated net assets declined during 2002 by CHF 127 million to CHF 1 075 million (2001: CHF 1 202 million). Capital expenditures for the year 2002 were revised in response to business developments and were sharply focused on maintaining the Group's production competence. Thus, such investments, which amounted to CHF 74 million in 2002, were far below those of the prior year (2001: CHF 186 million). Despite the difficult market situation, Unaxis expended CHF 157 million for research and development (2001: CHF 208 million), which as a percentage of sales (11 percent) was slightly higher than the prior year (2001: 10 percent). As a result of restructuring measures, as well as the sale of Materials activities, the number of persons employed by the Group declined from 7 241 to 6 544 during the year.

Solid capital base and high net liquidity

As of the end of 2002, Unaxis had at its disposal a net liquidity of CHF 686 million (2001: CHF 768 million). Shareholders' equity was CHF 1 476 million at the end of 2002, which represented an equity ratio of 58 percent (2001 shareholders' equity: CHF 1 667 million, equity ratio: 55 percent). With this high net liquidity and a solid capital base, Unaxis is well equipped for the future and can move the Group's strategic development forward in a cyclical market environment.

GROUP

> CONSOLIDATED INCOME STATEMENT

	Notes	2002	Total 2001	Of which discontinued operations (Pilatus)	
				2002	2001
Sales	3	1 490	2 127	-	-
Cost of sales		-933	-1 313	-	-
Gross margin		557	814	-	-
Marketing and selling		-246	-326	-	-
Research and development		-157	-208	-	-
Administration		-193	-222	-	-
Amortization of goodwill for subsidiaries	4	-45	-64	-	-
Other operating income and expense	5	2	-5	-	-
Operating result from current activities	6	-83	-11	-	-
Impairment losses on goodwill	7	0	-200	-	-
Operating result (EBIT)	8	-83	-211	-	-
Financial result	9	-11	0	-	-
Result from sale of entire business segment	10	0	81	-	81
Other result	11	47	216	-	-
Result before taxes		-47	86	-	81
Income taxes	12	-8	-33	-	-
Net income/loss including minority interests		-54	53	-	81
Minority interests in net income/loss		16	58	-	-
Net income/loss over the period		-39	111	-	81
Net income/loss per registered share in CHF*		-3.00	8.53		

in CHF million

* Average number of shares with voting and dividend rights (2002: 12 972 992; 2001: 13 006 165). The figures stated also correspond to diluted earnings per share.

> CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

Current assets	Notes	2002	Total	Of which discontinued operations (Pilatus)		Assets
			2001	2002	2001	
in CHF million						
Cash and cash equivalents	13	726	850	-	-	
Marketable securities		1	0	-	-	
Receivables	14	345	422	-	-	
Inventories	15	272	326	-	-	
Prepaid expenses and accrued income	16	68	73	-	-	
		1 413	1 671	-	-	
Non-current assets						
Loans receivable		40	64	-	-	
Investments in associated companies		0	0	-	-	
Other investments	17	50	96	-	-	
Property, plant and equipment	18	597	683	-	-	
Intangible assets	19	345	422	-	-	
Deferred tax assets	20	80	80	-	-	
	21	1 112	1 345	-	-	
		2 525	3 016	-	-	
Liabilities						
in CHF million						
Payables	22	122	153	-	-	
Accrued liabilities	23	139	148	-	-	
Customer advances	24	87	129	-	-	
Financial debt	25	40	82	-	-	
Current income tax provisions	26	15	47	-	-	
Post-employment benefit provisions	27	246	248	-	-	
Deferred tax provisions	28	53	55	-	-	
Other provisions	29	269	392	-	-	
	30	970	1 254	-	-	
Minority interests						
		79	95	-	-	
Shareholders' equity						
Share capital		263	263			
Treasury shares		-47	- 45			
Reserves and retained earnings		1 259	1 449	-	-	
		1 476	1 667	-	-	
		2 525	3 016	-	-	

> CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Notes	2002	Total	Of which discontinued operations (Pilatus)		
		2001	2002	2001	
					in CHF million
Net income/loss including minority interests	-54	53	-	81	
Reclassification of part of result	-	-	-	-81	
Depreciation of property, plant and equipment	104	120	-	-	
Other depreciation and amortization	58	73	-	-	
Impairment losses on goodwill	0	200	-	-	
Increase (+), decrease (-) in provisions*	-120	-49	-	-	* Prior-year figures
Expense (+), income (-) in deferred taxes*	-6	2	-	-	adjusted to reflect
Losses (+), gains (-) from sales of non-current assets	-16	-310	-	-	new classification
Net funds before change for net current assets*	-34	89	-	-	
Decrease (+), increase (-) in marketable securities	-1	0	-	-	
Decrease (+), increase (-) in receivables/accrued assets*	37	279	-	-	
Decrease (+), increase (-) in inventories	21	96	-	-	
Increase (+), decrease (-) in payables/accrued liabilities	-24	-120	-	-	
Increase (+), decrease (-) in customer advances	-41	-83	-	-	
Thereof due to hedge accounting under IAS 39*	2	3			
Net funds from operations	-41	264	-	-	
Capital expenditures in property, plant and equipment	-74	-186	-	-	
Investments in subsidiaries/assoc. cos./others	0	-5	-	-	
Capital expenditures in intangible assets	-3	-8	-	-	
Decrease (+), increase (-) in loans receivable	12	30	-	-	
Increase (+), decrease (-) in cash from purchase/sale of subsidiaries 1	-6	-38	-	-	
Proceeds from sales of property, plant and equipment	10	90	-	-	
Proceeds from sales of consolidated subsidiaries	43	424	-	-	
Proceeds from sales of unconsolidated subsidiaries	0	21	-	-	
Net funds from/used by investing activities	-17	328	-	-	
Dividends paid	-27	-34	-	-	
Purchase of treasury shares	-2	-10	-	-	
Transaction with minority shareholders	-1	0	-	-	
Increase in (+), repayment of (-) financial debt	-23	-249	-	-	
Net funds from/used by financing activities	-53	-293	-	-	
Conversion adjustments	-14	-2	-	-	
Increase (+), decrease (-) in cash and cash equivalents	-124	297	-	-	
Cash and cash equivalents at the beginning of the year	850	553	-	-	
Cash and cash equivalents at the end of the year	726	850	-	-	
Increase (+), decrease (-) in cash and cash equivalents	-124	297	-	-	
Increase (-), decrease (+) in financial debts from purchase/sale of subs. 1	13	38	-	-	
Repayment of (+), increase in (-) financial debt	23	249	-	-	
Conversion adjustments on financial debt	7	10	-	-	
Increase (+), decrease (-) in net liquidity	-82	594	-	-	
Additional information:					
Interest paid	4	9	-	-	
Interest received	19	22	-	-	
Taxes paid	45	46	-	-	

> CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Addi- tional paid-in capital	Trea- sury shares*	Conver- sion differ- ences	Re- tain- ed earn- ings	Hedge account- ing under IAS 39	Fair value adj. under IAS 39	Deferred taxes on IAS 39 adj.	Total share- holders' equity
Balance at January 1, 2001	263	471	-35	4	966	0	0	0	1 669
Restatement of other investments (IAS 39)							64	-2	62
Restatement of loans receivable (IAS 39)							15	-1	14
Restatement of derivatives (IAS 39)					8				8
Net income incl. minority interests					53				53
Dividends paid					-34				-34
Fair value adjustments under IAS 39									0
Results from derivatives deferred until next year						3		-1	2
Conversion differences				17	-16				1
Transactions with minority shareholders					-3				-3
Purchase of treasury shares (net)			-10						-10
Balance at December 31, 2001	263	471	-45	21	974	3	79	-4	1 762
Less minority interests									-95
Total consolidated shareholders' equity 2001									1 667
Balance at January 1, 2002	263	471	-45	21	974	3	79	-4	1 762
Net income incl. minority interests					-54				-54
Dividends paid					-27				-27
Adjustments under IAS 39						2	-50		-48
Conversion differences				-75	-1				-76
Transactions with minority shareholders					-1				-1
Purchase of treasury shares (net)			-2						-2
Others and roundings			1	1	-1		-1		1
Balance at December 31, 2002	263	471	-47	-53	890	5	28	-4	1 555
Less minority interests									-79
Total consolidated shareholders' equity 2002									1 476

in CHF million

* The historical cost of treasury shares purchased to insure the ability of Unaxis Holding Inc. to meet potential commitments from its stock option plans (see also note 15 to the financial statements of Unaxis Holding Inc.):

Balance at January 1, 1999	64 500	shares
Purchase 1999	40 000	shares
Purchase 2000	42 514	shares
Purchase 2001	45 000	shares
Sale 2001 due to employee share purchase plan	-11 174	shares
Purchase 2002	44 250	shares
Sale 2002 due to employee share purchase plan	-11 730	shares
Balance at December 31, 2002	213 360	shares

> ACCOUNTING PRINCIPLES

Introduction

Unaxis Holding Inc. is a Swiss limited liability corporation located in Freienbach/SZ, Churerstrasse 120, Pfäffikon/SZ. It is the ultimate holding company of the Unaxis Group, a global leader in providing production systems and services for selected market segments in information technology. In addition to Switzerland, the Unaxis Group operates in particular in the European Union countries, North America and Asia, and employed some 6 500 persons as of the end of 2002.

Basis

The consolidated financial statements of Unaxis Holding Inc. were prepared in accordance with International Financial Reporting Standards (IFRS, previously IAS) based on historical costs. The financial statements were approved by the Board of Directors on March 7, 2003 and are submitted to the annual general meeting of shareholders on May 20, 2003 for approval. All standards issued by the IASB (International Accounting Standards Board) and all interpretations of the Standing Interpretations Committee (SIC) effective until the date of the consolidated financial statements were considered.

The consolidation was based on audited annual accounts of the individual subsidiaries and were prepared according to uniform Group accounting principles.

The preparation of the financial statements requires that management make estimates and assumptions, which have an impact on the amounts of the assets and liabilities shown in the balance sheet. Actual results could differ from these estimates.

Accounting principles

During the year, no new or revised International Accounting Standards went into effect. The accounting principles applied during the prior year remained unchanged in 2002. All amounts (including subtotals and totals) have been systematically rounded. Therefore, adding the individual amounts may result in rounding differences. The "other provisions" were segregated in the balance sheet into separate components according to the notes.

Consolidation principles

Method and extent of consolidation December 31 represents the uniform closing date for all companies included in the consolidated financial statements. All companies in which Unaxis Holding Inc. has either a direct or indirect interest exceeding 50 percent of the shareholders' voting right, and companies over which industrial control is assured through contractual arrangements are consolidated. Using the full consolidation method, the assets, liabilities, income and expenses of these consolidated subsidiaries are included in their entirety. Minority interests are shown separately in the consolidated financial statements. Group companies acquired or sold are included in or, respectively, eliminated from, the consolidated financial statements as of the month of purchase or sale. All majority and minority interests held are shown in the organization chart at the end of this report.

Capital consolidation The capital consolidation is performed according to the Anglo-Saxon purchase method.

Goodwill At the time of their initial consolidation, the assets and liabilities of consolidated subsidiaries are valued according to uniform Group principles. The difference between the purchase price and the net assets of the acquired company based on such valuation is capitalized as goodwill or badwill in the year of acquisition and amortized

linearly over a maximum of twenty years as a component of net income. Goodwill denominated in foreign currencies is translated using year-end rates.

Conversion of foreign currencies Assets and liabilities of foreign subsidiaries are converted into Swiss francs at the exchange rate prevailing as of the balance sheet date; income and expenses of foreign subsidiaries are converted into Swiss francs using average rates for the year. Differences resulting from the application of different exchange rates are added to or deducted from shareholders' equity without impacting net income.

Exchange gains and losses reported by the individual subsidiaries are included in net income. Exchange gains and losses resulting from specific intercompany financial transactions which are of a long-term investment nature are excluded from this rule and are charged or credited directly to shareholders' equity. At the time foreign subsidiaries are sold, accumulated conversion differences recorded directly in shareholders' equity are included in the income statement as gain or loss on sales of investments.

Elimination of intercompany profits Profits on intercompany sales not yet realized through sales to third parties as of year-end, as well as intercompany results on transfers of fixed assets and investments in subsidiaries, are eliminated in the consolidation.

Valuation principles

Cash and cash equivalents These assets are placed with first-class financial institutions. Time deposits included therein mature in three months or less.

Receivables The allowance for doubtful accounts is determined systematically by individual evaluation of overdue accounts and, with the exception of ESEC, by a lump-sum amount for accounts not yet due (latent risk). These risks are insured with third parties only in rare cases.

Derivative financial instruments Forward contracts and options are utilized systematically and solely for the purpose of reducing business-related foreign currency and interest rate risks. These transactions are concluded with first-rate financial institutions and, as a general rule, have a term to maturity of up to 12 months. These derivative financial instruments are stated at fair values. With the exception of ESEC, hedge accounting is applied in accordance with IAS 39, i.e. the gains or losses arising from the adjustments of the derivatives to fair values are deferred and recorded in shareholders' equity until the underlying hedged transactions are recorded in the balance sheet.

Inventories Inventories of raw materials, purchased components and trade merchandise are carried at cost, determined by either the FIFO or the weighted average cost method. Produced components, work in process and finished goods are carried at the cost of productions. This includes all material and labor costs as well as a reasonable allocation of overhead. Recognizable reductions in value resulting from excess stock, declines in replacement cost or sales price etc. are taken into consideration by appropriate write-downs of inventory values.

Unconsolidated investments in subsidiaries Under the equity method, investments held in associated companies (ranging from 20 to 50 percent of voting rights) are carried in the balance sheet at an amount equal to the Unaxis Group's proportional share of the investee's net equity value. The Group's proportional share in the investee's net income is included in the income statement under other result. Other investments (less than 20 percent of voting rights) are stated at market values, and any increases in market value above cost

are recorded in shareholders' equity without impacting net income until such investments are sold. Investments in non-public companies for which no reliable market value can be determined are carried as historical costs.

Fixed assets Fixed assets are recorded at historical purchase or production costs, less economically necessary depreciation. Depreciation is calculated on the straight-line basis according to detailed asset useful life catalogues. Asset useful lives, as specified for eight asset categories, lie within the following Group ranges:

> Plant and equipment: 3–15 years

> Production and administration buildings used in Group operations: 20–40 years

Fixed assets used under financial leasing agreements are treated the same as fixed assets owned outright. Non-operating properties available for sale are carried at the lower of their residual net book value or estimated net realizable value.

Intangible assets (excluding goodwill) Intangible assets are identifiable non-monetary assets without physical substance from which future economic benefits are expected to flow to the Group. Intangible assets are amortized linearly over their economically useful lives (limited to twenty years maximum), but when such useful lives cannot be clearly determined, over a period not to exceed five years. Software is amortized on a straight-line basis over three years.

Provisions Provisions are established based on consistent economic criteria applied uniformly throughout the Group. They serve to cover recognizable outflows of resources that will probably be necessary to settle obligations arising from past events and that can be reasonably estimated.

Stock option participation plans Unaxis Holding Inc. offers the Board of Directors, corporate management and key employees options to purchase its shares under various profit participation plans. The costs related to such plans are included in net income as a component of personnel expense at the time they are incurred. From time to time, the company purchases treasury shares in order to cover the risk associated with the options granted. Acquisition costs of treasury shares are deducted directly from shareholders' equity.

Post-employment benefit plans Within the Group, various post-employment benefit plans exist, which differ in their purpose and financing according to local needs. Obligations and assets under defined-benefit plans are valued by independent actuaries at least every three years. In these calculations, the projected unit credit method is applied uniformly throughout the Group. Costs and cost reductions that result from the introduction of or changes in benefits provided for by a plan (past service cost) are charged or credited to income linearly over the average remaining period until the amended benefits become vested. The impact of changes in plans relating to retirees is recorded in the income statement at once. Actuarial gains and losses, which result among other reasons from changes in actuarial assumptions, are charged or credited to income linearly over eight years, if such deviations exceed 10 percent of the projected benefit obligation or – if larger – of plan assets. The interest component included in the increase in provisions for unfunded plans with no segregated assets is included in the financial result. The calculation of the interest component is performed on an individual company basis using discount rates determined by third-party appraisals.

Impairment of assets At each balance sheet date, an assessment is made as to whether there are indications that assets may be impaired. If any such indication exists regarding assets of significant value, an impairment test is carried out in order to determine if and to what extent a valuation allowance is necessary to reduce the asset to its value

in use (the present value of estimated future cash flows) or, if higher, to its net selling price. Then, and only then, is an impairment loss recorded and completely charged against income. With the exception of impairment losses recorded on goodwill, as soon as it is recognized that an impairment allowance previously recorded is no longer justified, it is reversed and credited to income.

Income statement

Sales Sales are recorded net of sales taxes, as well as deductions for returns and discounts, at the time the risks and benefits of ownership are substantially transferred to customers. Revenue under long-term construction and service contracts is recognized according to the percentage-of-completion method. The percentage of completion is determined based on the direct project costs, excluding material costs.

Interest on financial debts Interest expenses are charged against income without restriction. Thus, no borrowing costs directly incurred during construction are capitalized.

Research and development Expenditures for research are charged directly against net income as incurred. Development costs that meet the requirements for capitalization set forth in IAS 38 are capitalized.

Taxes Current-year income taxes are accrued based on the current-year income reported locally by the individual Group companies.

Wherever the tax basis differs from Group values, deferred taxes are determined and recorded by applying currently effective local tax rates to the differences (liability method). Deferred tax assets resulting from negative differences are thereby capitalized only to the extent that their realization through corresponding profits is expected.

To the extent that the offset of tax loss carry-forwards against future earnings is deemed probable, these benefits are capitalized or netted against any positive valuation differences on an individual company basis. Taxes payable on anticipated dividends from subsidiaries are not material and are not accrued.

Financial instruments

In order to reduce foreign currency risks, financial debts of Group companies are denominated in their own congruent currencies. The Group centrally coordinates and optimizes the conditions of Group companies' net liquidity/net debt through a cash management program in the relevant CHF and euro areas.

Financial instruments are recorded in the balance sheet as of their transaction date and are stated at their market values. An exception applies to financial assets held to maturity as well as receivables and credits generated by the Group, which are carried at cost. Gains and losses arising from changes in the market values of "available for sale" financial assets are recorded temporarily in shareholders' equity, until such assets are sold or disposed of, at which time the gains or losses are transferred to the income statement.

Segment information

Sales between business segments are carried out at normal market conditions. Costs are allocated on a systematic basis, which considers their origin and purpose.

Related parties

Transactions with related parties Transactions with related parties are conducted on an arm's length basis.

Impact of conversion rates on sales

Note (3)

	Change from prior year		Impact of conversion rates
	Effective	Excluding conversion impact	
Information Technology	-30.1%	-26.1%	-4.0%
Surface Technology	-9.8%	-5.4%	-4.3%
Components and Special Systems	-35.5%	-32.0%	-3.6%
Others	-99.3%	-91.9%	-7.5%
Total	-30.0%	-26.0%	-4.0%

Amortization of goodwill for subsidiaries	2002	2001	Note (4) in CHF million
Information Technology	44	63	
Surface Technology	1	1	
Components and Special Systems	0	0	
Others	0	0	
Total	45	64	

Due to the impairment of goodwill paid for ESEC in 2001, amortization decreased by CHF 19 million to CHF 45 million during the current year. This includes amortization related to ESEC and Unaxis USA (Plasma-Therm) based on a useful life of 15 years, and related to Unaxis Nimbus GB based on a useful life of three years.

Other operating income and expense	2002	2001	Note (5) in CHF million
License, patent and know-how revenue	0	0	
Other operating income	24	35	
Income	24	35	
Taxes not based on income	-5	-7	
Other operating expenses	-17	-33	
Expense	-22	-40	
Total	2	-5	

Included in other operating expenses of CHF 17 million are restructuring costs amounting to CHF 13 million. In total, restructuring costs amount to CHF 21 million, of which CHF 8 million in the Information Technology segment are covered by provisions created in prior years for this purpose. The restructuring costs are related to the business segments as follows:

- Information Technology	15
- Surface Technology	0
- Components and Special Systems	6
- Others	0
Total	21

Expenses included in operating result	2002	2001	Note (6)
			in CHF million
Salaries and wages	508	644	
Social security and other employee benefits	126	131	
Personnel expense	634	775	
Depreciation and amortization of			
– operating property, plant and equipment	103	120	
– intangible assets (excluding goodwill)	6	9	
– goodwill for subsidiaries	45	64	
Depreciation and amortization of operating assets	154	193	

Of the total cost of social security and other employee benefits of CHF 126 million, CHF 20 million (prior year: CHF 18 million) relate to specific post-employment benefit plans of the individual companies. The remainder includes the legally required retirement benefit contributions of Group companies and other social security expenses.

Impairment losses on goodwill	2002	2001	Note (7)
			in CHF million
Total	0	200	

Due to the continued weak demand experienced in the IT markets, impairment tests were carried out regarding the carrying values of goodwill at the end of 2002. Based on the test results, no impairment loss was determined to exist. During the prior year, an impairment loss of CHF 200 million was recorded by the Semiconductors Back End division.

Impact of conversion rates on operating result (EBIT)	Change from prior year		Impact of conversion rates
	Effective	Excluding conversion impact	
Information Technology	180	180	-1
Surface Technology	-4	-3	-1
Components and Special Systems	-57	-57	0
Others	8	8	0
Total	127	129	-2

Financial result	2002	2001	Note (9)
			in CHF million
Interest on financial debt	-4	-9	
Interest on provisions for unfunded post-employment benefit plans	-14	-14	
Interest income	19	22	
Net interest result	0	-1	
Other financial expense	-1	-2	
Other financial income	1	3	
Exchange gains/losses, net (incl. foreign currency derivatives for booked/settled underlying positions)	-11	0	
Other financial result	-11	1	
Total	-11	0	

Result from sale of entire business segment	2002	2001	Note (10)
			in CHF million
Total	0	81	

No business segments were sold during the current year. The result from sales of business segments in the prior year of CHF 81 million relates to the sale of a 90 percent interest in Pilatus Flugzeugwerke AG, Stans/CH.

Other result	2002	2001	Note (11)
			in CHF million
Rental income from non-operating real estate	6	4	
Expense of non-operating real estate	-2	-6	
Depreciation of non-operating real estate	-2	-1	
Result from sale of non-operating real estate	1	10	
Result from non-operating real estate	3	7	
Result from sale of operating real estate	1	-1	
Result from sale of activities and investments	56	207	
Impairment of other investments	-6	0	
Other non-operating expense and income	-7	3	
Other non-operating result	44	209	
Total	47	216	
Result from sales of activities and investments			
Gross sales proceeds:			
Unaxis Materials AG, Liechtenstein/FL (sale of shares)	22		
Unaxis Materials Deutschland GmbH, Hanau/D (sale of shares)	21		
Leybold Materials Inc., Morgan Hill, USA (sale of net assets)	7		
Unaxis USA Inc., Materials division (sale of net assets)	1		
Unaxis Taiwan Ltd., Materials division (sale of net assets)	2		
Total gross sales proceeds	53		
less Group share in equity/Group values of net assets sold	-23		
less selling expenses and provisions for expenses to be incurred (incl. cost for the sale/closure of remaining Materials activity in Asia)	-27		
plus reversal of provisions no longer needed for guarantees related to the sales of Bally, Inficon and Pilatus in the years 1999, 2000 and 2001	53		
Total result from sale	56		

The impairment of other investments of CHF 6 million relates to the 2.34 percent investment in the Arianespace Groupe (see also note 17).

Income taxes	2002	2001	Note (12)
Current income taxes	14	31	in CHF million
Deferred taxes	-6	2	
Total	8	33	

Analysis of tax expense	2002		2001		in CHF million
	Result before taxes	Tax expense	Result before taxes	Tax expense	
Group total	-47	8	86	33	
Expected tax expense based on weighted average tax rate for 2002: 25.5% (2001: 87.2%)*		-12		75	
Difference between actual and expected tax expense		20		-42	
Deferred taxes on current-year losses not capitalized		25		22	
Inclusion of tax loss carry-forwards not capitalized		-8		-22	
Correction of tax loss carry-forwards capitalized		17		1	
Change in potential deferred tax assets not capitalized		-3		44	
Impact of changes in tax rates		16		-12	
Subsequent taxes for prior periods (incl. credits)		-4		6	
Non-recoverable withholding taxes		2		5	
Non-deductible expenses		3		3	
Non-taxable income		-33		-86	
Other items		5		-3	
Total tax expense in excess of/below expected tax expense		20		-42	

* Calculation of weighted average tax rates	2002			2001			in CHF million
	Result before taxes	Average tax rate	Expected tax expense	Result before taxes	Average tax rate	Expected tax expense	
Income on company basis	158	24.1%	38	479	28.4%	136	
Losses on company basis	-202	24.8%	-50	-294	20.7%	-61	
Income, net	-44	27.3%	-12	185	40.8%	75	
Consolidating entries not subject to taxes	-3	0.0%	0	-99	0.0%	0	
Total	-47	25.5%	-12	86	87.2%	75	

The weighted average tax rate now again reflects a normal situation, after being strongly impacted in 2001 by consolidating entries of CHF 99 million (in particular the correction of the result of the sale of Pilatus on a consolidated basis).

Cash and cash equivalents	2002	2001	Note (13)
			in CHF million
Cash, postal and current bank accounts	237	274	
Time deposits	490	576	
Total	726	850	
Change against previous year	-124	297	
due to changes in Group companies	-6	-38	
due to conversion differences	-14	-2	

Some CHF 16 million of total cash and cash equivalents are located in countries in which certain forms or formal requests are required for the transfer of funds abroad. Nevertheless, if the Group complies with these requirements, such liquid funds are available at its disposition within a reasonable period.

Receivables	2002	2001	Note (14)
			in CHF million
Trade accounts receivable	312	366	
Trade notes receivable	15	28	
Other receivables	46	70	
Allowance for doubtful accounts	-29	-42	
Total	345	422	
Change against previous year	-77	-353	
due to changes in Group companies	-12	-58	
due to conversion differences	-23	0	

Inventories	2002			2001			Note (15)
	Gross	Value	Net	Gross	Value	Net	in CHF million
	value	adjustment	value	value	adjustment	value	
Raw materials and components	111	-35	76	145	-47	98	
Work in process	106	-3	104	142	-10	132	
Finished goods	77	-27	50	95	-32	63	
Trade merchandise	33	-11	22	40	-15	26	
Advances for inventories	5	0	5	7	0	7	
Accrued sales under percentage-of-completion method	15	0	15	0	0	0	
Total	348	-76	272	429	-103	326	
Change against previous year			-54			-388	
due to changes in Group companies			-18			-289	
due to conversion differences			-16			-3	

Property, plant and equipment

Note (18)

in CHF million

	Plant and equipment	Production and admin- istration buildings	Developed land	Advances and assets under construction	Non-operat- ing real es- tate desig- nated for sale	Investment properties (IAS 40)	Total
Cost							
Balance at January 1, 2002	900	410	36	48	67	0	1 461
Conversion differences	-46	-14	-2	-1	-1		-64
Changes in Group companies	-23						-23
Additions	54	4		15	1		74
Disposals	-67	11		-2	-3		-62
Transfers	39			-48	6		-2
Balance at December 31, 2002	857	412	34	13	69	0	1 384
Accumulated depreciation and impairment losses							
Balance at January 1, 2002	564	171	0	0	43	0	778
Conversion differences	-28	-4					-32
Changes in Group companies	-16						-16
2002 depreciation	91	12			2		104
Impairment loss							0
Disposals	-56	12			-3		-47
Transfers	2	-3					-1
Balance at December 31, 2002	557	188	0	0	41	0	787
Net Group values	299	224	34	13	27	0	597
Including assets under financial leases	2	25					27
Insured values in the event of fire	726	435			64		1 225

Commitments under outstanding orders for capital expenditures amounted to CHF 5 million at the end of 2002 (prior year: CHF 1 million).

Intangible assets

Note (19)
in CHF million

	Purchased goodwill on parts of operations	Group companies	Purchased software	other intangible assets	Internally generated intangible assets	Total
Cost						
Balance at January 1, 2002	2	808	34	1	0	845
Conversion differences		-35				-36
Changes in Group companies						0
Additions			3			3
Disposals	-1	-116	-3			-119
Transfers				2		2
Balance at December 31, 2002	1	657	34	4	0	696
Accumulated amortization and impairment losses						
Balance at January 1, 2002	1	398	24	0	0	423
Conversion differences		-6				-7
Changes in Group companies						0
2002 amortization		45	5	1		52
Impairment losses						0
Disposals		-116	-2			-118
Transfers		0	-1	2		0
Balance at December 31, 2002	1	321	26	3	0	351
Net Group values	0	336	8	0	0	345

Of the total goodwill reported of CHF 336 million, CHF 329 million relate to the Information Technology segment and CHF 7 million to the Surface Technology segment.

Deferred tax assets	2002	2001	Note (20) in CHF million
Total	80	80	
Change against previous year	0	-2	
due to changes in Group companies	0	-1	
due to conversion differences	-6	0	
Deferred tax benefits not capitalized resulting from tax loss carry-forwards of CHF 575 million (prior year CHF 477 million)	159	124	
Deferred tax benefits not capitalized resulting from potential taxable differences of CHF 25 million (prior year CHF 35 million)	5	9	

Tax loss carry-forwards of CHF 575 million, for which no deferred benefits have been recorded, expire as follows:

CHF	16	million in 1 year
CHF	7	million in 2 years
CHF	4	million in 3 years
CHF	3	million in 4 years
CHF	41	million in 5 years
CHF	505	million beyond 5 years

Assets pledged/otherwise restricted	2002	2001	Note (21)
			in CHF million
Receivables and inventories	0	0	
Fixed assets	30	49	
Total	30	49	

Of the property, plant and equipment of CHF 30 million, 10 percent are pledged as collateral under mortgages outstanding, and 90 percent are restricted by reservation of ownership under financial lease obligations.

Payables	2002	Due			Secured	2001	Note (22)
		within 1 year	1 to 5 years	beyond 5 years			in CHF million
Trade accounts payable	80	80				105	
Trade notes payable	3	3				4	
Other payables	38	38				44	
Total	122	122	0	0	0	153	
Change against previous year	-31					-159	
due to changes in Group companies	-2					-68	
due to conversion differences	-6					0	

Accrued liabilities	2002	Due			Secured	2001	Note (23)
		within 1 year	1 to 5 years	beyond 5 years			in CHF million
Loss from derivatives (IAS 39)	1	1				4	
Other accrued liabilities	138	138				144	
Total	139	139	0	0	0	148	
Change against previous year	-9					-56	
due to changes in Group companies	-2					-26	
due to conversion differences	-5					-1	

Information regarding the results from derivative instruments which qualify as hedges of future cash flows as defined by IAS 39 and which have therefore been recorded directly in equity without impacting net income, is shown in the consolidated statement of changes in shareholders' equity.

Customer advances	2002	Due			Secured	2001	Note (24)
		within 1 year	1 to 5 years	beyond 5 years			in CHF million
Total	87	28	59	0	0	129	
Change against previous year	-42					-136	
due to changes in Group companies	0					-50	
due to conversion differences	-2					-3	

Financial debt/net liquidity	2002	Due			Secured	2001	Note (25) in CHF million
		within 1 year	1 to 5 years	beyond 5 years			
Current bank accounts	11	11				33	
Loans payable	12	6	5	1		28	
Mortgages payable	3		1	1	3	4	
Financial lease obligations*	14	2	5	7	14	17	
Total financial debt	40	20	12	8	17	82	
less cash and cash equivalents	-726					-850	
Net liquidity	686					768	
Change against prior year	-82					594	
due to changes in Group companies	7					-36	
due to conversion differences	-7					-12	
* Future financial lease payments	21	3	7	11		25	
- Thereof financial costs	7	1	2	4		8	

Reflecting their actual economic nature, mortgages not yet canceled are treated as long-term debt. Only 1 percent of total financial debt is denominated in Swiss francs, 5 percent in Japanese yen, 55 percent in euros, 25 percent in Singapore dollars, 6 percent in US dollars, 5 percent in Korean won and 3 percent in British pounds. Of total financial debt, 99 percent is owed to banks, and 78 percent is subject to floating interest rates. As an average taken over all currencies, financial debts resulted in interest charges of 5.0 percent (prior year 3.6 percent).

Current income tax provisions	2002	Due		2001	Note (26) in CHF million
		within 1 year	beyond 1 year		
Total	15	15	0	47	
Change against previous year	-32			-12	
due to changes in Group companies	0			-3	
due to conversion differences	-1			0	

Post-employment benefit provisions	2002	Due		2001	Note (27) in CHF million
		within 1 year	beyond 1 year		
Total	246	1	244	248	
Change against previous year	-2			-22	
due to changes in Group companies	-3			-17	
due to conversion differences	-6			-3	

Post-employment benefit provisions are related to the following plans:

Summary of post-employment benefit plans	2002			2001			in CHF million
	Total	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	
Funded plans	25	13	12	23	13	10	Number of plans
Unfunded plans	8	8	0	10	10	0	
Active participants	5 977	5 436	654	6 260	5 879	381	Number of persons covered
Retirees	1 962	1 962	0	1 850	1 850	0	
Post-employment benefit cost (operating)	20	18	1	18	17	1	in CHF million
Post-employment benefit cost (financial)	13	13	0	14	14	0	
Post-employment benefit cost, total	33	32	1	32	31	1	
Post-employment benefit provisions	246	239	6	248	243	5	
Post-employment benefit assets	37	37	0	43	43	0	
Defined-benefit plans	2002			2001			in CHF million
	Total	Funded	Unfunded	Total	Funded	Unfunded	
Plan assets at market values	455	455		514	514		
Present benefit obligation (PBO)	-688	-462	-226	-701	-478	-223	
Assets in excess of/below PBO	-233	-7	-226	-187	36	-223	
Post-employment benefit provisions	239	9	231	243	8	235	
Post-employment benefit assets	-37	-37	0	-43	-43	0	
Unrecognized gains/losses	-30	-35	5	13	1	12	
of which:							
- actuarial gains/losses	-30	-35	5	13	1	12	
- past service costs	0	0	0	0	0	0	
Of which:							
- unrecognized due to limit to be observed	0	0	0	0	0	0	

Post-employment benefit cost from defined-benefit plans	2002	2001	in CHF million
Current service cost after deduction of employee contributions	20	28	
+ interest cost of post-employment benefit obligations	34	31	
- expected return on plan assets	-23	-28	
+ amortization of past service costs	0	6	
+ amortization of actuarial gains/losses	1	-6	
Total	32	31	
Actual return on plan assets (loss)	-23	n/a	
Assets:			
- Value of fixed assets used by Group companies	0	0	
- Receivables from Group companies	0	0	

Actuarial assumptions	2002	2001	2002	2001	
(weighted average rates)					in percent
Discount rate	4.9%	4.9%	Benefit progression	1.4%	1.3%
Salary progression	2.9%	2.8%	Return on plan assets	5.0%	5.3%

Deferred tax provisions	2002	Due		2001	Note (28)
		within 1 year	beyond 1 year		in CHF million
Total	53	0	53	55	
Change against previous year	-2			-32	
due to changes in Group companies	0			-31	
due to conversion differences	0			-1	

Composition of deferred taxes (including deferred tax assets, see note 20)

	Total taxable differences	Potential deferred tax asset	2002 Deferred tax liability	Total taxable differences	Potential deferred tax asset	2001 Deferred tax liability	
Trade account receivable	-3	3	1				in CHF million
Other receivables and accruals	13	1	3				
Net inventories	37	6	10				
Post-employment benefit asset	37	0	13				
Financial assets	149	0	16				
Property, plant and equipment	73	10	41				
Intangible assets	-63	19	2				
Assets	242	40	87				
Trade account payable	-2	0	0				
Other current and long-term liabilities	-49	16	3				
Financial debt	-14	5	0				
Provisions	-63	25	0				
Liabilities	-128	47	4				
Subtotal	114	88	91	473	44	55	
Netting within each company	0	-20	-20	0	0	0	
	114	68	71	473	44	55	
Thereof potential deferred tax assets not capitalized	25	-5	0	35	-9	0	
Tax loss carry-forwards capitalized	-124	36	0	-123	44	0	
Net total	n/a	80	53	n/a	80	55	
Thereof not income-related deferred taxes (IAS 39)	33	0	4	81	0	4	

Other provisions	2002	Due		2001	Note (29) in CHF million
		within 1 year	beyond 1 year		
Total	269	118	151	392	
Change against previous year	-123			-71	
due to changes in Group companies	-5			-33	
due to conversion differences	-6			-2	

	Provisions charged against EBIT						Provisions not charged against EBIT	Total	in CHF million
	Product warranties	Product liability	Onerous contracts	Long-term employee benefits	Restruc- turing	Others			
Balance at January 1, 2002	39	12	0	6	64	75	196	392	
Conversion differences	-1				-1	-2	-2	-6	
Changes in Group companies						-5		-5	
Amounts used	-11	-5		-1	-45	-22	-18	-102	
Amounts reversed	-9	-3			-8	-25	-54	-99	
Additions	14			3	19	25	28	91	
Transfers				4	5	-9		0	
Balance at December 31, 2002	32	3	0	11	34	38	150	269	
Of which:									
due within 1 year	27			1	21	33	36	118	
due beyond 1 year	5	3		10	13	6	114	151	

Provisions which have not been charged against EBIT serve largely to cover recognizable risks arising from the sale of subsidiaries concluded during recent years.

Maturities of debt	2002	Due		2001	Note (30) in CHF million
		within 1 year	beyond 1 year		
Payables	122	122		153	
Accrued liabilities	139	139		148	
Customer advances	87	28	59	129	
Financial debt	40	20	20	82	
Provision for current income taxes	15	15		47	
Provision for post-employment benefits	246	1	244	248	
Provisions for deferred taxes	53		53	55	
Other provisions	269	118	151	392	
Total	970	441	530	1 254	

Contingent liabilities	2002	2001	Note (31)
			in CHF million
Performance guarantees/guarantees of debt	0	0	
Collateral securities	6	0	
Discounted notes receivable	2	2	
Total	8	2	

Payments under non-cancelable leases	2002	2001	Note (32)
			in CHF million
Due in 1st year	19	12	
Due in 2nd year	15	10	
Due in 3rd year	12	9	
Due in 4th year	10	7	
Due in or beyond 5th year	25	27	
Total	81	65	

Financial instruments	2002			2001			Note (33)
	Contract amounts	Deviation from market value		Contract amounts	Deviation from market value		in CHF million
		positive	negative		positive	negative	
Currency derivatives	269	11	1	232	6	4	
Interest derivatives	169			0			
Other derivatives	0			0			
Total	437	12	1	232	6	4	

Positive and negative deviations from market values of currency derivatives (included in the balance sheet according to IAS 39, see notes 16 and 23) are offset by the corresponding gain or loss on the underlying hedged transactions. The maximum risk of counterparty non-performance is equal to the positive deviation from market value. In view of the reputation of the counterparties, this risk is deemed to be minimal.

Of the reported positive CHF 12 million variance to current market value, CHF 5 million have been booked directly to shareholders' equity with no effect on the income statement, and CHF 7 million have been recorded in the income statement (see also changes in shareholders' equity and Note 9).

Group strategy to reduce risk and the valuation principles applied to the individual positions are described under the accounting principles. Amounts shown in the balance sheet for cash and cash equivalents, receivables and payables, as well as for loans receivable and short-term financial debts, approximate market values. Risks associated with interest rate changes on financial debt can be assessed from the information in note 25.

Unaxis participation plans

Note (34)

The following plans exist, under which each option invests its owner with the right to purchase one share in Unaxis Holding Inc.:

- > Since 1998, the members of the Board of Directors of Unaxis Holding Inc. have received a portion of their fees in the form of share options (expiring in 3 or 4 years).
- > Conceived as a long-term bonus, members of corporate and other management receive a portion of their compensation package in options on the company's shares (expiring in 4 or 7 years). The right to exercise such options is fully vested after 2 or 3 years for those individuals still employed by the Group.
- > Additional members of management receive options – also designed as a long-term bonus – if they draw their short-term cash bonus fully or partly in Unaxis shares at fair market value. The shares are blocked for a period of 3 years. For each share acquired an option is delivered free of charge. The options on the company's shares expire after 7 years with the right to exercise such options fully vested after 2 or 3 years.

Under these stock plans, the following options outstanding at December 31, 2002 were issued:

	Issued	Number	Expiration date	Locked in until	Strike price in CHF
Board members	2000	13 264	5/5/2003	5/5/2003	650
	2001	9 118	5/30/2005	5/28/2004	400
	2002	11 246	5/12/2006	5/12/2004	225
Corporate and other management members	2000	6 113	5/5/2003	5/5/2003	650
	2000	17 965	5/4/2004	5/5/2003	650
	2001	5 538	5/30/2005	5/28/2004	400
	2001	6 742	5/28/2008	5/28/2003	315
	2001	6 753	5/28/2008	5/28/2004	315
	2002	7 226	5/12/2006	5/12/2004	225
	2002	14 551	5/13/2009	5/13/2004	189.5
2002	14 571	5/13/2009	5/13/2005	189.5	

Those options issued to Board members in 1999 with a strike price of CHF 350 expired worthless in May 2002.

The option rights are covered exclusively by the purchase of shares on the open market (see also note 15 to the financial statements of Unaxis Holding Inc.). Social security expenses associated with the issue of such options are included in personnel expense.

In addition, a stock purchase plan exists for employees. Under this plan, the employees were able to purchase shares in Unaxis Holding Inc. in May 2002 at preferred prices (25 percent below market values). The discounts granted to employees have been included in personnel expense. The shares are locked in for a period of two years.

Related parties

Note (35)

There were no significant transactions with related parties during 2002. Details of compensation received by the Board of Directors and the Executive Board: see pages 60 and 61. Participation plans: see note 34.

Events after the balance sheet date

Note (36)

No events occurred subsequent to the balance sheet date that would have a significant impact on these financial statements.

> SEGMENT INFORMATION 2001–2002

	Information Technology		Surface Technology		Components and Special Systems	
	2002	2001	2002	2001	2002	2001
Orders received	750	637	305	323	439	582
Orders on hand	213	206		1	197	232
Sales						
Sales to third parties	713	1 021	306	339	471	730
Sales to Group companies	6	16			7	16
	719	1 037	306	339	477	746
Sales to third parties by region						
Japan and Asia/Pacific	372	485	29	37	60	134
Europe	184	265	204	216	294	396
America	148	261	73	80	115	187
Other areas	8	10		6	2	13
	713	1 021	306	339	471	730
Sales to third parties by location						
Japan and Asia/Pacific	134	247	25	29	55	69
Europe	434	462	204	227	338	548
North America	146	312	63	75	78	113
Other areas			14	8		
	713	1 021	306	339	471	730
Capital expenditures in property, plant and equipment						
Japan and Asia/Pacific	6	5	1	16	1	
Europe	19	51	17	29	11	16
North America	3	11	5	6		1
Other areas			1	2		
	28	67	23	53	12	17
Number of employees						
Japan and Asia/Pacific	334	433	190	232	147	162
Europe	1 976	2 310	1 211	1 148	1 502	1 591
North America	297	475	276	330	116	176
Other areas			161	72		
	2 607	3 218	1 837	1 782	1 765	1 929
Assets	876	1 063	260	296	245	294
Liabilities	160	254	63	69	190	219
Net assets*	716	809	197	227	55	75
Shareholders' equity incl. minority interests						
Research and development	116	142	11	14	30	50
EBITDA	-59	-5	82	85	32	92
Depreciation and amortization	-84	-118	-41	-40	-13	-16
Impairment losses on goodwill		-200				
Operating result (EBIT)	-143	-323	42	45	19	76
Result before taxes						
Income taxes						
Net income incl. minority interests						
Funds from/used by:						
Operations						
Investing activities						
Financing activities						

2002	Others		Elimination		Total		
	2001	2002	2001	2002	2001	2002	
	30				1 494	1 572	Orders received
					409	439	Orders on hand
	37				1 490	2 127	Sales
		-13	-24				Sales to third parties
	37	-13	-24		1 490	2 127	Sales to Group companies
							Sales to third parties by region
	1				461	657	Japan and Asia/Pacific
	3				682	880	Europe
	33				336	561	America
					10	29	Other areas
	37				1 490	2 127	
							Sales to third parties by location
					214	345	Japan and Asia/Pacific
	1				975	1 238	Europe
	36				287	536	North America
					14	8	Other areas
	37				1 490	2 127	
							Capital expenditures for property, plant and equipment
					8	21	Japan and Asia/Pacific
10	46				57	142	Europe
	3				8	21	North America
					1	2	Other areas
10	49				74	186	
							Number of employees
					671	827	Japan and Asia/Pacific
331	309				5 020	5 358	Europe
3	3				692	984	North America
					161	72	Other areas
334	312				6 544	7 241	
161	169	-6			1 536	1 822	Assets
53	78	-6			461	620	Liabilities
108	91	0			1 075	1 202	Net assets*
					1 555	1 762	Shareholders' equity incl. minority interests
	2				157	208	Research and development
16	7				71	182	EBITDA
-16	-16				-154	-193	Depreciation and amortization
						-200	Impairment losses on goodwill
0	-9				-83	-211	Operating result (EBIT)
					-47	86	Result before taxes
					-8	-33	Income taxes
					-54	53	Net income incl. minority interests
							Funds from/used by:
					-41	264	Operations
					-17	328	Investing activities
					-53	-293	Financing activities

in CHF million

* Net assets include all operating current and non-current assets (excluding cash and cash equivalents and financial assets), less operating liabilities (excluding financial debts, provisions for post-employment benefits and for taxes and other provisions not charged against operating result).

> REPORT OF THE GROUP AUDITORS

To the Annual Shareholders' Meeting of Unaxis Holding Inc.,
Pfäffikon/SZ:

As auditors of the Group, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in financial position, statement of changes in shareholders' equity and notes, see pages 74 to 97) of Unaxis Holding Inc. for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the result of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the financial statements submitted to you be approved.

Zurich, March 10, 2003

Ernst & Young AG

Martin Stäubli
Swiss Certified Public Accountant
(Auditor in charge)

Hans-Peter Rudolf
Certified Public Accountant
(Auditor in charge)

> COUNTRY COMPANIES

Country	Activity	Name, registered office	Share capital in local currency*	Group owns %	Number of employees	President
Austria	■▲	Balzers GmbH, Kapfenberg	EUR 350	100	24	Zechner, Johann
Belgium	■▲	SA Balzers N.V., St.-Truiden	EUR 620	100	45	Boghe, Willy
	▲	Leybold N.V., Nossegem-Zaventem	EUR 74	99.5	0	Nuytten, Claude
Brazil	■▲	Balzers Balinit do Brasil Ltda., Jundiaí SP	BRL 2 842	93	60	Campos, Walter
China	▲	Unaxis China Ltd., Hong Kong	HKD 1 800	99.5	7	Loh, Benjamin
	■▲	Unaxis (Shanghai) Co. Ltd., Shanghai	CNY 78 628	100	97	Loh, Benjamin
	▲	ESEC Semiconductor (Shanghai) Co. Ltd., Shanghai	USD 200	56.8	18	Giarré, Lorenzo
	▲	ESEC (Hong Kong) Ltd., Hong Kong	HKD 10	56.8	4	Giarré, Lorenzo
	■▲	Leybold Vacuum Equipment Manufacturing Co. Ltd., Tianjin, Beichen District	CNY 17 022	99.5	36	Ng, Damian
	▲	Leybold Vacuum Int. Trade Co., Ltd., Tianjin, Beichen District	CNY 1 656	99.5	30	Ng, Damian
France	●	Unaxis France Holding SA, St-Thibault	EUR 4 000	100	0	Vogt, Andreas
	▲◆	Unaxis France SA, Palaiseau	EUR 762	100	41	Vogt, Andreas
	■▲◆	Unaxis Nextral SA, Montbonot-St-Ismier	EUR 762	100	37	Turlot, Emmanuel
	■▲	Balzers Revêtements sous vide France SA, St-Thibault	EUR 7 108	100	239	Collignon, Pierre
	■▲◆	Leybold Vacuum France SA, Courtabœuf Cedex	EUR 3 095	99.5	183	Hetzel, Roland
Germany	▲	Unaxis Deutschland Vertriebs GmbH, Munich	EUR 26	99.5	35	Babacan, Thomas
	■▲◆	Unaxis Optics Deutschland GmbH, Geisenheim	EUR 5 150	99.5	70	Enders, Peter
	●	Unaxis Deutschland GmbH, Alzenau	EUR 1 050	99.5	1	Babacan, Thomas
	▲	ESEC (Germany) GmbH, Nuremberg	EUR 100	56.8	0	Casata, Thomas
	■▲	Balzers Verschleißschutz GmbH, Bingen	EUR 511	99.5	388	Brändle, Hans
	●	Unaxis Deutschland Holding GmbH, Munich	EUR 30 682	99.5	5	Babacan, Thomas
	■▲	Leybold Vacuum Dresden GmbH, Dresden	EUR 100	99.5	49	Grossmann, Frank
	■▲◆	Leybold Vacuum GmbH, Cologne	EUR 1 200	99.5	861	Mattern-Klosson, Monika
	●	Balzers und Leybold Vermietungs GmbH & Co. KG, Hanau	EUR 50	99.5	7	von Buttlar, Armin
	●	Balzers und Leybold Vermietungs- und Verwaltungs GmbH, Hanau	EUR 20	99.5	0	von Buttlar, Armin
●	Perfect IT GmbH, Alzenau	EUR 25	99.5	53	von Buttlar, Armin	
Great Britain	■▲	Balzers Ltd., Milton Keynes	GBP 2 000	100	64	Stokley, Peter J.
	■▲◆●	Unaxis Nimbus Ltd., Monmouth	GBP 1	100	122	Hegarty, Christopher
	▲	Unaxis UK (Branch), Milton Keynes	GBP 0	100	4	Babacan, Thomas
	▲	Leybold Vacuum UK Ltd., London	GBP 300	99.5	31	Ball, Chris
India	■▲	Balzers India Ltd., Bosahri/Pune	INR 48 118	100	72	Keskar, Ramesh V.
Italy	▲	Unaxis Italia (Branch), Arluno/Milan	EUR 0	100	7	Babacan, Thomas
	■▲	Balzers S.p.A., Brugherio	EUR 130	100	67	Gullo, Giancarlo
Japan	▲	Leybold Vacuum Italia S.p.A., Milan	EUR 1 041	99.5	16	Hauck, Günter
	■▲	Nihon Balzers K.K., Hiratsuka	JPY 100	100	68	Schmalz, Andreas
	▲◆	Unaxis Japan Co. Ltd., Tokyo	JPY 450	100	75	Sawada, Susumu
	▲	ESEC K.K., Yokohama	JPY 50	56.8	7	Pajasmaa, Vesa
Liechtenstein	▲	Leybold Vacuum Japan Co. Ltd., Yokohama-shi	JPY 450	99.5	37	Schaedlich, Christian
	■▲◆●	Unaxis Balzers Aktiengesellschaft, Balzers	CHF 75 000	100	928	Vogt, Andreas
	●	Balzers AG, Balzers	CHF 100	100	244	Schulz, Hans
Luxembourg	■▲	Balzers Luxembourg Sarl, Differdange	EUR 1 000	60	7	Boghe, Willy
Mexico	■▲	Balzers SA de C.V., Queretaro	MXP 37 970	100	29	Cheyne, Loic
The Netherlands	▲	Unaxis Nederland B.V., Utrecht	EUR 37	100	17	Babacan, Thomas
	▲	Leybold Vacuum Nederland B.V., Utrecht	EUR 1 361	99.5	11	Hetzel, Roland
Philippines	▲	ESEC (Philippines) Inc., Manila	PHP 5 250	56.8	16	Thenu, Marcel
Poland	■▲	Balzers S.p.z.o.o., Polkowice Dolne	PLZ 5 000	100	4	Danis, Marek

* JPY and KRW in million, all other currencies in thousand.

Country	Activity	Name, registered office	Share capital in local currency*	Group owns %	Number of employees	President
Singapore	■▲	Unaxis IT Singapore Pte. Ltd., Singapore	SGD 250	100	13	Han, Chih Heng
	■▲	Unaxis Singapore Pte. Ltd., Singapore	SGD 11 500	99.5	27	Liu Kong Wah, Thomas
	■▲	Balzers Coating Pte. Ltd., Singapore	SGD 6 000	100	35	Heng, Siyau Teck
	▲	Leybold Vacuum Singapore Pte. Ltd., Singapore	SGD 300	99.5	7	Chan, Dave
	●	ESEC Industries (Singapore) Pte. Ltd., Singapore	SGD 100	56.8	0	Wismer, Marcel
	■	ESEC (Asia Pacific) Pte. Ltd., Singapore	SGD 15 000	56.8	76	Wismer, Marcel
South Korea	■▲	Balzers Korea Coating Co. Ltd., Kyungsan	KRW 2 000	89.9	87	Gim, Jong-Seong
	▲◆	Unaxis Korea Ltd., Sungnam, Kyungki-Do	KRW 1 050	100	23	Cheon, In-Chul
	▲	ESEC Korea Ltd., Seoul	KRW 1 250	56.8	16	Kim, Chang-Soon
	▲	Leybold Vacuum Korea Ltd., Seoul	KRW 7 080	99.5	15	Schaedlich, Christian
Spain	■▲	Balzers-ELAY SA, Antzuola	EUR 150	51	51	Biana, Alberto
	▲	Leybold Vacuum Spain SA, Sant Feliu de Llobregat	EUR 168	99.5	12	Hetzel, Roland
Sweden	▲	Unaxis Scandinavia (Branch), Västra Frölunda	EUR 0	100	1	Babacan, Thomas
	■▲	Balzers Sandvik Coating AB, Stockholm	SEK 11 600	51	55	Hansson, Göran
Switzerland	▲	Leybold Vacuum Scandinavia AB, Västra Frölunda	SEK 800	99.5	10	Ball, Chris
	■▲	Balzers Revêtements SA, Brügg bei Biel	CHF 2 000	100	23	Dosch, Vincens
	◆	Unaxis SPTec SA, Neuchâtel	CHF 100	100	5	Koller, Albert
	■▲◆	Mecanovis AG, Trübbach	CHF 3 000	100	237	Weilenmann, Thomas
	●	ESEC Holding SA, Steinhausen	CHF 20 480	56.8	0	Wunderl, Hans
	●	ESEC Management SA, Cham	CHF 250	56.8	28	Wunderl, Hans
	■◆	ESEC SA, Cham	CHF 2 400	56.8	437	Wunderl, Hans
	●	ESEC Trading SA, Cham	CHF 250	56.8	15	Wunderl, Hans
	◆	ESEC (Europe) SA, Steinhausen	CHF 50	56.8	26	Meier, Felix
	▲	Leybold Vacuum Schweiz AG, Zurich	CHF 300	99.5	10	Hauck, Günter
	●	Unaxis Holding AG, Pfäffikon SZ	CHF 263 402	100	0	Kundert, Heinz
	●	Unaxis Management AG, Pfäffikon SZ	CHF 2 000	100	47	Baumgartner, Beat
	●	Spinnerei Kunz AG, Windisch	CHF 10 000	100	0	Bürgin, Urs
	■▲◆●	Contraves Space AG, Zurich	CHF 15 000	100	321	Somaini, Umberto
	●	Unaxis Trading AG, Trübbach	CHF 8 000	100	0	Haefeli, Erich
Taiwan	▲	Unaxis Taiwan Ltd., Hsin Chu	TWD 20 000	100	92	Chen, Hong-Ji
	▲	ESEC Pacific North (Taiwan) Ltd.	TWD 5 000	56.8	21	Chiang, Aaron
	▲	Leybold Vacuum Taiwan Ltd., Hsin Chu	TWD 20 000	100	22	Schaedlich, Christian
USA	●	Unaxis USA Holding Inc., Pittsburgh, PA	USD 24 280	99.8	3	Druggs, Merrill
	■▲◆	Unaxis USA Inc., St. Petersburg, FL	USD 14 730	99.8	223	Pasco, Wayne
	■▲	Unaxis Optics USA Inc., Golden, CO	USD 1	99.8	74	Cusick, Mike
	▲	ESEC (USA) Inc., Tempe/Phoenix, AZ	USD 7 000	56.8	24	Connell, Kent
	●	Leybold Materials Inc., Morgan Hill, CA	USD 3 500	99.8	3	Gore, Mark
	●	Surface Coating Industries Inc., Wilmington, DE	CAD 2 021	99.8	0	Schulz, Hans
	■▲	Balzers Inc., Amherst, NY	USD 20	99.8	276	Kunz, Christian
	■▲◆	Leybold Vacuum Products Inc., Export, PA	USD 1 375	99.8	116	Hauck, Günter
	●	Zevatech Inc., Apex, NC	USD 11	56.8	0	Connell, Kent
	●	AMTI Advanced Manufacturing Technologies, Inc., Apex, NC	USD 11 035	56.8	0	Connell, Kent
●	Contraves Inc., East Pittsburgh, PA	USD 500	99.8	0	Druggs, Merrill	

- Production
- ▲ Distribution
- ◆ Research, development
- Services, Holding

HOLDING

> INCOME STATEMENT

	Note	2002	2001
Income from investments in subsidiaries	2	38 313 120	291 654 094
Financial income	3	31 847 696	44 753 183
Other income		2 640 040	6 252 524
		72 800 856	342 659 801
Financial expense	4	-33 841 934	-23 971 044
Other expense		-22 855 647	-25 781 474
Ordinary income		16 103 275	292 907 283
Gain on sales of subsidiaries	5	72 129 162	194 432 418
Value adjustments on loans to and investments in subsidiaries	6	-108 537 255	-361 836 578
Net income		-20 304 818	125 503 123

in CHF

> BALANCE SHEET AT DECEMBER 31

Current assets	Note	2002	%	2001	%	Assets
in CHF						
Cash and cash equivalents	7	532 503 901	36.5	590 872 877	36.8	
Marketable securities	8	19 735 800	1.4	32 370 360	2.0	
Accounts receivable						
– from third parties		1 519 747	0.1	2 181 146	0.1	
– from affiliated companies		11 251 073	0.8	12 244 055	0.8	
Prepaid expenses		4 513 000	0.3	6 535 000	0.4	
		569 523 520	39.0	644 203 438	40.1	
Non-current assets						
Investments in subsidiaries	9	476 562 003	32.6	565 212 003	35.2	
Loans to affiliated companies	10	381 771 865	26.1	353 584 628	22.0	
Loans to third parties	11	32 248 810	2.2	42 248 810	2.6	
		890 582 678	61.0	961 045 441	59.9	
		1 460 106 198	100.0	1 605 248 879	100.0	
Liabilities						
Liabilities and shareholders' equity						
in CHF						
Current payables						
– to third parties		3 385	0.0	266 028	0.0	
Accrued liabilities		1 271 000	0.1	715 000	0.0	
Short-term deposits from affiliated companies	12	402 066 735	27.5	409 621 441	25.5	
Provisions	13	242 640 134	16.6	334 238 264	20.8	
		645 981 253	44.2	744 840 733	46.4	
Shareholders' equity						
Share capital	14	263 401 840	18.0	263 401 840	16.4	
Legal reserve		130 869 587	9.0	132 400 089	8.2	
Free reserve		360 000 000	24.7	260 000 000	16.2	
Reserve for treasury shares	15	46 650 413	3.2	45 119 911	2.8	
Retained earnings						
– Balance carried forward		33 507 923	2.3	33 983 183	2.1	
– Net income / (loss)		-20 304 818	-1.4	125 503 123	7.8	
	16	814 124 945	55.8	860 408 146	53.6	
		1 460 106 198	100.0	1 605 248 879	100.0	
Contingent liabilities	17	113 386 000		98 954 000		

> NOTES TO THE FINANCIAL STATEMENTS

General

(1) Reporting basis The Unaxis Holding Inc. financial statements are prepared in compliance with Swiss Corporate Law. They are a supplement to the consolidated financial statements (pages 74 to 77) prepared according to International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the Unaxis Holding Inc. financial statements (pages 104 to 105) relates to the ultimate parent company alone. The retained earnings reported in these financial statements provide the basis for the decision regarding the distribution of earnings to be made during the annual general meeting of shareholders.

Income statement

(2) Income from investments in subsidiaries The primary source of this investment income was Unaxis Trading AG. In addition, investment income also resulted from the partial release of provisions related to dividend income of 1999. Provisions in the original amount of CHF 102 million were created at that time, because the dividends received from Contraves Space AG were based partially on write-ups of book values. During the current year, CHF 22 million of those write-ups were realized (see also note 13).

(3) Financial income The decline was primarily the result of lower interest income on loans to subsidiaries. During the prior year, this item also included a net exchange gain of CHF 7.1 million.

(4) Financial expense Financial expense increased in particular due to net exchange losses of CHF 7.3 million. In addition, this position includes write-downs of treasury shares to their market value at year-end, which were CHF 2.8 million higher than in the prior year.

(5) Gain on sales of subsidiaries

A gain of CHF 19.5 million was recognized on the sale of Unaxis Materials AG, Balzers. This gain is stated after deducting provisions for guarantees and other risks. Also included in this item are reversals of provisions for guarantees related to the sale of investments. These provisions were no longer necessary following the expiration of the guarantees.

(6) Value adjustments on loans to and investments in subsidiaries

The expense reported includes the

value adjustment of ESEC shares and write-downs of loans to subsidiaries, net of the recovery of a loan granted to Unaxis Hong Kong that had previously been written down.

Balance sheet

(7) Cash and cash equivalents This item is comprised of current balances denominated primarily in CHF and EUR with European banks.

(8) Marketable securities Marketable securities represent 213 360 (prior year: 180 840) treasury shares, which were purchased on the stock market and stated at market value as of December 31 (see also note 15). Due to the rights purchased by participants in the stock option plan, the use of 113 087 shares was restricted as of year-end.

(9) Investments in subsidiaries As of the balance sheet date, the following significant subsidiaries were included in Unaxis Holding Inc.'s investment portfolio:

Company	Currency	Share investment	Capital in %
Balzers and Leybold Taiwan Ltd., Hsin Chu	TWD	20 000 000	100.0
Balzers Balinit do Brasil Ltda., Jundiaí, SP	BRL	2 900 000	93.0
Balzers Coating Pte. Ltd., Singapore	SGD	6 000 000	100.0
Balzers GmbH, Kapfenberg	EUR	350 000	100.0
Balzers India Ltd., Pune	INR	48 118 000	100.0
Balzers Korea Coating Co. Ltd., Kyungsan	KRW	2 000 000 000	87.4
Balzers Ltd., Milton Keynes	GBP	2 000 000	100.0
Balzers Luxembourg Sarl, Differdange	EUR	1 000 000	60.0
Balzers Revêtements SA, Brügg	CHF	2 000 000	100.0
Balzers SA de C.V., Querétaro	MXP	37 970 000	100.0
Balzers S.p.A., Brugherio	EUR	130 000	100.0
Balzers S.p.z.o.o., Polkowice	PLZ	5 000 000	100.0
Balzers Sandvik Coating AB, Stockholm	SEK	11 600 000	51.0
Balzers-ELAY SA, Antzuola	EUR	150 000	51.0
Contraves Space AG, Zurich	CHF	15 000 000	100.0
ESEC Holding SA, Steinhausen	CHF	20 479 450	56.8
Inficon Holding AG, Bad Ragaz	CHF	23 150 000	19.5
Mecanovis AG, Trübbach	CHF	3 000 000	100.0
Nihon Balzers K.K., Hiratsuka	JPY	100 000 000	100.0
Pilatus Flugzeugwerke AG, Stans	CHF	10 000 000	10.0
SA Balzers N.V., St.-Truiden	EUR	620 000	100.0
Spinnerei Kunz AG, Windisch	CHF	10 000 000	100.0
Unaxis (Shanghai) Co. Ltd., Shanghai	CNY	78 628 000	100.0
Unaxis Balzers AG, Balzers	CHF	75 000 000	100.0
Unaxis Deutschland Holding GmbH, Munich	EUR	30 680 000	99.5
Unaxis France Holding SA, St-Thibault	EUR	4 000 000	100.0
Unaxis IT Singapore Pte. Ltd., Singapore	SGD	250 000	100.0
Unaxis Japan Co. Ltd., Tokyo	JPY	450 000 000	100.0
Unaxis Korea Ltd., Sungnam, Kyungki-Do	KRW	1 050 000 000	100.0
Unaxis Management AG, Pfäffikon SZ	CHF	2 000 000	100.0
Unaxis Nimbus Ltd., Monmouth	GBP	600	100.0
Unaxis Taiwan Ltd., Hsin Chu	TWD	20 000 000	100.0
Unaxis SPTech SA, Neuchâtel	CHF	100 000	100.0
Unaxis Trading AG, Trübbach	CHF	8 000 000	100.0
Unaxis USA Holding Inc., Pittsburgh	USD	24 280 000	61.8

A summary of all companies in which Unaxis Holding Inc. holds a direct or indirect interest can be found at the end of this report. Investments are valued at historical cost less value allowances. The decrease compared with the prior year is attributable for the most part to the write-down of the investment in ESEC.

(10) Loans to affiliated companies This item consists of current accounts and of current and non-current loans granted at prevailing market conditions. The overwhelming portion is denominated in USD and EUR, and the remainder in CHF and in various other foreign currencies. The change compared with the prior year represents the net effect of new loans granted, repayments and valuation adjustments.

(11) Loans to third parties This primarily concerns remaining purchase price obligations to third parties.

(12) Short-term deposits from affiliated companies Included here are short-term deposits made with Unaxis Holding Inc. by affiliated companies for cash management purposes.

(13) Provisions Of provisions made during prior years, CHF 74.6 million were reversed as the related risks ceased to exist (see also notes 2 and 5), and CHF 20 million were used to cover the corresponding costs and write-downs. This reduction was partially offset by new provisions made in the amount of CHF 3 million.

(14) Share capital The share capital of CHF 263 401 840 is comprised of 13 170 092 registered shares having a nominal value of CHF 20 each. There has been no change compared with the prior year.

At year-end, a conditional share capital of CHF 47.2 million and an approved capital of CHF 40.0 million were available to the Company (approved during the annual shareholders of May 7, 2002).

At the end of 2002, the names of 17 707 registered shareholders in total were entered in the stock register. Ihag-Holding AG and Mrs. Hortense Anda-Bührle held 28.7 percent of shares outstanding. No other shareholders are known to the Company who held over 5 percent of share capital.

(15) Reserve for treasury shares This reserve represents the historical cost to the Company of 213 360 treasury shares. The members of the Board of Directors of Unaxis Holding Inc. receive a significant portion of their fees in the form of stock options. An additional stock option plan exists for members of corporate management, as well as a stock purchase plan for employees.

In order to insure the Company's ability to meet possible obligations arising from these stock option plans, an additional 44 250 shares were acquired on the stock market during 2002, and 11 730 shares were issued to employees at a preferred price (see also note 8).

(16) Changes in shareholders' equity

(17) Contingent liabilities Contingent liabilities relate primarily to guarantees of bank debt and other guarantees for the benefit of affiliated companies.

(18) Related parties There were no relevant transactions with related parties during the year 2002 to be mentioned.

	Share capital	Legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
Balance at January 1, 2000	263.4	159.0	18.5		258.0	698.9
Allocation to free reserve				227.2	-227.2	0.0
Purchase of treasury shares		-16.2	16.2			0.0
Net income 2000					62.0	62.0
Balance at December 31, 2000	263.4	142.8	34.7	227.2	92.8	760.9
Allocation to free reserve				32.8	-32.8	0.0
Payment of dividends related to the year 2000					-26.0	-26.0
Purchase of treasury shares		-10.4	10.4			0.0
Net income 2001					125.5	125.5
Balance at December 31, 2001	263.4	132.4	45.1	260.0	159.5	860.4
Allocation to free reserve				100.0	-100.0	0.0
Payment of dividends related to the year 2001					-26.0	-26.0
Purchase of treasury shares		-1.5	1.5			0.0
Net loss 2002					-20.3	-20.3
Balance at December 31, 2002	263.4	130.9	46.6	360.0	13.2	814.1

in CHF million

> PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors recommends at the annual general meeting of shareholders on May 20, 2003, that the available earnings per December 31, 2002 are to be allocated as follows:

	2002	2001	
Net income/(loss)	-20 304 818	125 503 123	in CHF
Balance carried forward from the prior year	33 507 922	33 983 183	
Available earnings	13 203 104	159 486 306	
Transfer from free reserve	15 000 000	0	
Distribution of a gross dividend of CHF 2 to 12956732 registered shares entitled thereto	25 913 464	25 978 384	
Allocation to free reserve	0	100 000 000	
Balance to be carried forward	2 289 640	33 507 922	

Pfäffikon SZ, March 7, 2003

For the Board of Directors:

The Chairman

Dr. Willy Kissling

If the proposal of the Board of Directors is approved by the shareholders during their annual general meeting, the net dividend payment of CHF 1.30 per registered share will take place beginning May 23, 2003.

> REPORT OF THE STATUTORY AUDITORS

To the annual general meeting of shareholders of Unaxis Holding Inc.,
Pfäffikon

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, pages 104 to 107) of Unaxis Holding Inc. for the year ended December 31, 2002.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Zurich, March 10, 2003

Ernst & Young AG

Martin Stäubli
Swiss Certified Public Accountant
(Auditor in charge)

Hans-Peter Rudolf
Certified Public Accountant
(Auditor in charge)

> LEGAL STRUCTURE AS OF DECEMBER 31 2002

Information Technology, Surface Technology, Components and Special Systems

- Unaxis Management AG, Pfäffikon SZ/CH
- Unaxis Balzers Aktiengesellschaft, Balzers/FL
 - Balzers AG, Balzers/FL
- Unaxis SPTec SA, Neuchâtel
- Unaxis Trading AG, Trübbach/CH
- Mecanovis AG, Trübbach/CH
- Unaxis France Holding SA, St-Thibault/FR
 - Unaxis France SA, Palaiseau/FR
 - Balzers Revêtements sous vide France SA, St-Thibault/FR
 - Unaxis-Nextral SA, Montbonnot St-Ismier/FR
- Unaxis Nimbus Ltd., Monmouth/GB
- Unaxis IT Singapore Pte., Ltd., Singapore/SG
- Unaxis Singapore Pte., Ltd., Singapore/SG
- Unaxis (Shanghai) Co. Ltd., Shanghai/CN
- Unaxis Japan Co. Ltd., Tokyo/JP
- Unaxis Korea Ltd., Sungnam, Kyungki-Do/KR
- Unaxis Taiwan Ltd., Hsin Chu/TW
- Balzers Ltd., Milton Keynes/GB
- Balzers Sandvik Coating AB, Stockholm/SE
- Balzers S.p.A., Brugherio/IT
- Balzers GmbH, Kapfenberg/AT
- Balzers-ELAY SA, Antzuola/ES
- Balzers S.p.z.o.o., Polkowice Dolne/PL
- Balzers Luxembourg Sarl, Differdange/LU
- Balzers Balinit do Brasil Ltda. Jundiaí/SP
- Balzers SA de C.V., Querétaro/MX
- Nihon Balzers K.K., Hiratsuka/JP
- Balzers India Ltd., Bosahri/Pune/IN
- Balzers Korea Coating Co. Ltd., Kyungsan/KR
- Balzers Coating Pte. Ltd., Singapore/SG
- Balzers Revêtements SA, Brügg bei Biel/CH
- SA Balzers N.V., St.-Truiden/BE
 - Unaxis Nederland B.V., Utrecht/NL
 - Unaxis Italia Branch, Arluno/Milan/IT (1)
 - Unaxis Scandinavia Branch, Västra Frölunda/SE (1)
 - Unaxis UK Branch, Milton Keynes/GB (1)
- Leybold Vacuum Taiwan Ltd., Hsin Chu/TW
- Unaxis Deutschland Holding GmbH, Munich/DE
- Leybold Vacuum Korea Ltd., Seoul/KR
- Leybold Vacuum Equipment Manufacturing Co. Ltd., Tianjin, Beichen District/CN
- Leybold Vacuum Singapore Pte. Ltd., Singapore/SG
- Leybold Vacuum Dresden GmbH, Dresden/DE
- Leybold Vacuum GmbH, Cologne/DE
 - Leybold Vacuum Int. Trade Co. Ltd., Tianjin, Beichen District/CN
 - Leybold Vacuum UK Ltd., London/GB
 - Leybold Vacuum Schweiz AG, Zurich/CH
 - Leybold Vacuum Japan Co. Ltd., Yokohama-shi/JP
 - Leybold Vacuum France SA, Courtabœuf Cedex/FR
- Leybold Vacuum Italia S.p.A., Milan/IT
- Leybold Vacuum Nederland B.V., Utrecht/NL
- Leybold Vacuum Spain S.A., Sant Feliu de Llobregat/ES
- Leybold N.V., Nossegem-Zaventem/BE
- Leybold Vacuum Scandinavia AB, Västra Frölunda/SE
- Balzers und Leybold Vermietungs GmbH & Co. KG, Hanau/DE
 - Balzers und Leybold Vermietungs- und Verwaltungs GmbH, Hanau/DE
- Perfect IT GmbH, Alzenau/DE
- Unaxis China Ltd., Hong Kong/CN
- Unaxis Deutschland Vertriebs GmbH, Munich/DE
- Unaxis Optics Deutschland GmbH, Geisenheim/DE
- Unaxis Deutschland GmbH, Alzenau/DE
- Balzers Verschleisschutz GmbH, Bingen/DE
- Ebulus Vermietungs GmbH, Düsseldorf/DE
- Unaxis USA Holding Inc., Pittsburgh/NY/US
 - Unaxis USA Inc., St. Petersburg, FL/US
 - Unaxis Optics USA Inc., Golden, CO/US
 - Balzers Inc., Amherst, NY/US
 - Surface Coating Industries Inc., Wilmington/DE/US
 - Leybold Vacuum Products Inc., Export/PA/US
 - Leybold Materials Inc., Morgan Hill/CA/US
 - Contraves Inc., East Pittsburgh/PA/US
 - Contraves Space AG, Zurich/CH
 - Spinnerei Kunz AG, Windisch/CH

Information Technology, Surface Technology, Components and Special Systems (ESEC)

Votes held

■ ESEC Holding SA, Steinhausen/CH ⁽²⁾	■ ESEC (Europe) SA, Steinhausen/CH	■ over 50%
■ ESEC Management SA, Cham/CH	■ ESEC (Germany) GmbH, Nuremberg/DE	□ between 20%
■ ESEC SA, Cham/CH	■ ESEC Industries (Singapore) Pte. Ltd., Singapore/SG	and 50%
■ ESEC Trading SA, Cham/CH	■ ESEC (USA) Inc., Tempe/Phoenix, AZ/US	
■ Zevatech AG, Selzach/CH	■ ESEC Korea Ltd., Seoul/KR	
■ ESEC Semiconductor (Shanghai) Co. Ltd., Shanghai/CN	■ ESEC K.K., Yokohama/JP	
■ ESEC (Asia Pacific) Pte. Ltd., Singapore/SG	■ Zevatech Inc., Apex, NC/US	
■ ESEC (Philippines) Inc., Manila/PH	■ AMTI Advanced Manufacturing Technologies, Inc., Apex, NC/US	
■ ESEC Pacific North (Taiwan) Ltd., Hsin Chu/TW		
■ ESEC (Hong Kong) Ltd., Hong Kong/CN		

Information Technology

Materials

■ Unaxis Materials Deutschland GmbH, Hanau/DE (sold as of 5/31/2002)	■ Unaxis Materials Aktiengesellschaft, Balzers/FL (sold as of 6/30/2002)
--	--

Components and Special Systems

Leybold Optics (sold as of 9/30/2001)

■ Leybold Optics GmbH, Hanau/DE	■ Leybold Optics UK Ltd., London/GB
■ Leybold Optics Dresden GmbH, Dresden/DE	■ Leybold Optics Japan Co. Ltd., Yokohama-shi/JP
■ Leybold Optics France SA, Courtabœuf Cedex/FR	■ Leybold Optics Aktiengesellschaft, Balzers/FL
■ Leybold Optics Iberica S.A., Sant Feliu de Llobregat/Barcelona/ES	■ Leybold Optics Korea Ltd., Seoul/KR
■ Leybold Optics Italia S.r.l., Milan/IT	■ Leybold Optics Taiwan Ltd., Hsin Chu/TW
	■ Leybold Optics USA Inc., Cary/US

(1) Branch of Unaxis Nederland B.V., Utrecht/NL

(2) 56.8% interest in shares outstanding

> IMPRINT

Concept and Project Management

Unaxis Management Ltd.
Corporate Communications
Churerstrasse 120
P.O. Box
CH-8808 Pfäffikon/SZ
www.unaxis.com

Text

apr AG for Public Relations, Zurich

Translation

Craig Crandall, Küsnacht
Financial Report: Sharon Morgenthaler, Wollerau

Layout concept

New Identity Ltd., Basel

Realization

Denon Publizistik AG, Rapperswil

Printing

NZZ Fretz AG, Zurich

Photo credits

Stephan Knecht, Langnau/ZH
Page 9/10, 18: Michael Reinhart, Herrliberg

>

Agenda

April 29, 2003: Key figures for the 1st quarter of 2003
May 20, 2003: General meeting of shareholders, KKL Lucerne
August 19, 2003: Publication of the semi-annual report
October 28, 2003: Key figures for the 3rd quarter of 2003

Contact

Investor Relations

Telephone +41 (0)58 360 96 22

Fax +41 (0)58 360 91 93

E-mail investor.relations@unaxis.com

Media Relations

Telephone +41 (0)58 360 96 96

Fax +41 (0)58 360 91 93

E-mail media.relations@unaxis.com