

August 17, 2004

# 2004 SEMI- ANNUAL REPORT

Significant increase in orders received, sales and operating earnings – development and market introduction of new system generations at Display Technology detract from overall Group profitability.

## **Dear Shareholders**

During the first half of 2004, Unaxis recorded total sales of CHF 1 007 million (H1 2003: CHF 759 million), a rise of 33 percent versus the previous year. The volume of orders received rose by 43 percent to CHF 1 090 million (H1 2003: CHF 763 million) in the face of a cyclically related moderation in Q2 2004 order flow.

The company's first half 2004 operating profit (EBIT) amounted to CHF 37 million, representing a clear improvement in comparison to the prior-year period (H1 2003: CHF 1 million). Included in the latter figure are restructuring expenses in the amount of CHF 10 million, attributable, among other things, to the consolidation of certain Optics' activities and the integration of ESEC. Operating earnings were also significantly impacted by the development and market introduction of Display Technology's latest system generations. Net profit for the first half of 2004 amounted to CHF 22 million (H1 2003: CHF –14 million). With net liquidity at June 30, 2004, of CHF 608 million and a shareholders' equity ratio of 60 percent, Unaxis has a solid balance sheet.

In the rapidly growing Asian region – primarily Taiwan and China – Unaxis broadened its activities and managed to record a 62 percent year-on-year sales increase during the period under review. Accounting for a 48 percent share of total sales, Asia for the first time now represents the company's most significant market. Although the 33 percent sales increase achieved in the USA was also gratifying (share of total: 17 percent), Europe recorded only a modest 5 percent rate of growth (share of total: 34 percent).

## Developments at the segments

Since the beginning of 2004, Unaxis consists organizationally of five market-specific segments, each with its own management structure and corresponding competencies. In the first half of 2004, all of the segments were able to improve their market position. The industrially oriented Data Storage Solutions, Coating Services, Vacuum Solutions and Components and Special Systems segments recorded positive operating results. In an otherwise generally favorable market environment, the Semiconductor Equipment segment witnessed an improvement in its first-half 2004 sales versus the prior-year period and was able to reduce its operating loss. However, its results did not come up to expectations due to the high level of expense involved in the development and market introduction of Display Technology's generation 6 and 7 systems.

### **Semiconductor Equipment segment: A leading supplier to the semiconductor market**

Following completion of the ESEC merger in March 2004, the formation of the new Semiconductor Equipment segment – which includes the activities of Wafer Processing, Assembly & Packaging (ESEC) and Display Technology – was pursued at a rapid pace. Among other things, the respective local companies in Asia and the USA were combined under a single management organization. This joining of forces enables the exploitation of potential synergies in the areas of procurement, research and development, customer care and sales and service. The globally active Semiconductor Equipment segment has achieved critical mass and, with sales totaling CHF 700 million, is close to joining the ranks of the world's top ten suppliers to the semiconductor industry.

Semiconductor Equipment has product development and production facilities on every continent, as well as a globe-spanning network of marketing and service organizations. Those factors are a prerequisite for providing customers with the level of service they demand: i. e. reliable support, 24 hours a day, 365 days a year. Moreover, all three divisions appear jointly in the market, which in turn enhances the company's reputation and degree of recognition.

**Wafer Processing** made significant progress during the first half of 2004, and market demand in most of its areas of business activity has recovered in comparison to the prior-year period. The division proved its competitiveness by winning a major order from Taiwan for 300-mm-CLUSTERLINE deposition systems, as well as by successfully introducing the new MASK ETCHER IV for structures smaller than 65 nanometers. Going forward, Wafer Processing will focus on only two product lines: the CLUSTERLINE for high-volume deposition processes, and the VERSALINE for use in smaller production runs as well as in R&D work and prototype production. All of its traditional and new applications, such as "advanced packaging", reverse-side metallization, thin-wafer deposition, as well as the deposition and etching of new materials such as silicon germanium (SiGe) will in future be conducted on these two production platforms by means of interchangeable process modules.

Especially when it comes to portable electronic devices such as notebooks, chips must be ever smaller and perform an increasing array of functions. Therefore, semiconductor manufacturers are making greater use of a new chip-connection technique: so-called "advanced packaging". Microscopically tiny dots of solder (bumps) accomplish the connecting function. They are applied directly to the chip in high density by means of complex metallization processes.

**Assembly & Packaging (ESEC)** enjoyed a continuing high level of demand, with orders and sales at the division more than doubling versus the comparable prior-year period. In the area of die bonding, Assembly & Packaging (ESEC) expanded its leading market position even further, mainly due to strong sales of the new Die Bonder 2008hS (high Speed). The "Tsunami" Wire Bonder 4 achieved good results in numerous evaluation runs. However, owing to the long purchasing process, its sales figures – which account for a 22 percent share of total systems sales – have yet to meet expectations. Within the framework of integrating ESEC's activities into the Semiconductor Equipment segment, a top priority during the first half was the combination of both organizations' marketing and service infrastructure, as well as the structural adaptation of the facilities in Cham (Switzerland).

Die bonding and wire bonding are key processes in chip assembly. A die bonder picks the individual chips from a silicon wafer and affixes them to the substrate material. A wire bonder then creates the electronic connections between chip and substrate by means of hair-thin gold or copper wires, thus enabling the chip's control pulses to be transferred to its external environment.

Pressure to achieve ever-lower unit prices is a fact of life in the market for flat panel displays. Only by doing so is it possible, for example, to make flat-screen TVs affordable for a broad cross-section of consumers. Savings at the production level are mainly achieved through use of increasingly large glass substrates. These evolutionary changes in format are referred to in the industry as "generations".

At **Display Technology**, the first half of 2004 was marked by the development and introduction of its new generation 6 and 7 systems. Unaxis received an order from the industry's market leader to build the systems for the first flat panel display production line of the latest generation. That assignment involved tremendous technological challenges, such as the coating of glass plates with a side length of 2.5 meters that enable the production of up to eight flat panel displays. Due to the expedited delivery time required by the customer, development of the equipment took place at the same time it was being manufactured. That heightened the risk as well as the related development and production costs and, as a consequence, placed a heavy burden on the Semiconductor Equipment segment's first-half results. Measures aimed at massively reducing production costs, such as the establishment of a local competency and procurement center in Taiwan for flat panel displays, have already been introduced.

**Data Storage Solutions segment:  
Course of business maintained at high levels**

At Data Storage Solutions, sales exceeded prior-year levels, while the amount of orders received fell short of the H1 2003 total. In the wake of last year's boom in all DVD formats, customers have begun to reduce their investments in this area as the result of excess capacity. A pickup in the market is not anticipated prior to the fourth quarter of 2004 and, given these market conditions, Unaxis has adjusted its own production capacity accordingly. Initial units of the "Fusion" DVD R replication lines, newly developed in collaboration with Mitsubishi Chemicals, were installed and qualified at the facilities of leading manufacturers. Moreover, for the exploitation of DVD R (dual layer) technology, Data Storage Solutions has entered into yet another strategic alliance with a leading technology partner, a move that will further strengthen the segment's competitive position.

**Coating Services segment:  
Market expansion leads to increase in sales**

Coating Services (Balzers) continued the implementation of its growth strategy during the first half of 2004 and managed to register increases in both sales and operating earnings. Thus the segment's accelerated expansion of its market presence has shown clearly positive results. In the early part of the year, Coating Services opened its Suzhou coating center, the first of its kind in China. Seven additional centers are currently being established in Japan, Argentina, Canada, Brazil, Hungary, Mexico and the USA. They should commence operation during the second half of the year. Moreover, the segment for the first time has outfitted a completely preproduced mobile coating center. Going forward, this flexible infrastructure will enable us to respond faster and more cost-effectively to customer needs. The first of these centers was installed in July 2004 in the vicinity of potential Hungarian customers, and two further units are planned for deployment in South America during the second half of the year. The introduction of a new aluminum-based generation of coatings for high-performance lathes, marketed under the name of BALINIT ALCRONA, has exceeded expectations. And further products of the generation 6 coatings are slated for market introduction during the course of this year.

Coating Services' (Balzers) BALINT brand coatings are only several thousandths of a millimeter in thickness, yet harder than steel. They reduce friction, provide tools and components with effective protection against wear and tear, and thus increase their useful life. Until now, these coatings were almost exclusively based on titanium alloys. Now, in what is referred to as "Generation 6", Balzers has developed for the first time ever an aluminum-based coating system that affords a significantly higher level of performance.

**Vacuum Solutions segment:  
Focus on core business continues**

Triggered by a recovery in demand for information technology and analytical equipment, the market for vacuum technology developed favorably during the first half of 2004. Especially in the USA and Asia, Vacuum Solutions (Leybold Vacuum) was able to benefit from an increase in demand. However, the sought-for improvement in margins has yet to be achieved. Among the ongoing measures aimed at achieving a substantial improvement in profitability are the total rejuvenation of entire product families, the already completed construction of a highly efficient technology and production center in Cologne (Germany), as well as the extensive expansion of pump production at the Tianjin (China) facility mainly to meet local demand. First-half highlights at the product level were the successful introduction of the new ScrewLine "dry" pump for industrial applications, as well as qualification of the innovative MAG 2700 FAS turbo-molecular pump at the facilities of an American semiconductor manufacturer.

## Components and Special Systems segment

In the first half of 2004, **Optics** witnessed a significant year-on-year increase in orders received and sales. All of its business areas benefited from the favorable market trend, whereas **Projection Display** once again enjoyed the strongest surge in demand. In particular, components for the new generation of front- and rear-projection TVs sold well. In order to keep pace with demand, production capacity at the segment's Shanghai (China) and Golden (USA) facilities was expanded yet again. In the **Lighting Systems** area, growth was attributable to components for entertainment and specialty lighting. For the **BioChip Substrates** unit, the first half was marked by the successful introduction of a new product family at select life-sciences companies. In response to increasing customer needs, going forward Optics will concentrate its production activities at one high-performance production facility per continent. In this connection, the activities in Geisenheim (Germany) will be discontinued and, by year's end, integrated into the existing sites in Balzers (Liechtenstein), Shanghai (China) and Golden (USA).

In the projection display field, Unaxis Optics produces optical components – such as imagers, color wheels, lenses, filters, reflectors, etc. – that are used for light management in data and video projectors as well as in rear-projection televisions. Optics is enjoying a sustained boom in demand, particularly in the area of rear-projection TVs, mainly due to the lower price of those products in comparison to the cost of flat-screen televisions.

**Space Technology** (Contraves Space) saw its first-half 2004 flow of orders practically double in comparison to the first semester of 2003, however, sales declined by 46 percent. This decrease is attributable to the postponement of the planned Ariane rocket launch, which means that Contraves Space will only deliver the related payload fairing at a later date. Moreover, there have been delays in European Space Agency (ESA) programs. March 2, 2004, marked the successful launch of Europe's "Rosetta" comet space probe, which has a mass spectrometer on board developed by Contraves Space. The signing of a development agreement for the payload fairing of Europe's new Vega launch vehicle represents a significant success for the division.

Distance to destination: more than five billion kilometers. Time to destination: 10½ years. Destination: a comet racing through space at the speed of 135 000 kilometers per hour. Those represent the flight data for the European Space Agency's (ESA) Rosetta mission to the comet Churyumov-Gerasimenko. Comets are the oldest and most primordial celestial bodies. By investigating them, scientists hope to uncover clues about how our solar system and life on Earth came into being. The Contraves Space mass spectrometer on board the Rosetta space probe will provide information on the density, chemical composition and temperature of the comet.

## Outlook

Following a phase of strong investment activity in IT-related areas, the coming months are likely to witness a slower pace of investment among certain customer groups as the result of temporary overcapacity. Data Storage Solutions and Assembly & Packaging (ESEC) in particular are likely to feel the impact of that development. However, based on anticipated demand, the Coating Services (Balzers) and Vacuum Solutions (Leybold) segments, and especially the Optics division of the Components and Special Systems segment, should continue their gratifying trends. Unaxis will continue to attach high priority to measures aimed at reducing costs and strengthening the company's competitive position. Owing to the aforementioned developments foreseen for the second half of 2004, Unaxis reckons that its sales and EBIT will remain roughly in line with the results achieved in the first half of 2004, hence lower than previous expectations. The markets in which Unaxis is involved continue to be attractive. From today's vantage point, Unaxis expects that 2005 will see a further increase in the company's sales and earnings.



Dr. Willy Kissling  
Chairman of the Board



Heinz Kundert  
Chief Executive Officer

# KEY FIGURES

in CHF million	First 6 months 2004	First 6 months 2003
<b>Total Group</b>		
Orders received	1 090	763
Orders on hand	659	413
Sales	1 007	759
Operating result before depreciation and amortization (EBITDA)	101	71
Operating result (EBIT)	37	1
Other result	13	0
Financial result	-5	-5
Result before taxes	46	-4
<b>Net income/loss</b>	<b>22</b>	<b>-14</b>
<b>Net funds from operations</b>	<b>1</b>	<b>42</b>
<b>Capital exp. in property, plant, equipment and intangible assets</b>	<b>159</b>	<b>40</b>
Research and development	88	72
Personnel expenses	321	298
Number of employees at year-end	6 676	6 522

in CHF million	6/30/2004	12/12/2003	6/30/2003
<b>Total assets</b>	<b>2 759</b>	2 550	2 536
<b>Shareholders' equity</b>	<b>1 648</b>	1 488	1 453
in % of total assets	<b>60 %</b>	58 %	57 %
<b>Net liquidity</b>	<b>608</b>	682	680
as a % of shareholders' equity	<b>37 %</b>	46 %	47 %
<b>Net assets<sup>1</sup></b>	<b>1 220</b>	1 032	1 066

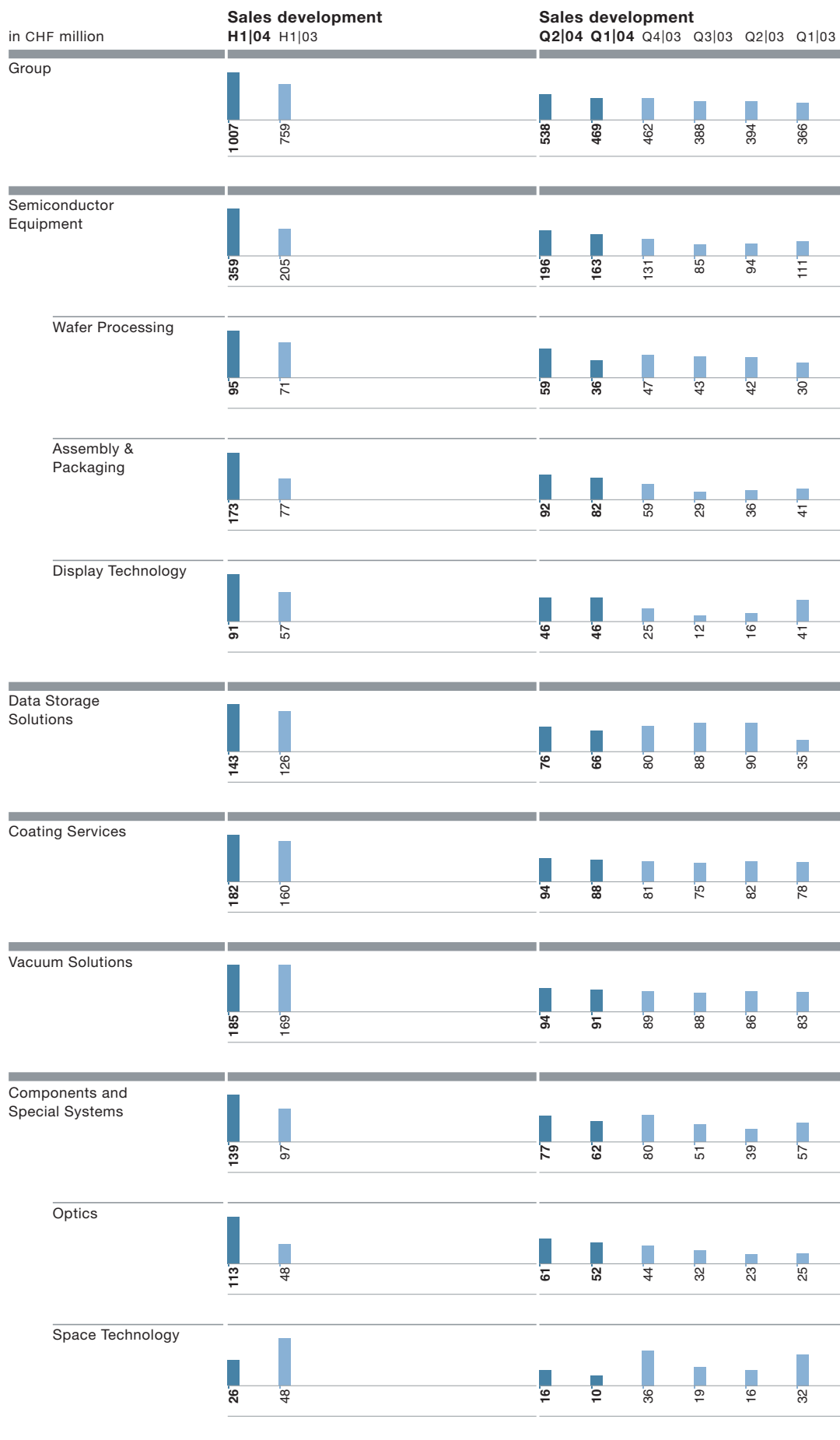
in CHF million	First 6 months 2004	First 6 months 2003
<b>Segments</b>		
<b>Semiconductor Equipment<sup>2</sup></b>		
Orders received	391	159
Orders on hand	299	84
Sales to third parties	359	205
Operating result before depreciation and amortization (EBITDA)	4	-30
Operating result (EBIT)	-23	-55
Net assets <sup>1</sup>	686	550
<b>Data Storage Solutions<sup>2</sup></b>		
Orders received	124	172
Orders on hand	33	99
Sales to third parties	143	126
Operating result before depreciation and amortization (EBITDA)	24	29
Operating result (EBIT)	21	19
Net assets <sup>1</sup>	101	111
<b>Coating Services</b>		
Sales to third parties	182	160
Operating result before depreciation and amortization (EBITDA)	51	46
Operating result (EBIT)	31	26
Net assets <sup>1</sup>	226	220
<b>Vacuum Solutions<sup>2</sup></b>		
Orders received	186	187
Orders on hand	52	51
Sales to third parties	185	169
Operating result before depreciation and amortization (EBITDA)	9	10
Operating result (EBIT)	5	6
Net assets <sup>1</sup>	124	110
<b>Components and Special Systems<sup>2</sup></b>		
Orders received	208	81
Orders on hand	275	177
Sales to third parties	139	97
Operating result before depreciation and amortization (EBITDA)	22	18
Operating result (EBIT)	15	10
Net assets <sup>1</sup>	26	16
<b>Others<sup>2</sup></b>		
Sales	0	4
Operating result (EBIT)	-11	-5
Net assets <sup>1</sup>	57	56

<sup>1</sup> 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).

<sup>2</sup> New organizational structure in segments (prior-year figures adjusted accordingly).

All amounts have been systematically rounded. Therefore, adding the individual amounts may result in rounding differences.

# SALES DEVELOPMENT



# KEY FIGURES BY SEGMENT

in CHF million	2004 H1	06/30 Q2	Q1	2003 H1	12/31 Q4	Q3	Q2	Q1
<b>Total Group</b>								
Orders received	1 090	511	579	763	642	383	389	374
Orders on hand	659	659	692	413	575	406	413	417
Sales to third parties	1 007	538	469	759	462	388	394	366
<b>Business development by segment<sup>1</sup></b>								
<b>Semiconductor Equipment<sup>2</sup></b>								
Orders received								
Wafer Processing	107	58	49	74	78	27	31	43
Assembly & Packaging	179	91	87	74	81	44	33	42
Display Technology	105	21	84	10	140	33	8	2
Total	391	171	220	159	299	104	73	86
Orders on hand								
Wafer Processing	79	79	82	54	66	37	54	63
Assembly & Packaging	53	53	54	14	47	27	14	18
Display Technology	167	167	191	17	153	38	17	25
Total	299	299	327	84	267	102	84	106
Sales to third parties								
Wafer Processing	95	59	36	71	47	43	42	30
Assembly & Packaging	173	92	82	77	59	29	36	41
Display Technology	91	46	46	57	25	12	16	41
Total	359	196	163	205	131	85	94	111
<b>Data Storage Solutions<sup>2</sup></b>								
Orders received	124	58	66	172	64	58	98	74
Orders on hand	33	33	52	99	52	70	99	92
Sales to third parties	143	76	66	126	80	88	90	35
<b>Coating Services</b>								
Sales	182	94	88	160	81	75	82	78
<b>Vacuum Solutions</b>								
Orders received	186	92	94	187	94	84	99	88
Orders on hand	52	52	55	51	51	47	51	37
Sales to third parties	185	94	91	169	89	88	86	83
<b>Components and Special Systems<sup>2</sup></b>								
Orders received								
Optics	155	85	70	55	62	43	27	28
Space Technology	53	11	43	26	40	17	9	17
Total	208	96	112	81	103	60	35	45
Orders on hand								
Optics	103	103	80	34	61	45	34	31
Space Technology	172	172	177	143	144	141	143	150
Total	275	275	258	177	205	185	177	181
Sales to third parties								
Optics	113	61	52	48	44	32	23	25
Space Technology	26	16	10	48	36	19	16	32
Total	139	77	62	97	80	51	39	57

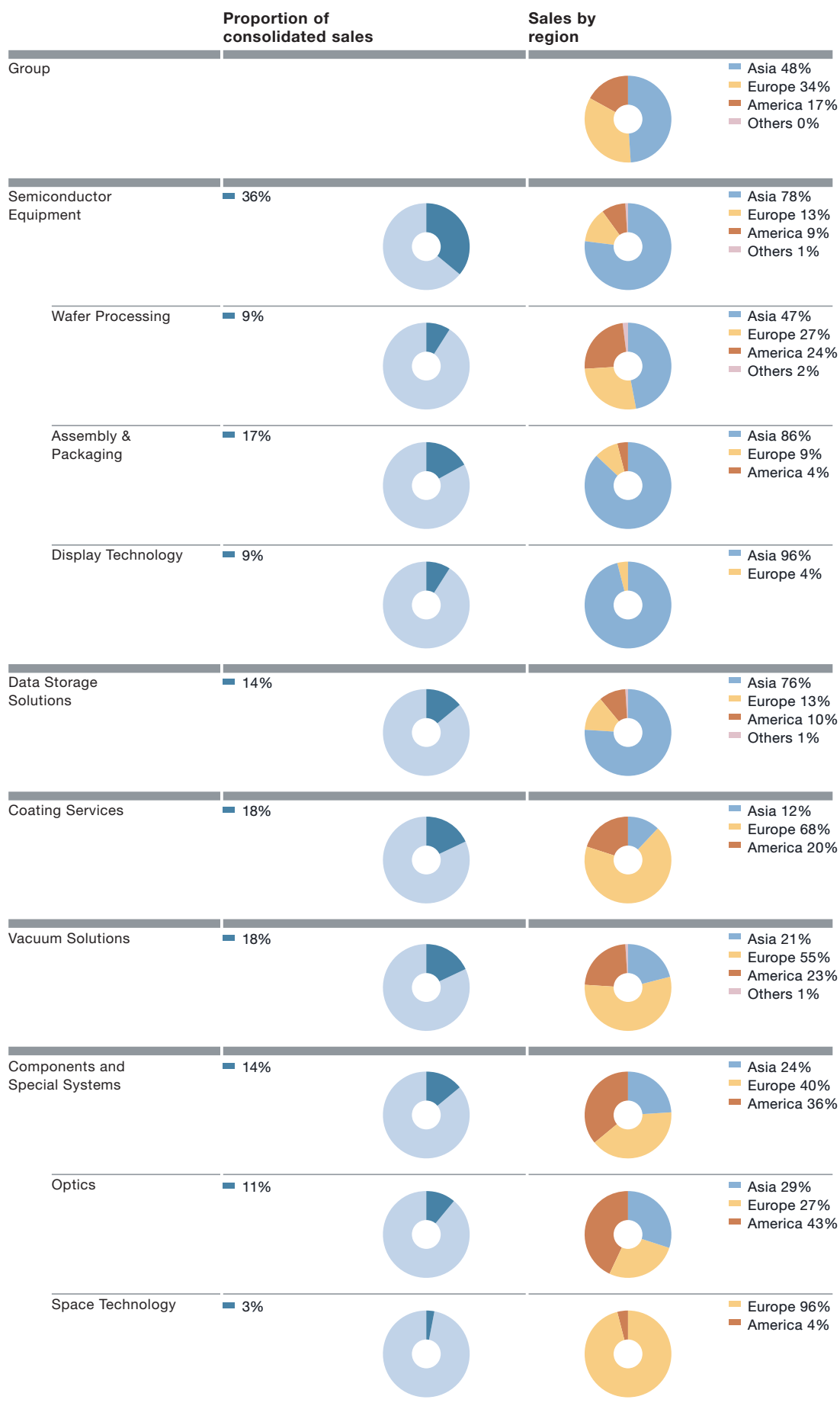
<sup>1</sup> "Other" segment not reported separately  
(H1 2003 revenues: CHF 4 million, H1 2004 revenues: CHF 0 million).

<sup>2</sup> New organizational structure in segments (prior-year figures adjusted accordingly).

All amounts have been systematically rounded.  
Therefore, adding the individual amounts may result in rounding differences.



# SUMMARY OF THE FIRST 6 MONTHS 2004



**CONSOLIDATED INCOME STATEMENT  
AND CONSOLIDATED STATEMENT OF CHANGES  
IN SHAREHOLDERS' EQUITY**

**Consolidated income statement**

in CHF million	<b>First 6 months 2004</b>	First 6 months 2003
Sales	1 007	759
Cost of sales	-674	-474
<b>Gross margin</b>	<b>334</b>	285
Marketing and selling	-96	-102
Research and development	-88	-72
Administration	-85	-90
Amortization of goodwill	-17	-21
Other operating income and expenses	-10	1
<b>Operating result (EBIT)</b>	<b>37</b>	1
Financial result	-5	-5
Result from associated companies	0	0
Other result	13	0
Result before taxes	46	-4
Income taxes	-19	-16
Net income/loss including minority interests	27	-20
Minority interests	-5	6
<b>Net income/loss</b>	<b>22</b>	-14
Net income/loss per registered share in CHF <sup>1</sup>	1.63	-1.09
Diluted earning per registered share in CHF <sup>1</sup>	1.63	-1.09
Dividend paid out per registered share in CHF (gross)	2.00	2.00

**Consolidated statement of changes in shareholders' equity (abridged)**

in CHF million	Shareholders' equity	Minority interest	<b>Total First 6 months 2004</b>	Total First 6 months 2003
Shareholders' equity per January 1	1 488	72	1 560	1 555
Shareholders' equity per June 30	1 648	5	1 653	1 525
<b>Change in shareholders' equity</b>	<b>160</b>	<b>-67</b>	<b>94</b>	<b>-30</b>
of which:				
Net income/loss	22	5	27	-20
Dividends paid	-28	-5	-33	-28
Capital increase	171	0	171	0
Purchase of minority interests	0	-68	-68	0
Fair value adjustment under IAS 39	0	0	0	12
Hedge accounting under IAS 39	-7	0	-7	-1
Deferred taxes not impacting net income under IAS 39	2	0	2	-1
Conversion differences	2	2	4	12
Purchase of treasury shares	-3	0	-3	-3
<b>Total</b>	<b>160</b>	<b>-67</b>	<b>94</b>	<b>-30</b>

<sup>1</sup> Average number of shares with voting and dividend rights (2004: 13 427 683/diluted: 13 443 391; 2003: 12 938 857/diluted: 12 943 939).

All amounts have been systematically rounded. Therefore, adding the individual amounts may result in rounding differences.

# CONSOLIDATED BALANCE SHEET

in CHF million	June 30 2004	December 31 2003
<b>Current assets</b>		
Cash and cash equivalents	627	712
Marketable securities	2	2
Receivables	443	357
Inventories	488	355
Prepaid expenses and accrued income	34	39
	<b>1 593</b>	1 466
<b>Non-current assets</b>		
Loans receivable	30	35
Investments in associated companies	0	0
Other investments	66	66
Property, plant and equipment	588	591
Intangible assets	380	287
Post-employment benefit assets	30	30
Deferred tax assets	72	76
	<b>1 166</b>	1 085
<b>Total assets</b>	<b>2 759</b>	2 550
<b>Current liabilities</b>		
Payables	179	129
Accrued liabilities	211	188
Current customer advances	130	99
Current financial debt	5	13
Current income tax provisions	30	26
Current post-employment benefit provisions	5	5
Current other provisions	80	96
	<b>639</b>	556
<b>Non-current liabilities</b>		
Non-current customer advances	47	34
Non-current financial debt	13	17
Non-current post-employment benefit provisions	251	251
Deferred tax provisions	36	42
Non-current other provisions	120	91
	<b>466</b>	435
<b>Total liabilities</b>	<b>1 106</b>	991
<b>Minority interests</b>	<b>5</b>	72
<b>Shareholders' equity</b>		
Share capital	283	263
Treasury shares	-47	-44
Reserves and retained earnings	1 412	1 268
	<b>1 648</b>	1 488
<b>Total liabilities and equity</b>	<b>2 759</b>	2 550

All amounts have been systematically rounded.  
Therefore, adding the individual amounts may result in rounding differences.

# CONSOLIDATED CASH FLOW STATEMENT

in CHF million	June 30 2004	June 30 2003
Net income/loss including minority interests	27	-20
Depreciation of property, plant and equipment	46	47
Other depreciation and amortization	19	23
Addition (+), release (-) in other provisions	30	5
Increase (+), decrease (-) in post-employment benefit provisions	5	4
Expense (+), income (-) in deferred taxes	1	0
Losses (+), gains (-) from sales of non-current assets	-5	1
Decrease (+), increase (-) in post-employment benefit assets	1	1
Conversion losses (+), gains (-) on intercompany positions	-4	2
<b>Net funds before change in net current assets</b>	<b>117</b>	<b>63</b>
Decrease (+), increase (-) in marketable securities	0	-1
Decrease (+), increase (-) in receivables/accrued assets	-80	-1
Decrease (+), increase (-) in inventories	-133	-25
Increase (+), decrease (-) in payables/accrued liabilities and use of other provisions	61	15
Increase (+), decrease (-) in customer advances	43	-8
Thereof due to hedge accounting under IAS 39	-7	-1
<b>Net funds from operations</b>	<b>1</b>	<b>42</b>
Capital expenditure in property, plant and equipment	-49	-39
Investments in participating interests <sup>1</sup>	-68	0
Capital expenditure in intangible assets <sup>1</sup>	-110	-1
Decrease (+), increase (-) in loans receivable	4	1
Increase (+), decrease (-) in cash from purchase/sale of subsidiaries	0	0
Proceeds from sales of property, plant and equipment	8	0
<b>Net funds from/used by investing activities</b>	<b>-214</b>	<b>-39</b>
Capital increase <sup>1</sup>	171	0
Dividends paid	-33	-28
Purchase of treasury shares	-3	-3
Increase in (+), repayment of (-) financial debt	-11	-1
<b>Net funds from/used by financing activities</b>	<b>124</b>	<b>-32</b>
Conversion adjustments on cash and cash equivalents	3	22
<b>Increase (+), decrease (-) in cash and cash equivalents</b>	<b>-85</b>	<b>-6</b>
Cash equivalents as of January 1	712	726
Cash equivalents as of June 30	627	720
<b>Increase (+), decrease (-) in cash and cash equivalents</b>	<b>-85</b>	<b>-6</b>
Increase (-), decrease (+) in financial debts from purchase/sale of subsidiaries	0	0
Repayment of (+), increase in (-) financial debt	11	1
Conversion adjustments on financial debt	0	-1
<b>Increase (+), decrease (-) in net liquidity</b>	<b>-74</b>	<b>-6</b>
Additional information:		
Interest paid	8	1
Interest received	1	6
Taxes paid	14	8

<sup>1</sup> Exchange of shares (Unaxis-ESEC merger), presented gross (i. e. no effect on cash).

Therefore, adding the individual amounts may result in rounding differences.

## SEGMENT INFORMATION

First 6 months in CHF million	Orders received	Orders on hand	Sales total	Sales to third parties	Sales to Group companies	Number of employees	Net assets <sup>1</sup> (only third parties)	Research and development	Operating result (EBIT)
<b>Semiconductor Equipment<sup>2</sup></b>									
2004	391	299	364	359	4	1 768	686	53	-23
2003	159	84	207	205	2	1 676	550	41	-55
<b>Data Storage Solutions<sup>2</sup></b>									
2004	124	33	145	143	2	466	101	8	21
2003	172	99	128	126	2	506	111	7	19
<b>Coating Services</b>									
2004	182	0	182	182	0	2 021	226	7	31
2003	160	0	160	160	0	1 943	220	6	26
<b>Vacuum Solutions<sup>2</sup></b>									
2004	186	52	191	185	6	1 505	124	15	5
2003	187	51	175	169	6	1 480	110	13	6
<b>Components and Special Systems<sup>2</sup></b>									
2004	208	275	139	139	0	848	26	6	15
2003	81	177	97	97	0	822	16	5	10
<b>Others<sup>2</sup></b>									
2004	0	0	0	0	0	69	57	0	-11
2003	5	2	4	4	0	94	56	0	-5
<b>Elimination<sup>2</sup></b>									
2004			-13		-13				0
2003			-10		-10				0
<b>Total</b>									
2004	1 090	659	1 007	1 007	0	6 676	1 220	88	37
2003	763	413	759	759	0	6 522	1 066	72	1

<sup>1</sup> 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).

<sup>2</sup> New organizational structure in segments (prior-year figures adjusted accordingly).

All amounts have been systematically rounded. Therefore, adding the individual amounts may result in rounding differences.

**Accounting principles**

These unaudited interim financial statements have been prepared and abridged in accordance with IAS 34, the same as those applied in Unaxis' 2003 annual report.

**Unaxis–ESEC merger**

Following dismissal of a subsequent legal challenge, the merger with Unaxis that ESEC shareholders approved on October 7, 2003, was consummated on March 26, 2004, through the exchange of 1.1 Unaxis shares for each outstanding ESEC share. 972 345 newly created shares of Unaxis were issued in connection with this transaction. Because IFRS prescribes that the current market price at the time of the exchange be applied (CHF 175.50 per Unaxis share), the total purchase price of the 43.16 percent minority interest in ESEC, including transaction-related costs, amounted to CHF 177 million. Therefore, given the ESEC Group's CHF 68 million worth of residual share capital that was acquired, additional goodwill of CHF 109 million resulted from the merger. This will be written down over the same remaining life as the goodwill in ESEC that was acquired in 2000.

**Foreign currency influences**

The foreign currency impact of converting local currencies into Swiss francs amounted to CHF 2 million (+0.3 percent) for sales; CHF 3 million (+0.4 percent) for orders received; and a positive CHF 1 million for EBIT.

**Other result**

In the period under review, other income in the amount of CHF 5 million was earned from the sale of a non-business-related plot of land. An additional CHF 7 million resulted from the elimination of provisions that were no longer required, CHF 4 million of which was related to unexercised warranties on the sale of businesses (in particular, Leybold Optics).

**Cash flow**

In the period under review, cash flow before changes in net current assets of CHF 63 million (H1 2003) rose to CHF 101 million. Of the increased financial resources committed to accounts payable and inventories in the amount of CHF 213 million, customers and suppliers have assumed a CHF 137 million portion. In the first half of the year, cash flow of CHF 1 million was realized from business activities (H1 2003: CHF 42 million).

**Subsequent events**

No events of a material nature have occurred subsequent to the balance sheet data.

Segments	Semiconductor Equipment			Data Storage Solutions	Coating Services	Vacuum Solutions	Components and Special Systems	
Divisions	Wafer Processing	Assembly & Packaging	Display Technology				Optics	Space Technology
Brands	<b>unaxis</b>	<b>ese</b>	<b>unaxis</b>	<b>unaxis</b>	<i>balzers</i>	<b>Leybold</b> vacuum	<b>unaxis</b>	Contraves   space
Core competencies	thin film technology							
	vacuum technology							
	precision technology							

**Unaxis – a globally leading high-tech company**

Unaxis (SWX: UNAX) is a globally leading provider of production systems, components and services for select growth segments of the information technology market as well as for sophisticated industrial applications. Unaxis' commercial activities are conducted via its five segments: Semiconductor Equipment (production systems for semiconductors and flat-panel displays); Data Storage Solutions (production systems for data storage devices); Coating Services (protective coatings for precision tools and components); Vacuum Solutions (vacuum technology); and Components and Special Systems (optical components and aerospace technology). Unaxis currently employs approximately 6 500 individuals and, in its 2003 financial year, achieved sales of CHF 1 610 billion. The company, headquartered in Pfäffikon, Switzerland, has a globe-spanning infrastructure that encompasses centers of competency for research, development and production in Europe, Asia and the USA, as well as 80 subsidiaries in 25 countries.

## **Agenda**

October 21, 2004:

Key figures for the 1st quarter of 2004

March 22, 2005:

Media and analysts conference

April 26, 2005:

Annual meeting of shareholders; KKL Lucerne

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The semi-annual report is based on information currently available to management. The forward-looking statements contained herein could be impacted by risks and influences that are not foreseeable at present, so that actual results may vary materially from those anticipated, expected or projected.

The report is also available in German language.