



# unaxis

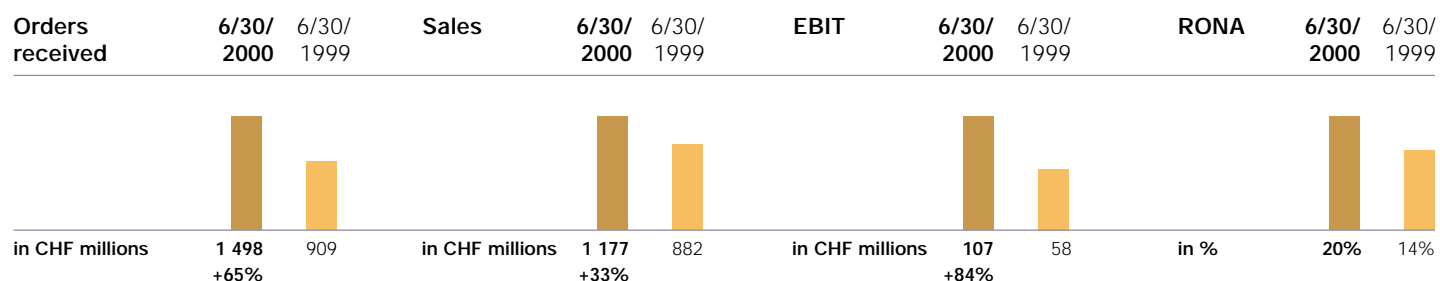
making IT possible

## Group key figures

in CHF millions

\* The comparison figures of the previous year include the de-consolidated Oerlikon-Bührle Immobilien, Bally, Oerlikon Contraves Defence and Zurich Marriott Hotel.

|  | Core businesses |               | Total*        |               |
|--|-----------------|---------------|---------------|---------------|
|  | 6/30/<br>2000   | 6/30/<br>1999 | 6/30/<br>2000 | 6/30/<br>1999 |
| Orders received  | 1 498           | 909           | 1 799         | 1 834         |
| % change   | +65%            |               | -2%           |               |
| Orders on hand   | 1 134           | 658           | 1 406         | 1 884         |
| Sales  | 1 177           | 882           | 1 358         | 1 560         |
| % change   | +33%            |               | -13%          |               |
| Operating result (EBIT)  | 107             | 58            | 101           | 12            |
| Result before taxes  | 110             | 46            | 108           | 0             |
| Net income/loss  | 75              | 32            | 73            | -18           |
| Net assets   | 1 051           | 814           | 1 273         | 2 091         |
| Shareholders' equity   | 993             | 529           | 1 126         | 1 109         |
| Net debt   | 89              | 198           | 131           | 739           |
| Operating result as % net assets (RONA)                        | 20%             | 14%           | 16%           | 1%            |
| Equity ratio   | 37%             | 34%           | 37%           | 25%           |
| Net debt as % of shareholders' equity                          | 9%              | 37%           | 12%           | 67%           |
| Operating result before depreciation and amortization (EBITDA) | 169             | 86            | 167           | 95            |
| Capital expenditures in fixed assets                           | 63              | 55            | 64            | 65            |
| Research and development                                       | 82              | 71            | 99            | 96            |
| Number of employees at end of period                           | 7 670           | 7 042         | 8 771         | 13 356        |



Dear Ladies and Gentlemen

## Significant increase in growth and profits. Continued concentration on information technology.

From Oerlikon-Bührle arose Unaxis. The name change was approved at the Annual Shareholders Meeting on May 4, 2000. The new group structure and concentration on high-tech businesses are now also expressed by the name.

The continued focus on quickly growing high-tech activities, the earlier than expected economic recovery in Asia, a considerably expanded position in the US, and especially the favorable developments in the telecom industry led to very significant growth in the core activities compared to last year. The orders received increased by 65% and sales by 33%. Of this increase, 7% was due to acquisitions and 8% to conversion rates. This success in the market as well as improvements in productivity led to an increase of 84% in the operating result of the core businesses. Net income of the group improved and rose from CHF -18 million to CHF 73 million.

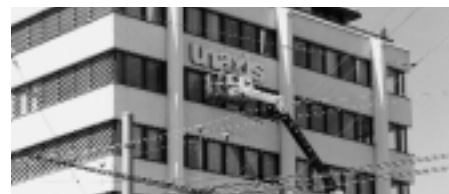
## The evolution of the group was pushed forward briskly in the period under review.

To strengthen our position in the semiconductor manufacturing sector, in November 1999 we assumed a 26.9% participation in the capital of **ESEC Holding SA**, a leading supplier of machines and system solutions for chip assembly. The option acquired at the same time on the purchase of all outstanding registered shares and consequently the majority vote was exercised and settled on August 14, 2000. The public offering ordered by the Swiss Banking Commission was completed on August 21, 2000. The participation in ESEC Holding SA amounts to 56.9% of the share capital.

To further strengthen our position in the semiconductor sector, we made an offer to the shareholders of **Plasma-Therm Inc.**, an American company quoted on the Nasdaq, in December 1999 to acquire their shares. The purchase and integration of this company, one of the leading developers and suppliers of etching and PECVD systems, was successfully concluded in the first quarter of 2000. Since January 1, 2000, this company has been a fully consolidated part of our Information Technology segment.

The **Zurich Marriott Hotel** was sold in the period under review and deconsolidated retroactively as of 1/1/2000.

On July 10, 2000, the Index Commission of the SWX Swiss Exchange decided to include Unaxis in the SMI, effective October 2, 2000. This is welcome confirmation that Unaxis has achieved acceptance and recognition as a diversified and important technology company.



The new brand enters the market

On the basis of our market assessments and the high number of orders on hand, we expect a continuation of favorable developments in both sales and profits for the second half of the year.

Zurich, beginning of September 2000

Yours truly,  
Unaxis Holding Ltd

Dr. Willy Kissling  
Chairman of the Board of Directors  
and CEO



Headquarters of  
ESEC in Cham, Zug

## Segment key figures

in CHF millions

\* In order to intensify the focus of the Information Technology segment, Large Area Coating (Leybold Coating) and Leybold Optics are now included in the Components and Special Systems segment (comparison figures have been adjusted accordingly).

\*\* Oerlikon-Bührle Immobilien, Bally and Oerlikon Contraves Defence

| Core businesses                      | Information Technology* |             | Surface Technology                         |             | Components and Special Systems*           |             | Others     |            |
|--------------------------------------|-------------------------|-------------|--|-------------|---|-------------|------------|------------|
|                                      | 2000                    | 1999        | 2000                                       | 1999        | 2000                                      | 1999        | 2000       | 1999       |
| <b>1st six months</b>                |                         |             |  |             |   |             |            |            |
| Orders received                      | 579                     | 288         | 168  | 133         | 699                                       | 434         | 52         | 54         |
| Orders on hand                       | 469                     | 188         | 11   | 25          | 607                                       | 385         | 47         | 60         |
| Sales                                | 458                     | 304         | 163  | 136         | 505                                       | 384         | 51         | 58         |
| <b>Operating result</b>              | <b>65</b>               | <b>42</b>   | <b>24</b>                                  | <b>24</b>   | <b>30</b>                                 | <b>8</b>    | <b>-12</b> | <b>-16</b> |
| Net assets                           | 348                     | 258         | 227  | 214         | 194                                       | 208         | 282        | 134        |
| Number of employees at end of period | 2 099                   | 1 392       | 1 729                                      | 1 469       | 3 157                                     | 2 939       | 685        | 1 242      |
| Research and development             | 34                      | 22          | 6  | 4           | 39  | 41          | 3          | 4          |
| <b>Discontinuing operations</b>      | <b>Pilatus</b>          |             | <b>Zurich Marriott (divested 1/1/2000)</b> |             | <b>Divested segments as of 7/1/1999**</b> |             |            |            |
| <b>1st six months</b>                | <b>2000</b>             | <b>1999</b> | <b>2000</b>                                | <b>1999</b> | <b>2000</b>                               | <b>1999</b> |            |            |
| Orders received                      | 301                     | 255         | -  | 16          | -   | 654         |            |            |
| Orders on hand                       | 272                     | 277         | -  | -           | -   | 949         |            |            |
| Sales                                | 182                     | 138         | -  | 16          | -   | 524         |            |            |
| <b>Operating result</b>              | <b>-6</b>               | <b>-4</b>   | <b>-</b>                                   | <b>1</b>    | <b>-</b>                                  | <b>-43</b>  |            |            |
| Net assets                           | 223                     | 203         | -  | 76          | -   | 997         |            |            |
| Number of employees at end of period | 1 101                   | 1 003       | -  | 207         | -   | 5 104       |            |            |
| Research and development             | 17                      | 10          | -  | -           | -   | 15          |            |            |

## Unaxis

## Management

| ESEC (57% share of capital)             | Information Technology  | Surface Technology   | Components and Special Systems  | Others  |
|---|---|--|---|---|
| Die Bonders<br>Wire Bonders<br>AUTOLINE | Semiconductors<br>Data Storage<br>Displays<br>Optics<br>Materials | Component Coatings<br>Tool Coatings<br>Decorative Coatings | Contraves Space<br>Leybold Vacuum<br>Inficon<br>Leybold Optics<br>Leybold Coating | Holdings / Misc.<br>Leybold Didactic<br>Inspection Systems<br>Real Estate |

## Core businesses

In the context of concentrating on IT, the Information Technology segment was further streamlined. Leybold Coating (Large Area Coating) was newly assigned to the Components segment. Optical Systems was formed from the equipment unit of Optics, formerly included in the Information Technology segment, and transferred to the Components segment as Leybold Optics.

These adjustments result in the streamlined Unaxis organization shown on page 4.

Leybold Vacuum, Inficon (Instrumentation), Leybold Optics, and Leybold Coating (Large Area Coating) will become legally independent and will each be given their own corporate identity. In this way, the prerequisite will be fulfilled to support the continued successful development of these companies through a partial IPO or entering strategic alliances.

The business developments of the segments forming the core activities (Information Technology, Surface Technology, and Components and Special Systems) exceeded expectations, which can be attributed partly to expansion of the market. This is also a result of the successful focus on growth segments which the successful integration of Plasma-Therm Inc. also contributed to significantly. The highest growth was achieved in Asia, followed by North America and Europe.

The **orders received** increased by 65% relative to the first half of 1999. This is attributable above all to developments in the Information Technology (+101%) and Components and Special Systems (+61%) segments. The steadily growing Surface Technology segment (+26%) also made a striking contribution to this overall development. Almost all areas, but especially Semiconductors, Data Storage, Displays, and Leybold Optics, contributed to this strong growth.

**Sales** rose compared to the previous year by 33%. This increase was especially high in the Information Technology segment (+51%), particularly in Semiconductors and Data Storage. The 20% rise in sales in the Surface Technology segment was primarily due to the positive developments in Tool Coatings. The striking 32% jump in sales in the Components and Special Systems

segment was decisively influenced by Instrumentation and Leybold Optics.

The **operating result (EBIT)** of the core businesses as of the middle of the year was 84% above last year's, attributable to the strong growth in sales. The **return on net assets (RONA)** increased from 14% to 20%.

The **number of employees** climbed 9% to 7 670 in the core businesses mainly because of the strong business expansion.

For the individual segments and their business areas the following points deserve mention:

## Information Technology

### Semiconductors: Boom thanks to telecom

*(Sales 6/30/00: CHF 140 million/  
Previous year: CHF 50 million)*

Semiconductors profited in the first six months of 2000 from the good global economic situation. Sales and profits, also from acquisitions (Plasma-Therm) were significantly higher than the previous year's. Especially strong growth was registered in equipment for the telecommunications sector. Our strong position continued to be consolidated in the important semiconductor market in Taiwan.



Plasma-Therm Inc.,  
St. Petersburg, FL, USA

**Data Storage: Large demand for DVD production systems**

*(Sales 6/30/00: CHF 166 million/  
Previous year: CHF 114 million)*

The first six months were marked by extraordinary investments in the DVD market. Especially satisfying is our leading position in the market for rewritable discs, which was further strengthened by the introduction of the new DVD Sprinter system. On the basis of the strong DVD market and good turnovers in the CD sector, the good result from last year was again exceeded despite stagnating CD-R sales. Sales of hard disc systems continued to be slow because of the great technological advances in storage density. Only next year is a recovery expected. The available capacity in Germany was adjusted accordingly.

**Displays: Bulk order from Taiwan**

*(Sales 6/30/00: CHF 36 million/  
Previous year: CHF 45 million)*

In the first six months of this year, larger orders from leading producers in Asia were realized for systems to manufacture new generation displays. Included in these was an order for finishing line equipment at CPT in Taiwan to the amount of almost CHF 70 million. The PECVD coating technology developed by Unaxis especially for the production of large flat screens has been accepted by the market. In the meantime, eight out of ten manufacturers use this technology.

**Optics: Market leadership in color management solutions for LCD projectors**

*(Sales 6/30/00: CHF 50 million/  
Previous year: CHF 38 million)*

Market leadership in color management solutions for the market of the future, projection, was consolidated. The color wheel product lines gained in market share. Capacity was increased to 20,000 pieces per month. The new color management systems for the next generation of projectors (LCOS) met with good acceptance in the market.

Expansion in the Sensors and Instrumentation sectors went as planned.

In the Lighting sector, market leadership in UV-Curing Filters and Reflectors was consolidated. Among other applications, these filters are used to optically harden lacquer in CD and DVD production.

**Materials: Strong growth in coating materials for optics applications**

*(Sales 6/30/00: CHF 66 million/  
Previous year: CHF 57 million)*

In the first half of 2000, sales of coating materials for semiconductor and optics applications increased greatly. Sales to customers in the optical storage medium and large area coatings sectors also developed positively. Concentration begun in the direction of Information Technology will continue.

**Surface Technology**

*(Sales 6/30/00: CHF 163 million/  
Previous year: CHF 136 million)*

**Market leadership in the coating of diesel injection components**

Growth was due primarily to major projects in the diesel injection sector for which important new customers were acquired. A significant technological advance was achieved with the development of a coating process unique in the world for extremely hard and smooth carbon coatings.

**Coating center in Mexico inaugurated (18th country)**

The satisfactory growth in sales resulted from significantly improved economic conditions in the main markets for the tool, automobile, and machine tool industries as well as general mechanical engineering. Improved utilization of capacity installed last year also contributed to a growth in profits.

**Entry into the market for decorative coatings**

Despite the first bulk orders being received for the coating center in North America, sales developed less dynamically than expected. The coating center for Europe in Hanau was completed and assumes operations in the middle of the year.

## Components and Special Systems

### Leybold Vacuum: Break-through in dry pumps for the semiconductor industry

*(Sales 6/30/00: CHF 214 million/  
Previous year: CHF 171 million)*

On the basis of the good business situation in 1999, sales were increased by more than 25% through new products (e.g., dry pumps), especially for the significantly expanding semiconductor market. Through continual improvements in efficiency in development and production, we expect further growth in sales and profits as well as an increase in our market share.

### Inficon: 50% growth for Instrumentation

*(Sales 6/30/00: CHF 119 million/  
Previous year: CHF 77 million)*

As the global leader in the Instrumentation sector, Inficon further strengthened its position. The strong growth in sales and further concentration on the semiconductor market effected a gain in market share and very good results.

### Leybold Optics: Doubling of incoming orders for optical coating systems for telecom filters

*(Sales 6/30/00: CHF 62 million/  
Previous year: CHF 38 million)*

As the leading supplier of systems and service in the dramatically expanding telecommunications market, incoming orders more than doubled. Intensified sales activities in Asia and in the automotive market segment also contributed to this. Sales growth and operating result increased compared to the previous year's figures.

### Leybold Coating: High number of orders on hand for large area coating

*(Sales 6/30/00: CHF 60 million/  
Previous year: CHF 46 million)*

Because of the restructuring introduced to improve efficiency in all functional areas, the first improvements in margins have already been registered. Based on the over-proportional incoming orders of 90% above the same period last year, there is also an improvement in the result.

### Contraves Space: Liberalization opens up new market possibilities

*(Sales 6/30/00: CHF 50 million/  
Previous year: CHF 52 million)*

As the leading technology supplier of systems and solutions for the space industry in the basic areas for Euro-

pean Space Agency (ESA) programs, previous profitable business developments were further intensified.

Increasingly, the commercial market is gaining importance, so sales and profits can be kept at a good level.

## Discontinuing operations

### Pilatus

Orders received in the first half of 2000 were 18% above the previous year's level. The General Aviation division, characterized primarily by individual orders, especially profited from the excellent economic conditions in North America and increased its orders received by 112%. High demand is expected to continue in the second half of the year. Compared to last year, sales increased 32% overall to CHF 182 million. Demand for the PC-12 is still high. In the second half of the year, a significant increase in sales as well as a positive operating result at last year's level is expected.

## Consolidated income statement

in CHF millions

\* Due to the sale of Oerlikon-Bührle Immobilien, Bally, Oerlikon Contraves Defence, and the Zurich Marriott Hotel, these figures include only Pilatus and the profit from the sale of the Zurich Marriott Hotel in Other result.

|   | Total         |               | Core businesses |               | Discontinuing operations |               |
|---|---------------|---------------|-----------------|---------------|--------------------------|---------------|
|   | 6/30/<br>2000 | 6/30/<br>1999 | 6/30/<br>2000   | 6/30/<br>1999 | 6/30/<br>2000*           | 6/30/<br>1999 |
| Sales   | 1 358         | 1 560         | 1 177           | 882           | 182                      | 678           |
| Operating expenses  | -1 249        | -1 544        | -1 062          | -822          | -188                     | -722          |
| Operating result before amortization of goodwill            | 109           | 16            | 115             | 60            | -6                       | -44           |
| Amortization of goodwill on subsidiaries                    | -8            | -4            | -8              | -2            | 0                        | -2            |
| <b>Operating result</b>                                     | <b>101</b>    | 12            | <b>107</b>      | 58            | <b>-6</b>                | -46           |
| Financial result  | -10           | -18           | -8              | -12           | -2                       | -6            |
| Other result  | 17            | 6             | 11              | 0             | 6                        | 6             |
| Result before taxes   | 108           | 0             | 110             | 46            | -2                       | -46           |
| Income taxes  | -33           | -19           | -33             | -15           | 0                        | -4            |
| Net income/loss including minority interests                | 75            | -19           | 77              | 31            | -2                       | -50           |
| Minority interests  | -2            | 1             | -2              | 1             | 0                        | 0             |
| <b>Net income/loss</b>                                      | <b>73</b>     | -18           | <b>75</b>       | 32            | <b>-2</b>                | -50           |
| Net income/loss per registered share in CHF                 | 5.52          | -1.43         |                 |               |                          |               |
| <b>Recorded directly against shareholders' equity:</b>      |               |               |                 |               |                          |               |
| Revaluation of real estate to current values **             | -             | 1             |                 |               |                          |               |
| Conversion differences                                      | 5             | 30            |                 |               |                          |               |
| Total   | 5             | 31            |                 |               |                          |               |
| Transactions with minority shareholders                     | -6            | -4            |                 |               |                          |               |
| Net income/loss including minority interests                | 75            | -19           |                 |               |                          |               |
| Change in shareholders' equity including minority interests | 74            | 8             |                 |               |                          |               |

\*\* The principle of current value was abandoned as of 12/31/1999.



## Consolidated balance sheet

|                        | Total         |                | Core businesses |                | Discontinuing operations** |                | in CHF millions  |
|------------------------|---------------|----------------|-----------------|----------------|----------------------------|----------------|--|
|                        | 6/30/<br>2000 | 12/31/<br>1999 | 6/30/<br>2000   | 12/31/<br>1999 | 6/30/<br>2000              | 12/31/<br>1999 |  |
| Current assets         | 1 714         | 1 884          | 1 414           | 1 579          | 300                        | 305            | * Amounts shown for core businesses and for discontinuing operations include inter-company receivables and payables which are eliminated in the total. |
| Non-current assets*    | 1 304         | 1 135          | 1 271           | 1 061          | 49                         | 96             |  |
| Assets                 | 3 018         | 3 019          | 2 685           | 2 640          | 349                        | 401            | ** The balance sheet of the discontinuing operations as of 6/30/2000 reflects Pilatus (as of 12/31/1999 Pilatus and the Zurich Marriott Hotel).        |
| Current liabilities    | 1 159         | 1 232          | 1 014           | 1 074          | 145                        | 158            |  |
| Long-term liabilities* | 720           | 722            | 665             | 651            | 71                         | 93             |  |
| Liabilities            | 1 879         | 1 954          | 1 679           | 1 725          | 216                        | 251            |  |
| Minority interests     | 13            | 13             | 13              | 12             | 0                          | 1              |  |
| Shareholders' equity   | 1 126         | 1 052          | 993             | 903            | 133                        | 149            |  |
|                        | 3 018         | 3 019          | 2 685           | 2 640          | 349                        | 401            |  |
| Contingent liabilities | 28            | 30             | 18              | 15             | 10                         | 15             |  |

### Accounting principles

Accounting principles used in the preparation of the 1999 Annual Report have been applied without change, supplemented by the new IAS requirements 36 and 37. Since these additions did not trigger any valuation changes, prior year figures are directly comparable. The goodwill amortization for the newly-

acquired share in ESEC and Plasma-Therm was set at 15 years.

In line with the accounts in the 1999 Annual Report, Oerlikon Contraves Defence sold as of 7/1/1999 has been reclassified to the discontinuing operations. After the sale of the Zurich Marriott Hotel effective 1/1/2000, discontinuing operations as of 6/30/2000 still include Pilatus.

## Consolidated statement of changes in financial position

in CHF millions

\* Core businesses exclude, discontinuing operations include businesses founded as of 1/1/1999.

|   | Total         |               | Core businesses |                | Discontinuing operations |                |
|---|---------------|---------------|-----------------|----------------|--------------------------|----------------|
|   | 6/30/<br>2000 | 6/30/<br>1999 | 6/30/<br>2000   | 6/30/<br>1999* | 6/30/<br>2000            | 6/30/<br>1999* |
| Net income/loss including minority interests  | 75            | -19           | 77              | 31             | -2                       | -50            |
| Reclassification of part of result  |               |               | 8               | -11            | -8                       | 11             |
| Depreciation  | 67            | 86            | 64              | 44             | 3                        | 42             |
| Increase (+), decrease (-) in provisions  | 28            | 4             | 20              | 16             | 8                        | -12            |
| Losses (+), gains (-) from equity investments                                       | -7            | 0             | -7              | 0              | 0                        | -1             |
| Losses (+), gains (-) on sales of non-current assets                                | -9            | -2            | -11             | -1             | 2                        | -1             |
| Decrease (+), increase (-) in net current assets                                    | -34           | -110          | -8              | -29            | -26                      | -80            |
| <b>Net funds from, used by operations</b>   | <b>120</b>    | <b>-41</b>    | <b>143</b>      | <b>50</b>      | <b>-23</b>               | <b>-91</b>     |
| Net funds from, used by investing activities  | -485          | -44           | -484            | -48            | -1                       | 4              |
| Net funds from, used by financing activities  | -8            | 87            | -15             | 36             | 7                        | 51             |
| Conversion differences  | 7             | 9             | 7               | 1              | 0                        | 8              |
| Increase (+), decrease (-) in cash and cash equivalents                             | -366          | 11            | -349            | 39             | -17                      | -28            |
| Increase (-), decrease (+) in financial debts from sale or purchase of subsidiaries | 24            |               | -10             |                | 34                       |                |
| Repayment of (+), increase in (-) financial debts                                   | 5             | -94           | 14              | -24            | -9                       | -70            |
| <b>Increase (-), decrease (+) in net debt</b>                                       | <b>-337</b>   | <b>-83</b>    | <b>-345</b>     | <b>15</b>      | <b>8</b>                 | <b>-98</b>     |

## Sales

The decline in sales due to divestments amounted to CHF 540 million. In the core businesses, sales were increased by 33%, or conversion-adjusted by 25%. CHF 65 million, or 7% of the increase in sales is attributable to the purchase of companies.

## Other result

Half of the increase in the other result is due to the earnings of ESEC according to the equity method and profits from the sale of the Zurich Marriott Hotel.

## Statement of changes in financial position

The growth in sales, improved earnings of the core businesses, and minimal increase in net current assets effected the increase in net funds from operations. The elimination of negative cash flows from the activi-

ties sold last year also contributed to the increase. The high net funds used by investing activities include the purchase price of Plasma-Therm and the majority share of Balzers-Elay SA (Spain) as well as the residual purchase price of the 27% minority interest in ESEC from the previous year.

### Net debt

The renewed rise in net debt since 12/31/1999 was according to plan in consideration of the realized acquisitions. As of the end of 2000, the net debt will again increase because of the majority takeover of ESEC.

### Events after the balance sheet date

With the purchase contract of November 1, 1999, a 26.9% share of the ESEC Holding SA capital was assumed. The option acquired at the same time on the purchase of all 525 000 outstanding registered shares and consequently the majority vote of ESEC Holding SA at the price of CHF 470 per registered share (corresponding to CHF 2 340 per bearer share) was exercised and settled on August 14, 2000. The public purchase offer to common shareholders of ESEC Holding SA ordered by the Swiss Banking

Commission was made on July 5, 2000, and completed with the payment on August 21, 2000. Only 17 799 ESEC Holding SA bearer shares were offered, to our knowledge principally by arbitrage brokers. This corresponds to 8.6% of the offering or 4.4% of the share capital and 2.2% of the voting rights. The interest in ESEC Holding SA now amounts to 56.9% of the share capital and 78.7% of the voting rights (before the agreed introduction of uniform registered shares).

The ESEC investment is consolidated in the present semi-annual accounts and until August 31 according to the equity method and as of September 1, 2000, will be fully consolidated.

**Unaxis Holding Ltd**  
**Unaxis Management Ltd**

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