

Consolidated Financial Statements, January to June 2005¹

Balance Sheet	30.6.2005	30.6.2004	Difference	31.12.2004
	CHF million	CHF million	in %	CHF million
Current assets	547.5	536.2	2.1	524.3
Non-current assets	218.8	233.7	- 6.4	217.0
Total assets	766.3	769.9	- 0.5	741.3
Current liabilities	302.1	287.1	5.2	262.8
Non-current liabilities	156.1	201.0	- 22.3	185.0
Liabilities	458.2	488.1	- 6.1	447.8
Shareholders' equity – shareholders of Agie Charmilles Holding Ltd	305.1	278.4	9.6	290.8
Minority interests	3.0	3.4	- 11.8	2.7
Shareholders' equity	308.1	281.8	9.3	293.5
Total liabilities and shareholders' equity	766.3	769.9	- 0.5	741.3

Income Statement	1.1.–30.6.2005	1.1.–30.6.2004	Difference	1.1.–31.12.2004
	CHF million	CHF million	in %	CHF million
Sales	500.6	466.0	7.4	978.1
Change in inventory	6.6	- 2.8	335.7	- 3.1
Other operating income	2.7	3.7	- 27.0	8.9
Income	509.9	466.9	9.2	983.9
Expenditure on				
Materials and products	- 250.7	- 230.0	9.0	- 493.9
Operating expenses	- 89.2	- 87.8	1.6	- 181.7
Value added	170.0	149.1	14.0	308.3
Personnel expenses	- 133.0	- 127.8	4.1	- 251.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	37.0	21.3	73.7	57.0
Depreciation of tangible non-current assets	- 8.4	- 8.9	- 5.6	- 17.8
Amortization of intangible assets	0.0	- 2.9	- 100.0	- 5.7
Earnings before interest and taxes (EBIT)	28.6	9.5	201.1	33.5
Financial result	- 2.4	- 5.2	- 53.8	- 10.4
Income from investments	- 0.3	0.0	n/a	0.0
Profit before taxes	25.9	4.3	502.3	23.1
Income taxes	- 5.2	- 1.2	333.3	- 6.8
Net profit	20.7	3.1	567.7	16.3
of which shareholders of Agie Charmilles Holding Ltd	20.5	3.0	583.3	16.6
of which minority interests	0.2	0.1	100.0	- 0.3
Net profit per share [CHF]	4.2	0.6	583.3	3.4

Orders	1.1.–30.6.2005	1.1.–30.6.2004	Difference	1.1.–31.12.2004
	CHF million	CHF million	in %	CHF million
Orders received	533.7	499.8	6.8	995.0
Orders on hand	144.0	126.4	13.9	106.9

Cash Flow Statement

CHF million	1.1.–30.6.2005	1.1.–30.6.2004	1.1.–31.12.2004
Cash flow from operating activities	17.8	32.1	54.1
Cash flow from investing activities	- 2.6	- 7.6	- 6.3
Free cash flow ²	15.2	24.5	47.8
Cash flow from financing activities	- 22.4	1.5	- 38.4
Effect of currency translations on cash and cash equivalents	0.5	0.1	- 0.2
Net cash flow	- 6.7	26.1	9.2
Cash and cash equivalents at beginning of period under review	17.1	7.9	7.9
Cash and cash equivalents at end of period under review	10.4	34.0	17.1

Statement of Changes in Equity

CHF million	Share capital	Share premium (Agió)	Retained earnings (excl. currency translation differences)	Cumulative currency translation differences	Shareholders' equity – shareholders of Agie Charmilles Holding Ltd	Minority interests	Total shareholders' equity
Balance as at December 31, 2003	97.7	135.7	46.8	- 3.9	276.3	3.7	280.0
Net profit			3.0		3.0	0.1	3.1
Dividend						- 0.5	- 0.5
Currency translation differences				- 0.9	- 0.9	0.1	- 0.8
Balance as at June 30, 2004	97.7	135.7	49.8	- 4.8	278.4	3.4	281.8
Balance as at December 31, 2004	97.7	135.7	63.4	- 6.0	290.8	2.7	293.5
Net profit			20.5		20.5	0.2	20.7
Dividend			- 7.3		- 7.3	- 0.3	- 7.6
Currency translation differences				1.1	1.1	0.4	1.5
Balance as at June 30, 2005	97.7	135.7	76.6	- 4.9	305.1	3.0	308.1

Segment Information

CHF million	Europe June 30, 2005	Asia June 30, 2005	America & other June 30, 2005	Total June 30, 2005
Sales	283.1	112.9	104.6	500.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	29.0	6.7	1.3	37.0
Earnings before interest and taxes (EBIT)	22.2	5.6	0.8	28.6
Assets	525.9	122.9	117.5	766.3

¹ The Group auditors have not examined the interim financial statements.

² The free cash flow is now defined and stated as the balance of the cash flow from operating activities and the cash flow from investing activities. Prior-year figures have been restated to permit comparisons.

Notes to the Consolidated Financial Statements

Basis for the preparation of the consolidated interim financial statements

The consolidated interim financial statements are those of Agie Charmilles Holding Ltd and all Swiss and foreign subsidiaries in which it holds – either directly or indirectly – more than 50% of the voting rights or for which it has operational and financial management responsibility (hereinafter "Agie Charmilles") for the six-month period ended June 30, 2005 (hereinafter "the interim period"). The interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and conform to International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". These consolidated interim financial statements should provide an update of the previous financial statements and concentrate on new activities and events. The Half-Year Report was approved for publication by the Board of Directors on July 12, 2005.

The accounting policies used in the interim financial statements are consistent with those used in the 2004 Annual Report, except where noted below. Where necessary, the comparatives have been reclassified or extended from the previously reported interim results to take into account any presentational changes made in the consolidated interim financial statements.

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and contingent liabilities at the time the statements are prepared. If, at a later point in time, the estimates and assumptions that were made by management to the best of its knowledge at the time the financial statements were drawn up are found to differ from actual conditions, the original estimates and assumptions are modified accordingly in the reporting year in which conditions changed.

Income tax expense is recognized based upon an estimate of the average annual income tax rate expected for the full financial year.

Changes in accounting policies applied to consolidated financial statements

In 2003 the International Accounting Standards Board (IASB) published a revised version of IAS 32 "Financial Instruments: Disclosure and Presentation", a revised version of IAS 39 "Financial Instruments: Recognition and Measurement" and a general update of the "International Accounting Standards", which makes changes to 14 existing standards. In 2004 the IASB published IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations", IFRS 4 "Insurance Contracts", IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", revised versions of IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets" and further amendments to IAS 39. Agie Charmilles adopted these with effect from January 1, 2005.

IAS 1 (revised): "Presentation of financial statements": Amongst other changes, the revised standard requires that minority interests in the net assets of a subsidiary be presented as part of consolidated equity and not as a separate category on the balance sheet, and that minority interests in the net income of a subsidiary be presented as part of consolidated net income in the income statement. The revised standard required retrospective application.

Zug, July 18, 2005

Yours sincerely



Kurt E. Stinemann
Chairman of the Board of Directors

IFRS 3: "Business combinations": Amongst other changes, the new standard requires that straight-line amortization of goodwill cease as of January 1, 2005. Goodwill will continue to be tested regularly for impairment. The standard requires prospective application. Had this standard been applied in the interim period of 2004, then goodwill amortization expenses of CHF 2.9 million would not have been recorded. No additional impairment would have been necessary.

The new standard also affects the Group's effective tax rate, as no tax benefit was recorded in respect of goodwill amortization. Based on the Group's mid-year 2004 result, this effect would have lowered Agie Charmilles' tax rate by ten percentage points.

Agie Charmilles assessed the impact of the other amendments and newly applicable standards and found that they did not have any impact on the Group's equity or net income.

Comments on the consolidated interim financial statements

The scope of consolidation was enlarged as of April 1, 2005 by the founding of the sales company Agie Charmilles (Thailand) Co. Ltd, Bangkok, Thailand.

Compared with the corresponding period in 2004, sales rose in the first six months of the current year by 7.4% (8.5% in local currencies) to CHF 501 million. Order intake exceeded billings by around 7%.

Thanks to the improved operating result, the EBIT margin rose from 2.0% to 5.7%. Currency effects impacted the operating result to the tune of CHF 4 million.

Owing to a year-on-year reduction in net debt and to currency gains, the financial result improved by CHF 2.8 million.

Income taxes totaled CHF 5.2 million, equivalent to a tax rate of 20%.

Net profit increased substantially, rising from CHF 3.1 million to CHF 20.7 million.

While free cash flow came to CHF 15.2 million, net current assets rose by CHF 15 million to CHF 275 million: the reduction in trade accounts receivable achieved despite the growth in sales only partly offset the higher inventory levels.

Investments in tangible non-current assets came to CHF 4.5 million.

Net debt rose during the year by CHF 7 million to CHF 176 million mainly due to the dividend payment in April and to currency effects.

Shareholders' equity rose to CHF 308 million. The sound figures for equity ratio and gearing (40% and 57% respectively) were unchanged from their end-2004 levels.

The headcount rose during the interim period by 109 persons to 3171, due mainly to growth in Asia.



Jürg Krebsler
Chief Executive Officer

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Important dates

Publication of the financial result for 2005 and Annual Press/Analysts Conference in Zurich
Monday, February 27, 2006

Annual Shareholders' Meeting in Zurich
Thursday, March 23, 2006

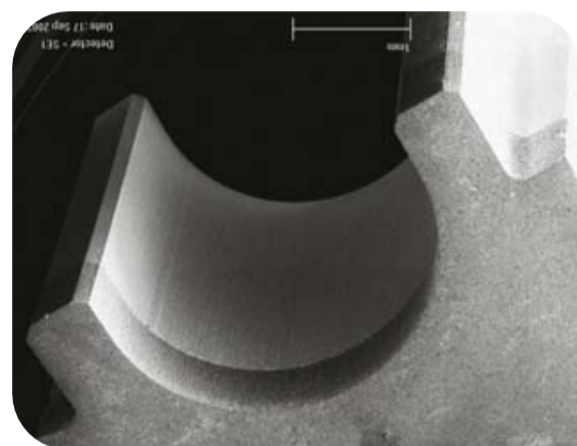
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Dear Shareholders



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Agie Charmilles | Half-Year Report January to June 2005



Half-Year Report
January to June 2005

AGIE CHARMILLES | Bundesplatz 1, 6300 Zug, Switzerland

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AGIE CHARMILLES

In the first half of 2005, Agie Charmilles upped its order intake by 6.8% to CHF 534 million. Sales amounted to CHF 501 million, exceeding the previous year's figure by 7.4%. This sales growth – combined with the positive effects of the cost saving measures carried out during the last two years – has resulted in a significant rise in EBIT from CHF 9.5 million in 2004 to CHF 28.6 million in 2005, and a near-trebling of the EBIT margin to 5.7%. Net profit increased to CHF 20.7 million (previous year: CHF 3.1 million).

Half-Year Report January to June 2005 Agie Charmilles on track for growth

Continued growth

In the first half of 2005 Agie Charmilles maintained the previous year's trend of rising new orders and sales. At CHF 533.7 million, order intake was 6.8% higher than in the previous year. Sales rose by 7.4% (8.5% in local currency terms).

Business growth remained positive in northern Europe, but, as expected, was less dynamic than in 2004. In Germany, order intake remained at the previous year's brisk level. By contrast, demand in southern Europe was unsatisfactory – as in the preceding years. Once more, business in eastern Europe grew at an exceptionally high rate.

Business in North America continued to develop positively: New orders from the United States were up by 20%. Demand rose satisfactorily in South America too.

Asia saw a 16% rise in new orders year on year. High growth rates were posted in China and southeast Asia in particular. The recently established sales company in Thailand got off to a good start.

At CHF 144 million, orders on hand as at end June 2005 were 35% above the level in December 2004 and 14% up on the June 2004 level.

Extensive investment in new products

In the field of electric discharge machines (EDM), development of the new generation of products based on the EDM Futura platform concept is running on schedule. Products designed specifically for Asia and manufactured in China are being given high priority. Two new die-sinking systems, the Charmilles Roboform 53 and Actspark SA 20, were launched in the lower price segment.

Similarly, two forward-looking product lines – the new Charmilles Robofil 2050, a wire-cut EDM system for maximum performance requirements, and the Agietron Spirit 2, a die-sinking machine with a very good price-performance ratio – were added to the Swiss-built product range.

Mikron is generating above-average growth with its milling machine business. Two new high-speed milling products were presented in this segment. The HSM 600 Prodmod has been designed specially for the manufacture of components from high-quality materials, for example in medical technology, while the attractively priced HSM 500 is intended to facilitate entry into high-speed milling for a wide customer base.

System 3R launched WorkPartner, an automation solution that offers a very good price-performance ratio.

Expansion of production capacity in China

The latest stage in the expansion of the Beijing plant was successfully completed in spring, raising the plant's annual production capacity to over 1,000 units. The Group is thus poised for further rapid growth in what is now the world's biggest machine tools market.

Cost base improved by restructuring program and leaner organization

The projects undertaken as part of the restructuring program initiated in 2003 yielded their full benefits in the first half of 2005. Combined with the leaner organization introduced at the beginning of the year and higher sales they led to further improvement of the cost base. Hence the marked year-on-year rise in EBIT, which soared by CHF 19.1 million to CHF 28.6 million. At 5.7%, the EBIT margin was almost three times higher than the previous year's figure of 2.0%. Currency influences worsened the operating result by CHF 4 million. The free cash flow amounts to CHF 15.2 million.

Outlook: positive growth in business

No significant changes in market conditions are expected in the second half of the year. Continued positive growth is anticipated, fueled primarily by the healthy Asian and American business environments. EMO, the international machine tools fair taking place in Hannover in September 2005, will stimulate European business in the fourth quarter. Agie Charmilles therefore expects sales and profit for the year as a whole to exceed the previous year's figures.

