SCHWEITER TECHNOLOGIES

2006

Annual Report 2006

Board of Directors, Group Management, Auditors

Board of Directors

Term of office 2006 to 2009

Dr. Hans Widmer	Chairman
Heinrich Fischer	
Benjamin Loh	
Dr. Jean-Pierre Nardin	
Rolf-D. Schoemezler	
Dr. Gregor Strasser	

Group Management

Beat Siegrist	Chief Executive Officer Group
Dr. Heinz O. Baumgartner	Chief Financial Officer Group
Claudio Zinetti	Chief Purchasing Officer Group
Kurt Eugster	Chief Executive Officer SSM Textile Machinery (until November 2006)
Rainer Roten	Chief Executive Officer SSM Textile Machinery (from December 2006)
Dr. Urs Meyer	Chief Executive Officer Satisloh
Lorenzo Giarrè	Chief Executive Officer Ismeca Semiconductor (from December 2006)

Auditors

Deloitte AG, Zurich

Board of Directors' report

Dear shareholders

Schweiter produced net income of CHF 33 million on gross revenues of CHF 461 million. Sales rose by 32% compared to the weak year in 2005. Operating profit trebled, as did net income (excluding divestment proceeds earned in 2005).

Satisloh (OPT) accounted for a good half of sales, and SSM Textile Machinery (TEX) and Ismeca Semiconductor (SEM) for one quarter each. In all three divisions new orders exceeded sales.

OPT generated 70% of the operating profit (return on sales: 11%) and TEX the remainder (return on sales: 12%), while EBIT at SEM just reached breakeven.

For the first time since 2000, TEX increased sales, namely by an impressive 26%. Not only has the market recovered, but the innovations developed by TEX are also bearing fruit. The operating result soared by some 60%. TEX occupies strong strategic positions in its market niches, even if some of them are likely to contract in the long term.

OPT occupies a significant strategic position in spectacle lens treatment, in which it is the global market leader in both surface processing and coatings. What is more, in terms of innovation, costs and market performance, the division has the critical mass to defend its leading position. About 40% of sales are generated by consumables, spare parts and service.

In the field of precision optics, which accounts for 8% of OPT's sales, OPT is one of three equally strong competitors in the market for surface processing equipment. In view of the current state of fierce competition, results are still modest.

SEM maintained its strategic position in backend processes, in particular in discrete and simple chips (SO), where the focus is on high processing speeds. It enhanced its position in the rapidly growing segment for leadless chips. Although revenues rose by about 70%, pacing and in some areas outperforming the market, the operating result failed to reflect this upturn. Reasons for this discrepancy are strong price pressures and unavoidable duplication associated with the outsourcing of some manufacturing operations to the new factory in Malaysia (end of 2006: 120 employees). The operating result improved by CHF 8 million, thereby wiping out the previous year's deficit of a similar magnitude.

The size of the Group's workforce was unchanged (975 vs. 973 in 2005); sales per employee exceeded CHF 460,000.

On account of strong revenues, the relatively high level of net assets at the beginning of the year increased further, though at a disproportionately slower rate than revenues. The net cash position was up by CHF 20 million at CHF 68 million. The equity ratio stood at 60%.

Although 2006 was not a record year, it was a very good one. The current portfolio is well positioned for the company to achieve its targets. Management is on the right path to take another step forward in 2007.

Once again, the dedication and commitment of each and every employee was greatly in evidence, and the Board of Directors would like to take this opportunity to thank all of the company's staff and wish them success and satisfaction in 2007.

Yours sincerely

Key figures

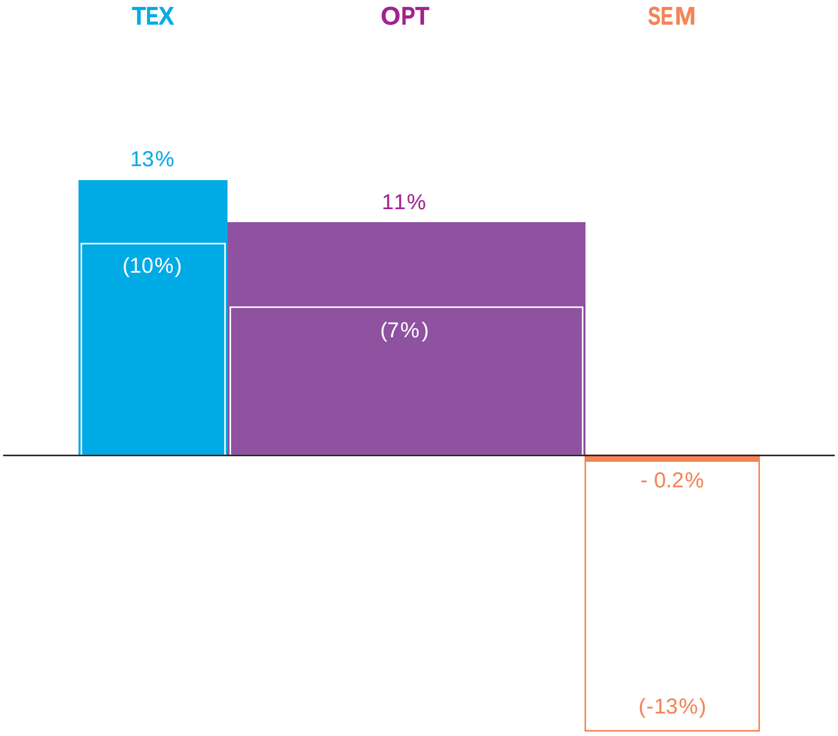
Group		**2006**	2005
Orders received – continuing operations	in CHF 1000s	476 970	382 500
Gross revenues – continuing operations	in CHF 1000s	460 986	349 107
Operating performance – continuing operations	in CHF 1000s	**431 389**	**331 330**
Operating profit – continuing operations	in CHF 1000s	37 322	12 414
	as % of operating performance	8.7	3.7
Net income	in CHF 1000s	**33 414**	**18 983**
	as % of operating performance	7.7	5.7
Development expenses	in CHF 1000s	27 867	25 584
Investments in property, plant and equipment	in CHF 1000s	7 193	6 993
Overall balance sheet total	in CHF 1000s	**338 175**	**292 255**
Shareholders' equity	in CHF 1000s	202 936	173 860
	as % of assets	60.0	59.5
Average headcount		994	971
Average gross revenues per employee	in CHF 1000s	464	360
Stock market capitalization as at December 31	in CHF 1000s	**526 940**	**376 077**
31 **Earnings per share**			
From continuing operations:			
– Undiluted	in CHF	23.15	7.66
– Diluted	in CHF	23.15	7.66
From continuing and discontinued operations:			
– Undiluted	in CHF	23.15	13.14
– Diluted	in CHF	23.15	13.14

Holding		**2006**	2005
Net income	in CHF 1000s	**3 848**	**24 738**
Share capital as at December 31	in CHF 1000s	**1 444**	**1 444**
– subdivided into bearer shares with a par value of CHF 1 each			
Conditional share capital	in CHF 1000s	**133**	**133**
– for share option plan	in CHF 1000s	33	33
– for bonds or similar issues	in CHF 1000s	100	100
Authorized share capital	in CHF 1000s	**300**	**300**
Proposal of the Board of Directors			
– Distribution of a dividend (gross)	in CHF per share	6.00	3.00

▲ For additional details see notes to the consolidated financial statements.

Division Performance

Operating result
as % of operating
performance
(previous year)



(in CHF m)	SSM Textile Machinery	Satisloh	Ismeca Semiconductor
Orders received (compared with previous year)	108 (+29%)	254 (+15%)	115 (+49%)
Operating performance (compared with previous year)	95 (+28%)	227 (+17%)	110 (+72%)
Operating result (previous year) as % of operating performance (previous year)	12.4 (7.7) 13% (10%)	26.0 (13.2) 11% (7%)	-0.2 (-8.5) -0.2% (-13%)
Headcount (December 31) (compared with previous year)	223 (+1%)	430 (-5%)	319 (+7%)
Net assets [1] (previous year)	21 (25)	100 (87)	65 (55)
RONA [2] (previous year)	54% (33%)	28% (16%)	0% (-15%)

[1] Net assets = Trade receivables, inventories & work in progress and property, plant & equipment minus trade liabilities and payments on account received from customers.
[2] RONA = Operating profit as % of the average net assets (return on net assets).

Group

Portfolio strategy

1. Schweiter Technologies is developing business in the high-tech mechanical engineering sector. A maximum of customer needs are covered with a minimum of standardized and modularized components and machinery. This is the basis for quality, cost-effectiveness and reliable procurement.

2. The individual business units (divisions) are global market leaders in their segments – or at least have the potential to become global market leaders. Each is autonomous – including financially.

3. The core of each strategy consists of innovation (starting point for all success to date), proximity to customers via an in-house sales and service system and concentration on critical value creation. Structures are lean and communications direct. Earnings should largely correspond to free cash flow.

4. The same care is applied to management development as to business development. A management culture is promoted which goes beyond product or even company cycles. In this way, limits are determined not by market segments, technologies or locations, but by these very management assets.

5. The holding company is not interested in buying and selling businesses, but aims to develop them beyond the timespan of those currently in executive posts. Acquisitions are primarily intended to strengthen current positions: divestments take place if there are better owners than Schweiter, or if there is no prospect of market leadership.

6. The only posts in the holding company are those of the CEO, CFO, CPO and Group Controller. There is a cross transfer of know-how. One member of the Board of Directors concentrates on one division (with monthly performance reviews).

Current situation

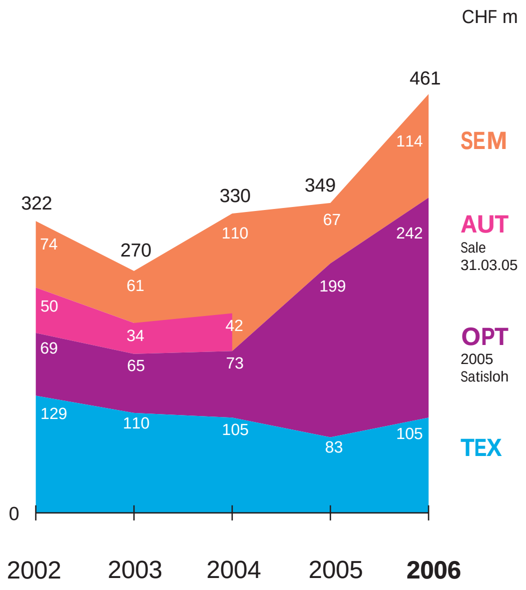
The portfolio is concentrated primarily on traditional machine construction. The acquisition of the Loh Group has brought additional stability to the portfolio, with a dominant position in optics. It also reduces the degree of dependence on cycles in the textile machinery and semiconductor sectors. The optics division Satisloh accounted over 50% of group sales during the year under review.

Each division is organized on a consistently functional basis. Structures have been kept lean and processes direct. Asia or America already account for more than 30% of employees, underscoring the Group's aspirations as a global player in the mechanical engineering sector.

Essentials of the consolidated income statement

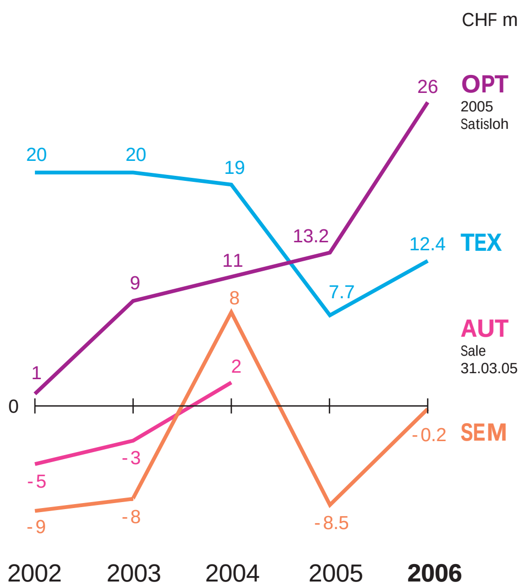
Revenues

Revenues posted a sharp rise of more than 30% year-on-year. Both SSM Textile Machinery (TEX) and Satisloh (OPT) increased sales by around one quarter and Ismeca Semiconductor (SEM) by about two thirds. OPT is the dominant division, generating more than 50% of total revenues, while TEX and SEM are each responsible for about 25%.



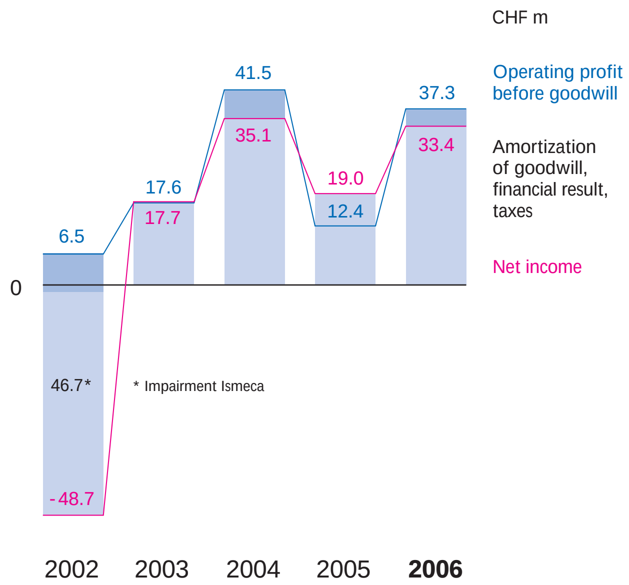
Operating result

The operating result was three times as high as that of the previous year (starting from a low baseline). TEX and OPT posted disproportionately strong improvements in operating results and margins, whereas SEM's operations just managed to break even.



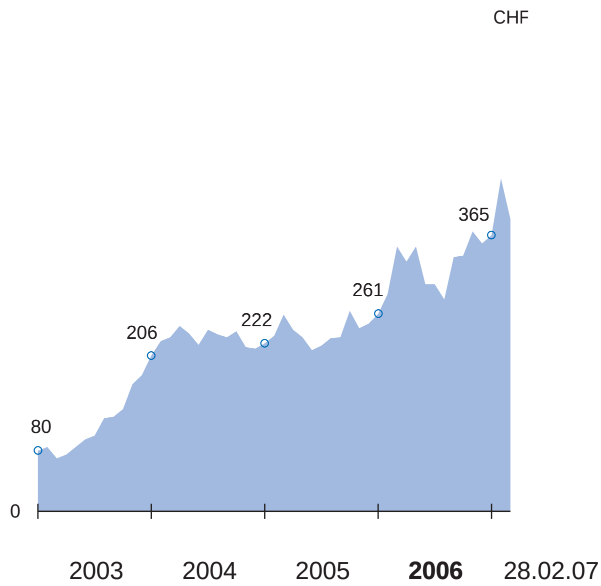
Net income

Net income benefited from a low tax rate thanks to the company's favorable tax situation (in particular its ability to carry tax losses forward) and a stable financial result.



Bearer shares

As of December 31, 2006, 1.44 million shares were outstanding (nominal value: CHF 1.00). The principal shareholders are Dr. Hans Widmer, Hans Widmer Management AG (24.9%) and Beat Siegrist (5.4%).



Essentials of the consolidated balance sheet

Assets

Cash and cash equivalents

At the end of 2006, the cash position stood at CHF 78 million. The net cash position amounted to CHF 68 million.

Net assets

As a result of strong increase in volumes, net assets rose by CHF 17 million compared with the previous year. There is potential for the release of additional funds.
Net assets consisted of trade receivables of CHF 93 million (previous year: +11), inventories amounting to CHF 84 million (+6), property, plant and equipment CHF 49 million (+/-0), trade liabilities CHF 34 million (+3) and payments on account received from customers CHF 6 million (-3).

Goodwill

Goodwill still amounts to only around CHF 5 million.

Liabilities

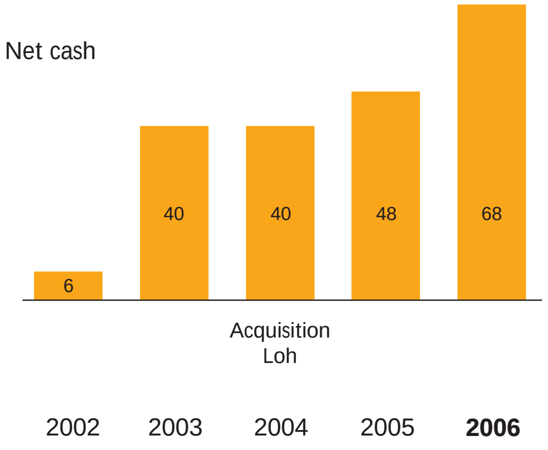
Interest-bearing liabilities

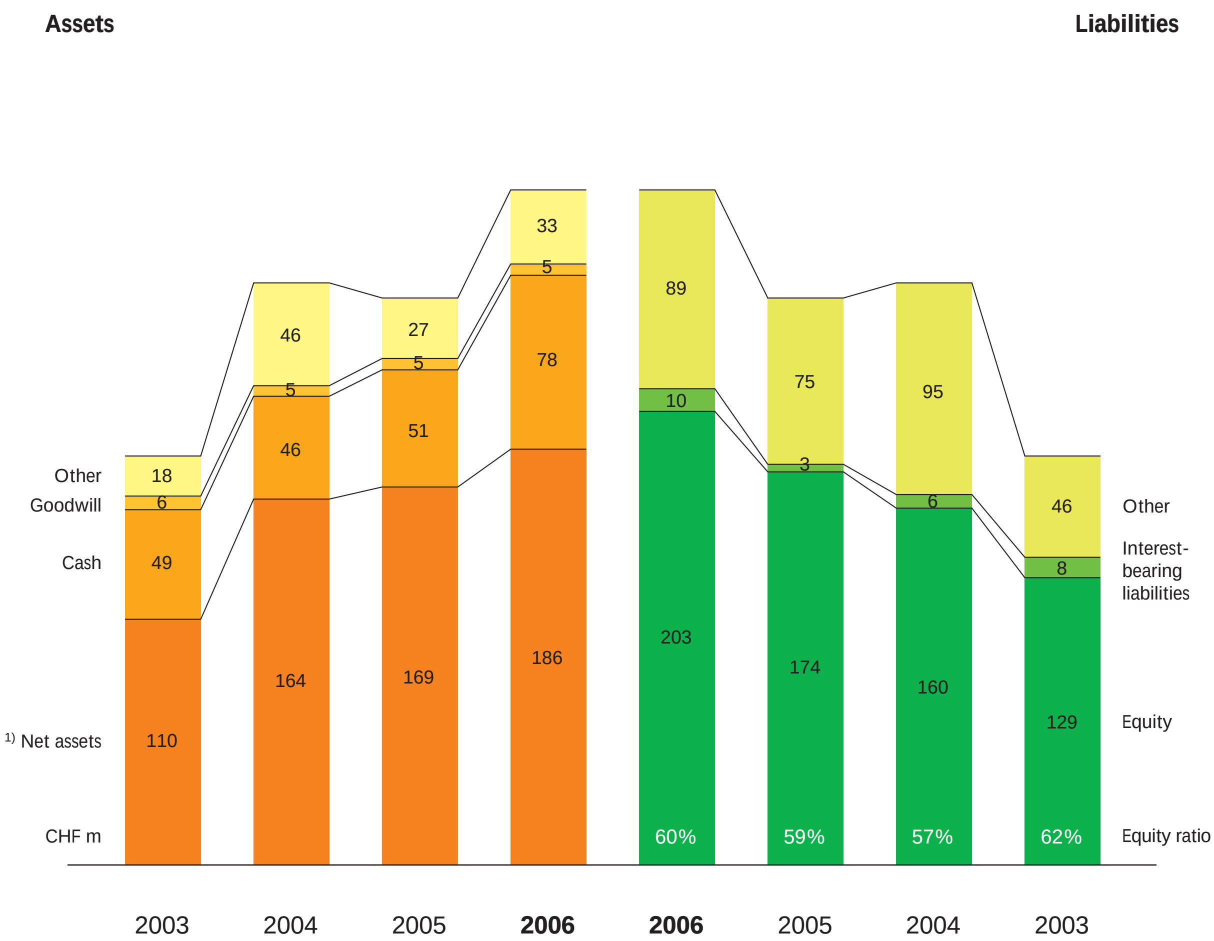
As of the end of the year, interest-bearing liabilities amounted to about CHF 10 million.

Shareholders' equity

Shareholders' equity amounted to CHF 203 million with an equity ratio of 60%.

Development net cash CHF m





1) Net assets = Trade receivables, inventories & work in progress and property, plant & equipment minus trade liabilities and payments on account received from customers


Marc Haltiner
Test Mechanic
Product Support
Fridolin Stauffer
Technical Service Specialist
Manuela Luchsinger
Commercial Trainee

Stefan Bühler
Electrical Engineer
Hardware/Software

Antonio Coduti
Machine Assembly
Packaging

Stefano Formica
Purchasing/Procurement

SSM Textile Machinery, Horgen, Assembly

SSM Textile Machinery

The textile division substantially improved its results, generating an EBIT in excess of CHF 12 million on sales of CHF 105 million. The combination of growth and cost control resulted in a solid EBIT margin of 12%.

Markets

India, China and Turkey were the most important markets for textile machinery, followed by Pakistan and Iran. However, the weak US dollar squeezed prices.

The staple market as a whole, which includes the twist and dying projects, is going through a phase of renewal. Demand for microfiber yarns held up well, in particular from Turkey.

The campaign to sell reasonably priced machines, in particular in India and China, proved successful. Teething problems with the new TW machine platform were overcome and the contribution of this new generation of machines reached SSM standards.

In addition, a decisive step was taken to expand competence in the field of air texturing. SSM worked closely with the world's largest polyester manufacturer to completely refurbish its European production plants for air textured yarns for the automotive industry. This major project was a groundbreaking step for SSM's entire range of process machines and will be continued in 2007.

Products

Both simpler yarn dyeing preparation machines and more complex process machines for manufacturing combination textured and elastane yarns had a successful year. In the sewing thread segment, the 850 “Thread Prince” strengthened Hacoba's dominant position in final make-up. In the meantime, almost all large sewing thread manufacturers use this machine in their production.

Organization

Necessary programmes were implemented to reduce costs. Sourcing from eastern Europe and Asia was increased. Supply times did not exceed two months, which underscores the high quality of our network of suppliers.

The factory in Zhongshan, which works with local Chinese suppliers, delivered more than 5 000 spindles. As a local provider with favorably priced machines, it already serves as a base from which to permanently penetrate the Chinese market.

The Reutlingen structures were swiftly integrated into the organization in Horgen. The associated staff changes in the fields of marketing, sales and service were also quickly implemented.

Including the Zhongshan plant, the number of employees totaled 223.

Outlook

Innovative machines and a dominant market provide a sound basis to successfully meet the challenges of 2007.

Management

Kurt Eugster	Chief Executive Officer (until 30. November 2006)
Rainer Roten	Chief Executive Officer (from 1. December 2006)
Martin Klöti	Chief Financial Officer
Matthias Bührer	Head of R & D
Eduard Hildebrand	Head of Supply & Production
Urs Gull	Head of Marketing & Sales
Martin Toti	Head of Aftersales
Ralf Lucht	Head of Hacoba Spultechnik

Employees at year-end

2002	2003	2004	2005	2006
212	208	225	221	223

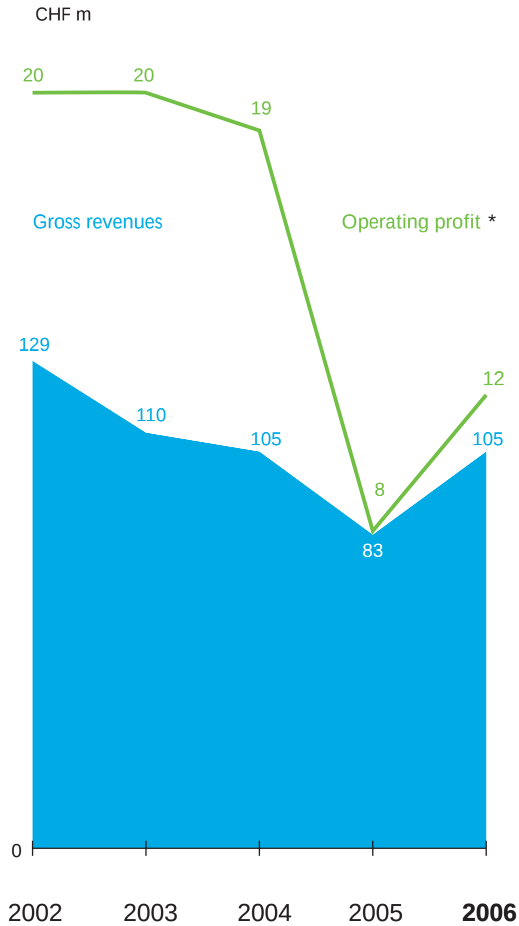
Machine program

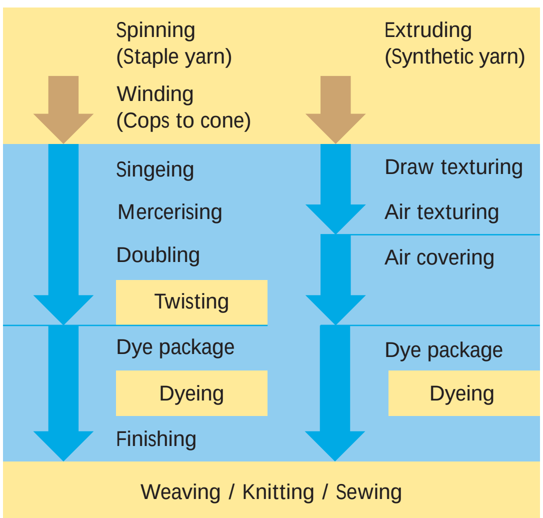
Machines for the following applications / segments in the textile sector:

– Rewinding and dyeing – Doubling – Sewing threads
– Air texturing – Air covering
– False twist texturing – Singeing
– Yarn preparation – Elastane preparation

Sales markets

Europe	41%	(incl. Turkey and Middle East)
Americas	13%	
Asa	43%	(incl. Indian subcontinent)
Other	3%	





* Scale 10 times gross sales

Ralph Heeb
Industrial Mechanic

Karin Goly, Assistant
Research & Development

Elke Lackner
Logistics Service

Volker Jung
Spare Parts Service

Satisloh, Wetzlar, Assembly


Christian Endlicher
Head Purchasing
Frank Petry
Industrial Mechanic
Eva Clemens
Trainee Industrial Mechanic

Satisloh

An EBIT of CHF 26 million was generated on sales of CHF 242 million. Compared to 2005, this represents growth of 22% and a doubling of EBIT.

Surface processing posted growth of 49%, spare parts 37% and consumables 24%. New orders reached CHF 254 million, which was 4% greater than revenues.

As a leading full-range supplier for the production of spectacle lenses, Satisloh is solidly established in the market with a very strong position in the new direct surfacing technology. The company still has scope for expansion in fine optics, which accounts for 8% of revenues.

Markets

After getting off to a stable start at a high level in 2005, the European operations achieved growth of 28% in 2006, thanks in part to a new technology.

In the USA, strong sales in consumables and initial successes in direct surfacing made it possible to extend the solid results of the previous year by a further 22% (in local currency). The infrastructure was expanded in the fields of logistics and customer training.

Asia was able to maintain the previous year's solid performance. Thanks to stepped-up marketing efforts and new products, South America recorded excellent results.

Concentration at customer level is continuing. Satisloh is the market leader among independent customers and retail chains. Its established technology base puts it in a position to expand its business with lens manufacturers.

Products

Because of the growing speed of changes in spectacles production, more than CHF 70 million has been earmarked for new machines. The new direct surfacing technology (VFT) allows manufacturing to be automated to enable our customers to market personalized varifocal lenses with superior optical qualities.

Satisloh delivered its first VFT machines in 2005. Already the second largest supplier in 2006, the company aims to expand its market share to 50%.

In the case of the coating systems, both the box coaters and the sputter coaters meet the more demanding needs of the market. By outsourcing part of its manufacturing to Asia, costs will be reduced in 2007.

Organization

The Oensingen plant was closed at the end of March, and products manufactured there were outsourced, as was mechanical production in Wetzlar. As a result of these measures, the number of employees was reduced to 430.

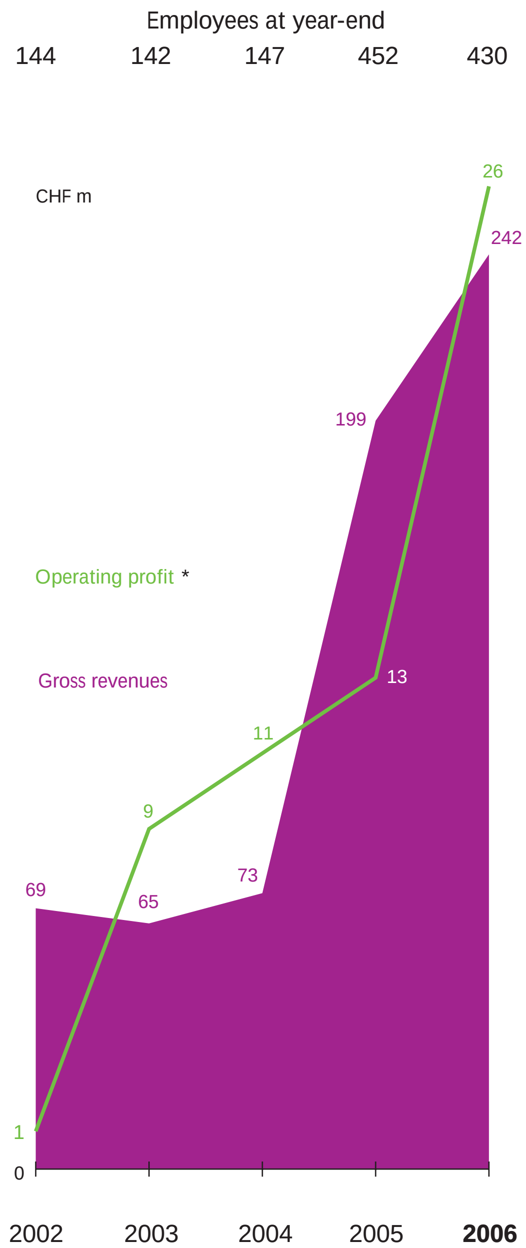
At the beginning of 2007, management was strengthened by bringing in the local head of Region Asia and the head of technology and product management.

Outlook

The target for 2007 is modest sales growth. The measures taken to improve efficiency will further improve the result. Other priorities include efforts to reduce net assets and the ongoing outsourcing of operations to Asia.

Management

Dr. Urs Meyer	Chief Executive Officer
Bruno Fischer	Chief Financial Officer
Larry Clarke	Region USA
Hanspeter Eigenmann	Key Accounts & Region Asia
Dr. Christoph Weber	Region Europe
Werner Kalb	Consumables
Dr. Michael Sander	Precision Optics
Luca Cavadini	Business Unit Coating
Norbert Gerling	Business Unit Surfacing
Oswin Lack	Supply Chain Management
Holger Zunft	Global Service



Machine program

Ophthalmics

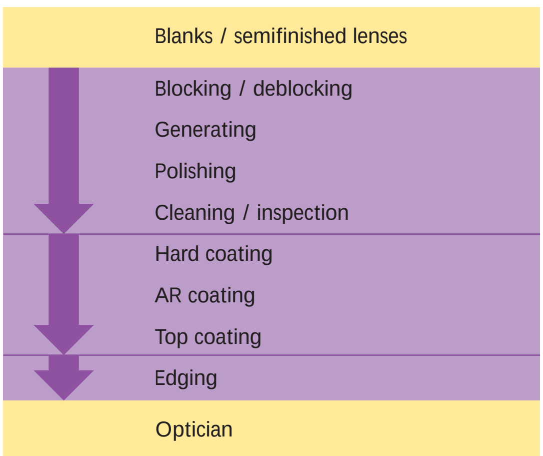
Systems for the complete production of prescription spectacle lenses, incl. surface treatment, cleaning, anti-reflective treatment, coating and edging treatment. Surface processing by CNC milling and polishing technologies and fast tool lathe technology. High vacuum PVD, sputtering and CVD coating technologies.

Precision optics and special applications

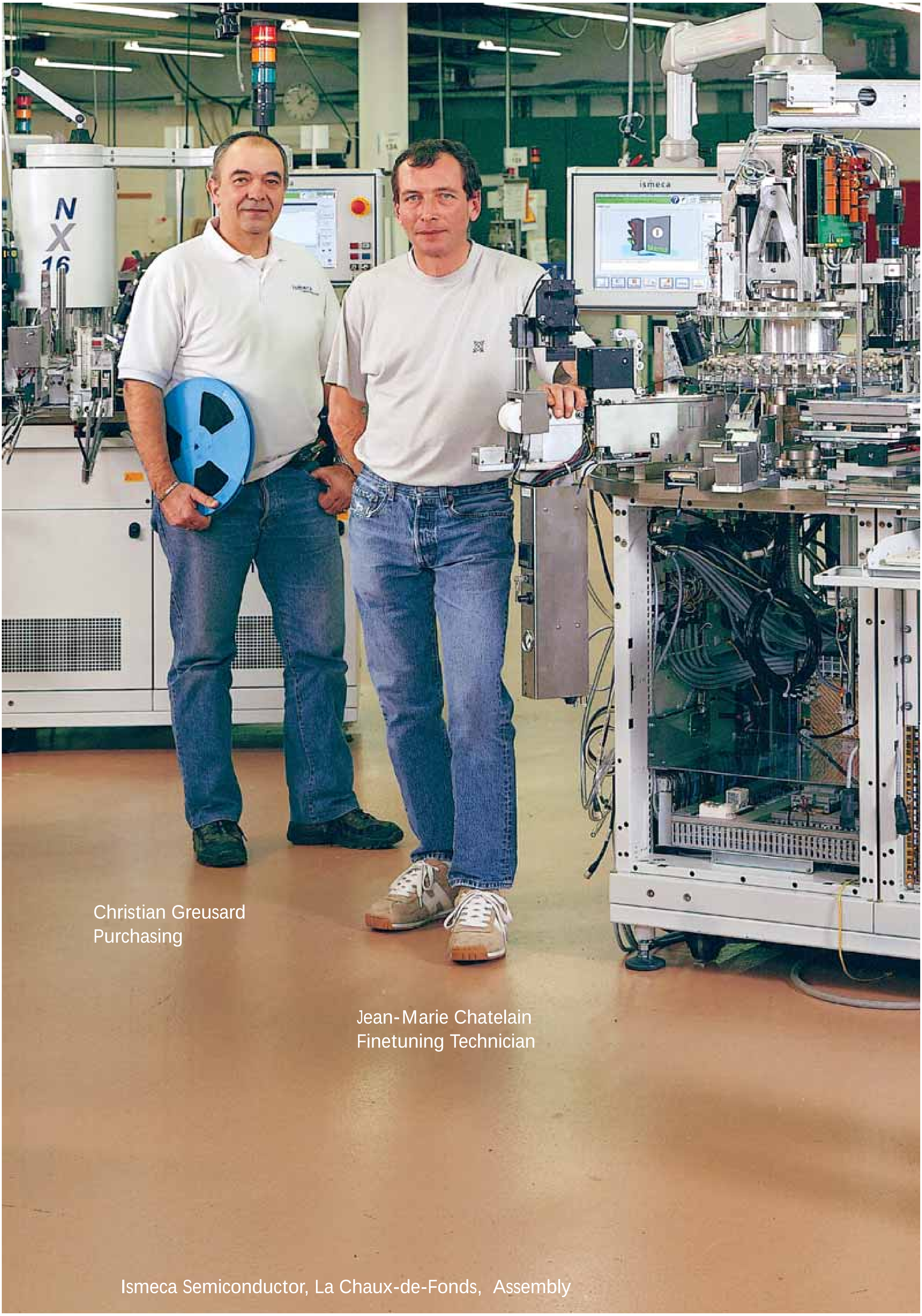
Systems for manufacturing optical lenses and components, incl. cutting, polishing, correction polishing, centering and coating.

Sales markets

Europe	44%	(incl. India, Middle East, Africa)
America	41%	(USA, Canada, Mexico)
Asia	15%	(incl. South America, ROW)



* Scale 10 times gross sales



Christian Greusard
Purchasing

Jean-Marie Chatelain
Finetuning Technician

Ismeca Semiconductor, La Chaux-de-Fonds, Assembly

Damien Coste
Software Engineer

Beatrice Racine
Industrialization Manager

Ismeca Semiconductor

While revenues of CHF 114 million represent growth of 69%, the operating result only reached breakeven. The reasons are twofold.

First, we are under continual pressure from our customers to cut prices, as they themselves must reckon with price decreases on their own products in the region of 10%. And this despite the fact that since 2000 the performance of Ismeca machines has on average doubled and the price been halved.

Second, Ismeca experienced unavoidable duplication during the process of outsourcing production to Malaysia, while – as in the nature of change – improvements in efficiency materialized with a time lag.

Markets

Ismeca's leading markets are all in Asia (China, Malaysia, Thailand, Taiwan, the Philippines and South Korea). These markets accounted for 80% of Ismeca's sales in 2006 (2005: 70%).

Products

The anchor of Ismeca's product range is the turret machine. In addition, it launched a fully flexible platform and a new high-speed machine that is currently the fastest on the market. Significant progress was made in leadless packages. Finally, a fully flexible tool-less platform for SOIC was put on the market.

Organization

At mid-year, the new production facility was commissioned and the capacities successively brought on stream. From 2007, all standard machines for discrete, leadless and flexible SOICs will be produced there.

The factory in La Chaux-de-Fonds will focus on innovation and special applications – the key to the future.

The expansion of distribution activities focused on China, where reinforcements were brought in for the logistics, sourcing and training unit in Suzhou. The number of employees in the office was doubled to 40. Furthermore, the sales and service infrastructure was expanded in Shanghai, Nantong, Tianjin, Shenzen and Leshan. The proportion of key accounts in overall sales rose from 22% in 2005 to 28% in 2006.

Outlook

Although the market is expected to be marginally slower than in 2006, Ismeca Semiconductor will be more efficient.

Management

Lorenzo Giarrè — Chief Executive Officer (from December 2006)
Camillo Narcisi — Chief Financial Officer
Peter Portmann — Head of Operation
Gilbert Fluetsch — Head of Marketing & Sales
Jean-Charles Authier — Head of Technology
Ian von Fellenberg — Head of North Asia
Yves Rougnon-Glasson — Head of Production Switzerland
Christophe Tissot — Head of Supply Chain

Employees at year-end

297	261	282	298	319

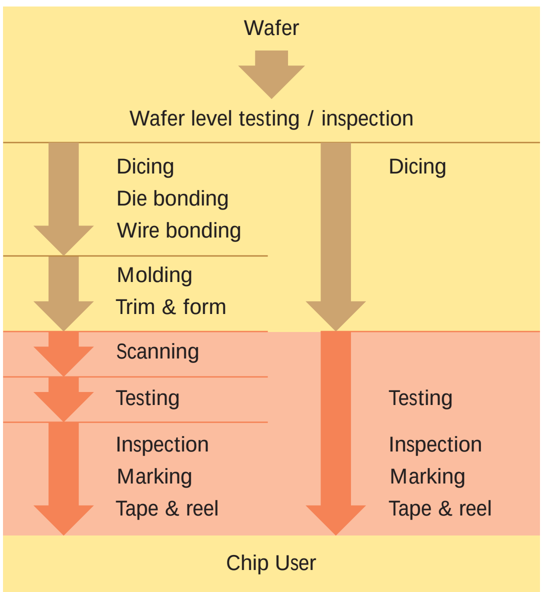
Machine programme

High-speed machines for finishing, testing, inspection, marking and taping of

- Discretes
- IC's
- Bare dies
- LED's

Sales markets

Europe	13%
Americas	7%
Asia	80%



* Scale 10 times gross sales

Consolidated financial statements of Schweiter Technologies AG

Consolidated balance sheet as at December 31, 2006

	Assets (in CHF 1000s)	**2006**	%	2005	%
	Current assets				
1	Cash and cash equivalents	78 364		51 332	
2	Trade receivables	93 398		82 121	
	Receivables from current income taxes	1 749		2 761	
3	Other receivables	13 438		10 284	
	Prepaid expenses and accrued income	2 353		1 822	
4	Inventories and work in progress	84 182		77 854	
5	Assets held for sale	6 975		-	
	Total current assets	**280 459**	82.9	**226 174**	77.4
	Non-current assets				
6	Property, plant and equipment	42 037		48 945	
7	Financial assets	3 863		7 232	
28	Deferred income tax assets	5 794		3 811	
8	Goodwill and other intangible assets	6 022		6 093	
	Total non-current assets	**57 716**	17.1	**66 081**	22.6
	Total assets	**338 175**		**292 255**	

	Liabilities (in CHF 1000s)	**2006**	%	2005	%
	Short-term liabilities				
9	Short-term interest-bearing liabilities	9 110		2 068	
	Commission payments	5 389		5 384	
	Trade liabilities	34 274		31 265	
10	Other liabilities	11 158		13 236	
11	Accrued expenses and deferred income	29 753		20 646	
15	Short-term provisions	9 218		11 828	
	Current income taxes	6 481		3 242	
	Total short-term liabilities	**105 383**	31.2	**87 669**	30.0
13	Long-term interest-bearing liabilities	494		1 024	
29	Deferred income tax liabilities	3 767		3 512	
15	Long-term provisions	3 513		3 387	
14	Pension obligations	22 082		22 803	
	Total long-term liabilities	**29 856**	8.8	**30 726**	10.5
	Total liabilities	**135 239**	40.0	**118 395**	40.5
	Shareholders' equity				
17	Share capital	1 444		1 444	
	Treasury shares	107 381		107 381	
	Premium	68 705		54 091	
	Net income	33 414		18 945	
	Hedging reserves	- 21		- 178	
	Currency translation differences	- 7 987		- 7 823	
	Equity attributable to parent company shareholders	**202 936**		**173 860**	
16	Minority interests	-		0	
	Total shareholders' equity	**202 936**	60.0	**173 860**	59.5
	Total liabilities and shareholders' equity	**338 175**		**292 255**	

▲ For additional details see notes to the consolidated financial statements.

Consolidated income statement for the financial year 2006

	(in CHF 1000s)	2006	%	2005	%
	Continuing operations:				
	Gross revenues	**460 986**	106.9	**349 107**	105.4
21	Sales deductions	- 26 555	- 6.2	- 19 585	- 5.9
	Net revenues	434 431	100.7	329 522	99.5
	Change in inventories of semi-finished and finished goods	- 3 042	- 0.7	1 808	0.5
	Total operating income	**431 389**	100.0	**331 330**	100.0
	Cost of materials	- 236 925	- 54.9	- 173 574	- 52.4
	Personnel expenses	- 100 637	- 23.3	- 95 350	- 28.8
22	Other operating expenses	- 52 791	- 12.2	- 47 253	- 14.2
23	Other operating income	1 696	0.4	2 727	0.8
24	Depreciation & amortization of other intangible assets	- 5 410	- 1.3	- 5 466	- 1.7
	Operating profit	**37 322**	8.7	**12 414**	3.7
25	Financial income	6 098	1.4	6 981	2.1
26	Financial expenses	- 6 149	- 1.4	- 1 729	- 0.5
	Income before taxes	**37 271**	8.7	**17 666**	5.3
27	Income taxes	- 3 857	- 1.0	- 6 585	- 2.0
	Net income from continuing operations	**33 414**	7.7	**11 081**	3.3
	Discontinued operation:				
30	**Net income from discontinued operations**	-		**7 902**	2.4
	Net income	**33 414**	7.7	**18 983**	5.7
	Attributable to:				
	– Parent company shareholders	33 414		18 945	
16	– Minority interest	-		38	
31	**Earnings per share** (in CHF)				
	From continuing operations:				
	– Undiluted	23.15		7.66	
	– Diluted	23.15		7.66	
	From continuing and discontinued operations:				
	– Undiluted	23.15		13.14	
	– Diluted	23.15		13.14	

▲ For additional details see notes to the consolidated financial statements.

Consolidated cash flow statement for the financial year 2006

	(in CHF 1000s)	2006	2005
	Net income from continuing operations	33 414	11 081
	Net income from discontinued operations	-	7 902
	Net income	**33 414**	**18 983**
	Liquidity-neutral items:		
	– Depreciation and amortization intangible assets / goodwill	5 410	5 466
	– Change in provisions and pension obligations	- 3 205	- 921
	– Other cash-neutral items	-	147
30	Gain from sale of subsidiaries	-	- 7 904
	Loss / profit on sales of property, plant and equipment	- 504	120
	Interest income	- 1 121	- 802
	Interest expenses	657	484
27	Income taxes	3 857	6 578
	Operating profit before adjustment of net current assets	**38 508**	**22 151**
	Change in trade receivables	- 11 277	- 18 287
	Change in other receivables and accruals	- 3 892	- 5 993
	Change in inventories and work in progress	- 6 519	- 5 636
	Change in trade liabilities	3 014	10 559
	Change in other liabilities and deferrals	7 233	- 1 540
	Cash flow from operating activity	**27 067**	**1 254**
	Interest paid	- 669	- 464
	Income taxes paid	- 1 084	- 6 757
	Net cash flow from operating activity	**25 314**	**- 5 967**
30	Sale of investment in subsidiaries	-	16 253
	Purchase of property plant and equipment and intangible assets	- 5 382	- 3 952
	Proceeds from sale of property, plant and equipment	740	292
	Reduction in financial assets	3 369	4 513
	Interest received	998	705
	Cash flow from investment activity	**- 275**	**17 811**
	Change in leasing liabilities	- 17	9
	Repayment of long-term loans	- 513	- 3 776
	Increase of short-term loans	7 042	1 085
	Buyout of minority interests	-	- 75
17	Reduction in share capital (reduction in nominal value)	-	- 8 662
	Sale of treasury shares	-	3 048
	Dividend paid	- 4 331	-
	Cash flows from financing activity	**2 181**	**- 8 371**
	Currency exchange differences on cash and cash equivalents	- 188	2 172
	Change in cash and cash equivalents	**27 032**	**5 645**
	Cash and cash equivalents as at January 1	51 332	45 687
	Cash and cash equivalents as at December 31	**78 364**	**51 332**
	The figures given above include the following cash flows from discontinued activities:		
	– Net cash flow from operating activity	-	1 109
	– Cash flow from investment activity	-	16 268
	– Cash flow from financing activity	-	-

▲ For additional details see notes to the consolidated financial statements.

Change in consolidated shareholders' equity

(in CHF 1000s)	Share capital	Treasury shares	Premium	Profit reserve	Hedging reserve	Currency translation difference	Total	Minority interest	Total share-holders'equity
	Equity attributable to parent company shareholders								
Balance as at December 31, 2004	**10 106**	**- 2 173**	**107 381**	**53 216**	**516**	**- 8 917**	**160 129**	**242**	**160 371**
Foreign currency translation differences						1 094	1 094		1 094
Cash flow hedges									
– Gains/losses recorded under equity					- 670		- 670		- 670
– Gains/losses transferred to the income statement					- 231		- 231		- 231
Income taxes on gains and losses recorded directly in shareholders' equity					207		207		207
Gains and losses recorded directly in shareholders' equity	*0*	*0*	*0*	*0*	*- 694*	*1 094*	*400*	*0*	*400*
Net income				18 945			18 945	38	18 983
Total gains and losses recorded	*0*	*0*	*0*	*18 945*	*- 694*	*1 094*	*19 345*	*38*	*19 383*
Change in treasury shares		2 173		875			3 048		3 048
Nominal value repayment	- 8 662						- 8 662		- 8 662
Buyback of minority interests							0	- 280	- 280
Total other changes in shareholders' equity	*- 8 662*	*2 173*	*0*	*875*	*0*	*0*	*- 5 614*	*- 280*	*- 5 894*
Balance as at December 31, 2005	**1 444**	**0**	**107 381**	**73 036**	**- 178**	**- 7 823**	**173 860**	**0**	**173 860**
Foreign currency translation differences						- 164	- 164		- 164
Cash flow hedges									
– Gains/losses recorded under equity					231		231		231
– Gains/losses transferred to the income statement					- 27		- 27		- 27
Income taxes on gains and losses recorded directly in shareholders' equity					- 47		- 47		- 47
Gains and losses recorded directly in shareholders' equity	*0*	*0*	*0*	*0*	*157*	*- 164*	*- 7*	*0*	*- 7*
Net income				33 414			33 414		33 414
Total gains and losses recorded	*0*	*0*	*0*	*33 414*	*157*	*- 164*	*33 407*	*0*	*33 407*
Dividend paid				- 4 331			- 4 331		- 4 331
Total other changes in shareholders' equity	*0*	*0*	*0*	*0*	*0*	*0*	*- 4 331*	*0*	*- 4 331*
Balance as at December 31, 2006	**1 444**	**0**	**107 381**	**102 119**	**- 21**	**- 7 987**	**202 936**	**0**	**202 936**

Principles of consolidation and valuation

General

Schweiter Technologies AG is a company established under Swiss law domiciled in Horgen. Its main activities are the development, manufacture and global distribution of technologically high-grade machines.

Accounting principles

Schweiter Technologies AG prepares its consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS) on the basis of historical acquisition values. In addition, it also presents the information required by Swiss company law.

The annual financial statements are presented in Swiss francs, as the most important group units operate from Switzerland and the majority of the Group's transactions are conducted in Swiss francs.

Adoption of new accounting policies

Schweiter Technologies has adopted all the new and revised IFRS/IAS-Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on January 1, 2006. The adoption has resulted in no changes to the accounting policies of Schweiter Technologies and has not effected the amounts reported for the current and the comparative period.

At the date of issuing these financial statements, the following new or revised IFRS/IAS-Standards and Interpretations have been released, but will not be effective for the current reporting period:

IFRS 7	Financial Instruments
IFRS 8	Operative Segments
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scop of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIV 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions (IFRS 2)
IFRIC 12	Service Concession Arrangements

Management believes that the adoption of the new standards and interpretations will not haves a significant impact on future consolidated financial statements of Schweiter Technologies. Except IFRS 7 Financial Instruments extents the presentation of Financial Instruments and discloses qualitative and quantitative information about exposure to risks arising from financial risks, liquidity risks and market risks. Schweiter Technologies will adopt IFRS 7 first time with the fiscal year beginning January 2007.

Basis of consolidation

The Group's consolidated financial statements, comprising the balance sheet, income statement, cash flow statement and change in consolidated shareholders' equity are based on the audited annual statements of the companies included as at December 31, 2006 and December 31, 2005. The statements of the individual companies, which follow local requirements and customary practices, have been adapted to IFRS on the basis of standard Group-wide structuring and valuation principles and have been combined into the consolidated financial statements.

Principles of consolidation

The consolidated annual accounts of Schweiter Technologies AG encompass all companies in which the Group holds more than 50 % of voting rights or exercises de facto control in some other form. Newly acquired companies are consolidated from the date of acquisition. The results of companies disposed of are included up until the date of the sale.

Companies in which the Group holds more than 20 % of voting rights, but not more than 50 %, are reported according to the equity method, provided effective control is not exercised in some other form. Thus, they are reported in the balance sheet at acquisition value, corrected for dividend payments and the Group's shares in the accumulated profit or loss after the acquisition.

Companies in which the Group holds less than 20 %, are reported in the balance sheet at fair value. Changes in value are reported under Group reserves without any impact on the income statement and are only transferred to the income statement when sold (treated as financial assets held for sale in accordance with IAS 39). If fair value cannot be determined reliably, assets are valued at acquisition costs. Any impairments are taken into account by decreases in value with an impact on the income statement.

The capital consolidation is performed based on the purchase method. The assets and liabilities of newly acquired companies are stated at their fair value at the time of acquisition. Minority interests are minority shareholders' share in total assets minus liabilities.

In performing the consolidation, all transactions and balances between the consolidated companies are eliminated. The annual accounts included in the consolidation are prepared according to standard valuation principles as at December 31.

Segment information

The segment information is primarily presented by divisions and in second place by regions – broken down into Europe, Americas, Asia and the rest of the world.

The Schweiter Technology Group is subdivided into three divisions which form the basis for the primary format of the segment reporting. These are:

– SSM Textile Machinery
– Satisloh
– Ismeca Semiconductor

"Other / Eliminations" includes central management and financial functions of Schweiter Technologies AG (Holding) and eliminations from the consolidation.

Sales between the individual divisions are settled at arm's length conditions.

Changes in the scope of consolidation

Changes to the scope of consolidation:

As of April 1, 2005, the 100% shareholding in Ismeca Automation Holding AG was sold to the Komax Group. The impact of the sale on cash flow and on the income statement is shown in Note 30 in the Notes.

Principles of consolidation and valuation

Scope of consolidation

The following companies were fully consolidated as at December 31, 2006:

Company	Purpose	Share capital	in 1000s	Shareholding
Schweiter Technologies AG Horgen, Switzerland	Holding company	CHF	1444	-
SSM Schärer Schweiter Mettler AG Horgen, Switzerland	Production and distribution	CHF	6 000	100 %
SSM Vertriebs AG Baar, Switzerland	Distribution	CHF	100	100 %
SSM Stähle Eltex GmbH i.L. Reutlingen, Germany	Production and distribution	EUR	51	100 %
Hacoba Spultechnik GmbH Wuppertal, Germany	Production and distribution	EUR	25	100 %
SSM (Zhongshan) Ltd. Zhongshan, China	Production and distribution	USD	500	100 %
Satisloh Holding AG Baar, Switzerland	Holding company	CHF	5 000	100 %
Satisloh AG Baar, Switzerland	Head office and distribution	CHF	500	100 %
Satisloh GmbH Wetzlar, Germany	Production and distribution	EUR	7 900	100 %
Satisloh Photonics AG Horgen, Switzerland	Production	CHF	500	100 %
Satisloh Italy S.p.A. Milan, Italy	Production and distribution	EUR	5 165	100 %
Satisloh North America Inc. Germantown, USA	Distribution	USD	53	100 %
Satisloh France SAS Roissy, France	Distribution	EUR	153	100 %

Company	Purpose	Share capital in 1000s		Shareholding
Satisloh UK Ltd. Bolton, UK	Distribution	GBP	0.001	100 %
Satisloh Ibérica S.L. Barcelona, Spain	Distribution	EUR	3	100 %
Satisloh Asia Ltd. Hong Kong	Distribution	HKD	10	100 %
Satisloh Trading Ltd. Shenzhen, China	Distribution	USD	300	100 %
Satisloh (Zhongshan) Ltd. Zhongshan, China	Production	USD	200	100 %
Ismeca Semiconductor Holding SA La Chaux-de-Fonds, Switzerland	Holding company	CHF	5 000	100 %
Ismeca Europe Semiconductor SA La Chaux-de-Fonds, Switzerland	Production and distribution	CHF	1 100	100 %
Ismeca USA Inc. Carlsbad, CA, USA	Distribution and services	USD	9 900	100 %
CDF Holding Inc. Delaware, DE, USA	Holding company	USD	1	100 %
Ismeca Malaysia Sdn. Bhd. Melaka, Malaysia	Production and distribution	MYR	2 500	100 %
Ismeca Asia, Ltd. Hong Kong	Distribution and services	HKD	150	100 %
Ismeca Semiconductor (Suzhou) Co. Ltd. Suzhou, China	Distribution and services	USD	250	100 %

Principles of consolidation and valuation

Gross revenues

Gross revenues include all invoiced sales of machines, spare parts, services and rental income.

Net proceeds from revenues and realization of income

Net proceeds from revenues includes all invoiced sales to third parties after deduction of value added tax, quantity discounts, commissions, losses on bad debts, other sales deductions and the cost of carriage, insurance and packaging. Income is accounted for on transfer of the ownership rights and risks or rendering of the service respectively.

Interest income is recognized in the period it is earned, factoring in outstanding loan sums and the applicable interest rate.

Conversion of foreign currencies

The annual statements of foreign subsidiaries are prepared in the corresponding national currencies and converted into Swiss francs for consolidation purposes. The balance sheet is translated at year-end exchange rates, and the income statement at the average exchange rate for the financial year. Resulting conversion differences are booked directly under shareholders' equity and therefore have no impact on the income statement. Other exchange rate differences, including those arising from foreign currency transactions in connection with normal business activities, are charged or credited to the income statement, with the exception of exchange rate differences on equity-like intragroup loans, which are charged or credited to shareholders' equity.

Financial instruments

The financial instruments used are recorded on the balance sheet as of the trading date.

Derivative financial instruments are recorded in the balance sheet at market values in accordance with IAS 39. The Group mainly uses forward exchange contracts as a means of hedging foreign currency risks. A forward exchange contract used to hedge an underlying transaction, in particular an ongoing order or a trade receivable denominated in a foreign currency, constitutes a fair value hedge. In this case the changes in market value arising from the hedging transaction and the underlying transaction are taken to income under consideration of deferred taxes, and the market values are stated together with the underlying transaction; the netted-out effect is reflected in the result. A cash flow hedge exists in particular where exchange rate hedging transactions are concluded in advance for future orders. The change in market value is reported in shareholders' equity without affecting the result (hedging reserve) and under consideration of deferred taxes, and the market value is reported under accruals and deferrals.

The following exchange rates were applied (in CHF)				Year-end rate 31.12. for the balance sheet		Year-average rate for the income statement	
				2006	2005	**2006**	2005
USA	Dollar	USD	1	1.22	1.31	1.25	1.25
Euro zone	Euro	EUR	1	1.61	1.56	1.57	1.55
UK	Pound	GBP	1	2.39	2.26	2.31	2.26
Singapore	Dollar	SGD	1	0.79	0.79	0.79	0.75
Malaysia	Ringgit	MYR	100	34.50	34.80	34.30	32.90
Hong Kong	Dollar	HKD	1	0.16	0.17	0.16	0.16

Market risks and risk management basic principles

The market risks to which the Group is exposed mainly relate to interest rates, foreign currencies and counterparty default. The Board of Directors is responsible for overseeing the Group's internal controlling systems which monitor, but cannot rule out, the risk of inadequate business performance. These systems provide appropriate, though not absolute, security against significant inaccuracies and material losses. Management is responsible for identifying and assessing risks that are of significance for the division in question.

In addition to quantitative approaches and formal guidelines – which are only part of a comprehensive risk management approach – it is also considered important to establish and maintain a corresponding risk management culture.

Financial instruments should be considered in particular to be bank balances, receivables, trade liabilities and interest-bearing liabilities. The book value of the bank balances, receivables and trade liabilities is largely the same as their market value.

Risk of changes in interest rates

The risk of changes in interest rates primarily relates to long-term interest-bearing liabilities. In the case of mortgage loans, interest rate risks are minimized by staggered maturities and fixed interest rates. No derivative financial instruments are used to hedge against the risk of changes in interest rates.

Foreign currency risk

As the Group engages in international operations, it is exposed to exchange rate risks. These risks relate primarily to the US Dollar and the Euro. Forward exchange transactions are used to hedge exchange rate risks. These instruments are not used for speculative purposes.

Foreign currency risks arising from the conversion of items in the income statements and balance sheets of foreign group companies are not hedged.

Credit risk

There are no cluster risks relating to trade accounts receivables. To minimize default risks, where appropriate additional collateral (e.g. irrevocable confirmed documentary credits, bank guarantees, credit risk insurance etc.) is agreed upon based on specific industry, country and customer analyses. The Group only has bank accounts with first-class banks. The Group carries out constant checks on customers' creditworthiness and does not have any major concentrations of default risks.

Principles of consolidation and valuation

Assumptions and use of estimates

Significant judgements and estimates are used in the preparation of the consolidated financial statements which, to the extent that actual outcomes and results may differ from these assumptions and estimates, could affect the accounting in the areas as described. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances. The results subsequently achieved may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and are adjusted appropriately if new information or findings come to light. Such changes are recognized in the income statement in the period in which the estimate is revised.

The key assumptions are described below and are also outlined in the respective notes.

Revenue recognition

Revenue is only recognized when, in management's judgement, the significant risks and rewards of ownership have been transferred to the customer. For some transactions this can result in cash receipts being initially recognized as deferred income and then released to income over subsequent periods on the basis of the performance of the conditions specified in the agreement. Management believes that the total accruals and provisions for these items are adequate, based upon currently available information.

Property, plant and equipment,
goodwill and intangible fixed assets

Goodwill and other intangible fixed assets are reviewed annually for impairment, property plant and equipment is reviewed when there are signs of impairment. To determine whether any impairment exists, management estimates and assesses future cash flows expected to result from the use of the assets or their possible disposal.

Income taxes

Significant estimates are required in determining the current and deferred assets and liabilities for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. Management believes that the estimates are reasonable and that the recognized assets and liabilities for income tax-related uncertainties, are adequately recognized.

Staff pension schemes

Most Schweiter Technologies employees participate in post employment pension schemes treated as defined contribution plans in accordance with IAS 19. The calculations of the recognized assets and liabilities from such plans are based upon statistical and actuarial calculations. The actuarial assumptions used, in agreement with management, may have an impact on the assets and liabilities of staff pension schemes recognized in the balance sheet in future reporting periods.

Provisions for litigation

Some Group companies are exposed to litigation. Based on current knowledge, management has made an assessment of the possible impact of these open legal cases and has reported this on the balance sheet accordingly.

Cash and cash equivalents

Cash and cash equivalents contain cash holdings, postal and bank account balances and money market investments with maturities up to 3 months.

Trade receivables

The reported value corresponds to the invoiced amounts less value adjustments for provision for bad debts.

Inventories and work in progress

Purchased goods are reported at acquisition costs, self-produced goods are reported at production costs. If the net sales value is lower, corresponding value adjustments are made. The production costs include the full costs of the material, the proportionate manufacturing costs and the proportionate general overheads.

Inventories are valued using the weighted average costs method. For non-marketable parts held in inventory an appropriate value adjustment was formed on the basis of frequency of turnover.

A corresponding value adjustment is performed for customer-specific, finished machines which remain in inventory for longer than one year and for all machines kept for demonstration purposes. Interim profits on intra-Group supplies are eliminated through the income statement.

Work in progress: Where the figures for construction contracts can be reliably estimated in advance, sales and production costs are taken to the income statement in accordance with the percentage of completion (POC) method. Changes to order specifications and additional costs agreed with the customer will be factored in accordingly.

Property, plant and equipment

Land is reported in the balance sheet at acquisition cost. Value adjustments are made for any decrease in value which has occurred. Buildings, machinery, vehicles and operating equipment are reported at acquisition costs minus accrued depreciation. Depreciation is calculated using the linear method over the following foreseeable periods of use:
• Buildings: 40 years • Conversions: 10 years or the duration of the rental agreement • Fixtures and fittings: 8 to 10 years • Machines: 5 to 10 years • Computer systems and associated operating software: 3 to 5 years • Vehicles: 3 to 4 years • Furniture: 8 to 10 years • Rented facilities for the duration of the rental agreement.

Property, plant and equipment financed through long-term leasing agreements (financial leasing) are capitalized and written down like other investments. The cash value of the respective leasing obligations is carried under liabilities.

Short-term leasing (operating leasing) costs are charged directly to the income statement. The corresponding liabilities are disclosed in the notes.

Financing costs in connection with the erection of property, plant and equipment are not capitalized.

Principles of consolidation and valuation

Goodwill

Goodwill is the difference between the acquisition price and the pro-rated net assets (fair value) of the acquired company at the time of acquisition.

The value retention of goodwill is reviewed for impairment annually and in the event of signs of overvaluation. Any value impairments are immediately booked as an expense and will never be reversed.

Negative goodwill is directly recognized in the income statement.

Other intangible assets

Other intangible assets are stated at acquisition costs and written down on a linear basis over their estimated useful life. Where they are viewed as having an unlimited useful life, they are not written down annually but are reviewed annually for impairment.

Research and development costs

Research costs are charged to the current year's income statement.

Development costs are charged to the income statement where the conditions for capitalization within the meaning of IAS 38 are not satisfied.

Income tax

Taxes incurred on the basis of the business results will be accrued regardless of when such payment obligations become due and allowing for any tax-deductible losses carried forward.

In addition, provisions for deferred taxes will be made. Such provisions are the result of differences between the standard Group valuation and the tax valuation in the individual statements which lead to shifts in the timing of taxation. The calculation is made according to the liability method. Calculation is based on the maximum local tax rate on the balance sheet date.

No provisions are made for taxes which would be incurred on the distribution of retained profits of subsidiaries, except in cases in which a distribution is likely to be forthcoming in the foreseeable future or has been decided upon.

Deferred income tax assets for temporary differences and tax-offsetable losses carried forward are taken to the balance sheet only where future taxable earnings could reasonably be expected to materialize and where temporary differences are realizable.

Decrease in the value of assets – impairment

On each balance sheet date, an assessment is made of whether assets that account for significant sums show signs of decreasing in value (impairment). If so, the recoverable value is defined as the higher of the estimated net selling price and the ascertained value in use. The value in use corresponds to the net present value of the estimated future cash flows calculated using a standard risk-adjusted WACC. If the recoverable value thus determined is lower than the current book value, the decrease in value is taken to income (impairment loss). Except in the case of a decrease in the value of goodwill, any recorded decrease in value that ceases to be justified is written back and the respective amount taken to the income statement.

Benefits due to employees

Pension plans and employee stock option plan

Within the Group, a number of different pension plans are in place in compliance with the relevant legal requirements. The assets of most of these pension plans are reported separately under legally independent pension institutions. In addition to salary-dependent employer's contributions, some pension plans also require employees to pay contributions. In the case of the defined contribution plans, the employer's contributions are taken to the income statement.

The pension plans in Switzerland are based on the BVG principle (BVG = Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans) and for purposes of IAS 19 should be described as defined benefit plans since the actuarial and investment risks are not borne solely by the employee.

The expense and defined benefit obligations for the material defined benefit plans are determined based on different economic and demographic assumptions using the Projected Unit Credit Method. This takes into account insurance years up to the valuation date. The major assumptions involved in the calculation are expectations about future salary increase, return on pension assets, turnover and life expectancy.

The valuation of the defined benefit obligations for the material benefit plans are carried out on an annual basis by independent qualified actuaries. The last valuation for the material benefit plans was performed as of 31.12.2006. Valuation of pension assets is done annually, at market value.

Current service cost is recorded in the profit and loss account for the period in which they occurred. Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Differences in experiences and changes in actuarial assumptions result in actuarial gains and losses. Actuarial gains and losses in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

The recognized assets are limited to the present value of any economic benefits available to the Group in the form of reductions in future contributions to the plans.

There are no employee stock option plans.

Segment information broken down by divisions and regions

2006 (in CHF millions)	SSM Textile Machinery	Satisloh	Ismeca Semiconductor	Other / Eliminations	Group
Gross revenues [1]	104.8	242.3	113.5	0.4	461.0
Operating income	94.5	226.6	109.9	0.4	431.4
24 Depreciation and amortization	- 0.5	- 3.7	- 1.2	-	- 5.4
Operating profit	**12.4**	**26.0**	**- 0.2**	**- 0.9**	**37.3**
Financial income					6.1
Financial expenses					- 6.1
Income before taxes					**37.3**
Income taxes					- 3.9
Net income					**33.4**
Capital expenditure	0.4	5.8	1.0	-	**7.2**
Assets	52.6	179.2	90.7	15.7	**338.2**
Liabilities	28.2	78.3	34.9	- 6.2	**135.2**
Employees at year-end	223	430	319	3	**975**

[1] There are no revenues between the divisions

Regions	Europe	Americas	Asia	Other	Group
Gross revenues	152.4	133.8	163.2	11.6	**461.0**
Assets	273.2	37.1	27.9	-	**338.2**
Capital expenditure	4.7	1.5	1.0	-	**7.2**

2005 (in CHF millions)

Continuing operations	SSM Textile Machinery	Satisloh	Ismeca Semiconductor	Other / Eliminations	Group
Gross revenues from continuing operations[1]	83.0	198.5	67.3	0.3	349.1
Operating income from continuing operations	74.4	192.6	63.9	0.4	331.3
24 Depreciation and amortization	-0.5	-3.9	-1.1	-	-5.5
Operating profit from continuing operations	**7.7**	**13.2**	**-8.5**	**-**	**12.4**
Financial income					7.0
Financial expenses					-1.7
Income before taxes					**17.7**
Income taxes					-6.6
Net income from continuing operations					**11.1**
Capital expenditure	0.5	5.2	1.3	-	**7.0**
Assets	43.8	149.2	87.8	11.5	**292.3**
Liabilities	27.0	75.5	26.5	-10.6	**118.4**
Employees at year-end	221	452	298	2	**973**

1) There are no revenues between the divisions

Regions	Europe	Americas	Asia	Other	Group
Gross revenues	127.5	105.0	112.9	3.7	**349.1**
Assets	235.3	36.5	20.5	-	**292.3**
Capital expenditure	4.9	1.6	0.5	-	**7.0**

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2006**	2005
CHF	29 940	19 806
EUR	30 935	17 821
USD	15 042	10 849
Other	2 447	2 856
Total	**78 364**	**51 332**

Cash and cash equivalents consist of cash deposits with banks and in postal check accounts. They carry interest ranging from 0.25% to 5.3%.

2 **Trade receivables** (in CHF 1000s)	**2006**	2005
Total trade receivables	97 469	86 514
– minus value adjustment	- 4 071	- 4 393
Total net	**93 398**	**82 121**

The average time taken for the settlement of receivables in 2006 amounts to 72 days (previous year 83 days). A corresponding value adjustment was made for credit risk.

3 **Other receivables** (in CHF 1000s)	**2006**	2005
Receivables from other taxes (value added tax, withholding tax, etc.)	7 244	4 604
Downpayments to suppliers	5 069	5 062
Other receivables	1 125	618
Total	**13 438**	**10 284**

4 **Inventories and work in progress** (in CHF 1000s)	**2006**	2005
Raw materials and parts	54 796	45 055
Semi-finished goods and work in progress	17 355	22 008
Finished goods at production costs	10 169	9 439
Finished goods at net disposal costs	1 862	1 352
Total	**84 182**	**77 854**

The net value of the inventories and work in progress is after value adjustments of CHF 39.0 million (previous year CHF 41.3 million). The value adjustment was determined on the basis of the salability and range of the inventories. No value reinstatements were recorded as income.
No inventories are encumbered by rights of lien.

5 Assets held for sale

In the wake of the reorganization of the Satisloh division, the plant at Oensingen was closed down in 2006. As a consequence, the property in Oensingen was no longer required for the operational activities of the Satisloh division. Owing to the ongoing efforts to sell the property, it was classified as "held for sale". The property is carried in accordance with IFRS 5 at its previous book value of CHF 6.975 million, which according to an external valuer appraisal is below the anticipated sale price less estimated sale costs. The property in Oensingen is not encumbered with mortgage loans.

6 Property, plant and equipment, 2006

Note	(in CHF 1000s)	Land and buildings	Instal-lations	Machinery Tools	Furnishings	Computer equipment	Vehicles	**Total**
	Acquisition values							
	Balance as at January 1, 2006	53 554	5 579	20 048	10 912	13 319	2 940	106 352
	Additions	1 266	716	2 723	665	1 071	752	7 193
	Disposals	-368	-121	-4 983	-1 229	-2 703	-1 012	-10 416
	Transfers			-3	-28	31	0	0
5	Reclassifications	-9 107						-9 107
	Exchange rate differences	488	48	182	43	5	20	786
	Balance as at Dec. 31, 2006	**45 833**	**6 222**	**17 967**	**10 363**	**11 723**	**2 700**	**94 808**
	Accumulated depreciations							
	Balance as at January 1, 2006	-16 103	-4 813	-14 524	-8 931	-10 800	-2 236	-57 407
	Depreciation for the year	-1 147	-220	-1 552	-546	-1 455	-419	-5 339
	Disposals	275	97	3 249	1 093	2 605	944	8 263
	Transfers			3	28	-31	0	0
5	Reclassifications	2 132						2 132
	Exchange rate differences	-79	-44	-244	-19	-21	-13	-420
	Balance as at Dec. 31, 2006	**-14 922**	**-4 980**	**-13 068**	**-8 375**	**-9 702**	**-1 724**	**-52 771**
	Net book value							
	Balance as at January 1, 2006	37 451	766	5 524	1 981	2 519	704	48 945
	Balance as at Dec. 31, 2006	**30 911**	**1 242**	**4 899**	**1 988**	**2 021**	**976**	**42 037**
	Insurance values							121 297
34	Net book value of pledged land and buildings							12 686
	Net book value of leased property, plant and equipment							96
12	Leasing obligations for property, plant and equipment reported on balance sheet							134

Notes to the consolidated financial statements

6 Property, plant and equipment, 2005

(in CHF 1000s)	Land and buildings	Instal-lations	Machinery Tools	Furnishings	Computer equipment	Vehicles	**Total**
Acquisition values							
Balance as at January 1, 2005	53 305	6 708	23 186	12 664	12 311	3 563	111 737
30 Changes in the							
scope of consolidation	-	-	-	-2	-1	-34	-37
Additions	193	318	3 000	999	2 156	327	6 993
Disposals	-204	-1 365	-6 555	-3 135	-1 435	-986	-13 680
Transfers	80	-80	-	-	-	-	0
Exchange rate differences	180	-2	417	386	288	70	1 339
Balance as at Dec. 31, 2005	**53 554**	**5 579**	**20 048**	**10 912**	**13 319**	**2 940**	**106 352**
Accumulated depreciations							
Balance as at January 1, 2005	-14 840	-6 086	-16 646	-11 101	-10 867	-2 745	-62 285
30 Changes in the	-	-	-	1	1	17	19
scope of consolidation	-1 249	-160	-2 016	-487	-1 131	-353	-5 396
Depreciation for the year	101	1357	4 318	3 001	1402	902	11 081
Disposals	-58	58	-	-	-	-	0
Transfers	-57	18	-180	-345	-205	-57	-826
Exchange rate differences							
	-16 103	**-4 813**	**-14 524**	**-8 931**	**-10 800**	**-2 236**	**-57 407**
Balance as at Dec. 31, 2005							
Net book value	38 465	622	6 540	1 563	1444	818	49 452
Balance as at January 1, 2005							
	37 451	**766**	**5 524**	**1981**	**2 519**	**704**	**48 945**
Balance as at Dec. 31, 2005							

Insurance values	101 919
34 Net book value of pledged land and buildings	12 896
Net book value of leased property, plant and equipment	127
12 Leasing obligations for property, plant and equipment reported on balance sheet	141

7 Financial assets (in CHF 1000s)

	2006	2005
Long-term receivables	2 701	7 126
Other financial assets	1 162	106
Total	**3 863**	**7 232**

8 **Goodwill and other intangible assets** (in CHF 1000s)	Goodwill	Other	Total
Acquisition values			
Balance as at January 1, 2006	5 472	704	6 176
Additions / Disposals / Currency translation differences	-	-	-
Balance as at December 31, 2006	**5 472**	**704**	**6 176**
Accumulated amortizations			
Balance as at January 1, 2006	0	- 83	- 83
Amortization		- 71	- 71
Disposals / Currency translation differences	-	-	-
Balance as at December 31, 2006	**0**	**- 154**	**- 154**
Net book value as at December 31, 2006	**5 472**	**550**	**6 022**
Acquisition values			
Balance as at January 1, 2005	159 473	1 025	160 498
Offsetting of accumul. amortizations (prior to the introduction of IFRS 3)	- 154 001	-	- 154 001
Additions	-	2	2
Disposals	-	- 327	- 327
Currency translation differences	-	4	4
Balance as at December 31, 2005	**5 472**	**704**	**6 176**
Accumulated amortizations			
Balance as at January 1, 2005	- 154 001	- 239	- 154 240
Offsetting of accumul. amortizations (prior to the introduction of IFRS 3)	154 001	-	154 001
Amortization	-	- 70	- 70
Disposals	-	229	229
Currency translation differences	-	- 3	- 3
Balance as at December 31, 2005	**0**	**- 83**	**- 83**
Net book value as at December 31, 2005	**5 472**	**621**	**6 093**

The remaining goodwill amount as of December 31, 2006 relates to Ismeca Semiconductor.

The goodwill was tested for impairment at the level of the Ismeca Semiconductor division. The recoverable amounts used for impairment testing are based on the value-in-use, which is based on cash flows from the most recent planning figures for the next five years for the entire division. The discounted terminal value after the five-year planning period included in the value-in-use does not take into account any further growth. The 9.5% discount rate applied is based on the weighted average potential cost of capital and reflects specific country and industry risks. Since the cash flows also take into account tax expense, post-tax discount rates are utilized. Use of the post-tax discount rates approximates the results of using a pre-tax rate applied to pre-tax cash flows.

In 2006 and 2005 no impairment charges were necessary. A one percent increase or reduction in the discount rate under a sensitivity analysis does not show any impairment. The value-in-use naturally reacts sensitively to changes in assumed, estimated future planning figures and cash flows.

Notes to the consolidated financial statements

9 **Short-term interest-bearing liabilities** (in CHF 1000s)	**2006**	2005
Current accounts with banks	9 058	1 906
Bank loans due within one year	-	32
Mortgages due within one year	-	88
Other short-term liabilities toward banks	9 058	2 026
12 Financial leasing contracts, due within one year	52	42
Total	**9 110**	**2 068**

Breakdown of short-term liabilities toward banks by currencies with average interest rates:

December 31,	**2006**	Actual interest rates	December 31,	2005	Actual interest rates
CHF	9 058	2.34 %	EUR	88	2.18 %
			EUR	1 005	3.00 %
			EUR	32	5.45 %
			EUR	901	7.00 %
Total	**9 058**			**2 026**	

10 **Other liabilities** (in CHF 1000s)	**2006**	2005
Unredeemed dividend coupons	70	77
Arrears toward staff pension schemes	170	77
Prepayments received from customers	6 136	8 953
Other liabilities	4 782	4 129
Total	**11 158**	**13 236**

11 **Accrued expenses and deferred income** (in CHF 1000s)	**2006**	2005
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	17 126	10 707
Cost of materials / overheads	4 505	4 025
Miscellaneous	8 122	5 914
Total	**29 753**	**20 646**

	12 **Obligations arising from finance leasing** (in CHF 1000s)	**2006**	2005
	Obligations arising from finance leasing (nominal), due in:		
	– one year	55	44
	– 2 to 5 years	91	113
	Total nominal value	**146**	**157**
	less future financial expense	- 12	- 16
	Total cash value of minimum leasing obligations	134	141
	Reporting on balance sheet by due date		
9	– in one year (in short-term interest-bearing liabilities)	52	42
13	– in 2 to 5 years (in long-term interest-bearing liabilities)	82	99
	Total cash value of minimum leasing obligations	**134**	**141**

	13 **Long-term interest-bearing liabilities** (in CHF 1000s)	**2006**	2005
	Long-term bank loans	-	-
34	Mortgage loans	-	479
	Long-term liabilities toward banks	**-**	**479**
	Other long-term loans	412	446
12	Finance leasing obligations, due in 2 to 5 years	82	99
	Total	**494**	**1 024**
	The maturities of the long-term loans are as follows:		
	– 1 to 2 years	28	34
	– 2 to 5 years	54	212
	– more than 5 years	412	778
	Total	**494**	**1 024**

Breakdown of long-term loans by currencies with average interest rates:

December 31,	**2006**	Actual interest rates	December 31,	2005	Actual interest rates
CHF	82	7.04 %	CHF	99	7.10 %
EUR	412	12.00 %	EUR	479	5.45 %
			EUR	446	12.00 %
Total	**494**			**1 024**	

The mortgage loans are secured by encumbrance on real property (see 34 Rights of lien).

Notes to the consolidated financial statements

14 Pension plans

The Group operates various employee benefit plans in and outside of Switzerland for employees that satisfy the participation criterions. Among these plans are defined benefit plans and defined contribution plans that cover the majority of employees for death, disability and retirement.

Benefits are usually dependent on one or more factors such as the number of years the employee was covered in the plan, age, pensionable salary and to some extent on the accumulated old age capital. The assets of the funded pension plans are held within separate foundations or insurances and may not revert to the employer.

Defined benefit plans

The following amounts have been recorded in the profit and loss account as personnel expense:

Employee benefits expense (in CHF 1000s)	**2006**	2005
Current service cost	3 191	3 836
Interest on obligation	3 601	4 111
Expected return on plan assets	- 4 037	- 4 416
(Gain) or losses due to curtailments	- 1 250	- 537
Amortization of unvested past service cost	0	626
Recognized actuarial (gains) or losses	- 1 789	- 30
Variation of asset ceiling	2 816	290
Total, included in 'employee benefits expense'	**2 532**	**3 880**
Actual return on plan assets	5 765	12 010

Changes in the present value of the defined benefit obligation (in CHF 1000s)	**2006**	2005
Opening defined benefit obligation	119 097	123 884
Current service cost	3 191	3 836
Plan participants' contributions	1 892	2 799
Interest on obligation	3 601	4 111
Benefits paid through pension assets	- 10 217	- 5 090
Benefits paid by employer	- 2 371	- 1 189
Business combinations / business disposals	0	- 12 817
Actuarial (gains) or losses	- 2 157	7 169
Past service cost	0	856
(Gain) / loss on curtailments and settlements	- 1 927	- 4 623
Others	0	0
Exchange differences on foreign plans	710	161
Closing defined benefit obligation	**111 819**	**119 097**

Changes in the fair value of plan assets (in CHF 1000s)	**2006**	2005
Opening fair value of plan assets	93 431	97 878
Plan participants' contributions	1 892	2 799
Company contribution	1 892	2 799
Benefits paid through pension assets	- 10 217	- 5 090
Expected return on plan assets	4 037	4 416
Actuarial gains or (losses)	1 728	7 594
Assets distributed on settlements	- 986	- 4 284
Business combinations / business disposals	0	- 12 681
Exchange differences on foreign plans	0	0
Closing fair value of assets	**91 777**	**93 431**

The equities included in the pension assets are invested in investment funds. Therefore, the market value of the shares of the Group is unknown at 31.12.2006. The assets do not include any property occupied by, or other assets used by the Group.

The expected employer contribution for 2007 amounts to 1.8 million for the defined benefit plans.

The net position of pension obligations in the balance sheet can be summarised as follows:

Amount recognized in the balance sheet (in CHF 1000s)	**31.12.06**	31.12.05
Present value of funded obligation	90 572	96 262
Fair value of plan assets	- 91 777	- 93 431
Under- / (Over-) funding	**- 1 205**	**2 831**
Present value of unfunded obligations	21 247	22 835
Unrecognized prior service cost	0	0
Unrecognized net gain or (loss)	- 1 066	- 3 152
Assets not available to Company	3 106	289
Net liability	**22 082**	**22 803**
Amounts in the balance sheet:		
Liabilities	22 082	22 905
Assets	-	- 102
Net liability	**22 082**	**22 803**

Notes to the consolidated financial statements

The following principal assumptions form the basis for the actuarial calculation:

Calculation of defined benefit obligations	31.12.06	31.12.05
Discount rate	3.26%	3.22%
Future salary increases	2.06%	2.06%
Future pension indexations	0.67%	0.67%
Calculation of expense		
Discount rate	3.22%	3.46%
Expected return on plan assets	4.50%	4.50%

The pension assets are composed of the following essential asset classes:

Asset classes pension plans	31.12.06 in %	Expected return	31.12.05 in %	Expected return
Equities	24	7.5%	21	7.5%
Bonds	42	3.0%	40	3.0%
Real estate	20	5.0%	20	5.0%
Others including cash and mixed funds	14	3.0%	19	3.0%
		2007		**2006**
Weighted return		4.5%		4.5%

The following table shows how the actual development of obligations and assets for the benefit plans deviates from their expected development:

(in CHF 1000s)	31.12.06	31.12.05
Defined benefit obligation	111 819	119 097
Fair value of assets	- 91 777	- 93 431
Under- / (Over-) funding	**20 042**	**25 666**
Experience adjustments on plan liabilities	1 718	(3 793)
Experience adjustments on plan assets	1 728	7 594

Defined Contribution Plans

The Group sponsors defined contribution plans in Asia and the USA. The pension expense for these plans is CHF 313 000 and CHF 210 000 in 2006 and 2005.

15 Provisions

(in CHF1000s)	Restructurings	Guarantees	Other	Total 2006	Total 2005
Balance as at January 1	5 153	6 579	3 483	15 215	16 508
Foreign currency differences	20	62	63	145	81
Consumption with neutral impact on income	- 3 738	- 2 301	- 604	- 6 643	- 6 589
Unused amounts reversed and released to income	- 339	- 236	- 984	- 1 559	- 1 431
Additional provisions charged to income	738	2 601	2 234	5 573	6 646
Balance as at December 31	**1 834**	**6 705**	**4 192**	**12 731**	**15 215**
of which: Short-term provisions	1 834	4 044	3 340	9 218	11 828
Long-term provisions	-	2 661	852	3 513	3 387
Expected use of provisions					
– within one year	1 834	4 044	3 340	9 218	11 828
– in 2 to 5 years	-	2 661	852	3 513	3 387

Provisions for restructuring measures are only formed for individual projects which have been documented and communicated in detail in accordance with IAS 37.

In 2005, the restructuring programs already under way at the time of the takeover of the Loh Group were supplemented with projects in connection with the reorganization of the Satisloh division. The remaining amount will be required during 2007 for restructuring measures still ongoing.

Within the SSM Textile Machinery division, the closure of the Reutlingen site was completed

The provisions for guarantees are calculated on the basis of individual cases and empirical values.

The other provisions cover various risks arising in the normal course of business.

The amount of the provisions is based on the outflow of resources which Management anticipates will be needed to cover liabilities.

16 Minority interests (in CHF 1000s

	2006	2005
Balance at as January 1	0	242
Acquisition of minority interests Loh Group	-	-
Share of minority interests in earnings	-	38
Buyback of minority interests Loh Group	-	- 280
Balance as at December 31	**0**	**0**

Notes to the consolidated financial statements

17 **Share capital**	**2006**	2005
Number of bearer shares issued with a par value of CHF 1	1 443 672	1 443 672
Share capital as at December 31 (in CHF)	1 443 672	1 443 672
Authorized capital (in CHF)	300 000	300 000
Conditional capital (in CHF)	132 600	132 600

Treasury shares:
No treasury shares were acquired during the year under review (previous year: none).

No treasury shares were held as of December 31, 2006 (previous year: none).

Authorized capital:
As of December 31, 2006 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on May 17, 2006 to issue 300 000 bearer shares by May 18, 2008. The subscription right may be excluded for the purpose of taking over companies by share swaps, or for financing the acquisition of companies, parts of companies or participations or new investment projects of the company.

Conditional capital:
As of December 31, 2006 the company's share capital may be increased ex rights by up to 132 600 bearer shares, which must be fully paid up;
a) up to a sum of CHF 32 600 through the exercise of employee option rights and
b) up to a sum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company. So far, no such bonds have been issued.

Dividends:
On May 17, 2006, shareholders approved payment of a gross dividend of CHF 3.00 (previous year: no dividend) per bearer share for the 2005 business year. This corresponds to an amount of CHF 4.331 million.

For the 2006 business year the Board of Directors proposes that the Ordinary General Meeting of May 16, 2007 approve payment of a gross dividend of CHF 6.00 per share.

18 Employee stock option plan

There are no stock option plans or other employee share participation plans.

19 Transactions with associated persons

with principal shareholder Dr. Hans Widmer:
Apart from his fee of CHF 50 000 (previous year: 50 000) as a member of the Board of Directors, there were no other transactions with Dr. Hans Widmer.

with shareholder Beat Siegrist:
Apart from the remuneration for his services as CEO, there were no other transactions with Beat Siegrist.

20 Compensation for members of the Board of Directors and Management

All members of the Board of Directors, including the Chairman, received an annual fee of CHF 50 000 (previous year: CHF 50 000). For 2006, the total compensation paid to the six-member Board of Directors amounted to CHF 300 000 (previous year: CHF 300 000). This fee includes attendance of the periodic Board meetings (at least five per year) and of the corresponding division meetings.

Total remuneration of management members covers basic salaries, bonuses for the business year in question and the estimated value of other benefits of a remunerative nature. For the 2006 business year, the total remuneration for the management members amounted to CHF 3.721 million – this includes pension fund contributions made by the employer in an amount of CHF 0.176 million (previous year: CHF 2.031 million, including pension fund contributions of CHF 0.126 million). The highest compensation paid amounted to CHF 1.12 million (previous year: CHF 618 000). The contracts of employment of the acting members of management contain no agreement on the payment of a severance benefit in the event of their departure. There are no contracts of employment with unusual periods of notice (more than one year). During the previous year compensation amounting to CHF 250 000 was paid to a former member of a governing body. Apart from the payments listed, no further pecuniary benefits were provided. In particular, no options or shares were issued in 2005 and 2006.

21 Sales deductions (in CHF 1000s)

	2006	2005
Commission payments on sales, commission	10 914	5 809
Carriage, customs duties, packaging	11 950	8 747
Other sales deductions	3 691	5 029
Total	**26 555**	**19 585**

Notes to the consolidated financial statements

22 **Other operating expenses** (in CHF 1000s)	**2006**	2005
Purchasing and production overheads	4 178	3 435
Sales and distribution	12 681	12 096
After sales overheads	12 718	8 340
Overheads relating to administration and capital taxes	9 087	8 995
Development overheads	9 089	7 578
Cost of premises	4 433	5 481
Loss on sale of tangible fixed assets	118	243
Other operating expenses	487	1 085
Total	**52 791**	**47 253**

23 **Other operating income** (in CHF 1000s)	**2006**	2005
Gains on sale of property, plant and equipment	622	123
Other income	1 074	2 604
Total	**1 696**	**2 727**

	24 **Depreciation and amortization of other intangible assets** (in CHF 1000s)	**2006**	2005
6	Depreciation of property, plant and equipment	5 339	5 396
8	Amortization of other intangible assets	71	70
	Total	**5 410**	**5 466**

25 **Financial income** (in CHF 1000s)	**2006**	2005
Interest income	1 121	802
Exchange gains	4 977	6 179
Total	**6 098**	**6 981**

26 **Financial expenses** (in CHF 1000s)	**2006**	2005
Interest expenses	657	484
Exchange losses	5 492	1 245
Total	**6 149**	**1 729**

27 **Income taxes** (in CHF 1000s)	**2006**	2005
Current taxes	5 631	4 458
Deferred taxes	- 1 774	2 127
Total	**3 857**	**6 585**

Deferred taxes are attributable to differences between the standard Group valuation and the tax valuation in the individual financial statements. The differences are mainly due to the use of declining balance method of depreciation and the creation of reserves on inventories, as approved for tax purposes. The following table shows the difference between effective tax expenditure and the mean tax expendi-ture anticipated on the basis of local tax rates:

Transfer of income taxes (in CHF 1000s)	**2006**	2005
Income before taxes:		
– Continuing operations	37 271	17 666
– Discontinued operations	-	7 895
Total	**37 271**	**25 561**
Average tax rate anticipated	21.3%	21.3%
Tax expenditure anticipated	**7 939**	**5 444**
Differences owing to differing local tax rates	- 2 571	- 4 194
Impact of non-taxable income	- 165	- 1 142
Impact of non-deductive expenditure	-	664
Non-capitalized losses carried forward and their appropriation	- 1 177	5 526
Capitalized tax losses carried forward	- 3 527	-
Valuation adjustment on deferred tax assets	3 138	1 578
Permanent and temporary differences	0	- 1 298
Taxes from previous periods and other influencing factors	220	-
Effective tax expenditure	**3 857**	**6 578**
of which:		
– Continuing operations	3 857	6 585
– Discontinued operations	-	- 7
Effective tax rate	10.3%	25.7%

Notes to the consolidated financial statements

28 **Deferred income tax assets** (in CHF 1000s)	Slower tax depreciation	Capitalized tax losses carried forward	Hedging reserve	Other	Total **2006**	Total 2005
Balance as at January 1	27	3 138	53	593	3 811	5 823
30 Changes in the scope of consolidation	-	-	-	-	-	- 14
Foreign currency differences	2	-	-	-	2	9
Recognition in shareholders' equity	-	-	- 47	-	- 47	53
Unused amounts reversed and released to income	-	- 3 138	-	- 36	- 3 174	- 2 081
Additional provisions charged to income	1 319	3 527	-	356	5 202	21
Balance as at December 31	**1 348**	**3 527**	**6**	**913**	**5 794**	**3 811**

As of December 31, 2006, the Group had non-capitalized tax losses carried forward of CHF 70.5 million, which could be offset against future earnings. Following a revaluation of future earnings anticipated, in one Group company the carrying value of deferred tax assets of CHF 3.1 million was adjusted, while in another Group company deferred tax credits of CHF 3.5 million were capitalized owing to improved results and the prospect of CHF 9.3 million in losses carried forward The other losses carried forward were not capitalized because of uncertainty over whether the future earnings will materialize. The slower tax depreciations are based on local rules and mainly consist of inventory differences.

The tax losses carried forward for which no deferred tax assets were recognized will expire as follows: (in CHF 1000s)	**2006**	2005
– one year	-	-
– 2 to 5 years	24 041	33 409
– in more than 5 years' time	46 491	38 634
Total	**70 532**	**72 043**
Tax losses carried forward which expired without being used during the business year under review	-	-

Of the tax losses carried forward expiring in more than 5 years' time, CHF 8.6 million (previous year: CHF 14.4 million) will never expire.

29 **Deferred income tax liabilities** (in CHF 1000s)	Accelerated tax depreciation	Tax provisions	Hedging reserve	Revaluation of buildings	Total **2006**	Total 2005
Balance as at January 1	2 539	333	0	640	3 512	3 847
30 Changes in the scope of consolidation	-	-	-	-	-	- 363
Foreign currency differences	-	1	-	-	1	1
Recognition in shareholders' equity	-	-	-	-	-	- 40
Unused amounts reversed and released to income	-778	- 221	-	- 86	-1 085	- 566
Additional provisions charged to income	1 334	5	-	-	1 339	633
Balance as at December 31	**3 095**	**118**	**0**	**554**	**3 767**	**3 512**

Deferred tax liabilities mainly resulted from tax-allowable valuation differences on inventories and bad debt allowances.

30 Sale of subsidiaries / Discontinued operations

As at April 1, 2005, a 100% shareholding in Ismeca Automation Holding AG was sold to the Komax Group. The net assets of the Ismeca Automation division were as follows as at March 31, 2005 (effective date of sale):

(in CHF 1000s)	31.03.05
Book value of net assets sold:	
Cash and cash equivalents	7 399
Trade receivables	4 896
Other receivables	11 478
Inventories	1 222
Other current assets	1
Property, plant and equipment	17
Financial assets	2
Accrued income tax liabilities	14
Trade liabilities	- 1 100
Other liabilities	- 4 316
Accrued expenses and deferred liabilities	- 2 601
Current income taxes	- 556
Deferred income tax liabilities	- 363
Total net assets sold	**16 093**
Gain from sale	**7 904**
Total sale proceeds	23 997
Set off by:	
– Selling price (cash payment)	24 000
– Directly attributable sale costs, paid	- 348
– Realized foreign currency translation gains and from cash flow hedges	345
Total sale proceeds	**23 997**
Cash payment after deduction of sale costs, paid	23 652
less cash and cash equivalents sold	- 7 399
Cash flow from sale of subsidiaries	**16 253**

Notes to the consolidated financial statements

The results of the sold “Ismeca Automation” division that appear in the consolidated financial statements for the period from January 1 to March 31, 2005, are composed as follows:

(in CHF 1000s)	1.01.-31.03.05
Gross revenues	8 474
Operating profit	**7 778**
Cost of materials	- 3 114
Personnel expenses	- 3 104
Other operating expenses	- 1 370
Depreciation	- 2
Financial income	15
Financial expenses	- 212
Income before taxes	**- 9**
Income taxes	7
Loss / net income from operating activity	**- 2**
Income from the sale of discontinued operations	7 904
Income from discontinued operations	**7 902**

31 **Earnings per share**		**2006**	2005
Net income from continuing operations (proportion attributable to Schweiter Technologies AG shareholders)	(in CHF 1000s)	33 414	11 043
Net income attributable to Schweiter Technologies AG shareholders	(in CHF 1000s)	33 414	18 945
Average number of shares issued		1 443 672	1 443 672
less average number of treasury shares		-	- 2 325
Average number of shares outstanding		**1 443 672**	**1 441 347**
Dilution effect resulting from outstanding options		-	-
Average number of shares outstanding after dilution effect		**1 443 672**	**1 441 347**
Earnings per share (in CHF)			
From continuing operations:			
– Undiluted and diluted		23.15	7.66
From continuing and discontinued operations:			
– Undiluted and diluted		23.15	13.14

Earnings per share for discontinued operations amount to CHF 0.00 for 2006 (previous year: CHF 5.48).

32 Financial instruments

The Group engages in forward exchange transactions to hedge against exchange rate risks. The instruments are not used for speculative purposes. As of December 31, 2006, the maturities of outstanding forward transactions ranged from 2 weeks to 8 months (previous year between 2 weeks and 12 months).

Forward exchange transactions (in CHF 1000s)	**2006**	2005
Total amount of outstanding forward exchange transactions		
– Sale of US dollars for CHF, contract value	22 565	24 847
– Average exchange rates per USD	1.2197	1.2738
of which outstanding forward exchange transactions		
for hedging future incoming payments (cash flow hedges)	4 530	7 657
– Average exchange rates per USD	1.2129	1.2765
Net fair value (market value) of forward exchange transactions		
for cash flow hedges	4 557	7 888
Unrealized loss / gain from cash flow hedges	- 27	- 231
29 Deferred income taxes (23%)	6	53
Net loss / net gain recorded as hedging reserve in shareholders' equity	- 21	- 178

Non-realized gains and losses from cash flow hedges are reported under accruals and deferrals and after adjustment for taxes are credited / debited directly to shareholders' equity as “hedging reserve”.

Unrealized gains and losses from derivative financial instruments to hedge balance sheet positions are attributed to the latter with an impact on income.

33 **Contingent liabilities** (in CHF 1000s)	**2006**	2005
Warranties and guarantees	2 297	1 099
Recourse claims and discounting facilities	-	-
Total	**2 297**	**1 099**

Commitments to take delivery: Under purchase contracts for machine parts and raw materials, commitments to take delivery amounting to CHF 50.1 million (previous year: CHF 28.2 million) and with maximum maturities of 24 months have been entered into in the course of ordinary business activities.

In 2004, a competitor of the Satisloh Group took legal action on grounds of patent infringements. The outcome is currently still open.

Notes to the consolidated financial statements

34 **Rights of lien** (in CHF 1000s)			**2006**	2005
Assets encumbered by rights of lien			12 686	12 896
of which:	Land and buildings:	– Net book value	12 483	12 328
		– Right of lien	5 855	5 655
		– Collateral amount	-	511

35 Off balance sheet liabilities and credit balances arising from rental and leasing contracts

Commitments (in CHF 1000s)	**2006**	2005
– due in one year's time	2 541	2 846
– due in 2 to 5 years' time	4 951	6 459
– due in more than 5 years' time	85	164
Total	**7 577**	**9 469**

The commitments consist mainly of rental agreements for buildings used by the company itself. The average term of the agreements is 2.2 years (previous year: 2.3). Leasing obligations amounting to CHF 0.3 million are included (previous year: 0.5).

Credit balances (in CHF 1000s)	**2006**	2005
– due in one year's time	1 272	1 035
– due in 2 to 5 years' time	591	2 639
– due in more than 5 years' time	-	-
Total	**1 863**	**3 674**

The credit balances consist of sublet premises. Half of the annual rental income comes from rental agreements of unlimited duration and periods of notice of 6 months. In the first year this rental income is only taken into account for six months. The rental income contained in the gross revenues amounted to CHF 1.6 million in the year under review (previous year: CHF 1.7 million).

36 Events occurring after the balance sheet date

Schroders plc, London, UK, announced on February 20, 2007 that they hold 84 968 bearer shares of Schweiter Technologies AG – this corresponds to 5.89% of voting shares.

No events occurred between the balance sheet date and the date of publication of this annual report which could have a significant impact on the consolidated financial statements.

37 Approval of the annual financial statements

The Board of Directors of Schweiter Technologies AG approved the present consolidated annual financial statements at its meeting on March 14, 2007 and released them for publication. The Board of Directors will propose that the Annual Shareholders' Meeting on May 16, 2007 approve the annual financial statements.

Report of the Group auditors to the General Meeting of the Shareholders of Schweiter Technologies AG, Horgen

As Group auditors, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and notes – pages 26 to 60) of Schweiter Technologies AG for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the Company's 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 Swiss auditing standards and the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit 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 financial statements.

We have also assessed the accounting principles used, significant estimates made by management 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 results of operations and the cash flows and comply with International Financial Reporting Standards (IFRS) and Swiss law.

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

Zurich, March 14, 2007

Deloitte AG

Daniel O. Flammer Auditor in charge	Claudio Boller

Annual financial statements of Schweiter Technologies AG

Balance sheet as at December 31, 2006

	Assets (in CHF 1000s)	**2006**	2005
	Current assets		
	Cash and cash equivalents	19 461	20 421
	Other receivables due from third parties	61	23
	Other receivables due from consolidated companies	716	546
	Prepaid expenses and accruals	4	4
	Total current assets	**20 242**	**20 994**
	Non-current assets		
1	Investments	158 020	158 019
	Loans to consolidated companies	7 765	6 786
	Total non-current assets	**165 785**	**164 805**
	Total assets	**186 027**	**185 799**

	Liabilities (in CHF1000s)		
	Short-term liabilities		
	Short-term interest-bearing liabilities towards Group	680	1 261
	Other liabilities	119	131
	Accrued expenses and deferred income	1 770	1 071
	Total short-term liabilities	**2 569**	**2 463**
	Provisions	755	150
	Total long-term liabilities	**755**	**150**
	Total liabilities	**3 324**	**2 613**
	Shareholders' equity		
2	Share capital	1 444	1 444
	Premium	107 381	107 381
	General statutory reserves	3 000	3 000
	Unappropriated reserves	1 071	1 071
	Available earnings	69 807	70 290
	Total shareholders' equity	**182 703**	**183 186**
	Total liabilities	**186 027**	**185 799**

▲ For additional details see notes to the annual financial statements

Income statement for the financial year 2006

	(in CHF 1000s)	**2006**	2005
	Income from investments	5 000	23 780
3	Financial income	437	482
	Other income	-	875
4	Rental income	1 058	1 044
	Management fee income	1 904	2 017
	Total income	**8 399**	**28 198**
5	Financial expenses	- 70	- 226
	Administrative expenses	- 435	- 545
	Personnel expenses	- 2 785	- 2 031
6	Expenses on premises	- 656	- 658
	Income before taxes	**4 453**	**24 738**
	Income taxes	- 605	-
	Net income	**3 848**	**24 738**

▲ For additional details see notes to the annual financial statements

Notes to the balance sheet and the income statement

1 Investments (in 1000)

Company	Domicil	Share capital		Shareholding	Purpose
SSM Schärer Schweiter Mettler AG	Horgen, CH	CHF	6 000	100 %	Production/Distribution
SSM Vertriebs AG	Baar, CH	CHF	100	100 %	Distribution
Hacoba Spultechnik GmbH	Wuppertal, D	EUR	25	100 %	Production/Distribution
Satisloh Holding AG	Baar, CH	CHF	5 000	100 %	Holding company
Ismeca Semiconductor Holding SA	La Chaux-de-Fonds, CH	CHF	5 000	100 %	Holding company

2 **Share capital**	**2006**	2005
Number of bearer shares issued with a par value of CHF 1	1 443 672	1 443 672
Share capital as at December 31 (in CHF)	1 443 672	1 443 672
Authorized capital (in CHF)	300 000	300 000
Conditional capital (in CHF)	132 600	132 600

Treasury shares:
No treasury shares were acquired during the year under review (previous year: none).

No treasury shares were held as of December 31, 2006 (previous year: none).

Authorized capital:
As of December 31, 2006 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on May 17, 2006 to issue 300 000 bearer shares by May 18, 2008. The subscription right may be excluded for the purpose of taking over companies by share swaps, or for financing the acquisition of companies, parts of companies or participations or new investment projects of the company.

Conditional capital:
As of December 31, 2006 the company's share capital may be increased ex rights by up to 132 600 bearer shares, which must be fully paid up;
a) up to a sum of CHF 32 600 through the exercise of employee option rights and
b) up to a sum of CHF 100 000 through the exercise of option or conversion rights granted in conjunction with bonds or similar paper issued by the company. So far, no such bonds have been issued.

Bearer shares are listed on the main stock exchange SWX in Zurich. Security number: 1075 492; ISIN CH0010754924; Telekurs: SWTQ; Reuters: SWTZ.

As at December 31, 2006, the following shareholders held more than 5% of voting rights (pursuant to Art. 663c of the Swiss Code of Obligations):

Percentage of shares held	**2006**	2005
Dr. Hans Widmer, Oberwil-Lieli / Hans Widmer Management AG, Baar	24.9%	24.9%
Beat Siegrist, Herrliberg	5.4%	5.4%

3 **Financial income** (in CHF 1000s)	**2006**	2005
Interest income from Group companies	167	357
Interest paid by banks	202	82
Exchange gains	68	43
Total	**437**	**482**

4 **Rental income** (in CHF 1000s)	**2006**	2005
Rental income from Group companies	654	648
Rental income from third parties	404	396
Total	**1 058**	**1 044**

5 **Financial expenses** (in CHF 1000s)	**2006**	2005
Interest expenses Group companies	42	212
Bank interest	17	8
Exchange losses	11	6
Total	**70**	**226**

6 Expenses on premises

The rental agreement with CREDIT SUISSSE Group is valid until December 31, 2010.

7 Contingent liabilities

In connection with credit facilities extended to the subsidiaries, the holding company has undertaken a guarantee in an amount up to a total of CHF 43.0 million. Of this amount, a total of CHF 10.1 million for sureties and guarantees had been drawn on by subsidiaries as at December 31, 2006.

8 Events occurring after the balance sheet date

Schroders plc, London, UK, announced on February 20, 2007 that they hold 84 968 bearer shares of Schweiter Technologies AG – this corresponds to 5.89% of voting shares.

No events occurred between the balance sheet date and the date of publication of this annual report which could have a significant impact on the consolidated financial statements.

Proposal of the Board of Directors concerning the appropriation of the available earnings

(in CHF 1000s)	**2006**
Earnings carried forward from previous year	65 959
Net income for 2006	3 848
Total earnings available to the General Meeting of Shareholders	**69 807**
The Board of Directors proposes to the General Meeting on May 16, 2007 that the following appropriation of available earnings	
– Payment of a dividend of CHF 6 per bearer share	- 8 662
– Earnings carried forward	61 145
Total	**69 807**

If the General Meeting approves the proposal, from May 21, 2007 the following dividends will be paid for the 2006 financial year:

(in CHF)		**2006**
Bearer shares with a par value of CHF 1		
	Gross dividend per bearer share	6.00
	Net dividend per bearer share	3.90

The dividend may be redeemed free of charge in exchange for coupon no. 5 at any branch of CREDIT SUISSE.

Report of the statutory auditors to the General Meeting of the Shareholders of Schweiter Technologies AG, Horgen

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes – page 64 to 67) of Schweiter Technologies AG for the year ended December 31, 2006.

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 Swiss auditing standards and the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit 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 by management and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, financial statements and the proposed appropriation of available earnings (page 68) comply with Swiss law and the company's articles of incorporation.

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

Zurich, March 14, 2007

Deloitte AG

Daniel O. Flammer
Auditor in charge

Claudio Boller

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