Schweiter Technologies

2004

Schweiter Technologies

Annual Report 2004

Contents

Board of Directors, Group Management, Auditors

Board of Directors	Term of office 2003 to 2006	
	Dr. Hans Widmer	Chairman
	Heinrich Fischer	
	Marcel M. Meier	
	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
	Kurt Eugster	Chief Executive Officer SSM Textile Machinery (from 1.3.05)
	Dr. Urs Meyer	Chief Executive Officer Satis Vacuum
	Serge Peguiron	Chief Executive Officer Ismeca Automation
	Beat Siegrist	Chief Executive Officer Ismeca Semiconductor
Auditors	Deloitte & Touche AG Zurich	

Report of the Board of Directors

Dear shareholders

As well as representing a twofold increase compared with last year's figure, Schweiter's profit of CHF 35 million is the highest figure in the company's 150-year history.

Sales also increased by CHF 330 million (before consolidation of the newly acquired LOH Group for November and December), which represents a 22% increase. Even so, SSM Textile Machinery (TEX) saw a 4% decline in sales compared with the previous year (2004: CHF 105 million), as against gains of 12% (73) for Satis Vacuum (VAC), 21% (42) for Ismeca Automation (AUT) and 80% (110) for Ismeca Semiconductor (SEM).

However, this growth does not mean that the markets were as buoyant as ever. None of the four divisions matched its historic peak sales. The operating results (EBIT) were nonetheless impressive, and in particular all were positive: TEX CHF 19 million, VAC CHF 11 million, AUT CHF 2 million and SEM CHF 9 million. This is the result of a combination of constant attention to cost management, the introduction of innovative products und supply chain management and therefore represents a stronger performance than the very good figures reported for 2000. The operating results came to 18% of sales in the case of TEX, 17% in the case of VAC, 4% in the case of AUT and 8% in the case of SEM. On average, gross margins suffered from the fall in the value of the dollar, but high per capita sales (CHF 420 000) and lean structures meant that the break-even point remained low, amounting to less than 70% of 2004 sales after consolidation.

Net assets (excluding LOH) amounted to an average of CHF 110 million, which is equivalent to 33% of sales. RONA (the operating result expressed as a proportion of net assets) ranged from 40% to over 80% in the case of TEX. The cash flow from operating activity came to CHF 35 million – and was therefore on target in terms of being roughly in line with consolidated earnings.

There was little change in staff numbers, which had already undergone drastic adjustments to market circumstances after the exuberance of 2000.

The most prominent strategic event of the year was the acquisition of the LOH Group on November 1, 2004. LOH, the global market leader in the processing of spectacle lenses and the number two player in the fine optics sector, posted sales of around CHF 110 million and a moderately positive result. It has a relatively high headcount of 370, in line with its manufacturing depth.

The consolidation of LOH (2-month period) in 2004 has lifted consolidated sales by CHF 20 million to CHF 350 million and increases net assets by CHF 60 million to CHF 164 million – in particular because of LOH's significant property holdings. This reduced the equity ratio, which would otherwise have exceeded 80%, to 57% (2003: 62%).

While LOH still has good potential for operating improvements, the strategic fit is perfect: LOH has the same customers as Satis Vacuum, like Satis it is a global market leader and has an extensive consumables business and after the merger with Satis in a market with a strong tendency toward a small number of dominant players (such as Essilor or the newly established Sola-Zeiss Group) it represents a partner of substance.

The integration of LOH and Satis is under way, as is the accelerated renewal of its range and global sourcing. It is also working toward leaner structures. However, all this will not yet be reflected in any increases in profits in 2005.

The Board of Directors is sticking to its dividend policy, first applied in 2004, whereby one quarter of its profits are distributed to shareholders on condition that the equity ratio is higher than 45% – which it is.

As staff share in the profits of their division with up to two monthly salaries over and above their "thirteenth salary", 2004 was a good year for them in this respect too. The Board of Directors would like to thank you for your sterling efforts and wishes you continuing success.

Yours sincerely

Key figures

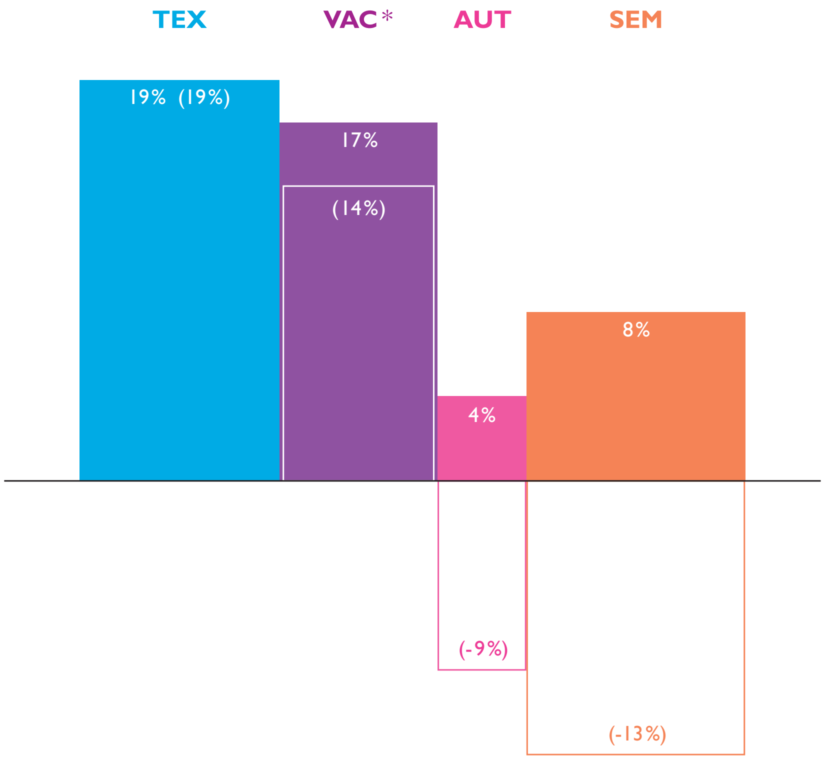
Group		**2004**	2003
Orders received	in CHF 1000s	342 400	288 600
Gross revenues	in CHF 1000s	349 969	269 973
Operating performance	in CHF 1000s	**331 724**	**261 388**
Operating result before amortization of goodwill	in CHF 1000s	41 499	17 570
Operating result after amortization of goodwill	in CHF 1000s	41 146	17 217
	as % of operating performance	12.4	6.6
Net income	in CHF 1000s	**35 116**	**17 733**
	as % of operating performance	10.6	6.8
Development expenses	in CHF 1000s	21 525	16 617
Investments in property, plant and equipment	in CHF 1000s	4 684	6 029
Overall balance sheet total	in CHF 1000s	**281 888**	**207 843**
Shareholders' equity	in CHF 1000s	160 129	129 450
	as % of assets	56.8	62.3
Average headcount		822	782
Average gross revenues per employee	in CHF 1000s	426	345
Stock market capitalization as at Dec. 31	in CHF 1000s	**320 351**	**297 757**
35 Earnings per share before dilution	in CHF	24.53	12.30
Earnings per share after dilution	in CHF	24.53	12.30

Holding		**2004**	2003
Net income	in CHF 1000s	**24 326**	**17 538**
Share capital as at December 31	in CHF 1000s	**10 106**	**14 437**
– subdivided into bearer shares with a par value of CHF 7 each			
Conditional share capital	in CHF 1000s	**928**	**1 326**
– for share option plan	in CHF 1000s	228	326
– for bonds or similar issues	in CHF 1000s	700	1 000
Authorized share capital	in CHF 1000s	2 100	3 000
Proposal of the Board of Directors			
– Reduction in nominal value and distribution	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	Satis Vacuum*	Ismeca Automation	Ismeca Semiconductor	Total*
Orders received	97	77	43	106	323
(previous year)	(-16%)	(+24%)	(-2%)	(+57%)	(+12%)
Operating performance	101	70	40	107	318
(previous year)	(-3%)	(+15%)	(+8%)	(+79%)	(+22%)
Operating result	19.2	11.9	1.7	8.5	41.3
(previous year)	(20.1)	(8.5)	(-3.4)	(-8.0)	(17.5)
as % of operating performance	19%	17%	4%	8%	13%
(previous year)	(19%)	(14%)	(-9%)	(-13%)	(7%)
Headcount (December 31)	225	147	119	282	773
(previous year)	(+8%)	(+4%)	(-7%)	(+8%)	(+4%)
Net assets [1]	22	26	9	55	112
(previous year)	(25)	(24)	(10)	(51)	(110)
RONA [2]	82%	46%	19%	16%	37%
(previous year)	(87%)	(32%)	(-25%)	(-13%)	(15%)

* Without LOH and "Other/Eliminations"

[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).

Portfolio

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 (currently also CEO of Ismeca Semiconductor), CFO 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).

Portfolio development

The foundations were laid with Schweiter's restructuring in 1986 (Marcel Meier, member of the Board of Directors). Mettler was acquired in 1987, followed by Schärer in 1989 and the two merged to form SSM (Christian Kuoni). Structures were streamlined and Dr. Hermann Mettler's trailblazing invention *preciflex*™ was brought onto the market (Rolf Schoemezler, member of the Board of Directors). From 1996 onward SSM "pulled out all the stops" (Beat Siegrist, CEO) in terms of marketing, innovation and outsourcing and supply chain management. From that point onward SSM posted substantial profits.

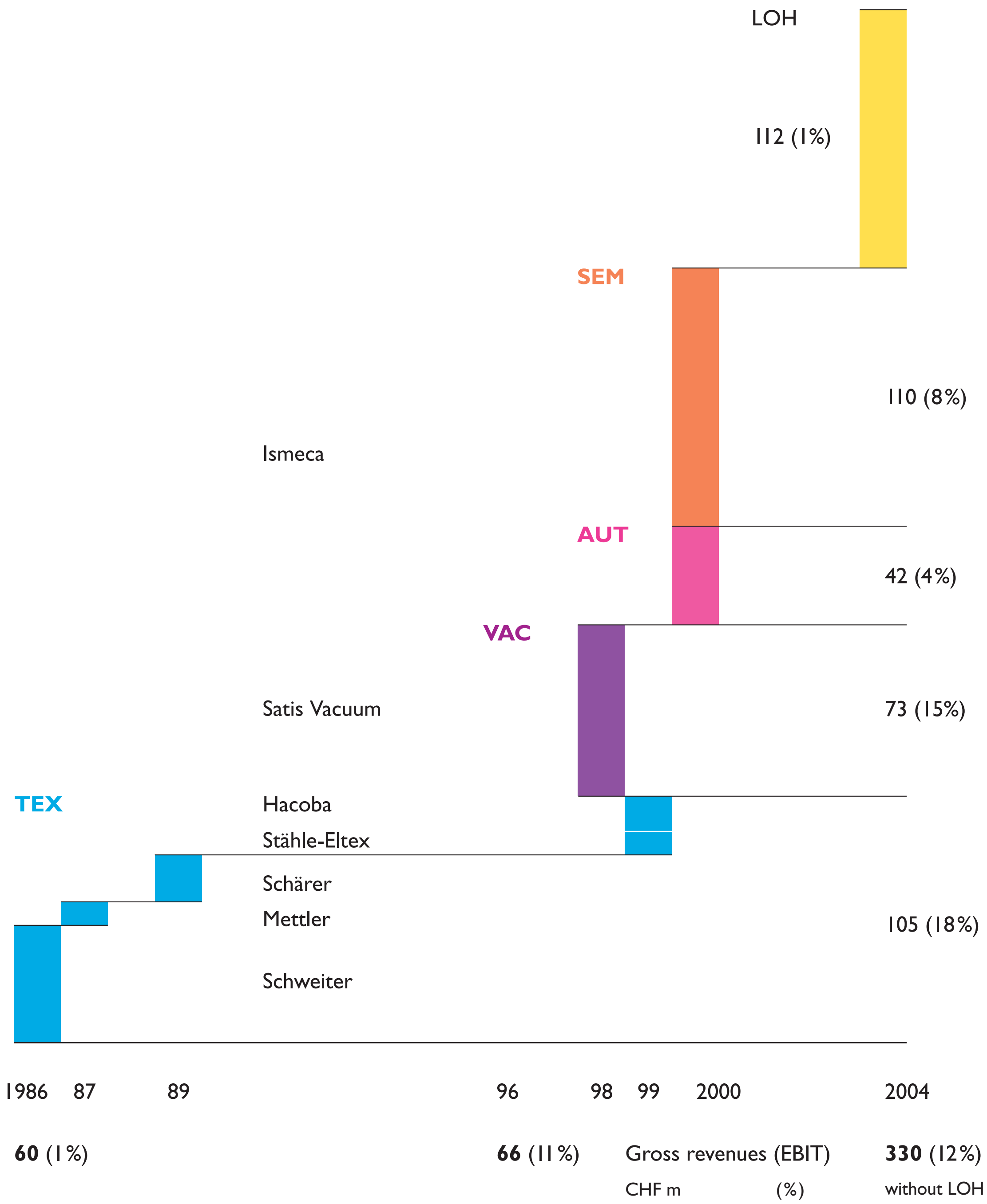
1999 saw the acquisition and integration of Stähle-Eltex and Hacoba (Walter Nadalin, who had developed Mettler's invention to the point where it was ready for market launch).

Satis Vacuum was acquired in 1998, increasing Schweiter's size by more than half, Ismeca was acquired in 2000, virtually doubling the size of the Group, and the LOH Group was acquired in 2004, resulting in another big step forward in the form of an increase in sales by one third compared with 2004. The acquisition of the LOH Group marks the implementation of the key components of the portfolio strategy (Dr. Urs Meyer):

– high-tech mechanical engineering
– global market leadership
– (extraordinary) expansion of strategic position
– know-how transfer (in particular procurement)
– management development.

Trained at the Harvard Business School, the new CEO of the Satis LOH Group expanded and demonstrated his skills as CEO of Satis Vacuum.
Starting from a baseline of sales totaling CHF 66 million in 1996, annual growth comes to more than 22% (before LOH) and will continue with the full consolidation of LOH in 2005. Although it is not possible to make plans for further acquisitions, it is possible to make plans to generate the necessary resources, plan management development and engage in a watchful analysis of potential candidates. Schweiter Technologies has reached a point where its identity is primarily defined by these skills and its resulting successes.

Portfolio development *

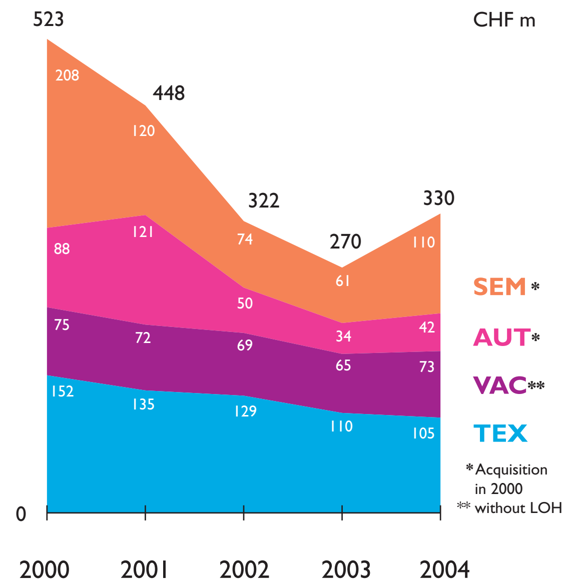


*without Vollenweider (1988-1995) and without Polytex (1989-1994)

Essentials of the consolidated income statement

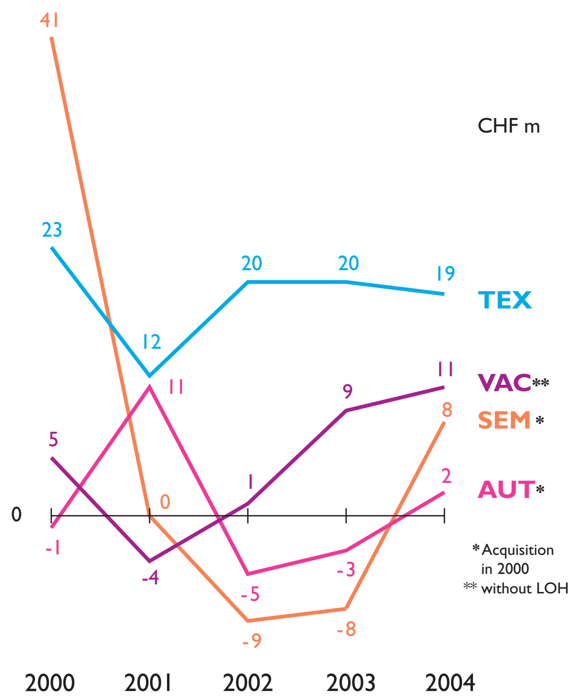
Sales

30% increase compared with the previous year (+22% based on the same scope of consolidation). With the exception of SSM Textile Machinery (TEX), which saw a decline of CHF -5 million, all divisions contributed to the CHF 80 million increase, with sales up CHF 8 million (plus CHF 21 million from LOH for 2 months) at Satis Vacuum (VAC), CHF 7 million at Ismeca Automation (AUT) and CHF 49 million at Ismeca Semiconductor (SEM).



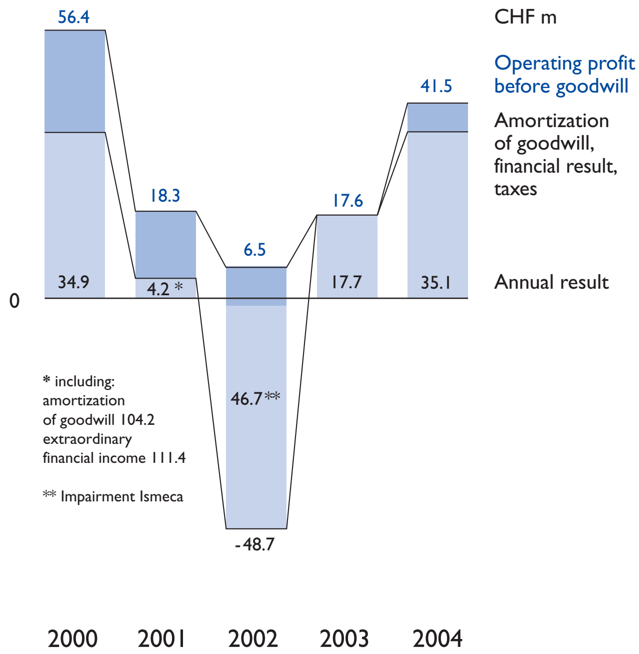
Operating result

The result improved significantly thanks to higher volumes and a stable fixed-cost structure. The gross margin increased slightly despite price pressure and the weak US dollar.



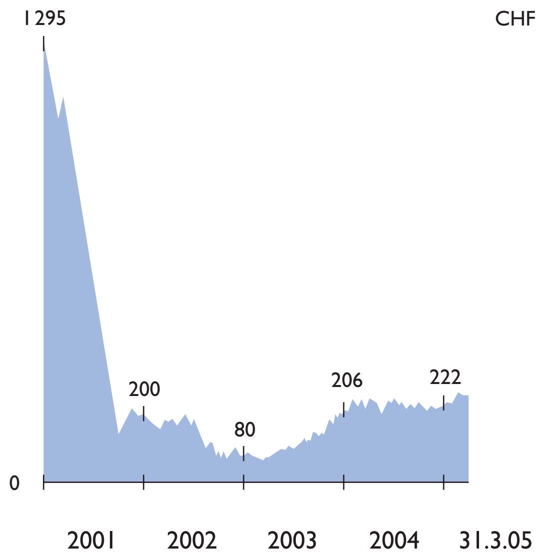
Annual result

Favorable tax ratios at TEX and VAC at the same time as a slightly negative financial result brought the company the highest annual profit in its history.



Price of bearer shares

As of December 31, 2004, 1.44 million shares were outstanding (nominal value CHF 7.00). The most important shareholders are Dr. Hans Widmer/Hans Widmer Management AG (25%) and Beat Siegrist (5%).



Essentials of the consolidated balance sheet

Assets

Cash and cash equivalents

At the end of 2004, the Group had a comfortable cash position of CHF 46 million. At CHF 40 million, the net cash position was at the same level as the previous year, although the acquisition of LOH was paid for in cash.

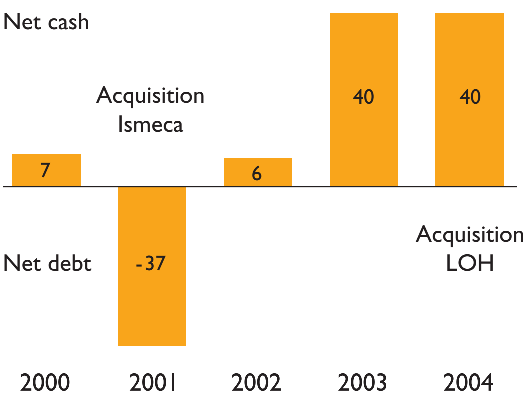
Net assets

Despite a clear increase in volumes, net assets – based on the same scope of consolidation – remained virtually unchanged compared with the previous year. The acquisition of the LOH Group led to an increase in net assets by around CHF 55 million to CHF 164 million. Net assets consisted of trade receivables (68), inventories (74), property plant and equipment (49), trade liabilities (21) and payments on account received from customers (6).

Goodwill

The goodwill position still comes to a good CHF 5 million. No goodwill arose from the acquisition of the LOH Group.

Development net cash CHF m



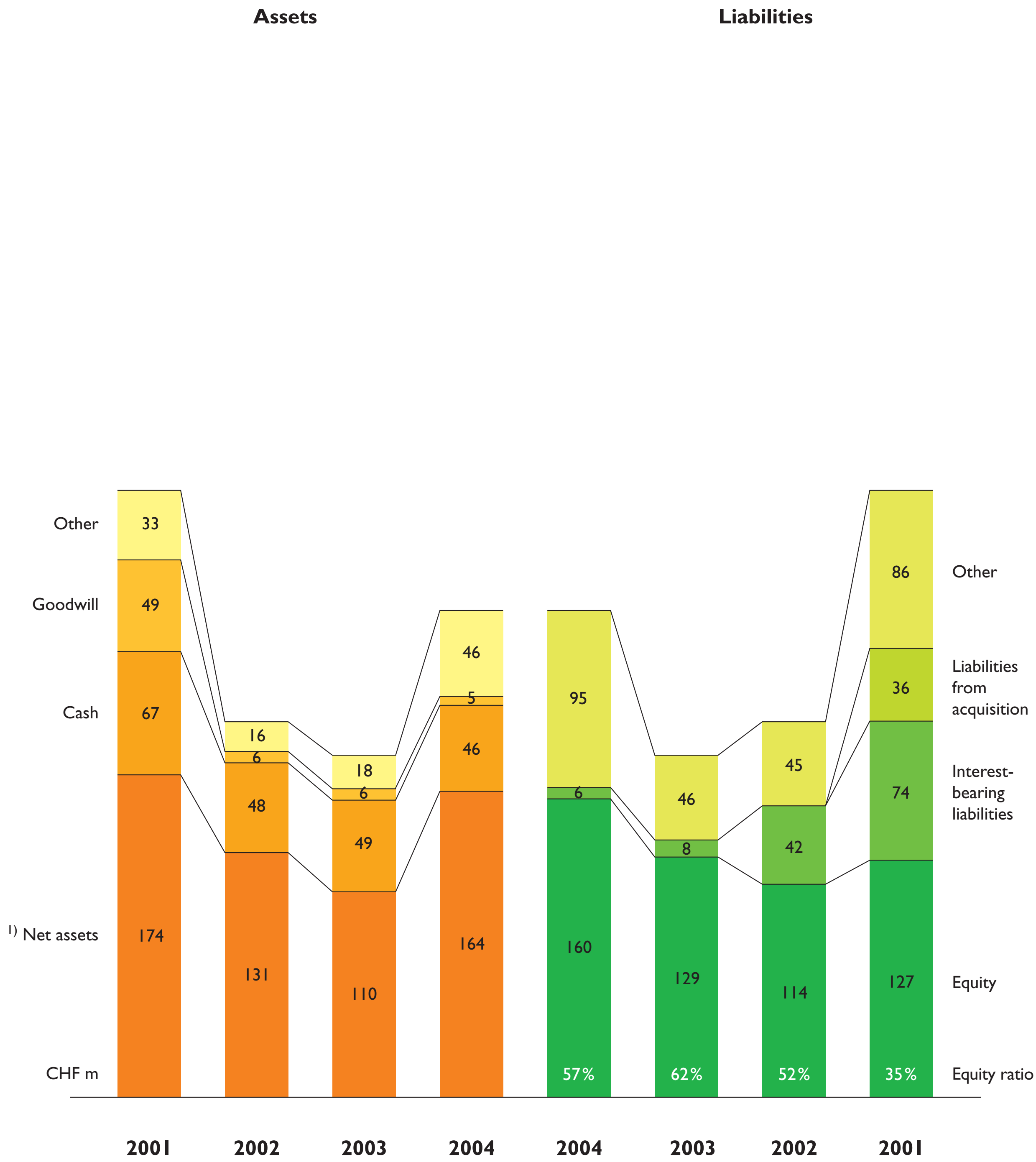
Liabilities

Interest-bearing liabilities

As of the end of the year, interest-bearing liabilities had decreased to around CHF 6 million.

Shareholders' equity

At CHF 160 million, shareholders' equity was on a par with net assets. The ratio of shareholders' equity to total assets stood at 57%.



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

SSM Textile Machinery

An EBIT of CHF 19 million, or 18%, was generated on sales of CHF 105 million (-4%).

Market

Turkey and China were the most important markets in the first half of the year while India was in pole position in the second half of the year, followed by Pakistan and South America. The second half of the year saw a general fall-off in demand. This was most pronounced in China, where many projects were delayed by government measures to slow down the economy. The staple market was subdued, as were twist projects within that market. By contrast, there was brisk demand for microfiber yarns, particularly from Turkey.

Product range

Both simpler machines, e.g. for yarn dyeing preparation, and more complex processing machines for the manufacture of composite yarns with texture and elastane were successful. In the sewing yarns sector, Hacoba's dominant position in the final make-up segment was strengthened while the redesigning of the ageing four-spindle machines resulted in a considerable reduction in manufacturing complexity, without narrowing the breadth of the product range. The wire product segment was sold to a company with which SSM already had long-standing cooperative links.

TW, a new, low-cost machinery platform, met with a positive reception on the market and will generate sufficiently high margins despite unfavorable dollar exchange rates. Other innovative functions were introduced, such as electronically monitored control of thread tensioning, an even faster thread hub and versatile oiling.

The first *uniplex*™ machines marked a further advance into new niche applications. These produce yarns by means of a stretch-break process. However, this business, involving exclusive cooperation with Dupont, will take quite some time to establish and is still in the nature of a venture.

Sourcing

Currency pressure made it necessary to increase procurement from eastern Europe and Asia. SSM's readiness to deliver remained high, however, underscoring the quality of the supplier network.

The new factory with local Chinese suppliers in Zhongshan delivered its first machines. This factory provides an important basis for long-term penetration of the Chinese market as a local supplier with reasonably priced machines.

Organization

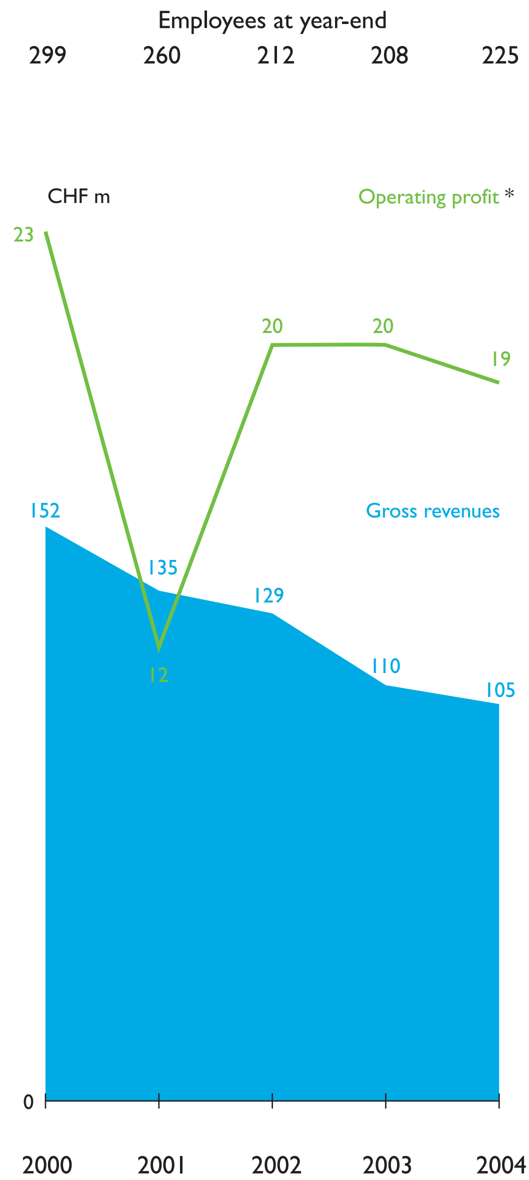
The Division's previous CEO, Walter Nadalin, left Schweiter to take up a new challenge elsewhere. We would like to thank him for his outstanding services. Kurt Eugster was appointed his successor effective March 2005. This also resulted in additional changes in personnel in the fields of marketing, sales and service. The structures were scaled back slightly in Horgen, Reutlingen and Wuppertal and the global headcount, including the factory in Zhongshan, rose to 225 (previous year: 208).

Outlook

Despite SSM's dominant market position, 2005 will be a demanding year, with margins and sales squeezed by the weak dollar and international and local competition.

Management

Walter Nadalin	Chief Executive Officer (until June 30, 2004)
Kurt Eugster	Chief Executive Officer (from March 1, 2005)
Christian Hotz	Chief Financial Officer
Martin Klöti	Chief Financial Officer (from October 1, 2004)
Marc Schaad	Head of R & D
Claudio Zinetti	Head of Supply & Production
	Head of Supply Group
Patrick Epp	Head of Marketing & Sales
Urs Gull	Head of Marketing & Sales (from October 1, 2004)
Ralf Lucht	Head of Hacoba Spultechnik
Horst Lüchinger	Head of SSM Far East



*Scale 10 times gross sales

Machine programme

SSM – Doubling, dyeing, winding, singeing, air covering, yarn preparation machines and elastane processing machines
Hacoba – Final make-up of sewing yarns, wire winding machines
SSM Stähle Eltex – Air jet texturing machines, heat draw setting machines

Sales markets

Europe	57%	(incl. Turkey and Middle East)
Americas	12%	
Asia	31%	(incl. India)

2002
- Increase in profitability
- New product line for sewing yarn
- Development and sales centralized

2003
- Launch of various new products (ITMA)
- Cooperation with DuPont on the development of a new spinning process (Uniplex™)
- Establishment of SSM (Zhongshan) Ltd., China

2004
- Development of new TW machine platform
- Market launch of innovative functions: electronic control of thread tensioning, new thread hub and oiling

Satis Vacuum

Satis Vacuum once again improved on the previous year's good result. Sales (without LOH) grew by 12% to CHF 73 million and EBIT (without LOH) rose by 34% to CHF 11 million. Factors which contributed to this were the increase in revenues driven by key account sales successes scored with the compact SP 200 machine, and the fact that fixed costs were kept low.

Market

The European market presented a robust picture at a high level, but with no significant growth impetus apart from key accounts.

In the US market, investments in coating capacity made by lens manufacturers and retail chains over recent years are enhancing the availability and appeal of anti-reflection treatments for end consumers. The strong growth continued and sales of machines and consumables increased by 54% in local currency (+42% in CHF), as against an increase of 43% the previous year.

Investment in coating systems for prescription lenses is still subdued in the Asian markets. In light of the economic development of this region, an increase is only expected in the medium term.

Product range

The compact sputtering system achieved a 10% share of machine sales. The projects for one-hour retail chains in Europe and the US are being implemented.

The box coater product line is in sync with market requirements. The trend toward the high-grade coating processes and superhydrophobic coatings offered is continuing.

CVD coating technology allows fully automated hard-coating and simultaneous antireflective treatment of spectacle lenses. In cooperation with Schott HICotec, the PICVD process was brought to technological maturity for core applications. In addition to the opportunities for stock lenses, openings for large-scale prescription lens manufacturers are also emerging.

Organization

The US market organization was strengthened and R&D activities were stepped up.

Integration of LOH

The merger of the two market leaders Satis and LOH on November 11, 2004 produced a full-service supplier for the surface processing and coating of spectacle lenses which has the capacity to hold its own amid the trend towards concentration seen on the market, as well as offering scope for expansion in the fine optics segment.

The local service and sales organizations are to be merged and strengthened. The market in Asia will be targeted in greater depth.

The development is focused on process integration, which is expected to bring customers a sharp rise in productivity.

Consolidation at customer level is continuing, particularly as lens manufacturers buy up independent prescription lens businesses. The takeover of Cole National (USA) by Luxottica (Italy) has given rise to the spectacles industry's leading retail chain and the announced merger of Zeiss (Germany) and Sola (USA) will create new global structures.

2005 will be dominated by the merger and reorganization processes. Satis Vacuum itself will be able to repeat the previous years' good results.

Management

Dr. Urs Meyer	Chief Executive Officer
Bruno Fischer	Chief Financial Officer
Hans-Peter Eigenmann	Head of Marketing & Sales
Luca Cavadini	Head of Satis Vacuum Italy
Guiseppe Di Paola	Head of Services
Antonello Vanucci	Head of R&D Satis Vacuum Italy
Frank Breme	Head of Sputtering
Werner Kalb	Head of Consumables
Larry Clarke	Head of Satis Vacuum USA

Machine programme

Ophthalmics

Systems for pre-treatment, anti-reflective treatment and coating of spectacle lenses based on high-vacuum PVD, sputtering and CVD technologies

Precision optics and special applications

Systems for manufacturing optical layers and coating optical components

Sales markets

Europe	55%
Americas	40%
Asia	5%

2002

- Venture with RTC adjusted, structural costs reduced
- Fall-off in demand (second half of year)
- Innovations launched, sputtering has proved itself

2003

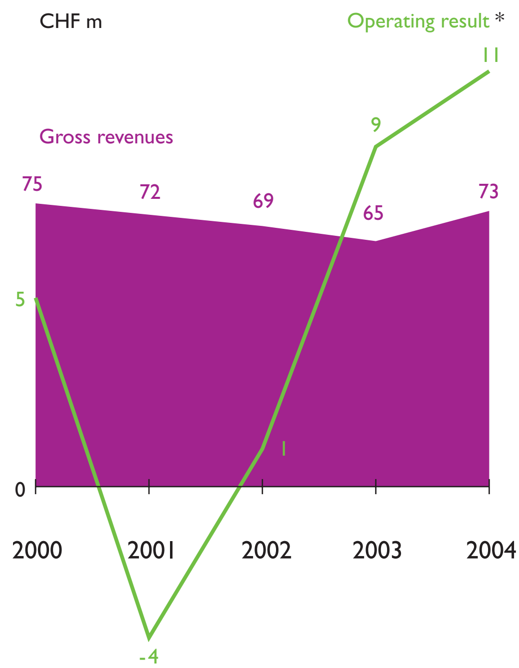
- Key accounts won in Europe and the US
- Sputtering operations reach break-even point
- Partnership with Schott HiCotec for market launch of PICVD technology
- Fixed overheads unchanged, but savings on procurement

2004

- Expansion of US market position and cooperation with key accounts
- Profitability maintained despite unfavorable USD
- PICD technically ready for core application
- SP 200 compact machine as key sales driver in optical retail chains
- Acquisition of LOH as leading supplier of equipment for surface and edging treatment of optical components

Employees at year-end

167	141	144	142	147 (without LOH)



*Scale 10 times gross sales

Ismeca Automation

Figures such as a 21% increase in sales to CHF 42 million, an EBIT of nearly CHF 2 million and per capita sales of CHF 350 000 already present a respectable picture, but the most remarkable feature of 2004 was the unbroken advance into the most lucrative market segment: medical technology.

Market

Sales figures clearly reflect the penetration of the medical technology sector: 2003: CHF 14 million, 2004: CHF 24 million – with an order intake of CHF 32 million.

Current demand suggests that this trend will continue for drug delivery and infusion sets, with simultaneous systematic expansion into the testing & diagnostics segment.

Demand for lines for the production of inkjet cartridges remained weak. Development of new print heads was stagnant as were volumes, but Ismeca Automation maintained its status as preferred supplier to the global market leader. The latter is planning to expand the technology (inkjet nozzle firing) into areas other than printing.

There was no revival in the electrical connections sector – assembly in low-wage countries is making investments unattractive and Ismeca decided to pull out of this area.

Products

In the fourth quarter, eight applications had already been sold from the new Isemline platform which will considerably expand the possibilities in medical technology.

Organization

Personnel numbers and structures stabilized after the drastic downsizing of previous years. The newly functional organization proved a pronounced success.

Ismeca strengthened its foothold in the United States and concrete alternatives for a local presence in this most important of markets were identified. Anticipated implementation in the first half of 2005.

Outlook

At the beginning of the year, orders on hand stood at a comfortable CHF 21 million and the order outlook was very good. This is particularly true in the field of medical technology for both diagnostic and therapeutic applications not involving medical personnel.

Management

Serge Peguiron	Chief Executive Officer
Didier Faller	Chief Financial Officer
Jean-Paul Boillon	Head of Engineering
Frédéric Rappan	Head of Supply
Erik Poulsen	Head of Marketing & Sales

Machine programme

Assembly automation for:
- Medical technology
- Electromechanical components
- Inkjet cartridges

Sales markets

Europe	42%
Americas	58%

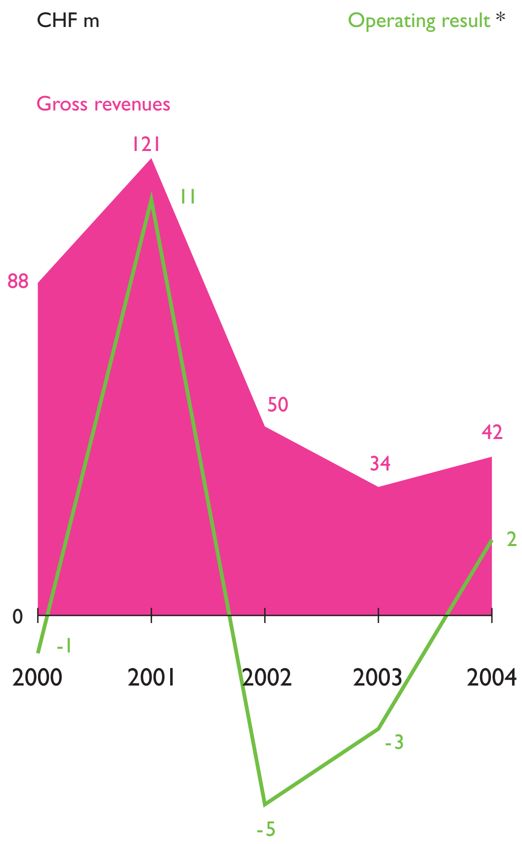
2002
- Sharp fall in order backlog at the beginning of the year
- Drastic restructuring measures at Ismeca USA

2003
- Adjustment of capacity
- Adjustment of structures in US
- Successful expansion of medical business
- Good backlog of orders at the end of 2003

2004
- Expansion of market position in medical technology sector
- Limited demand for lines for inkjet cartridges
- Expansion into testing and diagnostics

Employees at year-end

398	264	171	128	119



*Scale 10 times gross sales

Ismeca Semiconductor

Sales of CHF 110 million and an EBIT in excess of CHF 8 million show that the new products, production method and organization have passed the test of the first upturn sins 2000.

Market

China and Malaysia were the most important markets, followed by Thailand and Mexico. Since the dollar zone accounts for 90% of its sales, Ismeca remained under tremendous price pressure.

Ismeca Semiconductor held its own as an important supplier. In addition to the discrete semiconductors segment, which Ismeca dominates, the new small surface-mounted ICs “LLPs and QFNs” enjoyed a similarly buoyant trend. Ismeca Semiconductor also moved into the market for unpackaged bare die semiconductors

It likewise gained access to major Japanese and Taiwanese customers.

A substantial rise in demand in the first half of the year, was followed by an equally marked decline in orders. The short cycle of less than one year in the back-end did not lead to overcapacity among customers. All machines sold went into full production. This was not the case during the last cycle but one, when it took over a year before all machines delivered were in use.

Product range

All machine types contributed to the market success. The world's fastest machine for ultra-small electronic components has a throughput of 40 000 units per hour.

Another new product processes components straight from wafers.

New concepts in the power and small outlet integrated circuits sectors also came onto the market, as did machines for memory ICs.

Ismeca Semiconductor acquired the 3D inspection business from its long-standing cooperation partner. Collaboration in the field of electrical testers resulted in initial sales of systems.

Organization

The organization, which underwent a thorough renewal after the boom in 2000 and is now functional, weathered the challenges posed by the upturn. Delivery times remained less than three months throughout, bearing witness to the quality of the supplier network.

At the end of the year, the global headcount stood at 282. Per capita sales came to CHF 400 000.

Structural costs only rose by 10% despite the near-doubling of sales.

Outlook

Many customers saw a fall in utilization of production capacity in the fourth quarter of 2004. This resulted in a decline in new orders, and 2005 got off to a sluggish start. However, as customers are not overinvesting, the prevailing mood for the second half of 2005 is one of cautious optimism.

Management

Beat Siegrist	Chief Executive Officer
Camillo Narcisi	Chief Financial Officer
Jean-Charles Authier	Head of R & D
Eugen Pfiffner	Head of Supply & Production
Urs Gull	Head of Marketing & Sales
Andreas Mitterdorfer	Head of Marketing & Sales (from October 1, 2004)
Sandor Sipos	Head of Services
Laurent Stocker	Head of Services (from October 1, 2004)
Ian von Fellenberg	Head of Semic. North Asia
Gérard Probst	Head of Semic. South Asia
Gilbert Fluetsch	Head of Semic. North America

Machine programme

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

- discretes
- ICs
- BGAs
- Bare dies

Sales markets

Europe	9 %
Americas	13 %
Asia	78 %

2002

- Breakeven at CHF 80 million
- Intensive preparation so as to be able to deal with the upturn with a minimum of additional personnel and friction costs (supply chain management)
- So far no visibility for market-driven volume recovery

2003

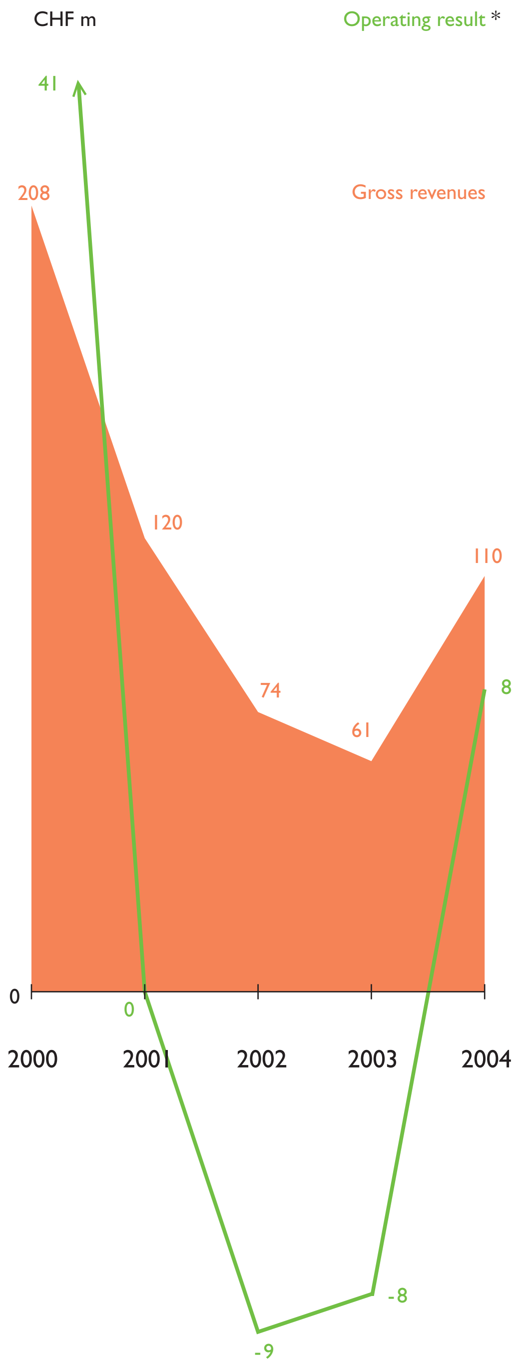
- Break-even point not reached
- Market share held despite declining market
- Fundamental innovation
- Marked increase in new orders

2004

- Good year with clear increase in volumes
- Low fixed cost structure maintained
- Per capita sales upped to CHF 0.4 million
- Successful market launch of new generation of machines

Employees at year-end

664	428	297	261	282



*Scale 10 times gross sales

Consolidated financial statements of the Schweiter Technologies Group

Consolidated balance sheet as at December 31, 2004

	Assets (in CHF 1000s)	**2004**	%	2003	%
	Current assets				
1	Cash and cash equivalents	45 687		48 899	
2	Trade receivables	67 980		55 351	
	Receivables from current income taxes	2 261		1 018	
3	Other receivables	16 861		10 211	
	Prepaid expenses and accrued income	1 628		940	
4	Inventories and work in progress	74 191		50 865	
	Total current assets	**208 608**	74.0	**167 284**	80.5
	Non-current assets				
6	Property, plant and equipment	49 452		27 188	
	Long-term receivables	11 747		1 561	
7	Participating interests in associated companies	-		-	
29	Deferred income tax assets	5 823		5 984	
8	Intangible assets	6 258		5 826	
	Total non-current assets	**73 280**	26.0	**40 559**	19.5
	Total assets	**281 888**		**207 843**	

	Liabilities (in CHF 1000s)				
	Short-term liabilities				
9	Short-term interest-bearing liabilities	983		2 201	
	Commission payments	4 692		5 593	
	Trade liabilities	21 498		18 152	
10	Other liabilities	13 314		10 704	
11	Accrued expenses and deferred income	27 752		17 667	
15	Short-term provisions	9 263		3 967	
	Current income taxes	5 701		3 205	
	Total short-term liabilities	**83 203**	29.5	**61 489**	29.6
13	Long-term interest-bearing liabilities	4 791		6 207	
30	Deferred income tax liabilities	3 847		1 543	
15	Long-term provisions	7 245		6 181	
14	Pension obligations	22 431		2 973	
	Total long-term liabilities	**38 314**	13.6	**16 904**	8.1
	Total liabilities	**121 517**	43.1	**78 393**	37.7
16	Minority interests	242	0.1	-	-
	Shareholders' equity				
17	Share capital	10 106		14 437	
	Treasury shares	- 2 173		- 2 391	
	Premium	107 381		107 381	
	Profit reserves	18 100		221	
	Net income	35 116		17 733	
	OCI (other comprehensive income)	516		505	
	Currency translation differences	- 8 917		- 8 436	
	Shareholders' equity	**160 129**	56.8	**129 450**	62.3
	Total liabilities	**281 888**		**207 843**	

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

Consolidated income statement for the business year 2004

	(in CHF 1000s)		2004	%	2003	%
	Gross revenues		349 969	105.5	**269 973**	103.3
20	Sales deductions		- 14 855	- 4.5	- 10 265	- 3.9
	Net revenues		335 114	101.0	259 708	99.4
	Change in inventories of semi-finished and finished goods		- 3 390	- 1.0	1 680	0.6
	Operating performance		**331 724**	100.0	**261 388**	100.0
	Cost of materials		- 158 226	- 47.7	- 125 191	- 47.9
22	Personnel expenses		- 70 323	- 21.2	- 65 757	- 25.2
22	Development expenses		- 21 525	- 6.5	- 16 617	- 6.3
23	Other operating expenses		- 37 571	- 11.3	- 34 160	- 13.1
24	Other operating income		1 712	0.5	2 430	0.9
25	Depreciation & amortization of other intangible assets		- 4 292	- 1.3	- 4 523	- 1.7
	Amortization of goodwill		- 353	- 0.1	- 353	- 0.1
	Operating profit		**41 146**	12.4	**17 217**	6.6
26	Financial income		4 496	1.4	7 357	2.8
27	Financial expenses		- 5 510	- 1.7	- 6 687	- 2.5
	Income before taxes		**40 132**	12.1	**17 887**	6.9
28	Income taxes		- 5 014	- 1.5	- 154	- 0.1
	Net income before minority interests		**35 118**	10.6	-	
	Minority interests		- 2		-	
	Net income		**35 116**	10.6	**17 733**	6.8
32	Earnings per share before dilution	(in CHF)	24.53		12.30	
	Earnings per share after dilution	(in CHF)	24.53		12.30	

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

Consolidated cash flow statement for the business year 2004

	(in 1000 CHF)	**2004**	2003
	Income before taxes and minority interests	40 132	17 887
	Liquidity-neutral items:		
	– Depreciation and amortization intangible assets/goodwill	4 645	4 876
	Change in provisions and pension obligations	- 4 193	- 1 499
	Profit/loss on sales of property, plant and equipment	- 123	- 2 085
	Interest income	- 822	- 727
	Interest expenses	606	1 117
	Operating profit before adjustment of net current assets	**40 245**	**19 569**
	Change in trade receivables	7 502	647
	Change in other receivables and accruals	- 2 904	- 27
	Change in inventories and work in progress	1 997	9 102
	Change in trade liabilities	- 4 569	2 878
	Change in other liabilities and deferrals	- 263	2 864
	Cash flow from operating activity	**42 008**	**35 033**
	Interest paid	- 513	- 1 095
	Income taxes paid	- 3 372	- 3 434
	Net cash flow from operating activity	**38 123**	**30 504**
31	Acquisition of subsidiary	- 20 634	-
	Purchase of property plant and equipment	- 2 149	- 3 441
	Sale of property plant and equipment	191	9 313
	Interest received	688	662
	Cash flow from investment activity	**- 21 904**	**6 534**
	Change in long-term receivables	- 5 537	- 762
	Change in leasing liabilities	65	- 1
	Repayment of long-term loans	- 6 579	- 4 485
	Repayment of short-term loans	- 1 857	- 29 039
	Share capital decrease (par value reduction)	- 4 331	-
17	Purchase/sale of treasury shares	364	- 2 391
	Cash flows from financing activity	**- 17 875**	**- 36 678**
	Currency exchange differences on cash and cash equivalents	- 1 556	323
	Change in cash and cash equivalents	**- 3 212**	**683**
	Cash and cash equivalents as at January 1	48 899	48 216
	Cash and cash equivalents as at December 31	**45 687**	**48 899**

▲ 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	OCI	Currency translation difference	Total
Balance as at Dec. 31, 2002	**14 437**	**0**	**107 381**	**221**	**473**	**-8059**	**114 453**
Net income				17 733			17 733
Purchase of treasury shares		-2391					-2391
Foreign currency differences						-377	-377
Change in market value of cash flow hedges					32		32
Balance as at Dec. 31, 2003	**14 437**	**-2391**	**107 381**	**17 954**	**505**	**-8436**	**129 450**
Net income				35 116			35 116
Change in treasury shares		218		146			364
Nominal value repayment	-4331						-4331
Foreign currency differences						-481	-481
Change in market value of cash flow hedges					11		11
Balance as at Dec. 31, 2004	**10 106**	**-2173**	**107 381**	**53 216**	**516**	**-8 917**	**160 129**

Principles of consolidation and valuation

General

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

The Schweiter Technologies Group 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.

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, 2004 and December 31, 2003. 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 Group 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 four divisions which form the basis for the primary format of the segment reporting. These are:

– SSM Textile Machinery
– Satis Vacuum
– Ismeca Automation
– 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 in the scope of consolidation:

100% of the shares of LOH Holding AG, Dornach, were acquired effective November 1, 2004. The transactions and results of the LOH Group are contained in the consolidated annual financial statements as of the date of the acquisition.

The impact of the acquisition on cash flows and the income statement can be seen under note 31. In respect of segment reporting, the LOH Group comes under the "Satis Vacuum" segment.

Changes within the scope of consolidation:

In the year under review, Ismeca USA Semiconductor Inc., Ismeca USA Automation Inc. and Ismeca USA Properties Inc. merged to form Ismeca USA Inc.

Principles of consolidation and valuation

Scope of consolidation

The following companies were fully consolidated as at December 31, 2004:

Company	Purpose	Share capital in 1000s		Shareholding
Schweiter Technologies AG Horgen, Switzerland	Holding company	CHF	10 106	-
SSM Schärer Schweiter Mettler AG Horgen, Switzerland	Production and distribution	CHF	6000	100 %
SSM Vertriebs AG Baar, Switzerland	Distribution	CHF	100	100 %
SSM Stähle Eltex GmbH 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	250	100 %
Satis Vacuum Holding AG Baar, Switzerland	Holding company	CHF	5000	100 %
Satis Vacuum Industries Vertriebs AG Baar, Switzerland	Head office and distribution	CHF	500	100 %
Satis Vacuum Industries S.p.a. Mailand, Italy	Production and distribution	EUR	5 165	100 %
Satis Vacuum Deutschland GmbH Erlensee, Germany	Distribution	EUR	102	100 %
Satis Vacuum of America Groveport, Ohio, USA	Distribution	USD	0.001	100 %
Satis Vacuum (UK) Ltd. Bolton, UK	Distribution	GBP	0.001	100 %
Satis Vacuum Asia Pte Ltd. Singapore	Distribution	SGD	100	100 %
Satis Photonics AG Horgen, Switzerland	Production and distribution	CHF	500	100 %
Loh Holding AG Dornach, Switzerland	Holding company	CHF	4000	100 %
Loh Optikmaschinen GmbH Wetzlar, Germany	Production and distribution	EUR	7900	100 %
Loh Optikmaschinen AG Dornach, Switzerland	Services	CHF	1500	100 %
Loh Engineering AG Oensingen, Switzerland	Production and distribution	CHF	5000	100 %

Company	Purpose	Share capital in 1000s		Shareholding
Ernst Loh GmbH Wetzlar, Germany	Holding company	EUR	102	100 %
Loh Optical Machinery Inc. Germantown, USA	Distribution	USD	53	100 %
Loh Opticservice France SA Villepinte, France	Distribution	EUR	153	90 %
Loh Opticservice Ibérica S.L. Barcelona, Spain	Distribution	EUR	3	100 %
Loh Optical Machinery (Singapore) Ltd. Singapore	Distribution	SGD	1	100 %
Loh Optical Machinery Asia Ltd. Hong Kong	Distribution	HKD	10	100 %
Loh Machinery Trading (Shenzen) Ltd. Shenzen, China	Distribution	USD	300	100 %
Ismeca Automation Holding SA La Chaux-de-Fonds, Switzerland	Holding company	CHF	1 400	100 %
Ismeca Europe Automation SA La Chaux-de-Fonds, Switzerland	Production and distribution	CHF	500	100 %
Ismeca France S.à.r.l. Besançon, France	Distribution and services	EUR	40	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 GmbH Deckenpfronn, Germany	Distribution and services	EUR	26	100 %
Ismeca USA Inc. Carlsbad, CA, USA	Distribution and services	USD	100	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. Aberdeen, Hong Kong	Distribution and services	HKD	150	100 %

Principles of consolidation and valuation

Gross revenues

Gross revenues include all invoiced sales of machines, spare parts, services and rental income. Revenues from construction contracts are valued by the percentage of completion (POC) method. The percentage of completion is based on the ratio of costs incurred (i.e. by the reference date) to the overall anticipated costs of the order.

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 delivery 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.

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 (OCI, other comprehensive income / expense) 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	
				2004	2003	**2004**	2003
USA	Dollar	USD	1	1.14	1.24	1.24	1.35
Euro zone	Euro	EUR	1	1.55	1.56	1.54	1.52
UK	Pound	GBP	1	2.19	2.21	2.28	2.20
Singapore	Dollar	SGD	1	0.70	0.73	0.73	0.77
Malaysia	Ringgit	MYR	100	29.80	32.75	32.70	35.43
Hong Kong	Dollar	HKD	1	0.15	0.16	0.16	0.17

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. Most are denominated in Swiss francs. Smaller amounts for the settlement of day-to-day business are denominated in foreign currencies.

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 sells products and services in foreign currencies, it is exposed to fluctuations in exchange rates. The bulk of its sales are denominated in Swiss francs. Forward exchange transactions are used to hedge exchange rate risks. These instruments are not used for speculative purposes.

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.

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 or the FIFO 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.

Principles of consolidation and valuation

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.

Intangible assets

Intangible assets are stated at acquisition costs and written down on a linear basis over their estimated useful life.

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.

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.

Goodwill is capitalized and written down to the income statement on a linear basis over its estimated useful life (maximum 20 years). Residual goodwill is subjected yearly to an impairment test and, where necessary, written down further.

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 market value and the ascertained value in use. The value in use corresponds to the cash value of the estimated future cash flow. 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 pension obligations and pension expenses arising from these pension plans are therefore determined by an independent actuary using the projected unit credit method. Actuarial cover shortfalls or surpluses are disclosed in the notes and if they exceed 10% of the pension obligation or the market value of the pension plan assets, whichever is greater, they are taken to income throughout the employee's anticipated remaining period of employment until retirement. Surpluses are only stated if the employer can use them for future reductions in contributions.

An employee stock option plan was in place with a view to securing the long-term loyalty of the Group's senior executives and providing them with incentives. Under this plan, employees were issued with options – most recently in 2000. The fair value of the employee options was not charged to the income statement either when the option was issued or when it was exercised. The exercise prices of the options have been set at levels higher than the current share price; the exercise prices of the options have not been adjusted. All remaining options expired at the end of March 2003. There is no new option plan.

Segment information broken down by divisions and regions

2004 (in CHF millions) **Divisions**	SSM Textile Machinery	Satis Vacuum	Ismeca Automation	Ismeca Semiconductor	Other / Eliminations	Group
Gross revenues	104.8	93.6	41.5	109.9	0.2	350.0
thereof gross revenues between divisions	-	-	0.1	0.2	-0.3	-
Operating performance	100.9	84.2	39.8	106.7	0.1	331.7
25 Depreciation	-0.6	-2.5	-	-1.2	-	-4.3
Amortization of goodwill	-	-	-	-0.4	-	-0.4
Operating result	**19.2**	**11.9**	**1.7**	**8.5**	**-0.2**	**41.1**
Financial income	1.5	0.9	1.0	1.4	-0.3	4.5
Financial expenses	-1.1	-2.9	-0.5	-1.6	0.6	-5.5
Income before taxes						**40.1**
Income taxes						-5.0
Net income for the year						**35.1**
Capital expenditure	0.5	3.4	-	0.8	-	**4.7**
Assets	56.8	138.4	23.2	84.8	-21.3	**281.9**
Liabilities	31.6	76.4	7.1	15.7	-9.3	**121.5**
Employees at year-end	225	515	119	282	2	**1 143**

Regions	Europe	Americas	Asia	Other	Group
Gross revenues	128.9	84.3	132.2	4.6	**350.0**
Assets	237.7	27.8	16.4	-	**281.9**
Capital expenditure	3.7	0.7	0.3	-	**4.7**

2003 (in CHF millions)

Divisions	SSM Textile Machinery	Satis Vacuum	Ismeca Automation	Ismeca Semiconductor	Other / Eliminations	Group
Gross revenues	109.7	65.2	34.3	61.1	-0.3	270.0
thereof gross revenues between divisions	-	-	0.1	0.4	-0.5	-
Operating performance	104.2	61.1	37.6	58.8	-0.3	261.4
25 Depreciation	-0.7	-2.0	-	-1.8	-	-4.5
Value reinstatement on property, plant and equipment	-	-	0.4	0.4	-	0.8
Amortization of goodwill	-	-	-	-0.4	-	-0.4
Operating result	**20.1**	**8.5**	**-3.4**	**-8.0**	**-**	**17.2**
Financial income	2.5	1.0	3.3	0.3	0.3	7.4
Financial expenses	-1.2	-1.8	-2.7	-1.3	0.3	-6.7
Income before taxes						**17.9**
Income taxes						-0.2
Net income for the year						**17.7**
Capital expenditure	0.6	4.9	-	0.5	-	**6.0**
Assets	60.1	50.2	23.6	90.7	-16.8	**207.8**
Liabilities	34.9	30.2	9.4	21.1	-17.2	**78.4**
Employees at year-end	208	142	128	261	2	**741**

Regions	Europe	Americas	Asia	Other	Group
Gross revenues	118.2	66.8	80.6	4.4	**270.0**
Assets	187.4	12.3	8.1	-	**207.8**
Capital expenditure	4.2	1.7	0.1	-	**6.0**

Notes to the consolidated financial statements

1 **Cash and cash equivalents by currencies** (in CHF 1000s)	**2004**	2003
CHF	15 252	18 161
EUR	12 621	9 797
USD	13 772	18 399
Other	4 042	2 542
Total	**45 687**	**48 899**

2 **Trade receivables** (in CHF 1000s)	**2004**	2003
Total trade receivables	73 547	59 989
– minus bad debt allowances	- 5 567	- 4 638
Total net	**67 980**	**55 351**

The average time taken for the settlement of receivables in 2004 amounts to 69 days (previous year 81 days).

3 **Other receivables** (in CHF 1000s)	**2004**	2003
Receivables from taxes (value added tax, withholding tax, etc.)	3 856	3 759
5 Receivables relating to construction contracts	4 927	463
Downpayments to suppliers	4 620	3 481
Other receivables	3 458	2 508
Total	**16 861**	**10 211**

4 **Inventories and work in progress** (in CHF 1000s)	**2004**	2003
Raw materials and parts	38 240	26 617
Semi-finished goods and work in progress	17 197	14 875
Finished goods at production costs	11 911	6 971
Finished goods at net disposal costs	6 843	2 402
Total	**74 191**	**50 865**

The net value of the inventories and work in progress is after value adjustments of CHF 43.1 million (previous year CHF 41.8 million).

No value reinstatements were recorded as income. No inventories are encumbered by rights of lien.

	5 **Construction contracts** (in CHF 1000s)	**2004**	2003
4	Work in progress relating to construction contracts as reported in the balance sheet	**1 209**	**1 554**
	Sales booked under construction contracts during the year	35 240	20 679
	Accrued costs and profits on construction contracts outstanding at the end of the year recorded pro rata (less losses)	19 488	8 147
	Advances received on open construction contracts at the end of year	- 15 986	- 10 683
	Total	**3 502**	**- 2 536**
3	Total construction contracts revenue recognized during the year, reported in balance sheet under other receivables	4 927	463
10	Construction contracts with deficit balance to customers, reported in balance sheet under other liabilities	- 1 425	- 2 999
		3 502	**- 2 536**

There are no payments withheld by customers.

Notes to the consolidated financial statements

6 Property, plant and equipment

	(in CHF 1000s)	Land and buildings	Instal- lations	Machinery Tools	Furnishings	Computer equipment	Vehicles	**Total 2004**	Total 2003
	Acquisition values								
	Balance as at January 1	27 968	3 981	15 054	9 334	10 461	2 186	68 984	75 714
31	Changes in the scope of consolidation	25 194	2 535	7 105	3 315	2 081	1 147	41 377	-
	Additions	87	192	2 620	343	885	557	4 684	6 029
	Disposals	-	-	-1 471	-302	-244	-308	-2 325	-12 706
	Transfers	-	-	-	-	-	-	0	0
	Exchange rate differences	56	-	-122	-26	-872	-19	-983	-53
	Balance as at December 31	**53 305**	**6 708**	**23 186**	**12 664**	**12 311**	**3 563**	**111 737**	**68 984**
	Accumulated depreciations								
	Balance as at January 1	-8 693	-3 429	-9 745	-8 405	-9 616	-1 908	-41 796	-41 327
31	Changes in the scope of consolidation	-5 370	-2 362	-5 706	-2 668	-1 646	-894	-18 646	
	Depreciation for the year	- 808	-294	-1 897	-300	-712	-267	-4 278	-4 523
	Disposals	-	-	734	249	240	308	1 531	4 235
	Transfers	-	-	-	-	-	-	0	0
	Exchange rate differences	31	-1	-32	23	867	16	904	-181
	Balance as at December 31	**-14 840**	**-6 086**	**-16 646**	**-11 101**	**-10 867**	**-2 745**	**-62 285**	**-41 796**
	Net book value								
	Balance as at January 1	19 275	552	5 309	929	845	278	27 188	34 387
	Balance as at December 31	**38 465**	**622**	**6 540**	**1 563**	**1 444**	**818**	**49 452**	**27 188**
	Insurance values							127 002	67 442
35	Net book value of pledged land and buildings							12 550	17 708
	Net book value of leased property, plant and equipment							106	52
12	Leasing obligations for property, plant and equipment reported on balance sheet							121	60

7 **Investments in associated companies** (in CHF 1000s)		**2004**	2003
Elpo AG, Bäretswil, Switzerland	Share of equity 24%	-	-
Other		-	-
Total		0	0
Book value as at January 1		-	-
Share of earnings/loss belonging to non-consolidated participation		-	-
Book value as at December 31		**0**	**0**

The investments in subsidiaries held directly or indirectly by the Schweiter Technologies Group are listed above. These are long-term investments in subsidiaries and associates which are not fully consolidated. Currency and business-related reductions/increases in value are taken into account by the equity valuation method.

	8 **Intangible assets** (in CHF 1000s)	Goodwill	Other	**Total**
	Acquisition values			
	Balance as at January 1	159 473	62	159 535
31	Changes in the scope of consolidation	-	963	963
	Additions	-	-	0
	Disposals	-	-	0
	Balance as at December 31	**159 473**	**1 025**	**160 498**
	Accumulated amortizations			
	Balance as at January 1	-153 648	- 61	-153 709
31	Changes in the scope of consolidation	-	- 164	- 164
	Amortization	- 353	- 14	- 367
	Disposals	-	-	0
	Balance as at December 31	**-154 001**	**- 239**	**-154 240**
	Net book value as at December 31	**5 472**	**786**	**6 258**

The remaining goodwill as at December 31, 2004 relates to Ismeca Semiconductor.

Notes to the consolidated financial statements

	9 **Short-term interest-bearing liabilities** (in CHF 1000s)	**2004**	2003
	Current accounts with banks	-	1 812
	Bank loans due within one year	869	-
	Mortgages due within one year	83	354
	Other short-term liabilities toward banks	**952**	**2 166**
12	Financial leasing contracts, due within one year	31	35
	Total	**983**	**2 201**

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

December 31,	**2004**	Actual interest rates	December 31,	2003	Actual interest rates
EUR	83	2.18 %	CHF	135	1.57 %
EUR	869	5.13 %	CHF	1 812	2.10 %
			CHF	135	5.75 %
			EUR	84	2.18 %
	952			**2 166**	

	10 **Other liabilities** (in CHF 1000s)	**2004**	2003
	Unredeemed dividend coupons	73	65
	Arrears toward staff pension schemes	26	5
5	Liabilities from construction contracts	1 425	2 999
	Prepayments received from customers	6 248	4 594
	Other liabilities	5 542	3 041
	Total	**13 314**	**10 704**

11 **Accrued expenses and deferred income** (in CHF 1000s)	**2004**	2003
Personnel costs (holidays / flexitime / overtime / bonuses / etc.)	10 289	7 974
Cost of materials / overheads	4 468	3 934
Miscellaneous	12 995	5 759
Total	**27 752**	**17 667**

	12 **Obligations arising from finance leasing** (in CHF 1000s)	**2004**	2003
	Obligations arising from finance leasing (nominal), due in:		
	– one year	33	37
	– 2 to 5 years	101	26
	Total nominal value	**134**	**63**
	less future financial expense	- 13	- 3
	Total cash value of minimum leasing obligations	**121**	**60**
	Reporting on balance sheet by due date		
9	– in one year (in short-term interest-bearing liabilities)	31	35
13	– in 2 to 5 years (in long-term interest-bearing liabilities)	90	25
	Total cash value of minimum leasing obligations	**121**	**60**

	13 **Long-term interest-bearing liabilities** (in CHF 1000s)	**2004**	2003
	Long-term bank loans	425	510
35	Mortgage loans	3 746	5 672
	Long-term liabilities toward banks	**4 171**	**6 182**
	Other long-term loans	530	-
12	Finance leasing obligations, due in 2 to 5 years	90	25
	Total	**4 791**	**6 207**
	The maturities of the long-term loans are as follows:		
	– 1 to 2 years	960	442
	– 2 to 5 years	1 578	5 765
	– more than 5 years	2 253	-
	Total	**4 791**	**6 207**

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

December 31,	**2004**	Actual interest rates	December 31,	2003	Actual interest rates
CHF	90	7.15 %	CHF	255	1.57 %
EUR	87	2.18 %	CHF	255	5.75 %
EUR	425	4.50 %	CHF	3 000	3.25 %
EUR	958	4.75 %	CHF	2 500	3.63 %
EUR	508	5.45 %	CHF	25	7.00 %
EUR	2 280	5.80 %	EUR	172	2.18 %
EUR	443	12.00 %			
Total	**4 791**			**6 207**	

The mortgage loans are secured by encumbrance on real property (see 35 Rights of lien).

Notes to the consolidated financial statements

14 Pension plans

Staff pension obligations

The Group has a series of pension plans which comply with the relevant legal circumstances. These plans provide benefits in the event of death, disability, retirement or termination of employment. In the case of some of these pension plans, employees have to pay contributions which are supplemented by corresponding contributions from the Group. They are financed in conformity with local legal and tax regulations.

Defined benefit plans

The most important Group units with defined benefit plans are domiciled in Switzerland, Germany and Italy. The pension benefits are based on the employee's years of service, age and salary. Pension funds' assets in Switzerland have been split off into a separate foundation and can not accrue back to the employer.

The pension liabilities of the defined benefit plans were calculated using the projected unit credit method. The last valuation was performed on December 31, 2004.

Following the acquisition of the LOH Group effective November 1, 2004, provisions for pension obligations increased by CHF 19 193 000.

Defined contribution plans

The most important Group units with defined contribution plans are domiciled in the USA, Malaysia and Hong Kong.

Employer contributions under these plans amounted to CHF 199 000 in 2004 (CHF 208 000 in 2003).

Degrees of cover

In Switzerland, compulsory and extended pension benefits for Schweiter Group employees are regulated through three foundations. On December 31, 2004, the annual financial statements of the respective foundations showed the following surpluses: Schweiter approx. 7.5%, Ismeca approx. 1.5% and LOH approx 4.7%.

The pension obligations and net pension expenditure in the consolidated financial statements will be determined in accordance with the International Financial Reporting Standards (IFRS). Under these rules, the shortfall for these plans amounted to CHF 3.8 million in 2004 (CHF 3.4 million in 2003). In calculating the obligations, it is necessary to take account of various assumptions regarding salary developments, pension indexation and staff turnover. The increase in the shortfall resulted in particular from the decrease of 50 basis points in the guaranteed interest rate owing to developments on the bond markets. Consequently, the shortfall cannot be compared with that shown in the annual financial statements of the foundations. For example, the effect of wage trends is financed through future employee and employer's contributions.

Net pension expenditure for the period (in CHF 1000s)	**2004**	2003
Pension entitlement acquired	5 586	4 965
Interest paid on future pension entitlement	3 428	3 314
Anticipated income from assets	- 3 841	- 3 674
Amortization of losses	-	179
Additional expense according to IAS 19 Art. 58	572	423
Employee contributions	- 2 453	- 2 498
Net pension expenditure for the period	**3 292**	**2 709**
Effective income from assets	8 667	6 783

Status of the pension schemes (in CHF 1000s)	**31.12.04**	31.12.03
Pension obligations covered by segregated assets	101 678	90 325
Pension assets	- 97 878	- 86 890
Cover shortfall	3 800	3 435
Pension obligations not covered by pension assets	22 206	3 032
Losses not yet amortized	- 3 575	- 3 494
Pension obligations reported on the balance sheet	**22 431**	**2 973**

Development of pension obligations reported on the balance sheet (in CHF 1000s)	**2004**	2003
Pension obligations as at January 1	2 973	2 889
Net pension expenditure for the period	3 292	2 709
31 Employer's contributions	- 3 028	- 2 830
Changes in the scope of consolidation	19 193	-
Exchange rate differences	1	205
Pension assets at market values as at December 31	**22 431**	**2 973**

The weighted actuarial assumptions can be summarized as follows:	**31.12.04**	31.12.03
Annual discount interest rate	3.46 %	3.76 %
Long-term annual yield	4.50 %	4.50 %
Long-term annual yield	2.06 %	1.98 %
Annual pension adjustments	0.67 %	0.94 %

	2004	2003
Employer's contributions to defined contribution plans (in CHF 1000s)	199	208

Notes to the consolidated financial statements

15 Provisions

(in CHF 1000s)	Restructurings	Guarantees	Other	Total 2004	Total 2003
Balance as at January 1	0	7 070	3 078	10 148	11 381
Changes in the scope of consolidation	7 252	636	2 932	10 820	-
Foreign currency differences	0	- 18	19	1	172
Consumption with neutral impact on income	- 1 028	- 3 643	- 3 043	- 7 714	-6 640
Unused amounts reversed and released to income	0	- 299	- 685	- 984	-1 731
Additional provisions charged to income	0	3 143	1 094	4 237	6 966
Balance as at December 31	**6 224**	**6 889**	**3 395**	**16 508**	**10 148**
of which: Short-term provisions	4 889	3 238	1 136	9 263	3 967
Long-term provisions	1 335	3 651	2 259	7 245	6 181
Expected use of provisions					
– within one year	4 889	3 238	1 136	9 263	3 967
– in 2 to 5 years	1 335	3 651	2 259	7 245	6 181

The provision for restructurings relates to ongoing restructuring programs (streamlining of sales organization, optimization of the production process in Germany, staff restructuring measures) ongoing at the LOH Group at the time of the takeover. The remaining amount corresponds mainly to the costs still estimated to accrue and will be needed during 2005 for ongoing restructuring measures.

The provision for guarantees was formed for repairs and the replacement of defective products. It is based partly on a cost estimate derived from specific known facts and partly on empirical values for follow-up developments of newly launched products.

Other provisions comprises business events with specific, quantifiable risks in relation to which it is not known when the associated costs will be incurred as well as provisions for materials risks under master agreements. The materials risks are based on empirical values and purchase commitments to suppliers as of December 31, 2004.

In light of the restructuring costs accrued mainly in the course of a year, provisions were divided into short-term and long-term liabilities for the first time.

16 Minority interests (in CHF 1000s)

	2004	2003
Balance at as January 1	-	-
31 Acquisition of minority interests LOH Group	240	-
Share of minority interests in earnings	2	-
Balance as at December 31	**242**	**0**

17 Share capital

	2004	2003
Number of bearer shares issued with a par value of CHF 7 (previous year: CHF 10)	1 443 672	1 443 672
Share capital as at December 31 (in CHF)	10 105 704	14 436 720
Authorized capital (in CHF)	2 100 000	3 000 000
Conditional capital (in CHF)	928 200	1 326 000

Share capital:

In accordance with the resolution passed by the General Meeting on May 19, 2004 the par value per share was reduced from CHF 10 to CHF 7.

Treasury shares:

In the year under review 600 treasury shares were purchased for an average price of CHF 228 (previous year: 13 476). 2 000 treasury shares were sold (none were sold in the previous year) at an average price of CHF 233. Treasury shares are valued at their acquisition price. 12 076 treasury shares were held as of December 31 (previous year: 13 476).

Authorized capital:

As of December 31, 2004 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on May 19, 2004 to issue 300 000 bearer shares by May 19, 2006. 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, 2004 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 228 200 through the exercise of employee option rights and

b) up to a sum of CHF 700 000 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. No employee options were exercised in 2004.

18 Employee stock option plan

The Group had an employee stock option plan for executive personnel. In defining the conditions of the plan, consideration was given to the objective of securing employees' long-term loyalty and creating incentives. A lock-in period of several years and an exercise price above the current share price was therefore laid down for all plan participants. The expense incurred in issuing shares in connection with the exercise of employee stock options is not taken to income. The exercise prices of the options will not be adjusted.

All remaining options expired at the end of March 2003. There is no new option plan.

	2004	2003
Options outstanding at the beginning of the year	**0**	**10 000**
Options issued	-	-
Options exercised	-	-
Options expired	-	- 10 000
Options outstanding at the end of the year	**0**	**0**

Notes to the consolidated financial statements

19 Transactions with associated persons

with principal shareholder Dr. Hans Widmer:

Cash loan: In 2000, Dr. Hans Widmer, Chairman of the Board of Directors of Schweiter Technologies, granted the company a shareholder loan of CHF 15 million in connection with the acquisition of the Ismeca Group. The loan debt owed to Hans Widmer was repaid in full as of December 31, 2003. The interest rate was in line with standard market conditions.

Apart from his honorarium 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. (Interest of CHF 250 000 was paid on the above-mentioned cash loan, representing an interest rate of 2%).

with shareholder Beat Siegrist:

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

20 **Sales deductions** (in CHF 1000s)	**2004**	2003
Commission payments on sales, commission	6 323	5 589
Carriage, customs duties, packaging	6 064	3 675
Other sales deductions	2 468	1 001
Total	**14 855**	**10 265**

21 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 2004, 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 2004 business year, the total remuneration for the five management members amounted to CHF 2.086 million (previous year: CHF 2.236 million).The maximum compensation amounted to CHF 655 000 (previous year: CHF 560 000).

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). Apart from the payments listed, no further pecuniary benefits were provided. In particular, no options or shares were issued in 2003 and 2004.

22 Development expenses

Development expenses consists mainly of expenses on the development of new applications and products and also contains salary expenditure of CHF 14.2 million (previous year: CHF 10.8 million) for staff working in development. All expenses in connection with R & D activity are recorded on the income statement.

23 **Other operating expenses** (in CHF 1000s)	**2004**	2003
Purchasing and production overheads	6 058	4 670
Sales and distribution	10 189	9 491
After sales overheads	9 219	8 979
Overheads relating to administration and capital taxes	7 050	7 436
Cost of premises	4 621	3 493
Loss on sale of tangible fixed assets	45	91
Other operating expenses	389	-
Total	**37 571**	**34 160**

24 **Other operating income** (in CHF 1000s)	**2004**	2003
Gains on sale of property, plant and equipment	169	2 141
Other income	1 543	289
Total	**1 712**	**2 430**

Other income contains around CHF 1 million for the sale of the SSM Textile Machinery division's wire business.

	25 **Depreciation and amortization of other intangible assets** (in CHF 1000s)	**2004**	2003
6	Depreciation of property, plant and equipment	4 278	4 523
8	Amortization of other intangible assets	14	-
	Total	**4292**	**4 523**

Notes to the consolidated financial statements

26 **Financial income** (in CHF 1000s)	**2004**	2003
Interest income	822	727
Exchange gains	3 674	6 630
Total	**4 496**	**7 357**

27 **Financial expenses** (in CHF 1000s)	**2004**	2003
Interest expenses	606	1 117
Exchange losses	4 904	5 570
Total	**5 510**	**6 687**

28 **Income taxes** (in CHF 1000s)	**2004**	2003
Current taxes	4 185	- 3 682
Deferred taxes	829	3 836
Total	**5 014**	**154**

Deferred taxes are attributable to differences between the standard Group valuation and the tax valuation in the individual 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 expenditure anticipated on the basis of local tax rates:

Transfer of income taxes (in CHF 1000s)	**2004**	2003
Earnings before tax	40 132	17 887
Mean tax rate anticipated	22.1 %	22.1 %
Mean tax expenditure anticipated	8 869	3 953
Differences owing to differing local tax rates	- 2 773	- 3 097
Impact of non-taxable income	- 7	- 146
Impact of non-deductive expenditure	381	457
Non-capitalized losses carried forward and their appropriation	- 1 319	- 811
Permanent and timing differences	- 153	51
Impact of depreciation of local goodwill	-	- 246
Other	16	- 7
Effective tax expenditure	**5 014**	**154**
Effective tax rate	12.5 %	0.9 %

29 **Deferred income tax assets** (in CHF 1000s)	Slower tax depreciation	Capitalized tax losses carried forward	Other	Total **2004**	Total 2003
Balance as at January 1	1 703	4 003	278	5 984	1 798
31 Changes in the scope of consolidation	-	-	622	622	-
Foreign currency differences	- 18	-	- 4	- 22	114
Unused amounts reversed and released to income	- 67	- 865	- 135	- 1 067	- 5
Additional provisions charged to income	-	-	306	306	4 077
Balance as at December 31	**1 618**	**3 138**	**1 067**	**5 823**	**5 984**

As of December 31, 2004, the Group had unutilized tax losses carried forward of CHF 48.4 million, which could be offset against future earnings. Of these, deferred taxes amounting to CHF 13.6 million were capitalized for a proportion of around CHF 3.1 million. 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 will expire as follows: (in CHF 1000s)	**2004**	2003
– one year	-	-
– 2 to 5 years	21 941	11 938
– in more than 5 years' time	26 478	50 245
Total	**48 419**	**62 183**
Tax losses carried forward which expired without being used during the business year under review	-	662

Of the tax losses carried forward expiring in more than 5 years' time, CHF 13.6 million (previous year CHF 2.2 million) will never expire.

30 **Deferred income tax liabilities** (in CHF 1000s)	Accelerated tax depreciation	Tax provisions	OCI IAS 39	Revaluation of buildings	Total **2004**	Total 2003
Balance as at January 1	901	491	151	-	1 543	1 296
31 Changes in the scope of consolidation	1 060	502	-	672	2 234	-
Foreign currency differences	-	- 1	-	-	- 1	2
Recording in shareholders' equity	-	-	3	-	3	10
Unused amounts reversed and released to income	- 8	- 425	-	- 5	- 438	- 130
Additional provisions charged to income	245	261	-	-	506	365
Balance as at December 31	**2 198**	**828**	**154**	**667**	**3 847**	**1 543**

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

Notes to the consolidated financial statements

31 Purchase of subsidiaries

Effective November 1, 2004, Schweiter Technologies AG acquired 100% of the share capital of LOH Holding against payment of CHF 32 million. LOH Holding AG is the parent company of various companies active in the manufacture and sale of machines for processing spectacle and precision optics lenses. This transaction was reported in accordance with the purchase accounting method.

(in CHF 1000s)	Book value before takeover	Fair value adjustments	Fair value
Market value of the net assets acquired:			
Cash and cash equivalents	11 424		11 424
Trade receivables	20 163		20 163
Other receivables, including current tax credits	2 680		2 680
Inventories	26 143	598	26 741
Other current assets	2 490		2 490
Property, plant and equipment	17 806	4 925	22 731
Financial assets	4 648		4 648
Deferred income tax assets	622		622
Intangible assets	799		799
Short-term interest-bearing liabilities	- 651		- 651
Trade liabilities	- 7 013		- 7 013
Other liabilities	- 4 025		- 4 025
Accrued expenses and deferred income	- 9 536		- 9 536
Current income taxes	- 1 205		- 1 205
Long-term interest-bearing liabilities	- 5 123		- 5 123
Deferred income tax liabilities	- 1 406	- 828	- 2 234
Provisions	- 10 820		- 10 820
Pension obligations	- 19 193		- 19 193
Minority interests	- 240		- 240
Total net assets acquired			**32 258**
Difference (goodwill)*			-
Total purchase price			32 258
Settled by: – cash payment			32 000
– directly deductible costs			258
Total purchase price			**32 258**
less acquisition costs still outstanding			- 200
Paid in the year under review			32 058
less cash and cash equivalents acquired			- 11 424
Cash flow from acquisition of participations			**20 634**

* Difference between newly valued net assets and purchase price:

The negative difference resulting from the first-time calculation was subject to a reassessment in accordance with IFRS 3.56. Owing to the uncertainty regarding the estimated market values of the real estate properties, the valuations originally arrived at were reassessed.

The LOH Group contributed CHF 0.2 million in earnings, CHF 0.4 million in operating profit and CHF 20.5 million in revenues to the Schweiter Technologies Group's reported 2004 results. If the purchase of the LOH Group had already been completed on the first day of the 2004 financial year, the Schweiter Group's gross revenues would have amounted to CHF 441.8 million and Group earnings after minority interests CHF 31.6 million.

32 **Earnings per share**		**2004**	2003
Net income	(in CHF 1000s)	35 116	17 733
Average number of shares issued		1 443 672	1 443 672
less average number of treasury shares		- 12 229	- 2 073
Average number of shares in circulation		**1 431 443**	**1 441 599**
Dilution effect resulting from outstanding options		-	-
Average number of shares in circulation after dilution effect		**1 431 443**	**1 441 599**
Earnings per share before dilution	(in CHF)	24.53	12.30
Earnings per share after dilution	(in CHF)	24.53	12.30

Notes to the consolidated financial statements

33 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, 2004, the maturities of outstanding forward transactions ranged from 2 weeks to 11 months (previous year between 2 weeks and 23 months).

Devisentermingeschäfte (in 1000 CHF)	**2004**	2003
Total amount of outstanding forward exchange transactions		
– Sale of US dollars for CHF, contract value	21 781	31 921
– Average exchange rates per USD	1.2140	1.2926
of which outstanding forward exchange transactions		
for hedging future incoming payments (cash flow hedges)	9 963	17 766
– Average exchange rates per USD	1.2244	1.2893
Net fair value (market value) of forward exchange transactions		
for cash flow hedges	9 293	17 110
Unrealized gain from cash flow hedges	670	656
30 Deferred income taxes (23 %)	- 154	- 151
Net gain recorded as OCI in shareholders' equity	516	505

Unrealized gains and losses from cash flow hedges have been credited / debited (tax adjusted) direct as “OCI, other comprehensive income / expense” to shareholders' equity.

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

34 **Contingent liabilities** (in CHF 1000s)	**2004**	2003
Warranties and guarantees	12 848	3 275
Recourse claims and discounting facilities	2 338	292
Total	**15 186**	**3 567**

Commitments to take delivery: Under purchase contracts for machine parts and raw materials, commitments to take delivery amounting to CHF 32.2 million (previous year: CHF 49.2 million) and with maximum maturities of 30 months have been entered into in the course of ordinary business activities.

A competitor of the Satis Group has threatened legal action on grounds of patent infringements. The outcome is currently still open.

35 **Rights of lien** (in CHF 1000s)

			2004	2003
Assets encumbered by rights of lien			15 142	18 037
of which:	Land and buildings:	– Net book value	12 550	17 708
		– Right of lien	8 576	9 900
		– Collateral amount	4 437	6 280

36 **Off balance sheet liabilities and balances arising from rental and leasing contracts**

Commitments (in CHF 1000s)	**2004**	2003
– due in one year's time	2 886	2 837
– due in 2 to 5 years' time	7 129	7 561
– due in more than 5 years' time	1 252	2 530
Total	**11 267**	**12 928**

The commitments consist mainly of rental agreements for buildings used by the company itself. The average term of the agreements is 2.6 years (previous year: 3.1). Leasing obligations amounting to CHF 1.4 million are included (previous year: 1.18).

Credit balances (in CHF 1000s)	**2004**	2003
– due in one year's time	637	456
– due in 2 to 5 years' time	1 545	960
– due in more than 5 years' time	240	480
Total	**2 422**	**1 896**

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 0.7 million in the year under review (previous year: CHF 0.5 million).

37 **Events occurring after the balance sheet date**

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 2004 consolidated financial statements.

38 **Approval of the annual financial statements**

The Board of Directors of Schweiter Technologies approved the present annual financial statements at its meeting on March 16, 2005 and released them for puplication. The General Meeting will give the annual financial statements its final approval on May 18, 2005. The Board of Directors is proposing that the General Meeting adopt a nominal value repayment amounting to CHF 6 per bearer share in place of a dividend.

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) of the Schweiter Technologies Group for the year ended December 31, 2004.

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 auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC). 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 30, 2005

Deloitte & Touche AG

David Wilson	Daniel O. Flammer
Auditor in charge	

Annual financial statements of Schweiter Technologies AG

Balance sheet as at December 31, 2004

	Assets (in CHF)	**2004**	2003
	Current assets		
	Cash and cash equivalents	1 283 880	3 693 302
2	Marketable securities (treasury shares)	2 172 812	2 391 076
	Other receivables due from third parties	4 913	873
	Other receivables due from consolidated companies	2 418 062	2 481 717
	Prepaid expenses and accruals	280	280
	Total current assets	**5 879 947**	**8 567 248**
	Non-current assets		
1	Investments	173 893 436	141 634 933
	Loans to consolidated companies	6 873 600	13 274 110
	Total non-current assets	**180 767 036**	**154 909 043**
	Total assets	**186 646 983**	**163 476 291**

	Liabilities (in CHF)		
	Short-term liabilities		
	Short-term interest-bearing liabilities toward Group	18 422 753	15 629 767
	Other liabilities	130 993	147 247
	Accrued expenses and deferred income	833 871	435 286
	Total short-term liabilities	**19 387 617**	**16 212 300**
	Provisions	150 000	150 000
	Total long-term liabilities	**150 000**	**150 000**
	Total liabilities	**19 537 617**	**16 362 300**
	Shareholders' equity		
2	Share capital	10 105 704	14 436 720
	Premium	107 380 834	107 380 834
	General statutory reserves	3 000 000	2 400 000
	Reserves for treasury shares	2 172 812	2 391 076
	Unappropriated reserves	1 071 000	1 071 000
	Available earnings	43 379 016	19 434 361
	Total shareholders' equity	**167 109 366**	**147 113 991**
	Total liabilities	**186 646 983**	**163 476 291**

▲ For additional details see notes to the annual financial statements

Income statement for the business year 2004

	(in CHF)	2004	2003
	Income from investments	24 000 000	17 000 000
4	Financial income	638 360	1 222 083
	Other income	146 364	-
5	Rental income	1 147 308	1 072 647
	Management fee income	1 404 000	1 104 000
	Total income	**27 336 032**	**20 398 730**
6	Financial expenses	- 435 570	- 663 929
7	Administrative expenses	- 660 750	- 790 116
	Personnel expenses	- 1 265 357	- 765 249
8	Expenses on premises	- 647 964	- 641 490
	Income before taxes	**24 326 391**	**17 537 946**
	Income taxes	-	-
	Net income	**24 326 391**	**17 537 946**

▲ For additional details see notes to the annual financial statements

Notes to the balance sheet and the income statement

1 **Investments** (in CHF 1000s)	Nominal share capital	%	**2004**	2003
SSM Schärer Schweiter Mettler AG, Horgen	6 000	100	6 000	6 000
SSM Vertriebs AG, Baar	100	100	100	100
Hacoba Spultechnik GmbH, Wuppertal (SC in EUR)	25	100	6 420	6 420
Satis Vacuum Holding AG, Baar	5 000	100	29 285	29 285
Loh Holding AG, Dornach	4 000	100	32 258	-
Ismeca Semiconductor Holding SA, La Chaux-de-Fonds	5 000	100	83 956	83 956
Ismeca Automation Holding SA, La Chaux-de-Fonds	1 400	100	15 874	15 874
Total			**173 893**	**141 635**

2 **Share capital**	**2004**	2003
Number of bearer shares issued with a par value of CHF 7 (previous year: CHF 10)	1 443 672	1 443 672
Share capital as at December 31 (in CHF)	10 105 704	14 436 720
Authorized capital (in CHF)	2 100 000	3 000 000
Conditional capital (in CHF)	928 200	1 326 000

Share capital:

In accordance with the resolution passed by the General Meeting on May 19, 2004 the par value per share was reduced from CHF 10 to CHF 7.

Treasury shares:

In the year under review 600 treasury shares were purchased for an average price of CHF 228 (previous year: 13 476). 2 000 treasury shares were sold (none were sold in the previous year) at an average price of CHF 233. Treasury shares are valued at their acquisition price. 12 076 treasury shares were held as of December 31 (previous year: 13 476).

Authorized capital:

As of December 31, 2004 the Board of Directors is authorized in accordance with the resolution passed by the General Meeting on May 19, 2004 to issue 300 000 bearer shares by May 19, 2006. 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, 2004 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 228 200 through the exercise of employee option rights and

b) up to a sum of CHF 700 000 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 in Zurich. Security number: 1075 492; Telekurs: SWTQ; Reuters: SWTZ.

The following shareholders hold more than 5 % of voting rights (pursuant to Art. 663c of the Swiss Code of Obligations):

Percentage of shares held	**2004**	2003
Dr. Hans Widmer / Hans Widmer Management AG, Baar	24.9 %	24.9 %
Beat Siegrist, Herrliberg	5.3 %	5.3 %
CREDIT SUISSE Group, Zurich	< 5.0 %	16.2 %

3 Employee stock option plan

The Group had an employee stock option plan for executive personnel. In defining the conditions of the plan, consideration was given to the objective of securing employees' long-term loyalty and creating incentives. A lock-in period of several years and an exercise price above the current share price was therefore laid down for all plan participants. Upon the exercise of options the nominal value per share is credited to the share capital and any excess subscription amount is credited to the premium. The fair value of the employee options is not charged to the income statement of the company in question either when the employee option is issued or when it is exercised. The exercise prices of the options were not adjusted.

All options expired on March 31, 2003. There is no new option plan.

	2004	2003
Options outstanding at the beginning of the year	**0**	**10 000**
Options issued	-	-
Options exercised	-	-
Options expired	-	- 10 000
Options outstanding at the end of the year	**0**	**0**

4 **Financial income** (in CHF 1000s)	**2004**	2003
Interest income from Group companies	555	685
Interest paid by banks	31	58
Exchange gains	52	479
Total	**638**	**1 222**

5 **Rental income** (in CHF 1000s)	**2004**	2003
Rental income from Group companies	639	639
Rental income from third parties	508	434
Total	**1 147**	**1 073**

6 **Financial expenses** (in CHF 1000s)	**2004**	2003
Interest expenses Group companies and shareholders	338	526
Bank interest	-	10
Exchange losses	98	128
Total	**436**	**664**

Notes to the balance sheet and the income statement

7 Administrative expenses

All members of the Board of Directors, including the Chairman, received an annual fee of CHF 50 000 (previous year: CHF 50 000). For 2004, 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.

8 Expenses on premises

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

9 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 40.8 million. Of this amount, a total of CHF 4.5 million for sureties and guarantees had been drawn on by subsidiaries as at December 31, 2004.

10 Events occurring after the balance sheet date

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 2004 consolidated financial statements.

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

(in CHF)	**2004**
Earnings carried forward from previous year	19 434 361
Appropriated to general statutory reserves	- 600 000
Net income for 2004	24 326 391
Reduction in reserve for treasury shares	218 264
Earnings available to the General Meeting	**43 379 016**

The Board of Directors proposes to the General Meeting
on May 18, 2005 that the following appropriation of available earnings be adopted:

Earnings carried forward	43 379 016
Total	**43 379 016**

The Board of Directors is proposing that the General Meeting adopt a nominal value repayment amounting to CHF 6 per bearer share instead of a dividend.

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) of Schweiter Technologies AG, Horgen, for the year ended December 31, 2004.

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

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

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

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

Zurich, March 30, 2005

Deloitte & Touche AG

David Wilson Auditor in charge	Daniel O. Flammer

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