Annual Report 2004

unaxis

Our Core Competencies, Our Markets, Our Employees, Our Global Presence, Our Involvement in Asia, Our Technologies and Products, Our Business Activities:

… FACTS …

… FIGURES …

… INSIGHTS …

Core competencies	Thin Film and Vacuum Technology					Semiconductor Technology		
Segments	**Coating Services**	**Vacuum Solutions**	**Data Storage Solutions**	**Components and Special Systems**		**Semiconductor Equipment**[1]		
Divisions				Optics	Space Technology	Wafer Processing	Assembly & Packaging	Display Technology
Brands	balzers	Leybold vacuum	unaxis DATA STORAGE	unaxis OPTICS	Contraves Space	unaxis WAFER PROCESSING	esec	unaxis DISPLAYS

Key figures 2004[1]
in CHF million

	Coating Services	Vacuum Solutions	Data Storage Solutions	Components and Special Systems	Semiconductor Equipment	Display Technology
Sales	367	379	208	328	462	105
EBIT before restructuring costs and impairments	57	4	18	47	–5	–239
EBIT	57	5	14	44	–174	–295

[1] Separate disclosure of Display Technology division

Unaxis – a globally leading high-tech company

Unaxis (SWX: UNAX) is a globally leading provider of production systems, components, and services for high-technology products based on core competencies in thin film and vacuum technology. Unaxis' commercial activities center on high-growth sectors such as protective coatings for precision tools and components (Coating Services), systems for producing vacuum and conveying process gases (Vacuum Solutions), production systems for data storage devices (Data Storage Solutions), optical components (Optics), and aerospace technology (Space Technology). Unaxis also deploys its core competencies as a major provider of semiconductor technology (Semiconductor Equipment). Unaxis currently employs approximately 6 800 individuals and, in its 2004 financial year, achieved sales of CHF 1 850 million. The company, headquartered in Pfäffikon SZ, Switzerland, has a globe-spanning infrastructure that encompasses centers of competency for research, development, and production in Europe, Asia, and the USA, as well as approximately 80 subsidiaries in 24 countries.

KEY FIGURES[1]

Key figures Unaxis Group[1]

in CHF million	2004	2003
Orders received	1 778	1 788
Change in %	–1%	20%
Sales	1 850	1 610
Change in %	15%	8%
Operating result before depreciation and amortization (EBITDA)	–41	157
Operating result (EBIT) before restructuring expense and impairment losses	–137	9
Operating result (EBIT)	–366	16
Operating result (EBIT) as % of sales	–20%	1%
Net loss/income for the period	–378	32
Net loss/income for the period as % of sales	–20%	2%
Net loss/income for the period as % of shareholders’ equity	–31%	2%
Cash flow (net funds from operations)	102	88
Capital expenditures in property, plant, equipment and intangible assets	240	98
Total assets	2 411	2 550
Shareholders’ equity	1 216	1 488
Shareholders’ equity as % of total assets	50%	58%
Net liquidity	625	682
Net liquidity as % of shareholders’ equity	51%	46%
Net assets[2]	756	1 032
Operating result (EBIT) as % of net assets (RONA)	–48%	2%
Number of employees at year-end	6 844	6 456

[1] A five-year comparison of key figures from 2000 to 2004 is shown on page 119.

[2] Net assets include all operating current and non-current assets (excluding cash and cash equivalents and financial assets), less operating liabilities (excluding financial debts, provisions for post-employment benefits and for taxes and other provisions not charged against operating result).

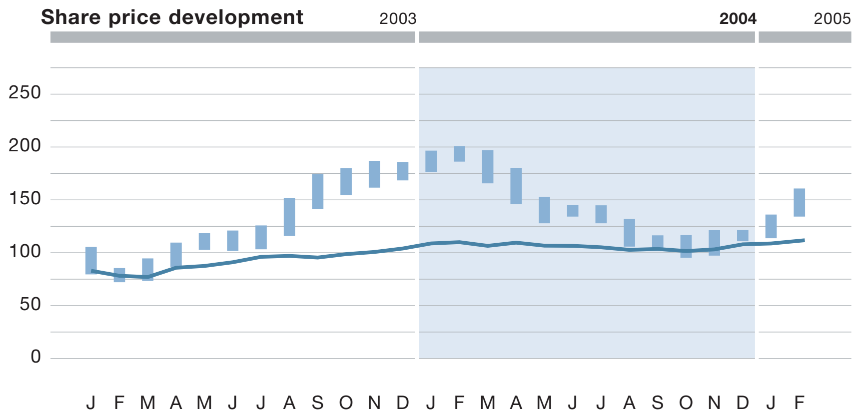
Key figures per share[3]

in CHF	2004	2003
Share price: highest	200	184
Share price: lowest	98	74
Share price: year-end	113	175
Total outstanding shares	14 142 437	13 170 092
Market capitalization in million	1 598	2 305
Operating result (EBIT)	–26.76	1.22
Net loss/income for the period	–27.63	2.50
Net cash flow	–5.97	–1.10
Shareholders’ equity	88.91	114.86
Dividends[4]	0	2.00

[3] Average number of shares with voting and dividend rights.

[4] Dividend 2004: proposal of the Board of Directors.

Share price development



SMI (Swiss Market Index)
Unaxis N highest/lowest in CHF

OUR CORE COMPETENCIES

Unaxis is a world-leading company in thin film and vacuum technologies. Thin film technology produces chemical layers that are as little as one-thousandth the thickness of a human hair, with a wide range of useful properties. Vacuum technology provides the means for influencing the state of gas molecules in an enclosed space, so that specific physical and chemical processes can occur. Vacuum has many uses, including production of thin films. Unaxis is the only company in the market that can claim thoroughgoing expertise in both these areas. The result is a fusion of know-how that drives a whole series of innovative production technologies, like systems that turn out advanced high-tech products, or apply coatings to performance-critical engineering components. Our manufacturing customers deploy these Unaxis solutions to produce end-user products whose practical functioning frequently hinges on the thin film and vacuum technology inside.

Thin film technology is used to deposit ultra-fine surface layers on a substrate. There can be as many as 200 of them in some applications, with varying properties.

Thin Film Technology

... relies on ...

Vacuum Technology

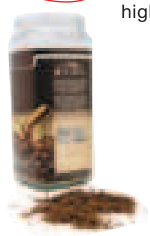
Vacuum technology produces the many kinds of rarified conditions in which specific physical and chemical processes can occur. A vacuum is the basic essential for making complex thin film coatings.

A vacuum is the result of reducing the number of gas molecules contained within a given space. Specialized vacuum pumps are used to extract, compress and expel the gas into the atmosphere, or relay it to the next pump in the chain.

Vacuum technology is almost everywhere:

- In computers, televisions, light bulbs and countless other everyday items
- In the manufacture of microchips, DVDs, medical instruments and similar high-tech products

Cars:
Unaxis systems, components and services contribute to more economical, reliable, and safer vehicles. Turn the page, and you can learn how our technologies are at work in the automotive industry.

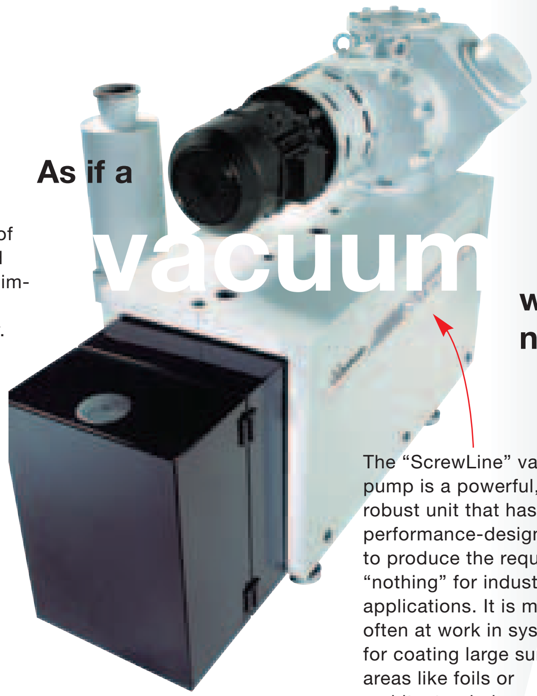


Food packaging:
Modern standards of hygiene in food and medicine would be impossible without vacuum technology.

1 nanometer

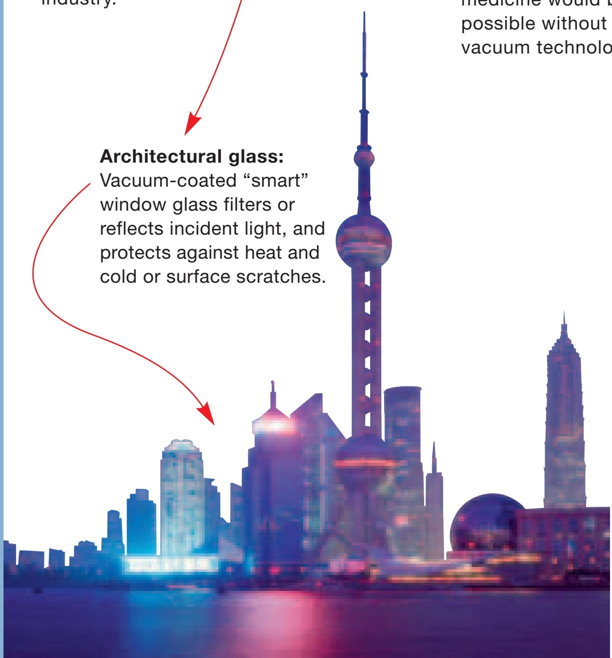
= 1 millionth of a millimeter
= the cross section of a thin film

As if a vacuum were just nothing



The “ScrewLine” vacuum pump is a powerful, robust unit that has been performance-designed to produce the requisite “nothing” for industrial applications. It is most often at work in systems for coating large surface areas like foils or architectural glass.

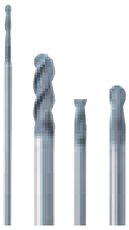
Architectural glass:
Vacuum-coated “smart” window glass filters or reflects incident light, and protects against heat and cold or surface scratches.



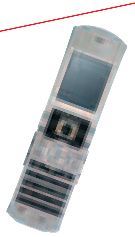
Vacuum conditions mean the thin film stays pure as it develops, and forms an even surface coating.

The coating material first needs to evaporate into the vacuum. One way is by heating (vaporization), another is ion bombardment (sputtering). The resulting vapor condenses as a thin film on the surface to be coated.

All of these products have thin film technology inside:



Tools:
Coatings make machine tools tougher, longer-lasting and more reliable.



Mobile phones:
High-performance chips used in mobile phones are built like a sandwich, with as many as 200 thin film layers.

1 hair
A single hair = 0.065 of a millimeter

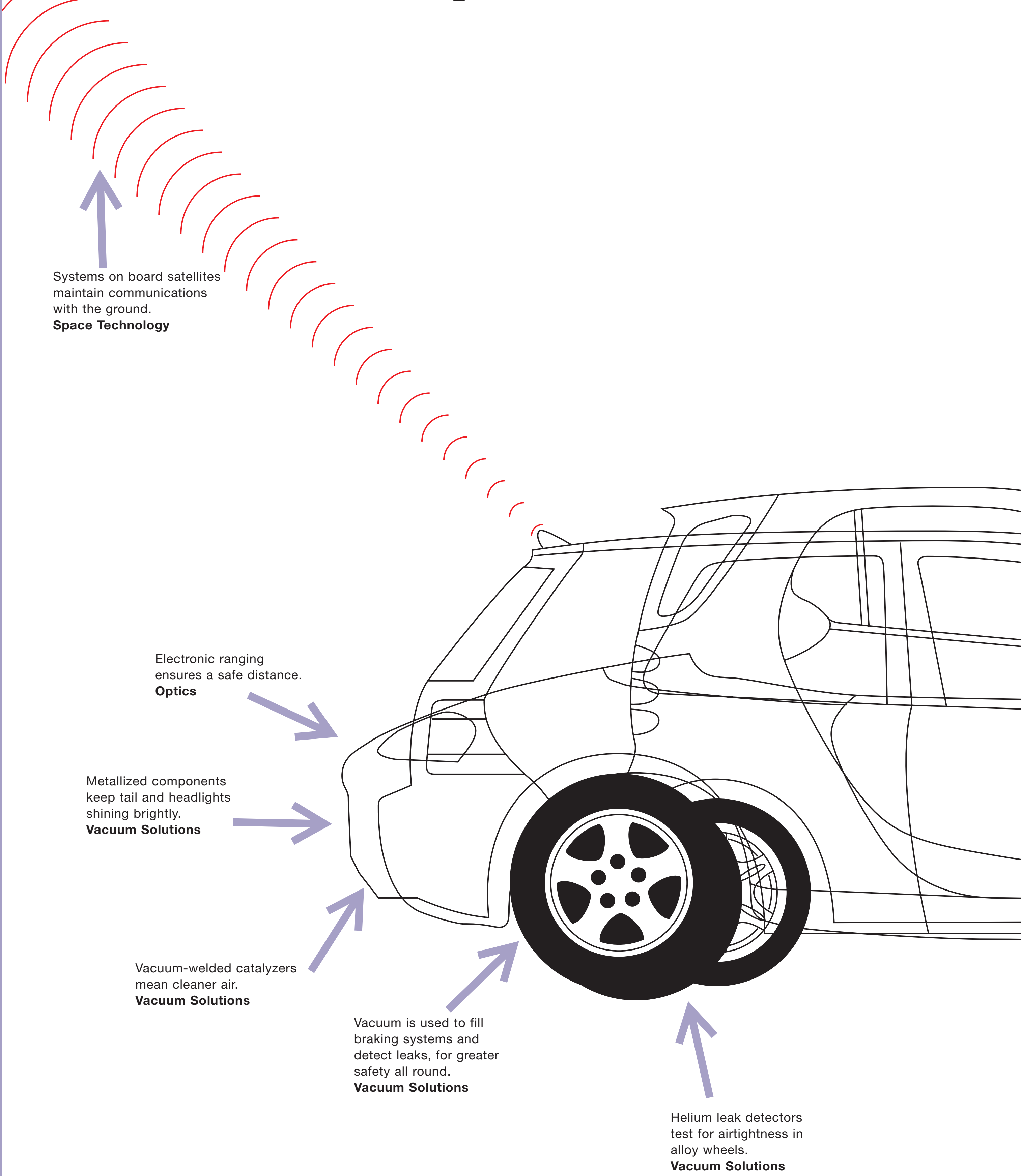
A vacuum is essential to making microchips as well.

Thin films can do all this and more:
- Store data
- Route information
- Protect surfaces
- Insulate layers below
- Filter light

Home cinema:
Unaxis optical components inside today's video projectors bring your favorite movie experiences to the living room.

DVDs store information in thin films. Our high-performance FUSION production systems can turn out a new writable DVD every four seconds.

Unseen technology drives things forward



OUR MARKETS

Engines, electronics, sensors and braking systems – Unaxis plays a crucial role in the automotive industry's technical developments. Thin film and vacuum technologies are enablers for numerous other areas of industry as well. Unaxis know-how contributes to higher-performing, longer-lasting, more capable products – in consumer electronics, information technology, toolmaking and lighting systems, shipping, aviation and space travel. The food and pharmaceutical industries, research, medicine and building design also make use of Unaxis technologies. So Unaxis is integral to products as diverse as microchips, DVDs, home cinema projectors, architectural glass for skyscrapers and payload fairings for rocket launch vehicles. Unaxis may be virtually unseen on the outside – yet Unaxis' contribution is in the internal workings.

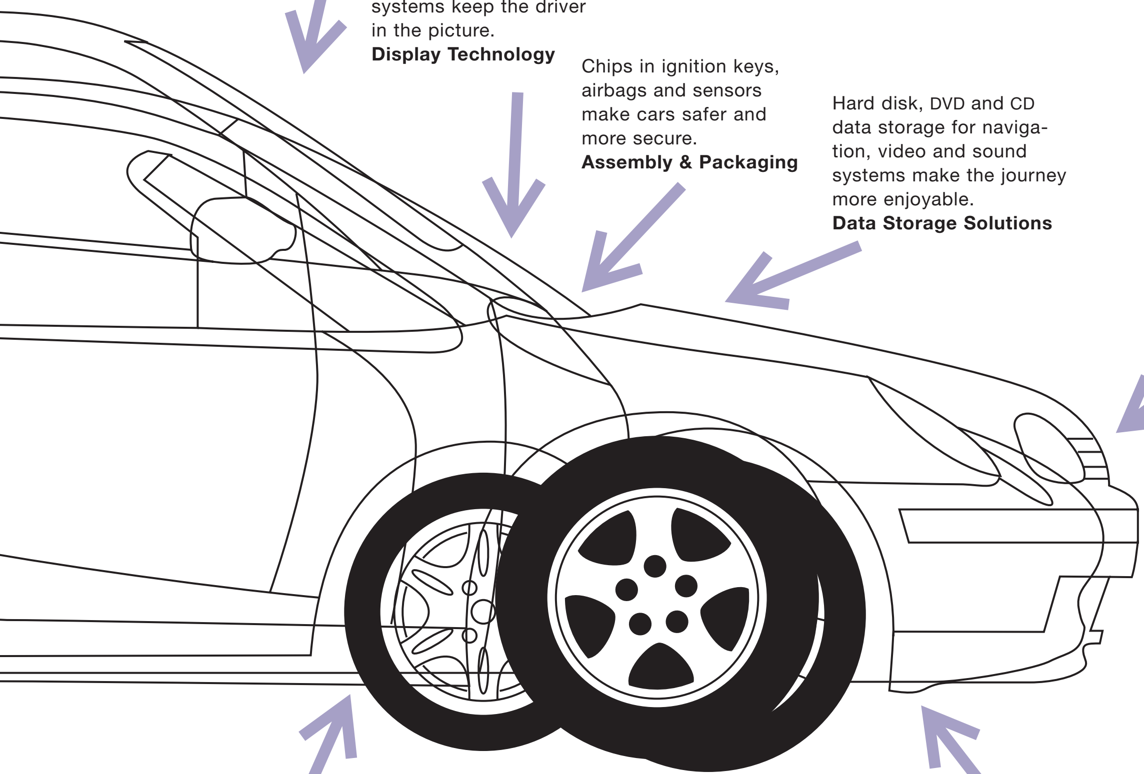
Protective glass coatings applied under vacuum give a clear view of the road ahead.
Vacuum Solutions

Rain sensors automatically trigger windshield wipers for optimum visibility under all conditions.
Wafer Processing

Displays for navigation and other on-board systems keep the driver in the picture.
Display Technology

Chips in ignition keys, airbags and sensors make cars safer and more secure.
Assembly & Packaging

Hard disk, DVD and CD data storage for navigation, video and sound systems make the journey more enjoyable.
Data Storage Solutions



Engine management chips complement the human intelligence behind the wheel.
Wafer Processing

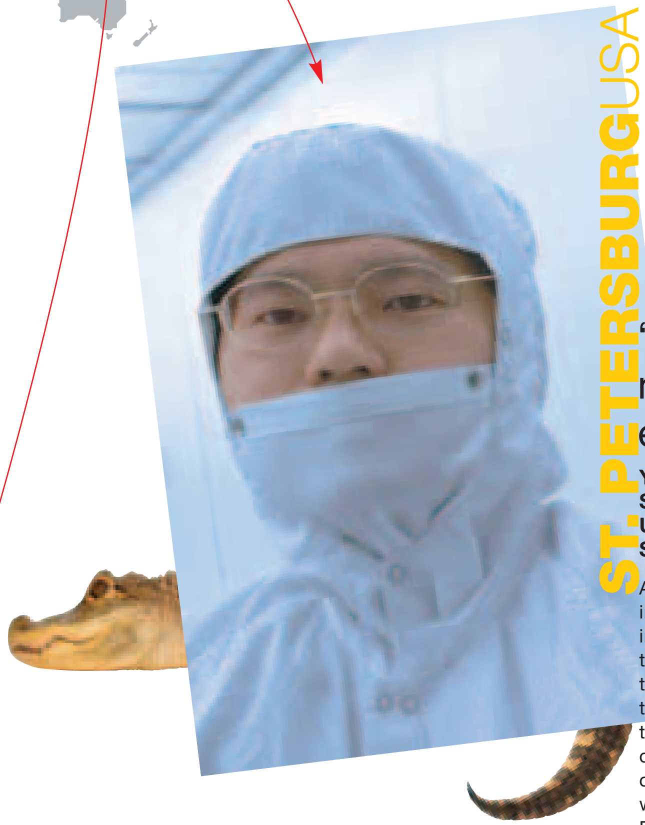
Night vision optical filters and sensors enable the driver to see in the dark.
Optics

Electron beam welding under vacuum produces smooth-running gearbox and differential components.
Vacuum Solutions

Coated engine components make precious fuel go further.
Coating Services

OUR EMPLOYEES

Unaxis relies on its employees, close to 7 000 of them around the world. That means steady work by individuals with over 70 distinct professional skills, resident in 64 countries on five continents. These are the people who regularly attend to the interests of Unaxis customers, shareholders and workplace colleagues. Innovation, initiative and mastery of tomorrow's technologies are the keys to future success, and employees' know-how is vital to making it happen. So Unaxis focuses investment in learning and advanced training for its entire workforce – from apprentices to managers, from technical specialists to broadly skilled all-rounders. Being an effective Unaxis employee means having knowledge that is relevant here and now, so as to make a full and active contribution as the company develops in fast-moving, highly demanding technology markets. Turn to page 57/58 and discover more about the Unaxis people behind our line-up of 261 smart faces.



ST. PETERSBURG USA

"Florida – now that's my idea of a high-tech environment."

Yao-Sheng Lee
Senior Process Engineer
Unaxis Wafer Processing
St. Petersburg, FL, USA

A process engineer working in the semiconductor industry needs a delicate touch, because our systems are highly sensitive to outside influences: the minutest temperature deviation or molecular change in the gas impacts wafer production quality. For that reason, we work in special "clean rooms". But spending an evening down on the beach is even more fun afterwards.

SHANGHAI CHINA

"People say, 'Go west'. But I personally see the opportunities 'Far east'!"

Deepak Khandpur
General Manager
Unaxis Optics Shanghai, China

When a Swiss company sends an Indian to work in China, that's business as usual. And a huge personal opportunity. Developing Unaxis business in Asia is about influencing and shaping tomorrow's markets. It's a fascinating job – just as fascinating as life in Shanghai's pulsing metropolis. My wife and I were utterly taken by the place from the word go!

BALZERSLIECHTENSTEIN

“Even as a trainee, I’m already border-hopping.”

Regula Hidber
Trainee Engineering Designer
Unaxis, Balzers, Liechtenstein

For a year now, I have been commuting from one small country (Switzerland) to an even smaller one (Liechtenstein). Unaxis opened my eyes to a whole new world in the high-tech Rhine valley – a world where I am proud to belong. Here, I am learning to turn creative ideas into concrete plans. I still work by hand, because you need a firm grasp of the basics before you can go high tech.

QUÉRETAROMEXICO

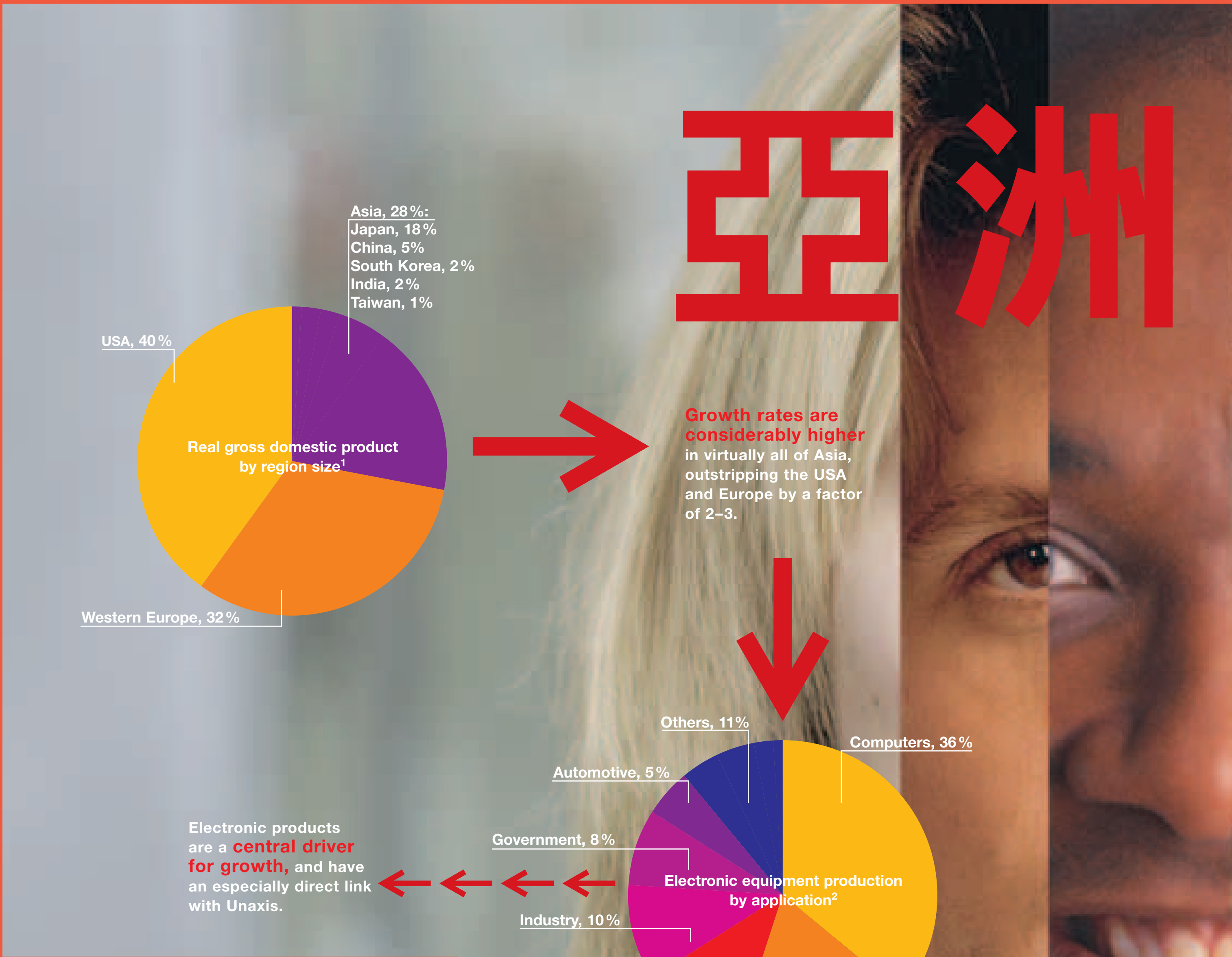
“I miss old friends and the changing seasons, but all the rest is here.”

Loïc Cheynet
General Manager
Unaxis Coating Services
Quéretaro, Mexico

Mexico is a rich melting pot of indigenous Indian, Spanish and North American cultures. Running a global business in a country like this means being prepared for surprises at any time. But things are plainly working out well: our coating activities grew by nearly 50 percent last year. When we achieve progress like that, my family and I like to celebrate with a glass of wine from our native France.

OUR GLOBAL PRESENCE

From “High Tech Valley” along the Rhine between Switzerland and Liechtenstein, to St. Petersburg in sunny Florida, to booming Shanghai in China – Unaxis is everywhere, with 80 subsidiaries in 24 countries. Research and development laboratories, production facilities, sales and service organizations interact in a global, highly responsive network that operates close-up to customers 24 hours a day, 365 days a year. Unaxis works in committed partnerships, supports its customers in global technology markets, and exploits specific regional expertise for the benefit of the corporation as a whole. For Unaxis, thinking globally means putting regional strengths to best use. So the company mixes European and American innovative power with characteristically Asian cost-efficiency. To find out just where in the world Unaxis is present, turn to pages 20/21.



OUR INVOLVEMENT IN ASIA

Nowhere else in the world is developing as vigorously as South-East Asia. In fact, Asia increasingly sets the pace not only for information and entertainment technologies, but in the automotive and construction industries as well. That makes the region a magnet for employees, customers, suppliers and partners right now, and even more so in future. So it is clear why Unaxis is also getting involved in the action: Asian sales have risen by 85 percent since 2002. Unaxis now owns 25 subsidiaries ranged across Bhosari, Hiratsuka, Hsin Chu, Hong Kong, Kyongsan, Gyeonggi-do, Manila, Penang, Shanghai, Singapore, Seoul, Suzhou, Tianjin, Tokyo and Yokohama. All told, they employ around one thousand people in a vast growth market that already encompasses half the world's human population, and counting.

Sources:
[1] Gartner/Global Insight 09/2004
[2] VLSI Research 09/2004
[3] Gartner 11/2004


的力量*
Asia is home to 50% of the world's population!
China and India alone account for 35%.
* The power of Asia

Need>Idea>Innovation>Development>Product>

"Who really wants this silver disc?"
Jan Timmer, chairman of Philips, on the Compact Disc, 1982

"Man will never reach the Moon, regardless of all future scientific advances ..."
Lee De Forest, a father of radio, 1926

"Everything that can be invented has been invented."
C. H. Duell, commissioner, US Office of Patents, 1899

"This 'telephone' has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us."
Western Union, internal memo, 1876

"The horse is here to stay, but the automobile is only a novelty – a fad."
President of the Michigan Savings Bank, 1903

"Who the hell wants to hear actors talk?"
H. M. Warner, Warner Brothers, 1927

"I think there is a world market for about five computers."
Thomas Watson, chairman of IBM, 1943

"We in the IOC have done well without TV for 60 years, and will do so certainly for the next 60 years too."
Avery Brundage, President of the International Olympic Committee, 1960

"The worldwide demand for motor vehicles will not exceed 1 million ... essentially because of the lack of drivers."
Gottlieb Daimler, 1901

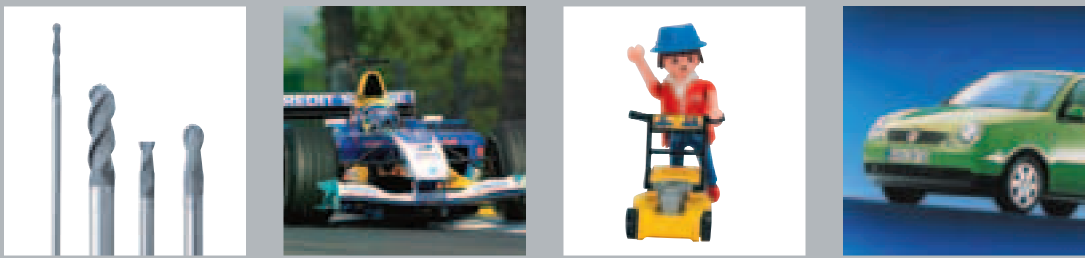
"Computers in the future may weigh no more than 1.5 tons."
Popular Mechanics magazine, 1949

"640 kilobytes ought to be enough for anybody."
Bill Gates, 1981

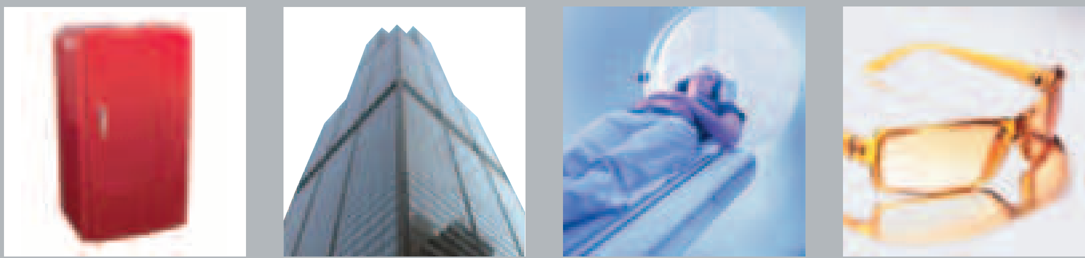
OUR TECHNOLOGIES AND PRODUCTS

In high-tech industry, negotiating the route from idea to marketable product is a complex, demanding business. There are technology choices to be made, intelligent product designs to develop, and everything has to be timed for launch at the optimum moment. Only when those pieces are in place can innovation turn into commercial success. Successful products have to be quickly and readily adaptable to customer requirements, which means modularity, responsiveness and flexibility. In a climate of intense competition for technology and product superiority, Unaxis operates a strategy of durable partnerships right along the value chain. Joint research projects with colleges and universities, purchasing alliances, cooperative development with customers – these link-ups all help to contain risk and strengthen the company's market position.

Market

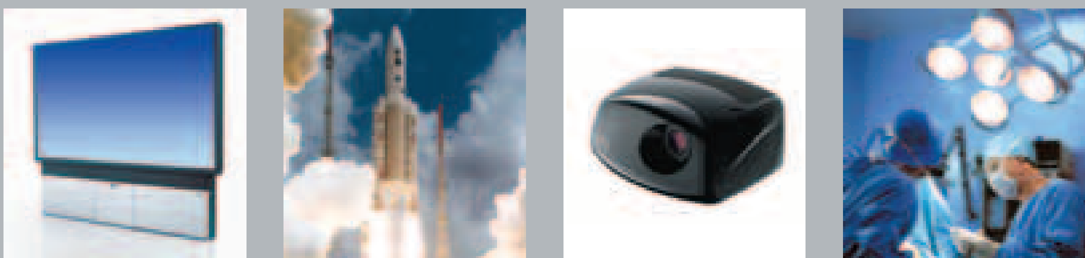


How does Unaxis contribute to manufacturing products like these? See Coating Services (Balzers) (starting on page 40)

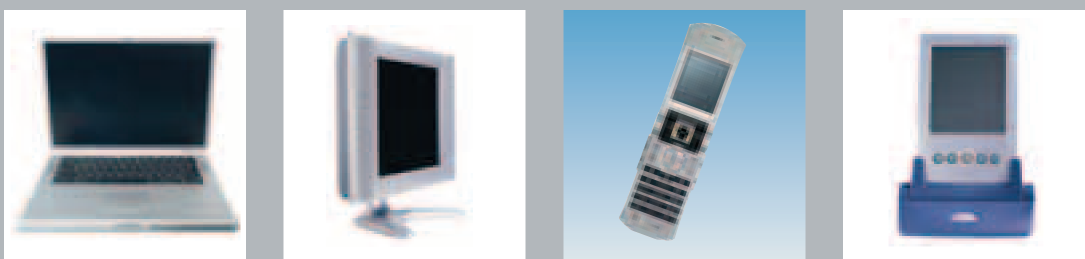


How does Unaxis contribute to manufacturing products like these? See Vacuum Solutions (Leybold Vacuum) (starting on page 42)

How does Unaxis contribute to manufacturing products like these? See Data Storage Solutions (starting on page 44)



How does Unaxis contribute to manufacturing products like these? See Components and Special Systems (starting on page 46)



How does Unaxis contribute to manufacturing products like these? See Semiconductor Equipment (starting on page 50)

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO

Dear Shareholders

Unaxis was confronted with tremendous challenges in the 2004 financial year. Although the Group pressed ahead with its growth, recorded yet another increase in sales, and the majority of its segments developed favorably, a heavy loss at Display Technology burdened the consolidated financial results substantially. The Board of Directors has therefore decided that, going forward, Unaxis will focus on its profitable business activities in Thin Film and Vacuum Technology.

For the 2004 financial year, Unaxis recorded a year-on-year 15 percent increase in sales to CHF 1 850 million. With the exception of Data Storage Solutions, all segments of the Group contributed to these improved sales by registering double-digit growth rates. Growth impulses came primarily from the Asian region, while the onset of economic recovery in the American and in particular the European markets set in later and less robustly than expected. As compared to the previous year, sales in Asia rose by 25 percent, so that in 2004 Asia for the first time represented the most important sales region for Unaxis. Over the past five years, the proportion of Group consolidated sales attributable to Asia has increased from 20 percent to 44 percent.

By concentrating on its profitable and steadily growing activities in the area of Thin Film and Vacuum Technology, the Group's future core business will comprise Coating Services (Balzers), Vacuum Solutions (Leybold Vacuum), Data Storage Solutions and Components and Special Systems (Optics and Space Technology) segments. Going forward, the Semiconductor Equipment segment will consist of the Wafer Processing and Assembly & Packaging (ESEC) divisions. It will be developed into a stand-alone semiconductor equipment company that can independently exercise its strategic and operative options. Display Technology will no longer be included in the Semiconductor Equipment segment.

As a result of the large loss at Display Technology, Unaxis incurred an operating loss of CHF –137 million before restructuring costs and impairments. Due to the strategic adjustments, one-time expenses in the total amount of CHF 223 million have been recorded for non-cash value adjustments particularly at Assembly & Packaging as well as for costs related to the restructuring of Display Technology. Those special factors placed an added burden on operating earnings at the Group level. Moreover, the USD-based proportion of sales invoiced last year increased to roughly 20 percent of total Group sales. Thus the dollar's weakness had a negative impact on the results of all segments, despite currency hedging. By increasing its procurement and manufacturing activities in the Asian marketplace, Unaxis will be able to further reduce this foreign currency exposure in the coming years.

Future core business in Thin Film and Vacuum Technology developing favorably

The company's future core business, meaning activities related to Thin Film and Vacuum Technology, developed in a generally positive manner during the past financial year. The relevant segments recorded a six percent increase in sales to CHF 1 283 million and operating earnings (EBIT) of CHF 121 million. For Unaxis, considerable future potential lies in this core business – all of these segments today are either the world's number one or number two company in their respective markets and they produce generally stable returns. The future core business of Thin Film and Vacuum Technology will be enlarged and their profitability enhanced through geographic expansion, organic growth, and diversifying into new areas of application.

Significant operative progress at the future Semiconductor Equipment segment

Unaxis' future Semiconductor Equipment segment, comprised of Wafer Processing and Assembly & Packaging divisions, made notable progress in 2004, both from a financial and operative point of view. In comparison to the previous year, sales increased by 42 percent to CHF 462 million. Before extraordinary items (restructuring costs and impairments), the segment recorded a nearly breakeven operating result of CHF –5 million. Unaxis is convinced of the attractiveness of the semiconductor markets and the Semiconductor Equipment segment's future development potential. For that reason, the segment will be developed into an independent supplier of semiconductor manufacturing and assembly equipment with the goal of ensuring its sustainable competitiveness and profitable growth.

Display Technology records heavy loss
During the past two years, the Display Technology division invested considerable sums in developing the latest generations of production systems for flat panel displays. Due to rapid technological evolution, the product launch was made directly with the concept model. The related risks, however, were recognized too late. As a consequence, Display Technology had to undertake enormous efforts in order to complete and install the production systems in accordance with customer specifications. A fundamental reassessment of the division's current projects led to the conclusion that the related risks were considerably higher than originally thought and were responsible for the heavy loss. A continuation of the displays business would require substantial investments in development and process technologies. Thus the Display Technology division will be restructured and potentially sold.

Changes in Group management
In November of 2004, Heinz Kundert stepped down from his position as Chief Executive Officer. Until a new CEO has been named, Dr. Harald Eggers, a member of Unaxis' Board of Directors and a profound expert in the semiconductor industry, will be responsible for the operative management of the Group.

Investments in future technologies to be intensified
In 2004, Unaxis spent CHF 180 million on research and development, a 17 percent increase over the previous year. Of that amount, 60 percent was deployed in the Semiconductor Equipment segment. Investments in fixed and intangible assets rose to CHF 240 million, mainly due to the expansion of Coating Services' global network of coating centers as well as to the additional goodwill resulting from the merger with ESEC.

Healthy balance sheet and level of net liquidity
Despite the heavy consolidated net loss recorded for 2004, Unaxis continues to have a strong balance sheet and substantial cash reserves. In the past financial year, the Group's operating activities generated a positive cash flow of CHF 102 million. Due to the net investment outflow of CHF 123 million as well as profit distributions, net liquidity declined by CHF 57 million to stand at CHF 625 million on December 31, 2004. Shareholders' equity eased to CHF 1 216 billion, which represents a shareholders' equity ratio of 50 percent.

Course charted for profitable growth
In 2005, the markets for Unaxis' core business of Thin Film and Vacuum Technology should develop in a generally favorable manner. Coating Services will benefit from continuing industrial demand for coatings and thereby expand its market position even further. Vacuum Solutions expects to grow at an above-average pace in 2005 and, with the goal of achieving a significant increase in profitability, will initiate a restructuring project. Data Storage Solutions anticipates that market demand will recover in the second half of 2005, spurred by the introduction of new data storage device formats. In the Components and Special Systems segment, an anticipated decline in the assembly business for Optics is likely to cause 2005 sales to come in lower than the previous year's high level. Nevertheless, the division intends to use new product launches as a means of expanding its position in the market segments for lighting, as well as sensors and instruments.

For 2005, a certain stagnation has to be reckoned with in the semiconductor market, a tendency that is likely to have an impact in particular on the course of business at Assembly & Packaging. On the other hand, the market segments of relevance to Wafer Processing should continue to develop favorably. In the current business year, the division plans to strengthen its market position and improve its profitability. The prospects for Unaxis' semiconductor-related activities remain intact over the long term.

Goals defined for 2005

Unaxis remains on course in the majority of its business activities. We are convinced that the strategic and operative measures introduced to date are laying the foundation for the profitable development of the Group and will result in sustained added value for shareholders. Along that path, we have set three milestones for 2005. Firstly, the restructuring and potential divestiture of Display Technology should be concluded so that the financial burden it places on Unaxis is eased and the division is afforded the opportunity to develop further. Secondly, Wafer Processing and Assembly & Packaging will be developed into a stand-alone supplier of semiconductor manufacturing equipment. And thirdly, we have set the goal of significantly improving the profitability of all segments.

Proposals to the General Meeting

Due to the heavy consolidated loss incurred in the 2004 financial year, the Board of Directors will propose at the upcoming General Meeting that payment of a dividend be waived. However, in view of the company's high level of liquidity, the Board will propose a reduction in the par value of each Unaxis share from CHF 20 to CHF 6 and that shareholders in turn receive a payment of CHF 14 per share. This partial repayment of par value is a means of capital repayment that is advantageous for shareholders from a tax point of view.

Unaxis' currently valid corporate statutes release shareholders who own more than $33\frac{1}{3}$ percent of its outstanding voting rights from the obligation under Article 32 of Stock Exchange Act to make a public tender offer for the remaining shares of the company ("Opting Out"). The Board of Directors is of the opinion that Opting Out is no longer compatible with modern corporate governance practices and therefore will propose that the aforementioned clause be abrogated. The intent in so doing is to enhance the attractiveness of Unaxis' shares, which ultimately is in the best interest of all shareholders. Unaxis is the only company included in the Swiss Market Index (SMI) to have an opting out clause.

After their terms of office expire, Dr. Willy Kissling and Dr. Pius Baschera will not stand for reelection to the Board of Directors. As of the general meeting of shareholders on April 26, 2005, the former Vice Chairman, Dr. Markus Rauh, will take over as Chairman of the Board.

In all likelihood, the Board of Directors will present a proposal at the General Meeting for the election of additional Board members and publish this proposal accordingly.

Acknowledgements

On behalf of the Board of Directors and the Executive Board, we would like to thank all of our employees and commend them for the dedication they have shown during the particularly challenging year that is now behind us. Our sincere gratitude also goes to our customers for their trust and the close partnership we share with them, as well as to you, our valued shareholders, for your continuing support. We will make every effort to earn that support in the current year by achieving noticeable progress in the entrepreneurial and financial dimensions of Unaxis.

W. Kissling

Dr. Willy Kissling
Chairman of the Board

Dr. Harald Eggers
Member of the Board of Directors and CEO

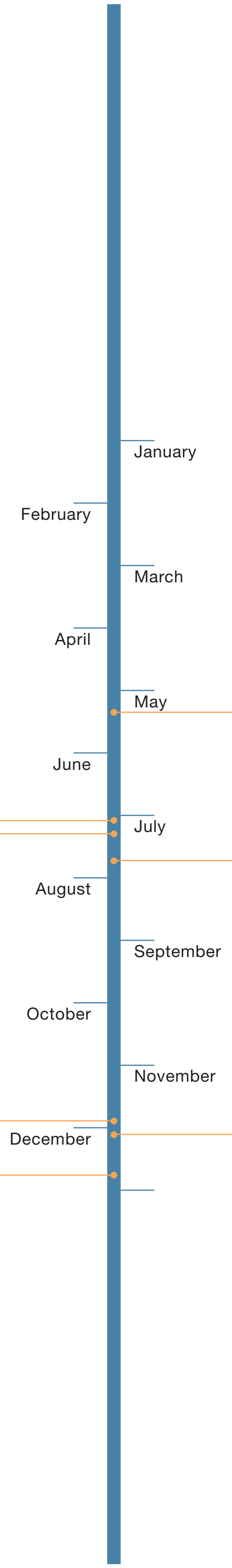
MILESTONES 2004

Accelerated pace of innovation at Optics
Optics in 2004 launched new products in rapid succession and thus once again increased its pace of innovation. Among the most important were lighting products for the entertainment market, components for infrared lasers used primarily in the automotive industry, as well as components for MEMS (micro-electromechanical systems).

Data Storage Solutions and Philips develop upcoming DVD R generation
Data Storage Solutions signed with its strategic partner, Philips, yet another cooperation agreement in the area of DVD R DL (double layer) – the future DVD R generation that affords expanded memory capacity. The goal of this collaborative effort is to offer DVD R manufacturers a production unit that corresponds precisely to the process requirements of Philips.

Unaxis presses ahead with solar technology
Display Technology in May opened a laboratory for solar technology research in Neuchâtel, Switzerland, where the local university enjoys an excellent reputation in the field of thin film photovoltaics. In close collaboration with researchers at the University of Neuchâtel, Unaxis experts are developing industrial process technologies for the cost-effective mass production of solar cells that are based on thin film technology.

Coating Services (Balzers) on the move
Following preparatory work that was accomplished in record time, Coating Services (Balzers) put into operation in Hungary for the first time a completely prefabricated mobile coating center. With this flexible unit, Balzers can offer its customers rapid, low-cost, on-site coating services. Ideally, a fixed service and production center will ultimately be established there and the mobile unit will be deployed at a new location.



Strategic reorientation
In late November, Unaxis announced the restructuring of its business portfolio. Over the long term, the Group will be focusing on its strongly growing and profitable activities in thin film and vacuum technology. The semiconductor-related business included in its Semiconductor Equipment Segment is to be fundamentally restructured, turned into a stand-alone entity and, over the medium term, ultimately divested from the Group's portfolio.

Huygens en route to Saturn's moon Titan
The January 14, 2005, landing of the Huygens research probe on Titan, a moon of Saturn, marked the greatest moment in the history of European space exploration. Never before has a space probe touched down on such a distant heavenly body. Contraves Space made a considerable contribution to this success: the mechanisms for separating Huygens from its mother ship, Cassini, on December 25, 2004 – a particularly crucial phase of the entire mission – were developed and built by Contraves Space.

Market presence in Asia expanded further
With an eye towards being closer to the customer, simplifying the supply chain, as well as reducing costs, Unaxis is strengthening its presence in Asia even more. The focal point of this expansion is China, where the production capacity of Optics in Shanghai and the manufacturing plant for vacuum products in Tianjin are to be enlarged considerably. Moreover, Vacuum Solutions (Leybold Vacuum) is strengthening its local market position by founding a new subsidiary in India.

UNAXIS WORLDWIDE


Suzhou
Tianjin
Shanghai
Seoul
Gyeonggi-do
Hiratsuka
Tokyo
Bhosari/Pune
Penang
Singapore
Hsin Chu
Manila
Kyongsan
Yokohama

Partnerships with measurable advantages

High-tech markets live on innovation and rapid technological development. Products must constantly offer new features and greater performance at ever-lower prices. Those who wish to come out ahead in this competitive race must be able to achieve peak technological performance and possess cost-efficient manufacturing processes. Unaxis' technology and products help customers keep pace with the rapid change that is the hallmark of the high-tech markets. For Unaxis, creating added value for customers means knowing their needs, developing the products that are right for them, and supporting them with 24-hour service throughout the world. In the high-tech industry, the ability of customers and suppliers to think as partners is of central importance. Translating ideas into innovative and commercially successful solutions requires a fundamental understanding of customers' complex needs in terms of processes and applications, as well as the ability to recognize technological trends at an early stage. Unaxis is positioned to deliver solutions through its close collaboration with customers.

Innovation reflects customer needs

In a company's selection of a partner, innovation, quality, price, logistics and support, as well as customer orientation, are the central decision-making criteria. In this regard, Unaxis' customers from the high-tech industry clearly place the greatest emphasis on the innovation factor. Unaxis views innovation as being a long-term, strategically integrated development effort in which the goal is to generate new concepts, identify the most promising among them, and then turn them into marketable products. A systematic approach to innovation management ensures not only that the right priorities are set, but also that the cost/benefit aspects are taken into account – each project in Unaxis' research pipeline must prove its worth in numerous selection procedures before it is considered for further development.

Moreover, in an effort to achieve the highest possible degree of market orientation, Unaxis has situated its research and development activities decentrally at the various segments, where they are conducted in close proximity to customers. At the same time, it has structures and procedures in place throughout the enterprise that are designed to exploit synergies, most of which arise from shared core competencies. To that purpose, the Unaxis Technology Board exists at the Group level and comprises the Chief Technology Officers of all segments and divisions. This corporate body follows developments in the technologies of relevance to Unaxis, determines the strategically important areas of research, and bears responsibility for steering and controlling innovation activities on a Group-wide basis. In addition, the company's annual innovation conference is a platform for the transfer of knowledge among Unaxis' research and development employees.

Expanding, sharing and protecting knowledge

To protect its technologically leading position and broaden its knowledge base with the latest scientific findings, Unaxis has for years worked closely with select universities and research institutes throughout the world.
For product development, Unaxis also relies strongly on technology partnerships within the industry and at central stages in the value chain. These collaborative efforts not only ensure that innovations are resolutely focused on the marketplace, but they also reduce the associated technical and financial risks while simultaneously bolstering the chances of success upon market introduction. For example, the Data Storage Solutions segment, thanks in large measure to its exclusive cooperative venture with Philips and Mitsubishi Chemical, has garnered a leading position in the market for integrated production lines for DVDs. Also extremely successful are the Optics division's joint efforts with globally leading manufacturers of rear

projection televisions, as well as with some of the most prominent pharmaceutical companies in the field of diagnostics.

At the same time, that existing know-how must be comprehensively safeguarded and innovations must be protected against misuse. It is precisely this intellectual property (IP) that represents a key competitive factor for a company involved in the high-tech industry. Maintaining and expanding the patent portfolio is therefore a crucial task in Unaxis' patent management efforts. A globally standardized IP procedure makes sure that all steps necessary to protect new ideas are in fact taken.

Globe-spanning infrastructure and customer-oriented service
The customers of Unaxis operate on a global scale. As their partner, Unaxis must be physically present in the industry hubs and central locations of its customers, providing reliable round-the-clock service. Accordingly, Unaxis in 2004 expanded its worldwide infrastructure to meet those market requirements. The major focus of this expansion has been placed on the growth market of Asia, in particular China, Taiwan and South Korea. The most extensive investments were earmarked for enlarging the company's facilities in Singapore as well as Shanghai and Tianjin in China. And at the most important customer locations, Unaxis ensures continual, comprehensive and competent customer support thanks to teams comprised of a Key Account Manager, Technical Account Manager and service and support employees.

In order to ascertain the degree of customer satisfaction in a structured manner, Unaxis annually conducts a global customer survey. The results of this opinion poll on the one hand provide insight into any potential need for action and, on the other, reveal how customers have accepted the measures already introduced. Again in 2004, Unaxis undertook a number of initiatives aimed at enhancing customer satisfaction:

- Throughout the Group, a standardized procedure was implemented that addresses customer complaints in a structured and efficient manner. The initial favorable results attest to the effectiveness of this system.
- Data Storage Solutions introduced measures aimed at faster rectification of operational interruptions at customer facilities. In early 2005, the new centralized Asian warehouse went into operation and is now open 24 hours a day.
- Thanks to organizational and procedural improvements, Assembly and Packaging (ESEC) has managed within the space of only one year to reduce its average delivery time from 26 to 14 days, as well as to increase significantly its on-time delivery rate from 76 to 95 percent.

Holistic steering of the value chain
In times of ever more stringent customer demands and globalized markets, proactive management of the supply chain plays an increasingly important role. And that involves making sure that all related processes – from identifying customer needs, to developing and producing the products, right through to initializing new production systems and rendering after-sales service – must be accomplished in the most effective and efficient way possible. At Unaxis, this value chain is highly differentiated. Because the company is focusing more intently on its proprietary processing technologies and key components, non-critical product modules are being procured from external partners. The underlying strategy of this approach is to utilize standardized platforms, upon which new system generations are produced in a modular fashion. In addition, Unaxis is procuring more and more individual parts and modules as well as complete subsystems directly in the domestic markets to which it sells its final products, particularly in Asia.

Competence as the basis for success

Unaxis relies heavily on the know-how of its employees. Companies that develop high-tech solutions in a highly competitive global environment require people who are creative thinkers, competent specialists and possess years of experience. Approximately 6 800 individuals work for Unaxis throughout the world and they represent the heart of the company's ongoing development. Accordingly, Unaxis desires to create added value also for its employees. Factors such as career development, employee satisfaction, corporate culture and internal communication play a central role in this regard. Unaxis offers its employees multifaceted job opportunities in an international work environment. Project-related cooperation and the exchange of professional know-how among Unaxis' global family of companies is proactively fostered. At the same time, the constantly changing environment of high-tech industry places certain demands on employees. Thus in addition to an individual's professional qualifications, Unaxis attaches great importance to personal skills such as flexibility, creativity and team spirit.

Strengthening the Asian market

Unaxis regularly conducts status reviews to evaluate its personnel needs. The company's ability to respond quickly to the cyclical changes in the high-tech markets requires that it maintains a high degree of operational flexibility and adapts the workforce to meet region-specific market demand. Moreover, a key factor in this regard is the high-tech industry's noticeable shift of procurement, production and sales efforts in the direction of Asia. Therefore, to remain competitive in terms of production costs, Unaxis is expanding its presence in Asia. This step will lead to corresponding structural adjustments within the Group. Although as a result new jobs will be created in Asia, it is unavoidable that this development will lead to workforce reductions in Switzerland and Liechtenstein.

Investments in professional competence and management development

Unaxis employs people with the broadest range of skills from various professional and educational fields. Each of those individuals receives additional training according to their job and the specific requirements of the company. Unaxis lays the foundation for a highly qualified workforce by offering tailored continuing education programs at all hierarchical levels. Currently, more than 100 young employees are enrolled in apprenticeships at company facilities in Switzerland and Liechtenstein. In-house and external specialized courses as well as individual on-the-job training supplement the career development of employees. Unaxis has shifted responsibility for these elements of employee education to the segments to ensure that closeness to the customer and the marketplace is also a part of the learning experience. Consequently, all key locations of the company have training centers that offer technical courses – the largest is in Trübbach, where each year approximately 700 employees take part in continuing education programs. The focal points of these courses range from basic knowledge of thin film and vacuum technology through to highly specialized processes. In addition, schooling is provided in intercultural project work and communication, presentation techniques and so-called "soft skills".

Unaxis also places great emphasis on the development of its management cadre. Leadership positions within the company must be filled with individuals who are both professionally and personally right for the job. Managers' skills must be honed continually. And not least of all, new management talent must be attracted to Unaxis. A systematic management development process conducted each year throughout the entire company forms the basis of this program. Starting from an analysis of its needs for current and future management personnel, Unaxis introduces management development measures at the Group and segment levels. Individual development plans are available for managers as well as candidates for leadership positions. The fulfillment of personal performance goals is examined regularly and also taken into account in the variable component of the employee's salary.

Employee satisfaction as a central consideration
The concerns and views of employees are of great importance to Unaxis. In an effort to foster an exchange of perceptions, the company conducts periodic employee surveys in which opinions on factors such as employee satisfaction, identification with Unaxis and the quality of internal communication are polled. The findings of the 2004 survey were better than those of the previous poll taken in 2002 but, on the whole, Unaxis' self-imposed goals have yet to be achieved. Shortcomings and the need for further improvement exist mainly in terms of trust in the company, the reliability of its future development, as well as coherent leadership. This uncertainty on the part of employees hardly comes as a surprise given the difficult market conditions and organizational restructuring, but which will be tackled further by means of appropriate management and communications measures within the various business areas. The results of the employee survey were analyzed and discussed at the company's international management conference held in the fall of 2004. Unaxis takes these concerns seriously and is working on achieving a sustainable increase in employee satisfaction both at the Group and segment levels by means of various initiatives, such as improved on-site communication and more active inclusion of employees in the decision-making process.

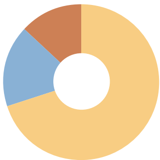
Strong commitment to internal communication
A key element in employee satisfaction is the ability to identify with the company and its culture. Unaxis strives to foster a corporate culture that encourages as well as rewards customer orientation, professional competency, innovative spirit and entrepreneurial thinking. The national and cultural diversity of Unaxis Group is one of its strengths, and it should be actively nurtured through an internal dialog among the various locations, right down to project level.

Given the demanding market environment, internal communication plays a key role at Unaxis. A continual flow of information to employees not only reinforces their ability to identify with the company's goals, but also ensures that they comprehend and stand behind its business decisions. All Unaxis managers have the responsibility as well as the relevant training to foster dialog with their employees. Moreover, Unaxis has a broad array of internal communications instruments that can be utilized depending on the specific informational need – and that commitment is well received by its employees.

EMPLOYEE STATISTICS

Number of employees by region

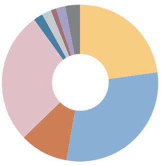
in percent



- Europe 70 %
- Asia 17 %
- America 13 %

Europe

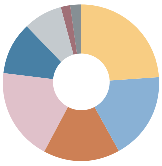
in percent



- Switzerland 23 %
- Germany 30 %
- France 10 %
- Liechtenstein 27 %
- Italy 2 %
- Great Britain 2 %
- Spain 1 %
- Sweden 2 %
- Others 3 %

Asia

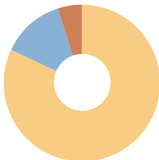
in percent



- China 24 %
- Taiwan 18 %
- Japan 16 %
- Korea 19 %
- Singapore 11 %
- India 8 %
- Philippines 2 %
- Others 5 %

America

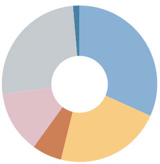
in percent



- USA 82 %
- Brazil 13 %
- Mexico 5 %

Number of employees by segment

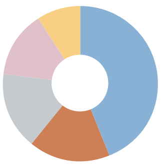
in percent



- Coating Services 32 %
- Vacuum Solutions 22 %
- Data Storage Solutions 6 %
- Components and Special Systems 12 %
- Semiconductor Equipment 25 %
- Corporate and Shared Services 3 %

Number of employees by function

in percent



- Production 44 %
- Service 17 %
- Management and Administration 16 %
- Research and Development 14 %
- Sales 9 %

Value orientation as key management mission

Unaxis views the creation of enterprise value as being one of management's key assignments. Clearly measurable value drivers such as sales growth and profit margins, as well as a risk-conscious deployment of capital, represent the point of departure in this regard. By focusing on thin film and vacuum technology, restructuring Display Technology and developing the Semiconductor Equipment segment into an independent entity, Unaxis desires to strengthen these value drivers and achieve a sustainable increase in the value of the enterprise.

Within the framework of its annual strategic planning process, Unaxis has conducted a comprehensive analysis of its individual business activities in keeping with the principle that each activity must contribute to enterprise value by providing a return that is in excess of the risk-adjusted cost of capital. Accordingly, the Group allocates its resources to the business fields that afford an attractive risk/return profile, even as it strives for further improvement in its structures and processes.

Freedom to act forms the basis of value drivers

Underlying these measurable value drivers are numerous initiatives that represent an integral part of the company's strategic and operative management mission.

A key priority for Unaxis is customer orientation. The Group wishes to create value for its customers and thereby ensure its own sustainable growth. Customer concerns are identified efficiently and comprehensively through a resolute approach to key account management.

Innovation management and the protection of intellectual property also play a decisive role. To that purpose, the company has cross-segment innovation teams and clearly defined innovation procedures in place. Innovation is conducted in a goal-oriented manner and focuses on the development and optimization of marketable products and solutions. In clear differentiation to its competitors, Unaxis positions itself as a provider of solutions in the high-end of the market.

Supply chain management was another major focal point in 2004. This mainly involves the early inclusion of customers in the development of new product generations, as well as further steps in the direction of global sourcing, i.e. procuring materials on a worldwide basis. Unaxis has critically examined the internal processes of each area of business activity with an eye toward determining its contribution to added value and, going forward, will concentrate solely on its core processes. Further standardization of the product platforms as well as initiatives in the areas of “value engineering” and “design to cost” will also contribute to increased efficiency.

The ability to respond quickly and flexibly to changes in capacity utilization is a decisive factor when it comes to preserving the substance of the enterprise and the assets in which its stakeholders share. The effectiveness of these measures is verified through a systematic approach to strategic and operative controlling. This creates not only transparency, but also ensures that corporate decisions are resolutely measured for their impact on the value drivers. Aside from the monthly analysis and assessment of the quantitative and qualitative key performance indicators (KPI) reflected in the “Management Cockpit” information system, quarterly reviews are conducted at each division.

Return-oriented investment policy and risk-conscious financing policy

Unaxis derives the focal points and magnitude of its investment programs from the company's overall strategic orientation. Priority is given to investments in technologies that are aimed at rapidly growing current and future markets, as well as investments that secure Unaxis' core technological competencies. Each capital-spending project is assessed in accordance with clearly defined criteria, and must fulfill both strategic and financial objectives. Within the scope of a cost/benefit analysis, the underlying risks of a given investment are taken into account through a determination of the internal risk-adjusted cost of capital. Furthermore, the company's risk/reward profile is also enhanced through the active management of inventories and accounts receivable, an effort that contributes decisively to added enterprise value.

Unaxis adheres to a fundamentally conservative financing policy so as on one hand to cushion the risks associated with its operative business and, on the other, to ensure a high degree of financial flexibility. Central importance is therefore attached to maintaining a good level of liquidity and a solid balance sheet with a high shareholders' equity ratio. Unaxis also takes a conservative approach to hedging foreign currency risks. For example, the gross margin of a business transaction conducted in foreign currency is already systematically hedged at the time the contract is signed.

Group-wide risk management

Unaxis is active in markets that provide attractive growth opportunities but also present considerable risks. Of particular relevance from Unaxis' point of view are technology-related risks that arise from rapid technological change, the sizeable investments involved in product development, as well as the introduction of new products to the market. Also of tremendous significance are market-related risks, such as fluctuations in demand, fierce competition in certain segments as well as country-specific risks.

In 2003, Unaxis institutionalized a Group-wide approach to risk management. Through use of a risk management system incorporated early in the strategic planning and budgeting process, risks are identified and evaluated in terms of their likelihood of occurrence and potential impact. Based on these findings, a risk strategy is defined and the related countermeasures are planned and implemented. As a result, both the risks and rewards of corporate decisions are systematically taken into account.

Sustainability of value generation

Given its future focus on the areas of thin film and vacuum technology, the company's overall risk/reward profile will improve considerably and consequently put the pieces in place for sustainable value generation at Unaxis. This basic principle also relates to the performance-related compensation system for management – in addressing managers' variable salary components, Unaxis applies quantifiable financial targets in terms of the value drivers, namely sales, EBIT and return on invested capital. As of 2005, managers' compensation will be based on the recognized EVA (economic value added) yardsticks of increased shareholder value. EVA enables a clear understanding of value enhancement within the various business units and simultaneously brings management compensation in harmony with the interests of Unaxis shareholders.

In order to lend transparency to the performance progress being made on shareholders' behalf, Unaxis upholds a frank and comprehensive information policy. In addition, the company attaches great importance to corporate governance and investor relations issues. Apart from the publication of quarterly financial results, Unaxis informs the capital markets of significant developments in its course of business in a timely and complete manner. In addition, the company utilizes the internet as a broad-based and detailed information platform.

A comprehensive perception of corporate responsibility

Commercial activity takes place in the content of give and take between various interest groups. In order to remain successful and profitable over the long term, a company must take into account not only the needs of customers, employees and stakeholders, but also environmental and societal concerns. Unaxis avows this comprehensive view of sustainability. The company's business policy focuses on the long-term creation of value and is built around economic, ecological and social criteria.

From an economic point of view, Unaxis creates value by expanding its market position in the company's various fields of activity, and by increasing its profitability. Prerequisites for that are a resolute focus on customers and their needs, assurance that the company's technological leadership is safeguarded through continual innovation, and an ongoing effort to improve operating efficiency. In addition, Unaxis invests in the personal development of its employees and managers. Also of central importance for Unaxis is securing the company's financial stability by maintaining a substantial level of liquidity and a solid balance sheet with a high shareholders' equity ratio.

Uniform environmental policy – decentralized implementation

Unaxis is committed to avoiding any negative impact on the environment and, to the greatest extent possible, treating natural resources with care. In order to systematically incorporate ecological factors into the company's activities, Unaxis has issued environmental policy guidelines that define a binding Group-wide approach to environmental protection, stipulate rules for the various business units and locations, and establish a code of conduct with which each employee must comply. Moreover, the company has enacted rules that apply to specific areas, for example a Group-wide list of prohibited hazardous materials. Within these guidelines, the individual segments' country organizations act on their own responsibility. In particular, they are responsible for introducing and maintaining an environmental management system that is in compliance with ISO 14001 standards. Already certified under ISO 14001 are the Coating Services center and Optics manufacturing plant in Balzers, Liechtenstein, as well as the facilities in Cham, Switzerland, and St. Petersburg, Florida, USA. Certification of the Asian regional headquarters in Shanghai is underway, and should be concluded by the end of 2005.

Unaxis takes environmental aspects into account throughout the entire life cycle of a given product, including its product design, development, assembly, packaging and transportation. Unaxis conducts this type of procedure at both the segment and local level. For example, the Coating Services segment last year examined the environmental impact of coated tools in collaboration with the Research Center in Karlsruhe, Germany. The study impressively confirmed that, from an ecological point of view, the increased performance and longer lifespan of coated tools provides clear advantages – even under a conservative estimate, the more than 60 million tools that Coating Services coats each year lead to a saving of more than 200 million megawatt hours (MWh) of primary energy, more than 60 million kilograms of carbon dioxide (CO_2) and in excess of 30 000 kilograms of nitrogen oxide (NO_X).

Innovative technologies for greater environmental protection

Technologies from Unaxis make a decisive contribution toward reducing the consumption of natural resources in the manufacturing of high-tech products. Thanks to advanced thin film and vacuum technology, Unaxis systems enable efficient production of surface depositions, data storage devices, optical components and microchips. As a result, fewer environmentally hazardous and often more costly deposition materials are required. The dry (i.e. lubricant-free) pumps from Vacuum Solutions stand out for the reduced oil-related pollution and simultaneously lower operating costs they afford. Both of these examples underscore the fact that Unaxis technologies offer advantages both from an ecological and economic point of view. In fact they often make the production of more environmentally friendly products possible in the first place. For example, the components coated by Coating Services are indispensable for modern diesel engines that run on lower fuel consumption and produce less toxic emissions.

Commitment to safety and business ethics

For Unaxis, sustainability does not only mean compliance with environmental standards, rather it also constitutes an obligation to anchor high social and ethical principles in the way the company conducts its commercial activities. A particular priority in this regard is the health and security of employees. To ensure their protection on the job, Unaxis has defined globally applicable safety standards in a security manual, which are verified by means of regular audits. Security officers at each company location monitor compliance with these standards, coordinate employee safety training courses, and are the contact party for questions regarding health and on-the-job safety. Unaxis pays particular attention to its locations in Asia, where most of the new jobs have been created in recent years and where the focal point of further market expansion will be placed in the coming years. The working conditions at local Unaxis subsidiaries in Asia correspond to Western standards.

The rules of comportment that all Unaxis employees must adhere to are regulated in a Group-wide business ethics directive. Among other things, those rules call for compliance with local laws, fair employment conditions for all employees, the prohibition of discrimination in hiring and firing, as well as equal opportunities for men and women. All managers at Unaxis are obligated to uphold the provisions of the directive within their given sphere of responsibility and also to assert them vis-à-vis suppliers. Furthermore, Unaxis conducts regular audits of business ethics practices.

Global Compact as a framework for sustainability

The environmental and social policy of Unaxis is based on a globally recognized standard. Since mid-2003, the company has been a member of the Global Compact, a United Nations initiative aimed at fostering international progress and stability. The Global Compact sets out ten principles that address issues of human rights, the labor market, environmental protection, and the battle against corruption. Thus the initiative establishes a framework for economic, ecological and social sustainability. Unaxis stands by these principles and actively implements them within the scope of its commercial activities.

Global Compact[1]

Human rights	Unaxis – fundamental principles and initiatives
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and **Principle 2:** make sure that they are not complicit in human rights abuses.	Unaxis is committed to respecting, protecting and abiding by human rights. In the way it manages personnel and interacts with business partners, the company supports exclusively those values and kinds of behavior that are in harmony with the protection of human rights.
Labor standards	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	Unaxis is committed to ensuring the right to assemble, and supports the effective recognition of the right to collective bargaining. It supports the representation of the interests of its employees in freely elected industrial councils and commissions.
Principle 4: the elimination of all forms of forced and compulsory labor; **Principle 5:** the effective abolition of child labor; and	Unaxis is committed to not utilizing or supporting child labor or any form of forced labor. In selecting its suppliers, Unaxis is mindful that they uphold employee rights and minimum social standards.
Principle 6: the elimination of discrimination in respect of employment and occupation.	Unaxis is committed to prohibiting all forms of discrimination in its hiring and firing practices. Moreover, Unaxis also employs physically and socially disadvantaged individuals.
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	Unaxis is committed to supporting a precautionary approach to environmental challenges, and it carefully and proactively addresses environmental aspects within the company's sphere of influence. Unaxis maintains a comprehensive list of hazardous materials that is adapted annually to reflect the latest research findings of governmental authorities and customers.
Principle 8: undertake initiatives to promote greater environmental responsibility; and **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.	Unaxis is committed to utilizing in its production facilities environmental management systems that correspond to the ISO 14001 international norm, and it periodically undertakes initiatives to promote environmental responsibility throughout the entire enterprise. Unaxis resolutely incorporates environmental aspects in the development of new products and technologies.
Anti-corruption	
Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.	Unaxis is committed to strictly forbidding corruption and bribery as is explicitly stated in the company's directive on business ethics, and conducts its business activities in an ethical manner. Unaxis' Legal and Internal Audit departments regularly verify compliance with local laws and the company's internal directives.

[1] More information on the Global Compact can be accessed via the Internet at www.unglobalcompact.org

Core competencies

Thin Film and Vacuum Technology

Segments

· **Coating Services**	· **Vacuum Solutions**	· **Data Storage Solutions**	· **Components and Special Systems**

Divisions

			· Optics

Brands

balzers	Leybold vacuum	unaxis DATA STORAGE	unaxis OPTICS

Core technologies

· Coating	· Vacuum Technology	· Coating · Bonding	· Coating

Market segments

· Precision tools · Precision components	· Process industry · Analytics · Information technology · Displays industry · Research & development	· DVD formats · CD formats · Hard disks	· Projection displays · Lighting systems · Instruments · Automotive industry · Imaging · Biotechnology

End products

Coating service for precision tools used in: · Cutting · Blanking · Forming · Metal die casting · Plastic injection molding · Coating service for precision components used in: · Diesel injection systems · Engines · Gearboxes · Compressors · Machinery · Medical instruments	Vacuum pumps for making: · Semiconductors · PCs · DVDs/CDs · Screens and TVs · Medical instruments · Analytical instruments · Cooling and air-conditioning systems · Automotive braking systems · Architectural glass · Incandescent/discharge lamps · Food packaging	DVDs/CDs for: · DVDs/CDs RW (rewritable) · DVDs/CDs R (write-once) · DVDs/CDs prerecorded Hard disks for: · Game consoles · PCs · Digital cameras · MP3 players	Optical filters and components for: · Projectors for professional and home cinema applications · Architectural/stage lighting · Rear projection TVs · Medical instruments · Laser systems · Automotive/industrial safety systems · Digital cameras · Biochemical analysis

	Semiconductor Technology		
	· **Semiconductor Equipment**		
· Space Technology	· Wafer Processing	· Assembly & Packaging	· Display Technology
Contraves Space	unaxis WAFER PROCESSING	esec	unaxis DISPLAYS
· Lightweight structures · Electro-optics · Flex technology	· Deposition · Etching	· Bonding	· Coating
· Payload fairings · Satellite structures and mechanisms · Scientific instruments · Electro-optical systems	· Advanced Packaging · Advanced Silicon · Photomasks · Compound Semi & Microtechnology	· Die Attach · Wire Bonding	· TFT-LCD-displays · Solar cells
Payload fairings for launch vehicles: · Ariane 5 (Europe) · Atlas V-500 (USA) · Vega (Europe) Composite and actuator technology for: · Satellite structures/ mechanisms · Scientific instruments · Lithographic systems	Semiconductors for: · PCs · Mobile phones · Automotive sensors · Telecommunications	Semiconductors for: · PCs · Mobile phones · PDAs · Game consoles · Automotive sensors · Telecommunications	TFT-LCD screens for: · TVs · Monitors · Mobile phones · PDAs · Navigation systems Solar cells for: · Rooftop panels · Building integrated photovoltaic

Core competencies

Thin Film and Vacuum Technology

Segments

Coating Services	Vacuum Solutions	Data Storage Solutions	Components and Special Systems

Divisions

			· Optics

Markets

Coating Services	Vacuum Solutions	Data Storage Solutions	Components and Special Systems
· Market segments: Precision tools Precision components · Sales: 67% in Europe · Competition: primarily in Europe · Accessible market volume: CHF 1 billion · Market position: No. 1 in tool coating No. 1 in precision component coating	· Market segments: Processing industry Analytics Information technology Display industry Research and development · Sales: 53% in Europe · Competition: in Europe · Accessible market volume: CHF 2.8 billion · Market position: No. 2 in vacuum solutions	· Market segments: DVD formats CD formats Hard disks · Sales: 76% in Asia · Competition: in Europe and Asia · Accessible market volume: CHF 1 billion · Market position: No. 1 in metallizers No. 1 in DVD RW lines	· Market segments: Projection displays Lighting systems Instruments Automotive industry Imaging Biotechnology · Sales: 41% in Asia Competition: · predominantly in Asia in future · Accessible market volume: CHF 1 billion · Market position: No. 1 in projection displays

Strengths

Coating Services	Vacuum Solutions	Data Storage Solutions	Components and Special Systems
· Market leader with strong brand · In-depth knowledge of processes and applications	· Presence, service and support worldwide · In-depth knowledge of processes and applications	· Leading in research and development · Close customer contacts and technology partnerships	· Leading in research and development · Global presence

Strategic priorities

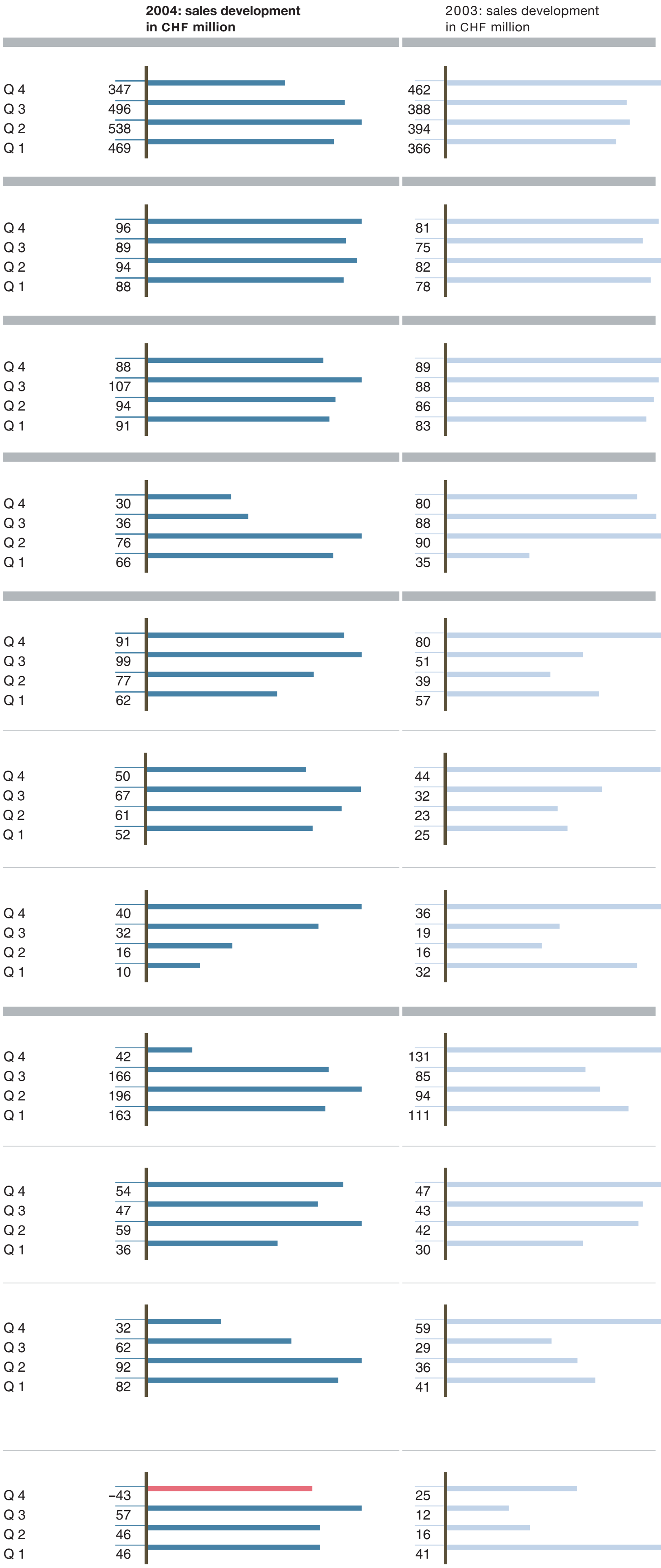
Coating Services	Vacuum Solutions	Data Storage Solutions	Components and Special Systems
· Growth through new areas of application and new materials · Geographic expansion, especially in emerging markets	· Growth through penetration of established markets · Expansion of market position in Asia · Increase in efficiency and profitability · Greater presence in high-margin markets with attractive new products	· Consolidation of market leadership with existing products · Development of upcoming format generations · Globalization of supply chain	· Penetration of existing market segments · Diversification into new market segments · Extension of procurement in Asia

	Semiconductor Technology		
	Semiconductor Equipment		
Space Technology	Wafer Processing	Assembly & Packaging	Display Technology
Market segments: Payload fairings Satellite structures and mechanisms Scientific instruments Electro-optical systems	Market segments: Advanced Packaging Advanced Silicon Photomasks Compound Semi & Microtechnology	Market segments: Die Attach Wire bonding	Market segments: TFT-LCD displays Solar cells
Sales: 100% in Europe and USA	Sales: 43% in Asia	Sales: 84% in Asia	Sales: 95% in Asia
Competition: dependent on institutional and economic environment	Competition: new providers especially in Asia	Competition: particularly in Asia	Competition: few, dominant providers
Accessible market volume: CHF 200 million	Accessible market volume: CHF 620 million	Accessible market volume: over CHF 1.7 billion	Accessible market volume: over CHF 1 billion
Market position: No. 1 for payload fairings in Europe	Market position: No. 1 in photomask etching No. 1 in advanced packaging (wafer level thin film processing) No. 1 in thin wafer processing	Market position: No. 1 in Die Bonding	Market position: No. 2 in PECVD and PVD coating
Strong position in institutional market Strong position in launch vehicle business Good reputation	Leading position in high-growth market niches Scalable product platforms	In-depth knowledge of processes and application	Combination of PECVD and PVD coating
Consolidation of competitiveness and profitability Growth through diversification	Expansion into new markets on the basis of existing product platforms Selective transfer of value-adding processes to Asia Improvement of cost structure Targeted innovation in new technologies Concentration on platforms	Transformation towards Asia Expansion in Wire Bonding Acceleration of innovation Improvement of cost structure	Focus on profitable system generations Restructuring measures that provide an option to transfer these activities into an environment outside of Unaxis

SUMMARY OF THE 2004 FINANCIAL YEAR

Key figures and profiles		Key figures in CHF million	2004	2003
Group		Orders received	**1 778**	1 788
		Sales to third parties	**1 850**	1 610
		Operating result (EBIT)	**–366**	16
		No. employees at year-end	**6 844**	6 456
Coating Services (Balzers)	Coating Services (Balzers) develops equipment and processes for tool and component coating, and is the leading provider of coating services with over 60 centers worldwide.	Orders received	**367**	315
		Sales to third parties	**367**	315
		Operating result (EBIT)	**57**	43
		No. employees at year-end	**2 172**	1 925
Vacuum Solutions (Leybold Vacuum)	Vacuum Solutions (Leybold Vacuum) produces vacuum solutions for a broad spectrum of cutting-edge manufacturing and analytical processes, as well as for research purposes.	Orders received	**365**	365
		Sales to third parties	**379**	345
		Operating result (EBIT)	**5**	11
		No. employees at year-end	**1 513**	1 492
Data Storage Solutions	Data Storage Solutions is the world's leading manufacturer of replication and coating equipment for optical and magnetic data storage media.	Orders received	**170**	293
		Sales to third parties	**208**	293
		Operating result (EBIT)	**14**	37
		No. employees at year-end	**442**	473
Components and Special Systems		Orders received	**309**	243
		Sales to third parties	**328**	228
		Operating result (EBIT)	**44**	28
		No. employees at year-end	**875**	824
Optics	Optics produces coated optical components and systems for data and video projection, the lighting industry, optical sensors and instruments, and biotechnology.	Orders received	**207**	160
		Sales to third parties	**231**	124
		No. employees at year-end	**573**	510
Space Technology (Contraves Space)	Space Technology (Contraves Space) is a leading provider of lightweight payload fairings for space launch vehicles and also develops structures, instruments and precision mechanisms for satellites.	Orders received	**102**	83
		Sales to third parties	**98**	104
		No. employees at year-end	**303**	314
Semiconductor Equipment		Orders received	**567**	562
		Sales to third parties	**568**	420
		Operating result (EBIT)	**–468**	–98
		No. employees at year-end	**1 768**	1 674
Wafer Processing	Wafer Processing develops innovative production solutions for specialized deposition and etching processes used in semiconductor manufacturing.	Orders received	**203**	179
		Sales to third parties	**195**	161
		No. employees at year-end	**571**	606
Assembly & Packaging (ESEC)	Assembly & Packaging (ESEC) is a leading supplier of automated chip assembly equipment and processes for the semiconductor industry.	Orders received	**234**	200
		Sales to third parties	**267**	165
		No. employees at year-end	**668**	633
Display Technology	Display Technology develops mass production systems and coating processes for manufacturing flat panel screens and solar panels.	Orders received	**129**	183
		Sales to third parties	**105**	94
		Operating result (EBIT)	**–295**	–27
		No. employees at year-end	**529**	435

SALES DEVELOPMENT

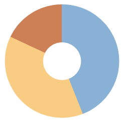


SALES BY REGION

Sales by region 2004 | Proportion of consolidated sales 2004

Group

- Asia 44%
- Europe 38%
- America 18%



Coating Services (Balzers)

- Asia 16%
- Europe 63%
- America 20%

20%

Vacuum Solutions (Leybold Vacuum)

- Asia 25%
- Europe 53%
- America 22%

20%

Data Storage Solutions

- Asia 76%
- Europe 15%
- America 9%
- Others 1%

11%

Components and Special Systems

- Asia 29%
- Europe 42%
- America 29%

18%

Optics

- Asia 41%
- Europe 28%
- America 31%

12%

Space Technology (Contraves Space)

- Europe 76%
- America 24%

5%

Semiconductor Equipment

- Asia 72%
- Europe 17%
- America 10%

31%

Wafer Processing

- Asia 43%
- Europe 33%
- America 22%
- Others 1%

11%

Assembly & Packaging (ESEC)

- Asia 84%
- Europe 11%
- America 5%

14%

Display Technology

- Asia 95%
- Europe 5%

6%

THIN FILM AND VACUUM TECHNOLOGY

2004 financial year

In the future, Unaxis will be focusing on its strongly growing and profitable activities in the Thin Film and Vacuum Technology business fields, which comprise the Coating Services (Balzers), Vacuum Solutions (Leybold Vacuum), Data Storage Solutions and Components and Special Systems (Optics und Contraves Space) segments. Unaxis commands a leading position in all of these future core businesses, each of which is focused on attractive markets and enjoys a steady increase in revenues. Going forward, they will be expanded in a targeted manner and should ensure the company's profitable growth. In the 2004 financial year, the business units that make up the company's future core business recorded operating earnings (EBIT) in the total amount of CHF 121 million. By 2007, the overall EBIT margin should increase to a level in excess of 10 percent.

Coating Services (Balzers)
In 2004, the Coating Services segment enjoyed a record year, with sales increasing by 16 percent to CHF 367 million (2003: CHF 315 million) and operating earnings by 35 percent to CHF 57 million (2003: CHF 43 million). As a result, the segment managed to improve its return on sales to a level in excess of 15 percent. During the past financial year, Balzers opened five new coating centers, thereby expanding its global network to a total of 61 locations.

Vacuum Solutions (Leybold Vacuum)
Vacuum Solutions in 2004 experienced a 10 percent increase in sales to CHF 379 million (2003: CHF 345 million). At CHF 365 million, the total amount of orders received remained at prior-year levels (2003: CHF 365 million), while operating earnings declined from the previous year's CHF 11 million to stand at CHF 5 million for the year under review. This is primarily attributable to the overcapacity in the semiconductor market and related price pressures. Leybold Vacuum is resolutely focused on improving its operating margins.

Data Storage Solutions
For the 2004 financial year, the Data Storage Solutions segment recorded a market-related decline in sales of 29 percent to CHF 208 million (2003: CHF 293 million) and a 42 percent reduction to CHF 170 million (2003: CHF 293 million) in the total amount of orders received. While Data Storage Solutions witnessed a very gratifying course of business during the first six months of 2004, the second half was impacted by the accumulated overcapacity in the market, which in turn led to a significant decline in demand. As a result of its lower level of revenues, the segment's operating earnings fell to CHF 14 million from the previous year's level of CHF 37 million.

Components and Special Systems
The segment had a good year in 2004, with sales registering a notable 44 percent increase to CHF 328 million (2003: CHF 228 million). Orders received rose by 27 percent to CHF 309 million (2003: CHF 243 million), whereby the Optics division in particular recorded impressive growth thanks to the strong demand for rear-projection televisions. The Space Technology division, on the other hand, suffered a modest decline in sales due to the difficult market environment. Operating earnings for the entire segment rose significantly to CHF 44 million as compared to the prior-year reading of CHF 28 million.

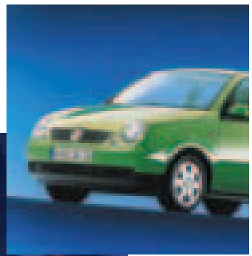
COATING SERVICES

Coating Services (Balzers) is a world leader in coating precision components, particularly for the automotive industry, and tools for metal and plastics processing. The coatings developed by Balzers under the BALINIT® trademark reduce friction and wear and improve the load capacity and life of coated parts, yielding substantial productivity gains and cost savings. The most important business for Balzers is contract coating, which it offers through a steadily expanding network of coating centers in Europe, America and Asia. In addition the segment operates inhouse centers in customer companies and supplies coating plants.

Key figures

in CHF million	**2004**	2003
Orders received	367	315
Sales	367	315
Operating result (EBIT)	57	43
Number of employees	2 172	1 925

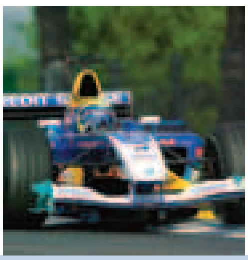
The VW Lupo is the world's first production car to use just 3 liters of fuel per 100 km. Engine components with Balzers coatings economize on consumption and boost performance.



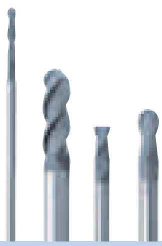
RS90 (Rapid Coating) is an ultra-high-performance Balzers system designed for mass-coating large batches of components, like parts for the automotive industry. Coatings with diamond-like hardness make longer-lasting, more reliable engines.

Smoother: Unaxis is even part of children's toys! Balzers coats the injection molds that are used to turn out play figures like this one.

Faster: Gearwheels, steering, suspension – highly stressed racing car parts perform better when coated.



More productive: Coated precision tools stay productive longer, at lower cost.



Market

The market for coating services in 2004 had a value of roughly CHF 1 billion. While the markets in western Europe and North America are relatively stable, with annual growth of five percent, the emerging countries of Asia, Latin America and eastern Europe are growing at a rate of 15 percent. Overall, the world market is maintaining its long-term appeal, with average growth in the high single digits. The drivers of growth are innovations and new areas of application on the one hand, and the strong economic growth in the emerging markets on the other hand. With a market share of 35 percent, Coating Services (Balzers) is the clear world market leader, and with over 60 centers in 23 countries it is the only company able to offer coating services locally to globally-operating customers.

2004

Balzers reported growth in both contract coating and plant sales, increasing sales by 16 percent on the previous year. In local currency, growth amounted to 18 percent. All market segments – cutting tools, dies and components – benefited from strong demand. In components, advances were held back by increasing pressure on prices. Conversely, strong growth in the tool industry, one of the main customer groups, had a very positive impact. The markets in Asia, Latin America and eastern Europe again saw especially strong growth.

Milestones

In 2004 Balzers commissioned a completely prefabricated coating center in Hungary for the first time. The flexible infrastructure makes it possible to respond to customer needs even faster and with lower front-end costs in future. The new tool coating BALINIT® ALCRONA, launched early in the year, has found a footing in the market. Balzers has developed a new plant for industrial mass coating, RS90, which has been operating successfully since the start of 2005. Five centers were added to the coating network, which now covers 61 locations.

By using an aluminium compound instead of the current titanium alloy, Balzers has achieved a further significant increase in the coating's performance. Further variants on this coating system will be launched in 2005.

Sustainability

The plasma coating processes developed by Balzers are very environmentally friendly. An environmental audit carried out in the previous financial year shows that coating tools has a number of advantages, ecologically speaking, such as improved tool performance and greatly extended life.

The use of coolant, lubricant and release agents is reduced or eliminated along with the need to dispose of them. In automotive construction, coated components reduce fuel consumption and pollutant emissions and prolong engine life.

Outlook

The market for coating services is likely to continue to grow in 2005, although at a slower rate than in 2004 due to the economic situation. However, thanks to its presence in the emerging market regions Balzers is again likely to grow faster than the market average. Balzers is maintaining its strategic focus on geographical expansion and increasing market penetration through new products and application areas. At least eight new centers are scheduled to be commissioned in 2005, with a move into five more countries. This will expand the coating network to almost 70 centers in 28 countries. At the same time, Balzers will also launch three new coating products for cutting tools and components.

VACUUM SOLUTIONS

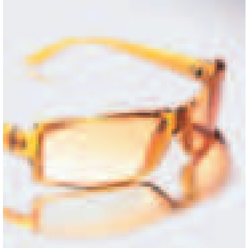
The Vacuum Solutions segment (Leybold Vacuum) offers vacuum solutions for a wide range of modern production and analysis processes and for research purposes. The segment's core competence is developing systems for generating vacuums and moving process gas. Application areas include everyday objects such as TVs, refrigerators, air-conditioning systems, braking systems for cars and light bulbs, as well as high-tech processes such as the production of CDs and DVDs and medical instruments. Thanks to its broad knowledge of processes and applications and its global presence, Leybold Vacuum is able to provide comprehensive support to its vacuum technology customers.

Key figures

in CHF million	**2004**	2003
Orders received	365	365
Sales	379	345
Operating result (EBIT)	5	11
Number of employees	1 513	1 492

What keeps a refrigerator cold inside? Vacuum in the cooling circuit.

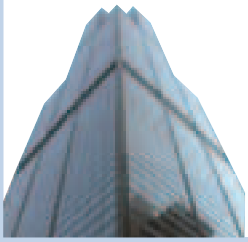
What contributes to spot-on medical diagnosis? Vacuum inside analytical equipment.



What makes for clearer, sharper vision? Vacuum for coating optical glass.

The ScrewLine from Leybold Vacuum is one of the most efficient vacuum pumps on the market. It is used in many advanced metallurgical production processes, for example, and for coating architectural glass.

Today's architectural glass needs to be more than just transparent. Special functional coatings, applied under vacuum, make insulating windows for indoor comfort safe from heat, cold and dazzling sunlight.



Market
In 2004 the relevant market for Vacuum Solutions (Leybold Vacuum) amounted to approximately CHF 2.8 billion. Leybold Vacuum is one of the top three companies in its market segment. The broad base of the business portfolio proved its value in the past financial year. Growth continued unabated in Asia. The industrial market benefited from a recovery in demand, recording a double-digit increase compared to the previous year. The semiconductor segment and data storage media subsegment both grew in 2004. Demand stabilized in analytics and magnetic cooling, while the research and development segment showed welcome growth.

2004
The pressure on prices which had made itself felt in the previous year, due primarily to excess capacity, increased in 2004. The drop in the US dollar also had a negative impact. Given this environment, Leybold Vacuum performed well. New orders matched the previous year's level, with sales up ten percent. In local currency, growth came to 11 percent. Leybold Vacuum has reorganized its production processes, inaugurating its new production site at the Cologne facility. The move has already resulted in a nine percent increase in productivity and an 18 percent decrease in throughput time.

Milestones
In 2004 Leybold Vacuum added five new products to its range. A water-cooled 60 Hz variant and a smaller model, the ScrewLine SP 250, were added to the ScrewLine SP 630 line of dry prevacuum pumps. Other new products include the PhoeniXL leak detector, the oil-sealed Sogevac B with improved noise reduction, and a new vacuum measuring instrument for the R&D market segment. The site extension in Tianjin, China, was completed on schedule. Operations there will be taken up in May 2005. The increased production capacity significantly improves Leybold Vacuum's position in the Asian market. Expanding customer service was another high priority.

With a service presence in over 30 countries, Leybold Vacuum is able to provide its customers with comprehensive and efficient maintenance and repair service and replacement parts delivery, as demonstrated for example by the signing of a comprehensive service agreement with a globally-active lamp manufacturer.

Sustainability
Leybold Vacuum is constantly working on technical improvements to its products. Reducing pollution plays an important role, as reflected in the increased use of "dry" (i.e. lubricant-free) pumps. This pump technology lowers operating costs while at the same time reducing oil pollution.
In development and production, Leybold Vacuum complies with stringent guidelines and packaging regulations and recycles raw materials and supplies.

Outlook
The vacuum technology market is expected to grow by around four percent in 2005. Leybold Vacuum expects weaker demand in the semiconductor market segment, including the data storage media subsegment. By contrast, the industrial segments should remain robust in the current financial year, so that Leybold Vacuum expects new orders and sales to grow faster than the market average. In addition to product development, Leybold Vacuum will focus on improving margins in 2005.

DATA STORAGE SOLUTIONS

Data Storage Solutions is the world leader in supplying films and replication systems for the data storage industry. It is the only company in the market with a comprehensive product range for all data formats – its systems are used to produce optical media like CDs and DVDs as well as magnetic data storage media like computer hard disks. The integrated replication lines are characterized by extremely high throughput and very low production costs per unit. Data Storage Solutions customers include both manufacturers of production lines and direct producers of the various data storage media.

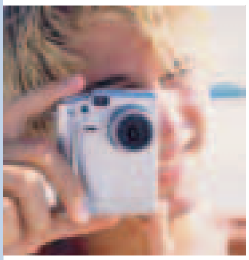
Key figures

in CHF million	**2004**	2003
Orders received	170	293
Sales	208	293
Operating result (EBIT)	14	37
Number of employees	442	473

The Data Storage Solutions FUSION system coats a new writable DVD in less than four seconds. That adds up to around 20 000 discs in a 24-hour shift – more than enough to store all of the world's literature.

Yesterday's classic movies get a new lease of life on prerecorded DVDs – thanks in part to tomorrow's technology from Data Storage Solutions.

Unaxis is part of the gaming fun. DVDs are the repository for a whole world of virtual thrills and spills.



Unaxis captures those magic moments. The hard disk in your digital camera helps keep the memories alive.

MP3 players are packed full with music, and often fuller still with Unaxis know-how. With one hard disk capable of storing thousands of songs, the music never ends.

Market

The addressed market for coating systems and replication lines for data storage media is around CHF 1 billion. Average annual growth is around ten percent, but is also subject to strong cyclical fluctuations. In 2004 the recovery which had emerged in the previous year initially seemed firm. Customers in all market segments continued to invest heavily during the first half. The write-once media segment showed particularly strong growth. However, excess capacity in DVD-R and DVD-RW led to a distinct slowdown in the second half of the year. This was compounded by heavy pressure on margins due to intensive competition and higher prices for polycarbonate, the raw material for CDs and DVDs. Data Storage Solutions is a leader in the market for data storage equipment.

Worldwide, over one-third of all hard disks, two-thirds of all CDs and CD-ROMs and over 80 percent of all rewritable CDs, DVDs and MiniDiscs™ are manufactured using Data Storage Solutions coating systems.

2004

Data Storage Solutions reported very good business in the first six months, in line with market trends. By contrast, demand declined significantly in the second half. Overall this segment saw orders drop 42 percent in the 2004 financial year. Sales were down 29 percent on the previous year. However, sales of metallizers were satisfactory, growing 10 percent compared to the previous year. The product family launched in 2003 was particularly well received by the market.

Milestones

Sales were good for the FUSION DVD-R replication line developed in conjunction with Mitsubishi Chemicals. Today, this plant is in use at all Data Storage Solutions' key customers. The launch of the second generation of the DVD 9 MATRIX line boosted the number of installed units in the important market segment for prerecorded DVDs. Development of the new hard disk plant is also proceeding on schedule. Data Storage Solutions has signed a further alliance agreement with its strategic partner Philips in the DVDR DL (double layer) field. Priority in the past financial year was given to optimizing operating procedures with the emphasis on the decisive factors of supply chain management and customer support.

Sustainability

Data Storage Solutions' coating plants have the best material utilization in the industry. This not only lowers production costs per disk but also reduces consumption of the expensive and often polluting coating materials.

Outlook

Data Storage Solutions expects a recovery in demand for writable and rewritable formats from the second half of 2005. Continuing growth is expected in the prerecorded segment. New technologies such as DVDR DL should develop into attractive niche markets in 2005. The next boost to growth in the medium term will come from the introduction of the coming generation of formats. In the hard disk segment, the arrival of a new magnetic storage technology in 2005 will initiate the next investment cycle. Data Storage Solutions is well placed to take a significant position in this market.

Currently there are two formats – high definition DVD and Blu Ray – competing for the succession of the current DVD. In order to secure a leading position in this future market, Data Storage Solutions is developing plants for both formats.

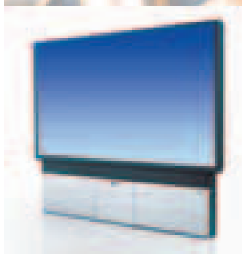
COMPONENTS AND SPECIAL SYSTEMS

The Components and Special Systems segment comprises the Optics and Space Technology (Contraves Space) divisions. Optics specializes in optical components and assemblies. Its core competence is in high-precision optical thin films and complex optomechanical and optoelectronic assemblies. Space Technology (Contraves Space) is a world leader in supplying payload fairings for launch rockets using composite technology. Other important products include structures and precision mechanisms for satellites, instruments for space research and laser terminals for optical data transfer between telecommunications satellites.

Key figures

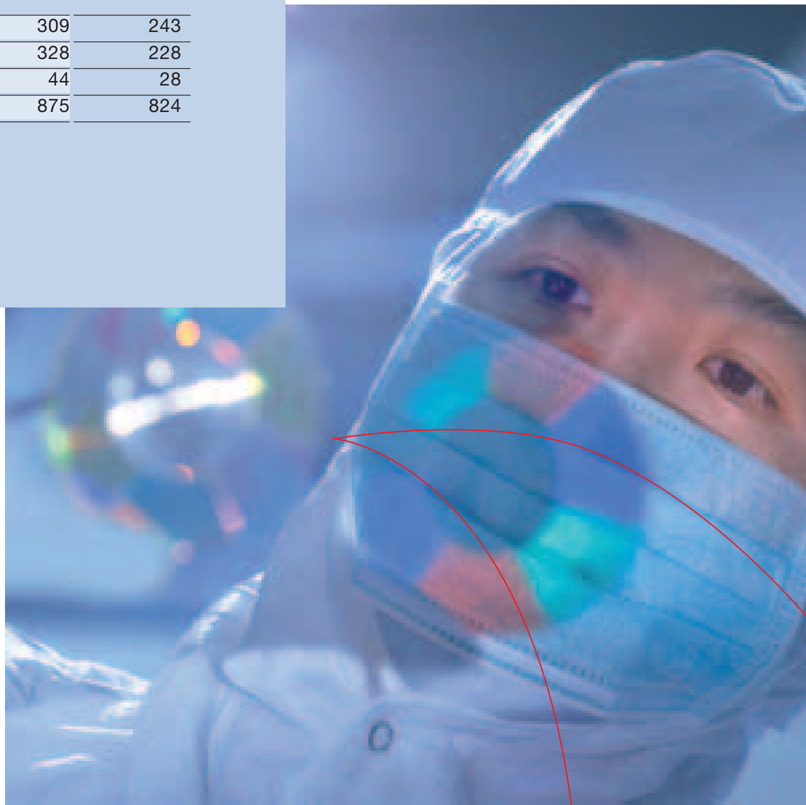
in CHF million	**2004**	2003
Orders received	309	243
Sales	328	228
Operating result (EBIT)	44	28
Number of employees	875	824

Unaxis is on board at every Ariane rocket launch. Payload fairings from Contraves Space protect satellites on their journey into space.



Home cinema is the up-and-coming form of entertainment. Components from Optics produce brilliant visuals in rear-projection televisions, too.

Light can be vitally important – in medicine, for example. Optics produces coatings for operating theater lighting, so nothing escapes the surgeon's eye.



How do projectors generate colored images? The complex color management systems inside contain Optics components like the "ColorWheel™" for a vibrant, high-quality picture.

For business presentations, or home cinema in company with family and friends – technology from Optics makes it a bright and unforgettable occasion.

OPTICS

Market

In 2004, Optics launched various products for new fields of application. As a result, the total volume represented by the relevant markets rose significantly from CHF 600 million to now stand at CHF 1 billion. Optics ranks among the leaders in all of the market segments it addresses. Significant growth was recorded in the projection display segment. In particular, sales of rear-projection televisions with micro-display technology surpassed expectations – in terms of units sold, volume rose by 150 percent within the space of one year. Optics gained a larger share of the biotechnology segment, achieving a growth rate of 15 to 20 percent. This was primarily attributable to cooperative ventures with leading pharmaceutical companies. In the mature lighting market segment, Optics commands a strong position in the entertainment area.

2004

Optics can look back on an extremely successful business year: in comparison to the previous year, the amount of orders received rose by 37 percent and sales by 90 percent. These gratifying results were mainly due to the continuing boom in rear-projection televisions. Thanks to the rapid expansion of production capacity at its Shanghai facility, Optics was able to keep up with the surge in demand. The division also recorded strong revenues from its assembly service for fully completed light-generating engines. On the whole, Optics last year enjoyed a high level of capacity utilization, which in turn contributed to a further improvement in profit margins.

Milestones

As evidenced by the number of new products introduced, Optics once again increased its pace of innovation. Moreover, efficiency gains will result from the integration by year's end of its Geisenheim (Germany) activities into the existing Balzers (Liechtenstein), Shanghai (China) and Golden (USA) facilities. As a result, Optics will have a single high-performance production plant in each of its market regions. Measures aimed at enhancing customer service progressed well – for example, Optics was able to accelerate the pace of order processing by a significant degree.

Among the most important new launches are lighting products for the entertainment segment, components for infrared lasers that are mainly used in the automotive industry, as well as components for MEMS (micro-electromechanical systems).

Sustainability

In 2004, Optics continued its efforts to reduce the use of environmentally hazardous materials. Almost all of its products and related manufacturing processes are based on nontoxic materials and process gases. Thanks to closed-loop cooling water systems, the quantity of water used during production has been significantly lowered. Optics also reduced further the amount of waste material generated in the coating process. A top priority for Optics is the implementation of an environmental management system.

Outlook

Despite modestly slower growth rates, the projection display segment will remain attractive again in the current year. Nevertheless, pricing pressures continue as a result of the trend toward ever-cheaper final products. Sales of rear-projection televisions with micro-display technology are likely to increase again in 2005. In order to maintain its leading position in the projection display segment and reduce costs even further, Optics will expand its production capacity in Shanghai in a targeted manner. At the same time, Optics is aggressively pursuing its entertainment lighting business and expanding the high-volume production of defect-free MEMs and camera lenses, thereby reducing its dependency on the projection display business. Thus on the whole, Optics anticipates that its 2005 sales and orders for optical components received should remain at high levels recorded in the previous year. However, the winding down of a major RPTV light engine project will add some uncertainty to total sales volume.

Market

The market for Space Technology (Contraves Space) has a volume of around CHF 200 million. Contraves Space is the partner of choice in the commercial market for payload fairings for European and American launch service providers. This field suffered in 2004 from the continuing stagnation in the telecommunications industry, as there were few telecommunications satellite launches. The European commercial launch service Arianespace is also facing growing pressure from global providers. In the institutional market segment, Contraves Space is participating in many significant programmes of the European Space Agency ESA. The entry into non-space markets is going well with the delivery of shutter mechanisms for lithographic systems in chip production.

2004

Given the difficult state of the market, the 2004 financial year proved satisfactory. Contraves Space registered a 22 percent advance in new orders. Sales, however, were down six percent on the previous year. One reason for this decline was the postponement of planned Ariane launches due to technical problems, with concomitant postponements in Contraves Space deliveries of payload fairings for those launches. In contrast, the ESA in 2005 commenced procurement for the European Automated Transfer Vehicle (ATV).

Among other elements, Contraves Space is supplying the structure for the ATV, which is designed to supply the ISS international space station on a regular basis.

Milestones

The first highlight in 2004 was the launch of the European comet probe Rosetta, carrying a mass spectrometer developed by Contraves Space. In the further course of the year a broadband optical network was developed for the SMOS environment monitoring satellite to enable significantly faster data transfer. In addition the flight units for various ESA satellite structures, such as Meteosat Second Generation, AMD Aeolus and PLANCK, were all delivered on time. Since November the European technology SMART-1 has been orbiting the moon with a steering mechanism supplied by Contraves Space for the innovative ion drive. Finally, at the end of the year there was the successful separation of the European Huygens probe from the American Cassini mothership. Contraves Space supplied the separation mechanism.

The opening highlight in the current year was the successful landing by Huygens on Saturn's moon Titan on 14 January 2005. This is the first European landing on another heavenly body.

Sustainability

Through its participation in the ESA research missions, such as the METOP meteorological satellite and the CryoSat observation satellite for researching the polar ice, Contraves is making an important contribution to global climate and environmental protection.

Outlook

Contraves Space expects sales in the 2005 financial year to be slightly down on the previous year. The main reasons are the continuing stagnation in the institutional market connected with ESA and a lack of stimulus from the telecommunications industry. However, the qualification flight of the powerful Ariane 5 launch vehicle in February 2005 proved very promising for the European space industry. In the Galileo European navigation system project, Contraves Space will have further good opportunities to develop mechanisms for deploying the solar generators.

2004 financial year

The semiconductor-related activities of Unaxis are in the process of being restructured and will be developed into a stand-alone supplier of equipment for wafer processing and semiconductor assembly and packaging. Unaxis has the goal of ensuring the sustainable competitiveness of its semiconductor-related business and returning it to the path of profitable growth. At the same time, the conditions are being created in which the business area can exercise its strategic and operative options independently. By 2007, the future Semiconductor Equipment segment should be capable of earning an EBIT margin in the magnitude of 15 percent beyond the course of just one market cycle. Going forward, the Display Technology division will no longer be a part of this segment. It is to be fundamentally restructured or transferred into an environment in which it can grow in a manner that reflects its market potential.

Semiconductor Equipment

Viewed as a discrete business operation, the future activities of the Semiconductor Equipment segment, which consists of the Wafer Processing and Assembly & Packaging (ESEC) divisions, recorded a year-over-year 42 percent increase in sales to CHF 462 million (2003: CHF 326 million). Orders received rose by 15 percent to CHF 437 million (2003: CHF 379 million). Wafer Processing was able to boost its operating efficiency by focusing on profitable market niches, consolidating its product range, and implementing a global sourcing strategy. Following a good first half of the year, ESEC was confronted in the final six months with a sharp decline in market demand due to production overcapacity among its customers and considerable pricing pressures. In total, the future semiconductor-related business activities of Unaxis recorded what was essentially an unchanged operating result of CHF –5 million (before restructuring costs and impairments).

Display Technology

In comparison to the previous year, Display Technology in 2004 recorded a 12 percent increase in sales (2003: CHF 94 million), however the amount of orders received declined by 29 percent to CHF 129 million (2003: CHF 183 million). During the financial year, the division incurred heavy expenditures for the development and market introduction of new system generations. A fundamental reassessment of Display Technology's projects, which took into account the related risks, resulted in a severely negative operating result (EBIT) of CHF –295 million. Included in that amount are restructuring costs and value adjustments to fixed asset in a total amount of CHF 55 million.

SEMICONDUCTOR EQUIPMENT

The Semiconductor Equipment segment consists of the Wafer Processing, Assembly & Packaging (ESEC) and Display Technology divisions. Wafer Processing is a leading provider of production systems for semiconductors. These systems are used in etching and coating of wafers. Assembly & Packaging (ESEC) is a global leading supplier of chip assembly equipment and system solutions for manufacturers of semiconductors. ESEC's machines are utilized in what is referred to as the back-end segment of the semiconductor industry, where they accomplish the assembly, electrical connection and testing of semiconductor components. Display Technology develops thin film deposition systems used for the production of TFT-LCD flat panel displays and solar cells. The Unaxis Solar business area develops innovative solutions for the production of thin film silicon solar cells.

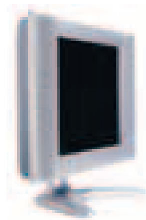
Key figures

in CHF million	2004	2003
Orders received	567	562
Sales	568	420
Operating result (EBIT)	–468	–98
Number of employees	1 768	1 674

The CLUSTERLINE 200 from Wafer Processing coats wafers destined for all kinds of applications – like the high-performance filters in mobile telephone chips that keep speech crisp and clear.

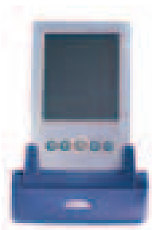
Thanks to Unaxis technology, mobile telephones are more capable than ever. As well as making and receiving calls, microchips inside also manage personal data, receive e-mail messages, send camera images…

Impressive size: Coating systems from Display Technology are in large part responsible for televisions with ever-wider screens.



Mobile flexibility: Laptop computers make the portable office a reality. The chips inside are made with systems from Wafer Processing.

Pocket-sized precision: Microchips in your "personal digital assistant" never miss a beat of your busy schedule. Technology from ESEC connects them with the outside world.



WAFER PROCESSING

Market

The market for semiconductor equipment in 2004 represented a total volume of CHF 34 billion. Of that, CHF 620 million – a 27 percent increase over the previous year – was attributable to the market segments Wafer Processing addresses. Due to its inherent cyclicality, the overall market is expected to record a zero rate of growth during the period between 2005 and 2007, whereas the segments of relevance to Wafer Processing, especially in the compound markets, are likely to grow at an estimated annual rate of six percent over the same time frame. Going forward, compound semiconductor & microtechnology markets should develop well, thanks to increasing demand in the areas of microelectronic components, LED systems and telecommunication applications. Wafer Processing is the global leader in production systems for the dry etching of photomasks, as well as for advanced packaging and thin-wafer processing. The division is also well positioned in its other market segments.

2004

Wafer Processing exploited the recovery in market demand and recorded a 13 percent increase in orders received, as well as a 21 percent rise in sales. In etching equipment for photomasks, Wafer Processing was able to increase its share of the market. Through the consolidation of its product offering to focus on only two major platforms – CLUSTERLINE® and VERSALINE – as well as the implementation of its global procurement strategy, Wafer Processing achieved further improvements in operating efficiency. Thanks to market growth, expanded market share and enhanced efficiency, Wafer Processing managed to return to profitability in the 2004 financial year.

Milestones

For the fifth time in a row, Wafer Processing received the "VLSI 10 Best" award in the "Small Suppliers of Wafer Processing Equipment" category. Last year witnessed the successful launch of the new VERSALINE deposition and etching system that was conceived especially for laboratory applications and mid-sized production runs, receiving more than 20 VERSALINE system orders. The MASK ETCHER IV, which was introduced in 2003 and for the first time enables etching of photomasks of the 65 nm technology generation, gained a solid foothold across a broad front in the marketplace. And not least of all, additional "Top 10" semiconductor manufacturers opted for the CLUSTERLINE® platform.

The renowned market research institute, VLSI Research, each year honors those suppliers that have demonstrated excellence in their technologically leading products and outstanding customer service.

Sustainability

Wafer Processing is a leader in the field of new production technologies that reduce the amount of consumable materials both during chip production and in the finished product itself. As a result, the processes from Wafer Processing enable a more efficient and thus more environmentally friendly use of process gases employed in manufacturing. Newly developed materials, such as silicon-germanium, make it possible to produce faster and more energy-efficient chips.

Outlook

The overall semiconductor market is expected to record only modest growth in 2005. However, as a result of the anticipated investments in photomask systems, PVD equipment in advanced packaging, the metallization of ultrathin wafers, and in the bulk acoustic wave (BAW) area, the business segments of relevance to Wafer Processing are likely to develop in a favorable manner. Wafer Processing expects its sales to increase during the first half of 2005. Key priorities for Wafer Processing in the current year will be to expand its market share, introduce disruptive technology, and to further increase its profitability.

Market

In 2004, total turnover in the market for back-end equipment amounted to CHF 1.7 billion, an approximate 50 percent increase over the previous year. During the second half of 2004, however, a pronounced weakening trend set in. Also in the future, these cyclical fluctuations in demand will continue to characterize the back-end market. Average annual growth rates over the next five years are forecast to be approximately eight percent, with growth being driven mainly by new processing technologies as well as the increasing demand for semiconductor components. ESEC is the global leader in die bonding as well as the high-end segment of flip-chip bonding. In the wire bonding area, ESEC has made it a goal to gain market share with its new Wire Bonder 3100 platform.

2004

In 2004, ESEC was able to benefit from the market upswing, recording a 17 percent increase in orders received, as well as a 62 percent rise in sales. The course of business at ESEC during the first half was particularly gratifying, however the second half witnessed the onset of a noticeable decline in demand as a result of overcapacity in the industry. The persistently weak dollar also exerted a negative influence on the division's results. Market introduction of the new Wire Bonder 3100 was more time-intensive than originally foreseen, which is why its sales targets for 2004 were not achieved. Thanks to improvements in its supply chain management, ESEC managed to reduce production costs and, despite the sharp fluctuations in order flow, shorten its delivery times. The division's focus on key accounts proved its worth. Owing to the good balance between customers in its two major segments (integrated manufacturers of semiconductors, and assembly subcontractors) as well as their geographic dispersion among Asia, Europe and the USA, ESEC was able to improve earnings and simultaneously reduce business risks.

Milestones

Excellent sales of the Die Bonder 2008hS (high Speed) enabled ESEC to increase its market share by a significant margin of more than 25 percent in the die bonding segment. The continuing enhancement of existing platforms proceeded according to plan and will be completed in the first half of 2005. In parallel, ESEC is developing a fundamentally new die attach platform. Following successful functional tests, the prototype phase is now underway. These new product generations will create the conditions for ESEC to maintain its leading position in the die attach market over the long term. A number of successful evaluation runs at customer facilities have proven the technological leadership of the new WB 3100, thus creating a solid point of departure for 2005.

Sustainability

The project initiated in 2003 to identify any environmentally hazardous materials in machines and packaging was continued last year with the goal of reducing the use of such materials by 90 percent before the end of 2006. In 2004, the major focus was on conducting a detailed analysis of the WB 3100, which revealed that only about six percent of its component parts contain questionable substances. ESEC, in collaboration with the relevant suppliers, is currently searching for alternative solutions for those parts.

Outlook

Forecasting the market for back-end equipment remains a difficult assignment. From today's vantage point, ESEC is going on the assumption that demand in 2005 will be modestly weaker than last year. Accordingly, the division's 2005 business results are likely to come in lower than the previous year. By rapidly shifting its production activities to Asia, ESEC is also ensuring that it will remain cost-competitive in the years to come.

DISPLAY TECHNOLOGY

Market

Measured on the basis of unit sales, the market for flat panel displays once again demonstrated robust growth in 2004. This was primarily attributable to the marked decline in the per-unit cost of small and medium-sized LCD panels, a development that also put pressure on margins. The market for production equipment in which Display Technology is active generated a volume of approximately CHF 1 billion in 2004. The division was able to defend its position as the world's number 2 supplier of such equipment. The photovoltaics market of relevance to Unaxis Solar is growing at annual rates in excess of 25 percent. As a provider of full-range solutions for the production of large-surface thin film cells, Unaxis Solar commands a leading position in this segment.

Currently, monitors for notebooks represent the most significant growth factor in the flat panel display market, while flat screen TVs will be the source of the next surge in demand. The total turnover in this market doubled in 2004, and the coming years should witness growth rates that are predicted to be in the magnitude of 100 percent annually – for 2005, that corresponds to 16 million units sold.

2004

2004 sales at Display Technology slightly outpaced the previous year's total, mainly due to orders received during the first half of the year for Generation 7 systems. However, due to overcapacity in the market, the second half witnessed a sharp decline in orders received. The high investment costs for development of new system generations, as well as expenditures for adaptations to meet customer specifications, had a severely unfavorable impact on the division. As a consequence, Display Technology recorded highly negative operating earnings.

Milestones

As a result of the heavy losses incurred in the past financial year, a radical restructuring of Display Technology was initiated. In that connection, significant value adjustments to the non-current assets of the division had to be made. For costs associated with remedying technical problems, it was necessary to establish provisions that placed a heavy burden on the company's consolidated results. In June 2004 at the global photovoltaics conference in Paris, Unaxis Solar presented for the first time production-size modules. The conference organizers acknowledged Unaxis Solar as representing a highlight in the area of thin film photovoltaics. In December, it received from a German customer the first order for a KAI 1200 production unit, thereby passing an important milestone on its path to becoming a full-range supplier of thin film silicon solar cells.

Sustainability

In general, LCD flat panel displays are more environmentally friendly than traditional monitors that employ cathode ray tubes. Producing them requires fewer material resources and their operation consumes less energy. With its activities in the area of solar technology, Display Technology is making a direct contribution towards a more ecologically compatible means of producing energy. Its production processes enable cost-efficient production of solar cells on the basis of thin film technology. And that is a prerequisite if this form of power generation is to gain a foothold in the market of the future.

Display Technology's production process is based on thin film technology and enables cost-effective production of solar cells – a prerequisite for this form of energy to gain sway in the market of the future.

Outlook

Following the favorable unit-sales growth witnessed in the flat panel display market during 2004, a slowdown in the current year is likely to result from overcapacity. Display Technology anticipates that its 2005 sales will be roughly equivalent to the prior-year total. A key priority for Display Technology in the current year will be to ensure a rapid and comprehensive implementation of the restructuring measures. At the same time, the technical problems that have arisen with certain products must be remedied quickly. In view of the investments planned by customers, the division is focusing on sales of Generation 4 and 5 systems. For 2005, Unaxis Solar has set the goals of building and operating the first production line for silicon solar cells, as well as transferring its technology to the production size of 1.4 m^2.

Advanced Packaging
A market sector served by the Unaxis Wafer Processing division. Advanced Packaging is about bridge-building: electrical bridges from one bare chip to its neighbor, and between chips and circuit boards. There are also mechanical and thermal bonds inside complex chip packages, and myriad connections to the “outside world”.

Advanced Silicon
A market sector served by the Unaxis Wafer Processing division. Multi-layer metallized ICs and thin, back-metallized wafers find uses in discrete component manufacturing and SiGe process technology. Advanced silicon techniques boost performance in high-end and commodity computers, PDAs (Personal Digital Assistants), and consumer electronics products.

Assembly & Packaging
A Unaxis division, as well as the term used to describe a production process for encapsulating integrated circuits inside a molded outer casing. Contact pads on the chip are bonded with external through-contacts on the casing, and then the integrated circuit (chip) proceeds to the next manufacturing step.

Automated Transfer Vehicle (ATV)
An unmanned space transporter. The ATV will go into space aboard an Ariane 5 launcher, and then automatically dock with the ISS international space station. The ATV is a single-use vehicle designed to re-provision the ISS and apply orbital corrections to the space station, with thrust from its on-board rocket motor. Supply flights are planned every 18 months starting in 2005. The ATV is a major contribution by the European Space Agency to the ISS project, and the structural system from Contraves Space is one of its key components.

Back End
The second phase in the chip production chain. Back-end processes involve slicing the finished wafer into single chips (dicing); affixing those chips to a substrate (die bonding); wiring gold, aluminum or copper electrical connections between the chip and corresponding pads on the substrate (wire bonding); plastic-encapsulating the assembled chip (molding); identifying the molded package (marking); then a final test of the entire semiconductor device.

BAW
In mobile phones, two BAW filters (Bulk Acoustic Wave resonators) ensure perfect transmission and reception at one frequency. A tri-band mobile phone therefore needs six BAWs, while Bluetooth and WLA, for example, require an additional two each. The advantage compared with other filters available on the market is that all BAWs are integrated in the chips (system on chip). The wafers for chip production come from the Unaxis clusterline system.

BioChip
An aid to accelerated and deeper understanding of activity in cells, bodily organs, plants, animals, as well as humans. A BioChip substrate has a coating with thousands of microscopic reaction sites that might contain molecules of DNA, or proteins, for example. These molecules react exclusively with their complementary reaction partners – the lock-and-key principle. This means samples of cell material can be analyzed for the presence of specific reaction partners. Thousands of biological lock-and-key reactions can take place in parallel on a BioChip substrate.

Blanking and Punching
A mechanical engineering process for stamping out parts from sheet or strip metal, using a punch and die. In blanking, the released profile becomes the workpiece. Punching is the exact reverse, putting holes in a workpiece made of sheet or strip metal.

Blu Ray
Blu Ray is a product that can be described as the successor to DVD. Compared with the DVD system commonly available today which is read and recorded by means of a red laser, the Blu Ray is read by a blue laser. The blue laser has a shorter wavelength than the red laser. This means that the blue laser is capable of reading and storing more information in the same space (i.e. more closely packed). The storage capacity of a Blu Ray varies between about 23 GB and 27 GB.

Bonding
Joining together a pair of materials with the aid of adhesives.

Carrier rockets
Carrier rockets are the vehicles that transport satellites or human beings (astronauts) into space. Their powerful engines are single-use only, unlike the rocket drives fitted to the space shuttle.

Chip (also: Semiconductor)
A wafer element containing a complete semiconductor device circuit.

CD R
Compact Disk Recordable. The writable disk has achieved ubiquity in the wake of the CD medium’s introduction in 1982. The polycarbonate disks have diameters of 8 or 12 cm and can store up to 840 MB of data.

CD RW
A rewritable version of CD R that can store up to 650 MB using phase-change technology.

Composite Technology
Composite technology is a form of production in which so-called composite materials are used (generally carbon fiber-reinforced aluminum honeycomb). This technology is called for in applications where the products need to be very light yet very strong – for example in the aerospace industry.

Compound Semi & Microtechnology
A market sector served by the Unaxis Wafer Processing division. The term describes the technology of compound semiconductors (not silicon-based applications) and microtechnologies such as MEMS (MEMS = Micro Electro Mechanical System) and MOEMS (MOEMS = Micro Opto Electro Mechanical System).

Cutting
A production technique whereby a sharp-edged cutting tool shaves material off the work piece. Cutting processes include drilling, milling, turning, thread cutting, sawing, planing and reaming.

Die Attach
A market sector served by the Assembly & Packaging division (ESEC). Also, a collective term for die bonding and flip chip bonding – two core technologies in the semiconductor industry.

Die Bonding
A die bonder machine affixes bare, unprotected semiconductors (chips) to a carrier substrate using solder or epoxy adhesive.

Die Casting
Production of metal parts by forcing molten metal into a mold.

Diesel Injection System
The fuel supply side of a diesel engine.

DVD
Digital Versatile Disk or Digital Video Disk. Since its introduction in 1997, DVD has proved a massively popular data storage medium. DVDs are made of 1 or 2 sandwiched polycarbonate disks 8 or 12 cm diameter, like a CD. Storage capacities range from 4.7 GB (DVD-5) to 17 GB (DVD-18), depending on disk type. DVD-9 is a current successful format for recording and replaying films and other video entertainment.

DVD R
The recordable version of DVD, which uses coatings mostly based on organic dye.

DVD+R Double Layer
DVD+R double layer: a DVD consists of two disks, each 0.6 mm thick. With the conventional DVD which has a storage capacity of 4.7 GB only one side can be recorded. With the double layer on the other hand, both sides can be recorded which results in the storage capacity almost doubling to 8.5 GB.

Etching
A chemical reaction process for stripping away solid material. Etching may be “wet” (using liquid chemicals) or “dry” (in a gas plasma). Etching is a key process in semiconductor manufacturing.

Evacuation
A physical process for extracting gas from a vessel. Evacuation techniques fall into two common categories: gas transfer pumps evacuate gas via an inlet and outlet to the outside atmosphere. Gas-binding vacuum pumps operate in self-contained fashion within the vessel, by binding gas molecules to their interior surfaces.

Flip Chip Bonding
An assembly technology that is a hybrid of die and wire bonding. Chips that have been prepared with tiny solder globules at the wafer stage are attached facedown to a matching substrate.

Forming
The process of applying mechanical pressure to a metal component in order to produce the desired three-dimensional form. Thin metal is sheet-formed; solid metal pieces are massive-formed.

Galvanizing
Electrochemical processing of metallic surfaces. A coat of dissimilar metal is electrolytically deposited in baths of metallic salt solution; the passage of electric current decomposes the dissolved metallic compounds.

Hard Disk
A magnetic disk capable of storing large quantities of data. Most hard disks reside permanently in their housings; removable hard disk cartridges are less common. Hard disks are the persistent storage memory found in computers, digital cameras and other electronic products. Data access is via a read/write head that moves mechanically across the hard disk surface.

High Definition DVD
High definition DVD: next generation of the DVD system commonly in use today. High definition DVD has a storage capacity of approx. 15 GB, whereas the usual DVD today has a storage capacity of “only” 4.7 GB.

IC (Integrated Circuit)
An electronic component made of semiconductor material (usually silicon). It is a single unit that includes every functional component of the circuit, plus electrical conductors.

LCD (Liquid Crystal Display)
A technology for displaying characters and images in notebook and compact computing devices, and color televisions. An LCD surface is ruled with tiny segments (pixels) that transmit light when a voltage is applied and combine to form patterns of recognizable information.

Lighting
A market sector served by the Optics division, which manufactures coated optical components for medical and technical illumination, and entertainment applications.

Lightweight Structures
Extremely light yet rigid structures, capable of withstanding the heavy launch stresses and temperature excursions encountered in space travel. The Space Technology division (Contraves Space) develops composite materials for satellite platforms and other load-bearing parts, made of carbon or glass-fiber layers around a light alloy core.

Liquid Crystal on Silicon (LCOS™)
A silicon-based reflective liquid crystal imaging element used in high-resolution displays and projectors.

Mastering
The process of making a metal template original from which optical storage media (CD, DVD) can be replicated.

Metallizing
Deposition of single or multiple ultra-thin reflecting layers of metal (e.g. silver) onto optical storage media. Reflective metallizing bounces the laser beam that reads and writes data on the medium.

Packaging
A collective term that covers a swathe of technologies for encasing semiconductor chips and creating electrical and other links between integrated circuits and the "outside world."

Payload Fairing
Satellites are transported into space with carrier rockets. They are placed in the nose of the carrier rocket under the payload fairing. This protects the satellites (payload) from thermal, acoustic and aerodynamic influences before and during the launch and during the flight through the atmosphere, and gives the rocket nose the correct aerodynamic shape. The payload fairing is explosively jettisoned as soon as the carrier rocket has left the atmosphere at an altitude of about 100 km.

PDA (Personal Digital Assistant)
An electronic diary, or "organizer," for managing and checking appointments and addresses.

PECVD (Plasma Enhanced Chemical Vapor Deposition)
A gas-phase chemical deposition technique involving plasma electrons that make the process operable at low temperatures. Conventional CVD processes require higher substrate temperatures in order to break existing chemical bonds and release the desired species from the gas.

Photolithography
The process of projecting a photomask pattern or image with UV light onto a wafer coated with photosensitive emulsion.

Photomasks
A market sector served by the Unaxis Wafer Processing division. A term given to the photolithographic masks used in chip manufacturing.

Plastic Injection Molding
A technique for producing plastic parts by forcing molten plastic into a mold.

Precision Technology
A Unaxis core competence. A blend of applied mechanics, IT, physics and chemistry for delicate processes. Interdisciplinary exchange drives development of innovative equipment and products.

Projection Display
An Optics division business unit. Projection Display produces optical components and modules for color management in data and video projectors, and rear-projection TVs.

PVD (Physical Vapor Deposition)
A coating process in which molecules from a solid body of material are dislodged by positively charged particles in an electromagnetic field and deposited onto a substrate. PVD can be used to make electrical contacts and connections, for example.

Replication
The industrial process for copying optical storage disks (CD, DVD) from a template master.

SiGe (Silicon-Germanium)
A physical compound of the elements silicon and germanium. Silicon is a longstanding basic semiconductor material. Adding traces of germanium produces a new, enhanced-performance semiconductor. Faster SiGe chips are contributing to present and upcoming electronic performance enhancements.

TFT (Thin Film Transistor)
A technology used by the liquid crystal displays (LCDs) found in notebook and laptop computers. Every picture element (pixel) in the display is electronically controlled by its own thin film transistor. That reduces the amount of current needed to make the pixels respond, and provides a faster display of moving images.

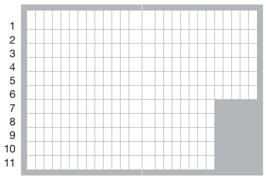
Thin Film Technology
A Unaxis core competence. The technology is used to deposit a layer of material with as little as one-thousandth the thickness of a human hair onto a substrate. Such ultra-thin coatings can filter and reflect light, protect and enhance surfaces, insulate against heat or cold, conduct and control electric current, and are also vital to information storage.

Vacuum Technology
A Unaxis core competence; essential in numerous surface treatment processes. Vacuum assures dust-free environments and the precisely controlled conditions essential to uniform surface coatings and thermal surface hardening. Unaxis is changing this area of manufacturing with its innovative production processes and equipment.

Wafer
A polished slice cut from a drawn cylinder of monocrystalline silicon, and the starting point in chip manufacture. A wafer is less than 1 mm thick and may have a diameter between 25 and 300 mm, depending on the material involved.

Wafer Processing
A Unaxis division, and the term for wafer handling and production.

Wire Bonding
A market sector served by the Unaxis Assembly & Packaging division (ESEC). Wire bonding equipment makes electrical connections using fine gold, aluminum or copper wires to bridge the pads on the bare semiconductor (chip) and corresponding contacts on the substrate (lead frame).



From left to right

Row 1
- Yan Xu, Optics, China
- Marius Baumgartner, Coating Services, Liechtenstein
- Angela Ammann, Coating Services, Liechtenstein
- Christian Anliker, Space Technology, Switzerland
- Brigitte Amacker, Data Storage Solutions, Liechtenstein
- Fachri Atamny, Display Technology, Liechtenstein
- Yuelan Xu, Optics, China
- Torsten Beyer, Vacuum Solutions, Germany
- Andrea Zimmermann, Wafer Processing, Liechtenstein
- Doris Brülisauer, Optics, Liechtenstein
- Alberto Biana, Coating Services, Spain
- Isni Deari, Coating Services, Liechtenstein
- Cesar Teixeira, Space Technology, Switzerland
- Rolf Bazlen, Data Storage Solutions, Liechtenstein
- Karin Büchel, Display Technology, Liechtenstein
- Daniela Feuchtl, Headquarters, Switzerland
- Jörn Creutzmann, Vacuum Solutions, Germany
- Dania Bergamin, Wafer Processing, Liechtenstein
- Mike Chen, Optics, China
- Jane Cai, Coating Services, China
- Martin Hehli, Coating Services, Liechtenstein
- Pascale Christen, Space Technology, Switzerland
- Thomas Emch, Headquarters, Switzerland
- Pamela Dermota, Display Technology, Liechtenstein
- Sandra Fischer, Headquarters, Switzerland
- Marcus Eisenhuth, Vacuum Solutions, Germany

Row 2
- Florim Dalipi, Wafer Processing, Liechtenstein
- Eva Fialova, Optics, Liechtenstein
- Kent Connell, Coating Services, USA
- Franziska Messmer, Coating Services, Liechtenstein
- Teresa Braun, Space Technology, Switzerland
- Adrian Guntli, Data Storage Solutions, Liechtenstein
- Miquel Escola Figuera, Display Technology, Liechtenstein
- Carmen Flühler, Headquarters, Switzerland
- Joyce Lo, Vacuum Solutions, Taiwan
- Helmut Daxinger, Wafer Processing, Liechtenstein
- Mel Francis, Optics, USA
- Vinzens Dosch, Coating Services, Liechtenstein
- Heidi Plangger, Coating Services, Liechtenstein
- Michelle Gehrig, Space Technology, Switzerland
- Nadja Jonker, Data Storage Solutions, Liechtenstein
- Takeshi Fujimoto, Display Technology, Liechtenstein
- Marlis Gloor, Headquarters, Switzerland
- Dennis Pellegrino, Vacuum Solutions, USA
- Heinz Felzer, Wafer Processing, Liechtenstein
- Sabine Good, Optics, Liechtenstein
- Jong-Seong Gim, Coating Services, Korea
- Belinda Postl, Coating Services, Liechtenstein
- Qing Zhang, Optics, China
- Ursina Kesseli, Data Storage Solutions, Liechtenstein
- Bettina Grabher, Display Technology, Liechtenstein
- Philipp Gamper, Headquarters, Switzerland

Row 3
- Marlis Sydow, Vacuum Solutions, Germany
- Gitte Jensen, Wafer Processing, Liechtenstein
- Anton Hafner, Optics, Liechtenstein
- Giancarlo Gullo, Coating Services, Italy
- Susanne Seisenbacher, Coating Services, Liechtenstein
- Jan Coebergh, Space Technology, Switzerland
- Andrea Möhr, Data Storage Solutions, Liechtenstein
- Hirofumi Sawamoto, Display Technology, Liechtenstein
- Marianne Haegi, Headquarters, Switzerland
- Ting Zhao, Optics, China
- Regula Kobler, Wafer Processing, Liechtenstein
- Joe Haggerty, Optics, Liechtenstein
- Yolanda Roggo, Coating Services, Liechtenstein
- Sabine Geser, Coating Services, Liechtenstein
- Bao Zhong, Optics, China
- Jens Baumann, Data Storage Solutions, Liechtenstein
- Patricia Nauer, Display Technology, Liechtenstein
- Vaibhav Kadikar, Headquarters, Switzerland
- Peter Alsbach, Vacuum Solutions, Germany
- Guntram Mündle, Wafer Processing, Liechtenstein
- Bernadette Kalberer, Optics, Liechtenstein
- Jianmin Xiong, Coating Services, Liechtenstein
- Erich Matscher, Coating Services, Liechtenstein
- Mercedes Dominguez, Space Technology, Switzerland
- Cornelia Schädler, Data Storage Solutions, Liechtenstein
- Michiel Post van der Molen, Display Technology, Liechtenstein

Row 4
- Monika Maranta, Headquarters, Switzerland
- Mingxia Zhu, Optics, China
- Julien Wu, Wafer Processing, Liechtenstein
- Svetlana Kerber, Optics, Liechtenstein
- Willy Boghe, Coating Services, Belgium
- Pascal Pellaton, Coating Services, Liechtenstein
- Teresa Pagano, Space Technology, Switzerland
- Stephan Ruoss, Data Storage Solutions, Liechtenstein
- Gerold Buechel, Display Technology, Liechtenstein
- Minal Patel, Headquarters, Switzerland
- Marcus Ewelt, Vacuum Solutions, USA
- Markus Hardegger, Data Storage Solutions, Liechtenstein
- Amy Garcia, Wafer Processing, USA
- Young-Kyun Kim, Optics, Korea
- Hans Brändle, Coating Services, Germany
- Thomas Schweizer, Coating Services, Liechtenstein
- Carmen Syfrig, Space Technology, Switzerland
- Marco Beutler, Data Storage Solutions, Liechtenstein
- Peter Duivenstijn, Display Technology, Liechtenstein
- Geneviève Rudin, Headquarters, Switzerland
- Günter Hauck, Vacuum Solutions, Germany
- Marco Beer, Wafer Processing, Liechtenstein
- Andrew Raheb, Wafer Processing, USA
- Michaela Lässer-Walt, Optics, Liechtenstein
- Valentin Bühler, Coating Services, Liechtenstein
- Daniel Wascher, Coating Services, Liechtenstein

Row 5
- Adriano Valadas, Space Technology, Switzerland
- Beat Cabernard, Data Storage Solutions, Liechtenstein
- Christoph Ellert, Display Technology, Liechtenstein
- Monika Sasse, Headquarters, Switzerland
- Reiner Haupt, Vacuum Solutions, Germany

- Roman Cadalbert, Wafer Processing, Liechtenstein
- Aziza McWhorter, Wafer Processing, USA
- Björn Thieme, Space Technology, Switzerland
- Walter Campos, Coating Services, Brazil
- Martin Wolf, Coating Services, Liechtenstein
- Brian Owen Wood, Space Technology, Switzerland
- Arno Zindel, Display Technology, Liechtenstein
- Reto Köpfli, Display Technology, Liechtenstein
- Martina Schuler, Headquarters, Switzerland
- Ulrich Jung, Vacuum Solutions, Germany
- Suke Li, Vacuum Solutions, China
- Carolyn Mitchell, Wafer Processing, USA
- Cui Jun, Display Technology, China
- Marek Danis, Coating Services, Poland
- Manfred Wurzer, Coating Services, Liechtenstein
- Eric Bigot, Space Technology, Switzerland
- Thomas Eisenhammer, Data Storage Solutions, Liechtenstein
- Hansueli Niederer, Display Technology, Liechtenstein
- Tamaki Tsuchiya, Headquarters, Switzerland
- Edgar Knobloch, Vacuum Solutions, Germany
- Philippe Hilty, Wafer Processing, Liechtenstein

Row 6
- Cecilia Nunez-Gomez, Wafer Processing, USA
- Gregor Seekirchner, Optics, Liechtenstein
- Göran Hansson, Coating Services, Sweden
- Sonja Sandmeier, Optics, Liechtenstein
- Luke Li, Vacuum Solutions, China
- Markus Poppeller, Display Technology, Liechtenstein
- Oliver Bärtschi, Headquarters, Switzerland
- Shirley He, Data Storage Solutions, China
- Kurt Hopfgartner, Wafer Processing, Liechtenstein
- Frank Neumann, Wafer Processing, USA
- Scott Köhler, Vacuum Solutions, USA
- Haiping Duan, Vacuum Solutions, China
- Mun Pok Cheang, Assembly & Packaging, China
- Donny Chen, Vacuum Solutions, China
- Verena Schumacher, Optics, Liechtenstein
- Charles Chen, Optics, China
- Roger Luo, Vacuum Solutions, China
- Jennifer Wang, Vacuum Solutions, China
- Mathias Burkhalter, Space Technology, Switzerland
- Joyce Huang, Display Technology, China
- Jiri Springer, Display Technology, Liechtenstein
- Robert Zhai, Vacuum Solutions, China
- Nicholas Krenytzky, Vacuum Solutions, Germany
- Michael Krähemann, Wafer Processing, Liechtenstein
- Gary Hall, Wafer Processing, USA
- William Ruan, Data Storage Solutions, China

Row 7
- Darren Lu, Vacuum Solutions, China
- Kevin Chen, Assembly & Packaging, China
- Andrea Stahl, Optics, Liechtenstein
- Hai Yan Sun, Display Technology, China
- Antonio Di Carlo, Space Technology, Switzerland
- Ark Cheng, Vacuum Solutions, China
- Peter Hübner, Coating Services, Liechtenstein
- Sandro Bussinger, Space Technology, Switzerland
- Markus Good, Data Storage Solutions, Liechtenstein
- Bin Zhang, Vacuum Solutions, China
- Sunny Zhai, Vacuum Solutions, China
- Monika Mattern-Klosson, Vacuum Solutions, Germany
- Roman Lanz, Wafer Processing, Liechtenstein
- Luis Rosado, Wafer Processing, USA
- Morning Zhao, Data Storage Solutions, China
- Lara Smith, Optics, Liechtenstein
- Kevin Ho, Assembly & Packaging, China
- Andreas Meyer, Data Storage Solutions, Liechtenstein
- Jörg Frey, Data Storage Solutions, Liechtenstein
- Tianwen Di, Optics, China
- Silvia Tucker, Optics, Liechtenstein

Row 8
- Karl A. Kalt, Coating Services, Liechtenstein
- Yan Chen, Optics, China
- Carsten Liske, Data Storage Solutions, Liechtenstein
- Israel Wagner, Display Technology, Liechtenstein
- Othmar Züger, Optics, USA
- Rogier Lodder, Wafer Processing, Liechtenstein
- Mike Viste, Wafer Processing, USA
- Vivi Shen, Vacuum Solutions, China
- Nang Hailong, Assembly & Packaging, China
- Pandi Deng, Vacuum Solutions, China
- Julia Li, Display Technology, China
- Andreas Bächli, Optics, Liechtenstein
- Mike Ji, Optics, China
- Ramesh Keskar, Coating Services, India
- Max Fehr, Space Technology, Switzerland
- Cherry Cong, Vacuum Solutions, China
- Jun Zhou, Assembly & Packaging, China
- Frank Stotzem, Vacuum Solutions, Taiwan
- Thomas Oberli, Wafer Processing, Liechtenstein
- Omar Padro, Wafer Processing, USA
- Jon Wang, Vacuum Solutions, China

Row 9
- Jian Zhong Wang, Assembly & Packaging, China
- Richard Biese, Optics, Liechtenstein
- Yibing Li, Display Technology, China
- Irene Lee, Optics, China
- Rick Barrett, Optics, USA
- Alberto Ravagni, Coating Services, Liechtenstein
- Gerhard Olbort, Space Technology, Switzerland
- Ralph Ohr, Data Storage Solutions, Liechtenstein
- Thomas Schädler, Wafer Processing, Liechtenstein
- Tina Karwich, Wafer Processing, USA
- Stephanie Zhang, Assembly & Packaging, China
- Andy Gao, Vacuum Solutions, China
- Lin Chen, Display Technology, China
- Li Wang, Optics, China
- Gerhard Becker, Optics, Liechtenstein
- René Ronchetti, Coating Services, France
- Shong Lian Sheng, Optics, China
- Oliver Rattunde, Data Storage Solutions, Liechtenstein
- Anton Scherrer, Wafer Processing, Liechtenstein
- Heidy Egli, Optics, Liechtenstein
- Gong Denfer, Vacuum Solutions, China

Row 10
- Jian Liu, Display Technology, China
- Raymond Liu, Optics, China
- Sam Ding, Vacuum Solutions, China
- Marcus Sander, Vacuum Solutions, Germany
- Klaus Kudielka, Space Technology, Switzerland
- Edgar Rauch, Data Storage Solutions, Liechtenstein
- Anna Schlegel, Wafer Processing, Liechtenstein
- Lesley Guo, Vacuum Solutions, China
- Liu Wenbin, Display Technology, China
- Jinxiu Ma, Optics, China
- Helmut Blümel, Optics, Liechtenstein
- Thomas Schattauer, Coating Services, Liechtenstein
- Eginaldo Kamata, Space Technology, Switzerland
- Ralf Reschke, Data Storage Solutions, Liechtenstein
- Ruedi Schmucki, Wafer Processing, Liechtenstein
- O’Neal Hao, Vacuum Solutions, China
- Kevin Lu, Display Technology, China
- Matthias Heer, Space Technology, Switzerland
- Pascal Büchel, Optics, Liechtenstein
- Andreas Schmalz, Coating Services, Japan
- Ulrich Krähenbühl, Space Technology, Switzerland

Row 11
- Hartmut Rohrmann, Data Storage Solutions, Liechtenstein
- Angelo Testoni, Wafer Processing, Liechtenstein
- Jessie Huang, Vacuum Solutions, China
- Jolly Shen, Display Technology, China
- Wei Shi, Optics, China
- Johan Callewaert, Optics, Belgium
- Hans Schulz, Coating Services, Liechtenstein
- Balz Lingg, Space Technology, Switzerland
- Stefan Seifried, Data Storage Solutions, Liechtenstein
- Giorgio Motta, Optics, Italy
- Ashley Jin, Vacuum Solutions, China
- An Dong Tang, Display Technology, China
- Ruilian Wang, Optics, China
- Jae-Ho Choi, Optics, Korea
- Roger Kirschner, Optics, USA
- Andreas Märki, Space Technology, Switzerland
- Christoph Wilhelm, Data Storage Solutions, Liechtenstein
- Dieter Zimmermann, Wafer Processing, Liechtenstein
- Alex Li, Vacuum Solutions, China
- Aaron Zhao, Display Technology, China
- Jianjun Wang, Optics, China

Unaxis Corporate Governance follows the "Swiss Code of Best Practice for Corporate Governance" as well as internationally recognized standards.

Unaxis feels a strong sense of obligation to uphold the recognized principles of good corporate governance as laid out in the "Swiss Code of Best Practice for Corporate Governance" propounded by "economiesuisse". By addressing this justified concern, Unaxis aims to sustain and increase the trust placed in it by the company's present and future shareholders, providers of funding, employees and business partners, as well as the general public.

Responsible corporate governance requires transparency with regard to the organization of management and control mechanisms at the uppermost echelons of the enterprise. Therefore, the "Directive on Information Relating to Corporate Governance" (DCG), enacted by the SWX Swiss Exchange and effective since July 1, 2002, requires issuers of securities to make certain key information pertaining to corporate governance available to investors in an appropriate form.

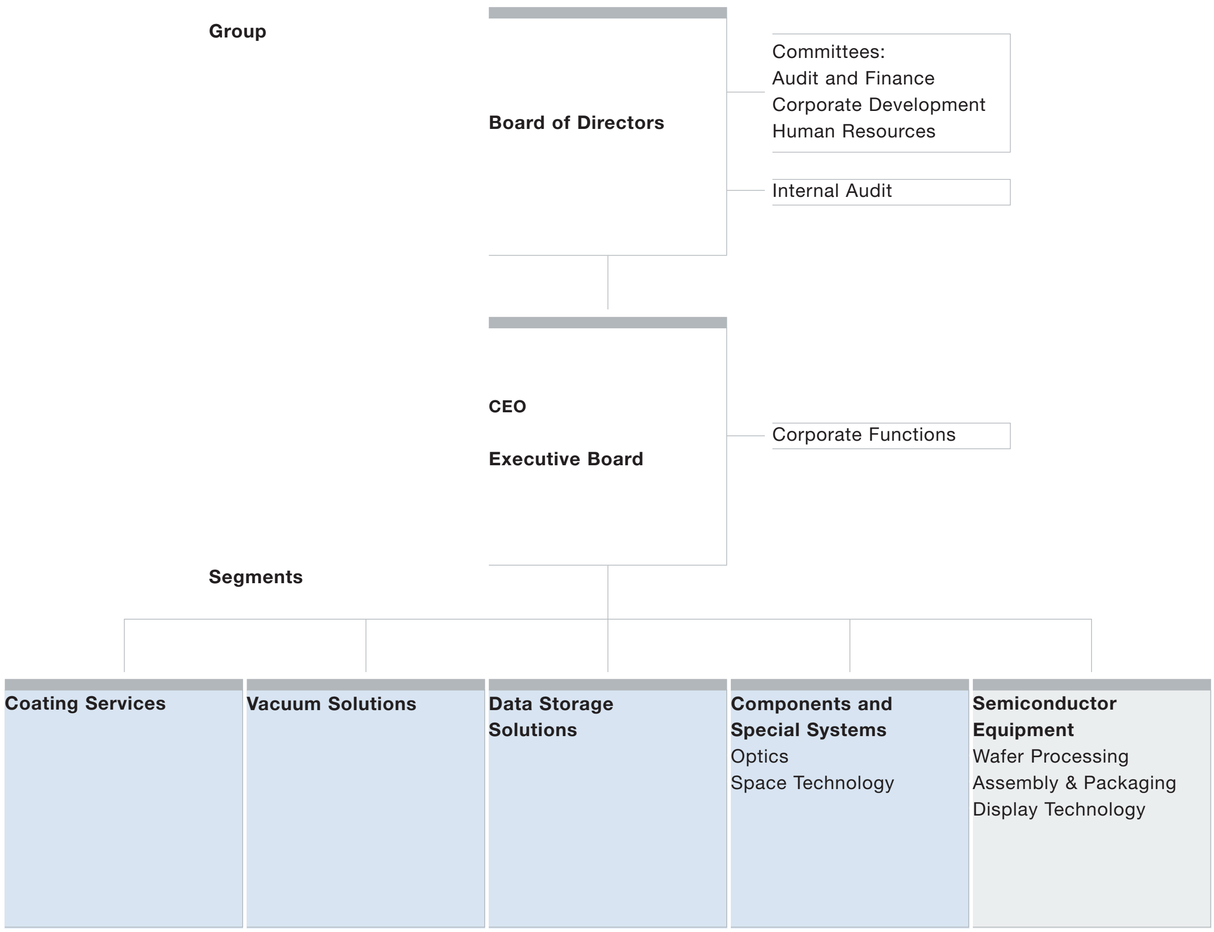
In the present annual report, the corporate governance information is once again presented in a separate section, as prescribed by the DCG. The framework of the Directive has been fully adopted, with references to other portions of the annual report included in certain instances in an effort to avoid redundancies and enhance readability. All material changes between the balance sheet date and the time this annual report went to press have been taken into account.

Details on corporate governance at Unaxis can also be accessed in the corresponding section of the company's website, www.unaxis.com.

Group structure and companies

Operational Group structure: Management of the Unaxis Group is carried out at the behest of the Board of Directors by the CEO and the Executive Board and ultimately by the five segments that directly conduct the company's business operations. The Board of Directors, Executive Board and the managers of the company's respective segments are supported in their work by centralized Corporate Functions offices.

Group structure



Listed Group companies: With the exception of Unaxis Holding Inc., the fully consolidated Group companies are not publicly listed. An overview of all Group companies can be found on page 127.

Unaxis also holds a 19.5 percent equity interest in Inficon Holding AG, Bad Ragaz, Switzerland, which is listed both on the SWX Swiss Exchange (security number 1 102 994, ticker symbol IFCN) and, up to March 21, 2005, on NASDAQ (security number 1 150 246, ticker symbol IFCN). As at December 31, 2004, Inficon had a market capitalization of CHF 201.3 million. This shareholding is valued at current market price; any adjustments to its market value are reflected directly in shareholders' equity, i.e. with no effect on the income statement.

Unlisted Group companies: All Group companies are owned by Unaxis Holding Inc., the Group's parent company, mostly with a 100 percent interest. For further remarks on Unaxis Holding Inc. see page 120 et seq.

The country-specific companies included in the scope of consolidation are reflected on page 127 as part of the Group's legal structure of equity interests, as well as listed by country on pages 116/117 together with additional details on each company's share capital, percentage of shares owned, workforce and company head.

Significant shareholders

	2004	2003	2002	2001	2000
Number of shareholders	22 702	17 791	17 707	18 376	15 715
Total share capital in CHF million	282.8	263.4	263.4	263.4	263.4
Percentage Ihag-Holding AG and Mrs. Anda-Bührle	21%	26%	29%	28%	27%

The increase in share capital occurring in 2004 is due to the full absorption of ESEC Holding AG by means of an exchange of shares.

Since the beginning of 2005, the trading volume of call options and shares of Unaxis Holding Inc. has increased sharply. Significant transactions were executed in particular by Zürcher Kantonalbank, Zurich, and Victory Industriebeteiligung AG, Vienna.

Cross-shareholdings

There are no cross-shareholdings that would require disclosure.

Capital

The share capital of Unaxis Holding Inc. amounts to CHF 282 848 740, consisting of 14 142 437 registered shares, each with a par value of CHF 20. The company also has conditional capital in the amount of CHF 40 million to cover convertible bonds and warrant bonds, etc. as well as CHF 7.2 million for employee stock ownership plans.

Authorized capital and conditional capital

Authorized capital: As the authorization of the Board of Directors under the Articles of Association to increase share capital (authorized capital) expired on May 7, 2004, the Board of Directors annulled Article 6 of the Articles of Association by resolution on June 1, 2004. The company therefore has no authorized capital.

Conditional capital for warrant bonds and convertible bonds: Pursuant to Art. 6a of the Articles of Association, the company's share capital may be increased by a maximum aggregate amount of CHF 40 million through the issuance of a maximum of two million registered shares with a par value of CHF 20 per share by means of the exercise of option and conversion rights granted in connection with bond obligations of the company or one of its Group companies. The subscription rights of shareholders are excluded. The current holders of option certificates and/or convertible bonds are entitled to purchase the new shares. The Board of Directors is empowered to limit or exclude the preemptive subscription rights of shareholders (1) to finance or refinance the acquisition of enterprises, divisions thereof, or equity interests, or of newly planned investments of the company or (2) to issue warrant and convertible bonds on the international capital market. To the extent that preemptive subscription rights are excluded, (1) the bonds are to be placed with the public at market conditions, (2) the exercise period for the option and conversion rights may not exceed seven years as of the date of the bond issue and (3) the exercise price for the new shares must at least correspond to the market conditions at the time of the bond issue.

Conditional capital for employee stock ownership plans: Pursuant to Art. 6b of the Articles of Association, the company's share capital shall, to the exclusion of the preemptive subscription rights of shareholders, be increased through the issuance of a maximum of 360 000 fully paid-in registered shares with a par value of CHF 20 each, by a maximum aggregate amount of CHF 7.2 million via the exercise of option or conversion rights granted to the employees of the company or of one of its Group companies according to an employee stock ownership plan to be approved by the Board of Directors. The issuance of shares at less than the stock exchange price is permissible. The details shall be determined by the Board of Directors.

Changes in capital

The outstanding share capital of Unaxis Holding AG was increased as per a resolution of the Board of Directors adopted on October 7, 2003 (entered in the Commercial Register on March 12, 2004) by CHF 19 446 900 to CHF 282 848 740 through the issuance of 972 345 fully paid-in registered shares with a par value of CHF 20 each from authorized capital. This increase was made to complete the merger agreement entered into on September 2003 with ESEC Holding AG, which called for ESEC shareholders to exchange their ESEC shares for Unaxis shares at a ratio of 1 to 1.1.
No changes in share capital took place in 2001 or 2002.

To cover stock options issued to members of the Board of Directors and certain Group management staff members, as well as for employee share purchases under the relevant plans, a total of 45 000, 44 250, 33 750 and 47 798 Unaxis treasury shares were purchased in 2001, 2002, 2003 and 2004 respectively (see also pages 73 and 111). On December 31, 2004, the company held a total of 223 581 treasury shares and the reserve for the company's own shares amounted to CHF 41 205 599, of which 3 188 were freely disposable.

Detailed information concerning changes in the equity capital of Unaxis Holding Inc. over the past three years can be found in the equity capital overview for the holding company on page 124 of the annual report.

Shares and participation certificates

The equity securities of Unaxis Holding Inc. consist exclusively of 14 142 437 fully paid-in CHF 20 par value registered shares, all of which are equal with respect to their attendant voting rights, dividend entitlement and other rights.

Normally the registered shares of Unaxis Holding Inc. are not certificated but are instead carried solely as book-entry securities in the inventory of SIS SegaInterSettle AG. Shareholders may at any time request that the company print and deliver their shares in certificate form free of charge, and the company may at any time print certificates for uncertificated shares (registered shares with deferred printing of certificates). If registered shares are to be printed, Unaxis Holding Inc. may issue certificates covering multiples of registered shares. The share certificates bear the facsimile of the signatures of two members of the Board of Directors.

Profit-sharing certificates

No profit-sharing certificates have been issued.

Limitations on transferability and nominee registrations

There are no restrictions on the transfer of Unaxis Holding Inc. shares. The company recognizes only those parties entered in the share register as shareholders or usufructuaries. Fiduciary shareholders and nominees are also entered in the share register.

Convertible bonds and warrants/options

As at December 31, 2004 there were no outstanding convertible bonds or warrant bonds. In conjunction with share ownership programs, members of the Board of Directors and employees held a total of 220 393 options (see page 111 et seq., note 33) on December 31, 2004, each of which entitles the holder to acquire one registered share of Unaxis Holding Inc. These options are covered in full by shares that have been acquired in the open market, so that their exercise will not result in any change in share capital. The aggregate par value of the shares purchasable by means of the outstanding options amounts to CHF 4 407 860.

Peter Küpfer
has been a Director of Unaxis Holding Inc. since 1998. He is also Chairman of the Board of Pilatus Flugzeugwerke AG and a Board member of Valora Holding AG, Swisscom AG, Julius Bär Holding AG, Karl Steiner AG and Holcim Ltd. Mr. Küpfer has been an independent management consultant since 1996. From 1964 through 1983 he worked for various auditing firms, and from 1985 through 1996 he held management positions at CS Group, including positions on the Executive Board of CS Holding and Bank Leu AG. Mr. Küpfer is a certified public accountant.

Dr. h.c. Harald Eggers
has been a Director of Unaxis Holding Inc. since 2003. Since January 2005 he has also served as interim CEO of Unaxis. As former CEO of the Memory Products Group of Infineon Technologies AG, Munich, Germany, he possesses enormous expertise in the field of semiconductors. Dr. Eggers earned a degree in physics at the Technical University/University of Applied Sciences in Munich. In 2001 he was awarded an honorary doctorate by the Physics Faculty of the Technical University of Dresden.

Dr. Willy Kissling
has been Chairman of the Board of Directors of Unaxis Holding Inc. since 1998. Until May 2002 he also held the position of CEO. Until the end of April 2005 he is also Chairman of the Board of Forbo Holding AG, Vice Chairman of Holcim Ltd. and a Board member of Kühne & Nagel International AG and of Schneider Electric S.A. (France). He has held various management positions since 1970, serving as Delegate of the Board of Directors of the Rigips Group from 1978 to 1987 and CEO and Delegate of the Board of Directors of Landis & Gyr AG from 1987 to 1996. Dr. Kissling studied at the University of Bern (Dr. rer. pol.) and Harvard Business School (PMD).

Dr. Markus Rauh
has been a Director of Unaxis Holding Inc. since 1999 and Vice Chairman since June 2004. He is also Chairman of the Board of Swisscom AG, of Synthes Chur AG and of Anova Holding AG, Vice Chairman of the Board of Leica Geosystems AG and of Dietiker Switzerland AG and a Board member of the St. Galler Kantonalbank, The Generics Group AG and Madison Management AG. Dr. Rauh worked in management positions at Sperry Univac, Philips and Leica. He earned his Dr. sc. tech. degree from the ETH in Zurich.

Prof. Dr. Pius Baschera
has been a Director of Unaxis Holding Inc. since 1998. He is also a member of the Advisory Board of Vorwerk Gruppe (Germany) and Ardex Gruppe (Germany) as well as Chairman of the Board of Venture Incubator AG. Prof. Baschera joined Hilti AG (FL) in 1979 and subsequently held several functional and regional positions. He joined the Executive Board as CFO in 1990 and has been its Chairman since 1994. He studied business management and manufacturing sciences at ETH Zurich (Dr. sc. tech.), where he has been an Honorary Professor since 2001. Prof. Baschera lectures regularly on the topics of innovation management and corporate leadership.

Thomas P. Limberger
has been a Director of Unaxis Holding Inc. since 2004. He is also a Board member for the Central Association of the Electrical Engineering and Electronics Industry of Germany. Since the end of 2002 Mr. Limberger has been Chairman of the Board of General Electric (GE) for Germany, Austria and Switzerland. He previously served six years in various management positions for Fresenius AG and Fresenius Medical Care AG. Mr. Limberger holds a Master of Business Administration (MBA) in Finance & Strategic Management.

The basis for the organization and duties of the Board of Directors of Unaxis Holding Inc. is to be found in the Swiss Code of Obligations, the Articles of Association of Unaxis Holding Inc. and its Rules of Organization.

Members of the Board of Directors

The Board of Directors of Unaxis Holding Inc. consists of six members (the Articles of Association permit a maximum of nine). The members of the Board have no material business dealings with the Unaxis Group. Since January 1, 2005, Dr. Harald Eggers has served as interim Chief Executive Officer (CEO) of Unaxis in addition to his duties as a member of the Board of Directors. Until a permanent CEO is appointed, Dr. Eggers will abstain from Board of Directors votes in the event of any conflict of interest resulting from his dual role. From May 1998 to May 2002, Dr. Willy Kissling held the position of Chairman of the Board of Directors along with that of Chief Executive Officer (CEO) of the Unaxis Group.

At the annual general meeting of shareholders of June 1, 2004, Jack Schmuckli and Bruno Widmer tendered their resignation from the Board of Directors. Mr. Thomas Limberger was newly elected to the Board. As a result, on December 31, 2004, the Board of Directors consists of the following individuals:

Name	Nationality	Position	Age	Elected	Until	Executive/Non-executive
Dr. Willy Kissling	CH	Chairman	60	1998	2005	non-executive
Dr. Markus Rauh	CH	Vice Chairman	65	1999	2006	non-executive
Prof. Dr. Pius Baschera	CH	Member	54	1998	2005	non-executive
Dr. h.c. Harald Eggers	D	Member	54	2003	2006	executive since Jan. 1, 2005
Peter Küpfer	CH	Member	60	1998	2005	non-executive
Thomas P. Limberger	D, USA	Member	37	2004	2007	non-executive

Other activities and vested interests

See page 64 et seq. (Members of the Board of Directors).

Cross-involvement

No member of Unaxis' Executive Board holds a seat on the board of directors of any company that has a representative who is a member of the Board of Directors of Unaxis Holding Inc. The directorships held by members of the Unaxis Board of Directors at other listed companies can be ascertained from the information on the individual Board members disclosed on page 64 et seq. (Members of the Board of Directors).

Elections and terms of office

Board members are elected by the general meeting of shareholders for a term of three years. The may be reelected for a new three-year term of office prior to the expiration of their current term. The schedule of elections is set in such a way that the term of office of about one-third of the members expires each year. Pursuant to the Rules of Organization, the mandate of Board members expires — notwithstanding the current term of office – at the next annual general meeting of shareholders after a given Board member reaches age 70.

Internal organizational structure

Allocation of tasks within the board of directors: The Board of Directors bears responsibility for the ultimate management and overall supervision of the holding company and the Group. It is empowered to rule on all matters not reserved by law, statutes or regulations for, or otherwise delegated to, some other corporate body (see also page 68 et seq., Definition of Areas of Responsibility).

The Chairman of the Board of Directors presides over the Board and is the immediate superior of the Chief Executive Officer (CEO). The Chairman convokes, prepares and heads meetings of the Board. He also represents the corporation vis-à-vis shareholders, chairs the general meeting of shareholders and, in conjunction with the Audit and Finance Committee, supervises the internal audit. If the Chairman is prevented from performing his duties due to illness, accident or extended absence, then those duties are assumed by the Vice Chairman of the Board for the duration of any such absence or, should he also be unavailable, by some other member to be designated by the Board.

Committees of the Board of Directors: Three permanent committees exist to assist the Board of Directors or prepare for important decisions: the Audit and Finance Committee (AFC), Corporate Development Committee (CDC) and Human Resources Committee (HRC). As at December 31, 2004, membership of these committees was as follows:

Name	Audit and Finance Committee (AFC)	Corporate Development Committee (CDC)	Human Resources Committee (HRC)
Dr. Willy Kissling		C	C
Dr. Markus Rauh	M		M
Prof. Dr. Pius Baschera		M	M
Dr. h.c. Harald Eggers		M	
Peter Küpfer	C		
Thomas P. Limberger	M	M	

C = chair, M = member

Audit and Finance Committee (AFC)
The AFC comprises at least three non-executive and preferably independent members of the Board of Directors. The majority of its members, including the Chairman of the committee, must be experienced in the fields of finance and accounting. The AFC primarily advises the Board in the following areas:

- Risk management and audit
- Accounting and financial reporting
- Financial strategy, capital structure, determination of financial objectives, financial planning and financial controlling
- Mergers and acquisitions and other transactions bearing significant financial impact
- Examination and approval of mid-year and quarterly financial reports on behalf of the Board of Directors
- Corporate governance issues

Corporate Development Committee (CDC)
The CDC consists of at least three members of the Board of Directors. The CDC primarily advises the Board in the following areas:

- Strategic orientation of the corporation
- Development of the Group's portfolio of holdings
- Mergers and acquisitions and other transactions bearing significant strategic impact
- Organizational development and structure

Human Resources Committee (HRC)
The HRC comprises at least three individuals, the majority of whom are non-executive, independent members of the Board of Directors. The HRC primarily advises the Board in the following areas:

- Fundamental human resource issues in the corporation
- Personnel composition of the Board of Directors and key governing bodies of the corporation
- Measures pertaining to management development
- Issues regarding compensation of Board members and senior management

Work methods of the Board of Directors and its committees: The Board of Directors meets at the invitation of its Chairman as often as business matters require, or at the request of one of its members or of the CEO. Eight Board meetings were held in 2004. On average, 94 percent of the seven or (after June 1) six Board members attended these meetings, which generally lasted an entire day.

The members of the committees as well as their chairmen are elected by the Board of Directors at the proposal of the Chairman of the Board. Their respective terms of office correspond to their term of office as Director. Those Board members who are not members of the committees are entitled to take part in committee meetings in an advisory capacity. As a general rule, members of the Executive Board and, as required, individual specialists also take part in such meetings in an advisory capacity. Minutes are kept of the meetings. The committees meet at the invitation of their respective chairmen as often as business matters require, but at least four times (AFC), two times (CDC) and three times (HRC), respectively, per year.

Definition of areas of responsibility

Pursuant to Art. 17 para. 3 of the Articles of Association, the Board of Directors has essentially delegated the business management of Unaxis Holding Inc. and of the Group as a whole to the Chief Executive Officer (CEO). The scope of tasks for which the Board bears responsibility essentially encompasses those inalienable and non-delegable tasks as defined by law. Among these are the overall management of Unaxis Holding Inc. and of the Group as a whole; determining the strategic orientation of the corporation; nominating and dismissing the CEO, other members of the Executive Board and the Segment Heads; and overall supervision of persons entrusted with managing and representing the corporation.

Information and control instruments vis-à-vis senior management

The Board of Directors receives regular comprehensive information that enables its members to perform their tasks of monitoring the strategic and operational progress of the corporation as well as its risk exposure. In particular, the instruments at its disposal include the following elements:

Controlling: With regard to strategic controlling, the key instruments are strategic analyses prepared by the Group's individual business units (segments and divisions), as well as an annually revised strategic plan. With regard to operational controlling, the Board of Directors receives the annual financial plan (budget) as well as monthly controlling reports with budgeted/actual analyses to assist in the assessment of the Group's operations.

Business risk management: A key component of business risk management (BRM) is the generation of a risk matrix for the company as a whole as well as for its individual segments/divisions. This closely scrutinized overview is compiled at least once a year and facilitates the identification of significant risks, enables monitoring of ongoing risk developments and constitutes the basis for measures aimed at managing those risks. As part of this discipline, BRM is integrated into the strategic planning and budgeting processes.

Internal audit: Since the summer of 2003, Unaxis has had an internal audit process conducted by specialized employees of Ernst & Young. On the basis of the most significant risks as determined by business risk management, the internal audit scrutinizes crucial processes with the intent of structuring them more securely and efficiently. In addition, compliance aspects are also investigated.

External audit: The external auditors report primarily to the Audit and Finance Committee, and secondarily to the Board of Directors and ultimately to the shareholders. Since the 2003 financial year, the external audit has been performed by KPMG Fides Peat.

The external Group auditors coordinate their audit plan with that of the internal auditors. An integrated audit plan for the upcoming year, formulated on the basis of a multi-year strategic set of objectives, is submitted annually in August for approval by the Audit and Finance Committee. Once the audit has been conducted, the Group auditors provide the Audit and Finance Committee with a detailed report of their relevant findings. The continued independence of the Group auditors is ensured by written declarations to that effect by the auditors along with monitoring of the magnitude of the auditing fees as compared to the total volume of fees paid by Unaxis.

Management philosophy

The Chief Executive Officer (CEO), the Executive Board and the Corporate Functions offices create an environment that is conducive to the optimal development of the segments, which in turn conduct and bear responsibility for the Group's business operations. The considerable leeway afforded to the Segment Heads in their day-to-day business is clearly balanced by centrally directed management and supervisory functions. This applies in particular with regard to financial management and issues of strategic importance.

Executive Board and Segment Heads

The CEO bears responsibility for managing the business of the holding company and of the Group as a whole. In addition, the CEO presides over the Executive Board, which in particular is responsible for preparations and consultation with regard to the business activities of Unaxis Holding Inc. and the Group.

Executive Board

Name	Nationality	Age	Position	Joined	In position since
Dr. h.c. Harald Eggers	D	54	Chief Executive Officer since Jan. 05	2003	2005
Heinz Kundert	CH	52	Chief Executive Officer until Nov. 04	1981	2002
Kaspar W. Kelterborn	CH	40	Chief Financial Officer	2002	2003
Matthias Mölleney	D	44	Member of the Executive Board	2003	2003
Asuri S. Raghavan	USA	51	Member of the Executive Board until May 04	2003	2003

Segment Heads

Name	Nationality	Age	Segment	Joined	In position since
Dr. Hans Schulz	D	45	Coating Services	1987	1999
Dr. Bernd Thurat	D	58	Vacuum Solutions from Jan. 05	2005	2005
Dr. Monika Mattern-Klosson	D	47	Vacuum Solutions until Jan. 05	1981	1999
Peter Tinner	CH	43	Data Storage Solutions	1984	2003
Harald Eggers	D	54	Components and Special Systems	2003	2005
Ken Barry	USA	52	Semiconductor Equipment	2003	2004

Major changes since December 31, 2004

Harald Eggers assumed the position of CEO as of January 1, 2005. He will remain in this capacity until a permanent appointment to this position has been made.

Management contracts

As at December 31, 2004, Unaxis Holding Inc. and its companies had no material outstanding third-party management contracts.

Kaspar Kelterborn
has been CFO of Unaxis since January 2003. He previously held various international management positions at Clariant International AG in the area of finance and controlling, including Regional Head of Finance & Administration in Singapore, which he took over in 1999. Prior to joining Unaxis, he was Divisional Head of Finance & Controlling responsible for the financial management of Clariant's Life Science & Electronic Materials division, headquartered in Great Britain. He is a member of the Board of Tertianum Neutal AG and holds a lic. oec. degree from the University of St. Gallen.

Dr. h.c. Harald Eggers
has been CEO of Unaxis since January 2005. He will retain the position until a permanent appointment has been made. Dr. Eggers is also a member of the Unaxis Holding Inc. Board of Directors. Until 2004 he served as CEO of the Infineon Technologies AG Memory Products Group of Munich, Germany. He earned a degree in physics at the Technical University/University of Applied Sciences in Munich. In 2001 he was awarded an honorary doctorate by the Physics Faculty of the Technical University of Dresden.

Matthias Mölleney
has been a member of the Executive Board since November 2003 and is head of Corporate Human Resources for Unaxis. Starting in 1982 he was employed by Deutsche Lufthansa AG in various management positions with international responsibilities. In 1998 Mr. Mölleney joined Swissair as head of Human Resources and member of senior management. He was appointed to the Executive Committee of the parent company, SAirGroup, in 2001. In May 2002 he became an Executive Committee member and head of Group Human Resources at Centerpulse AG, which was subsequently acquired in October 2003 by the US company Zimmer Holdings. Mr. Mölleney has a commercial/business management educational background with a major focus on human resources management.

Content and method of determining the compensation and share ownership programs

In a normal year, about half of the value of compensation received by members of the Board of Directors is paid in cash and half in the form of stock options. Depending on EBITDA performance during the previous financial year, total compensation may vary between 70 and 200 percent of the reference value. The amount of remuneration for Board members is proposed by the Human Resources Committee and set by the Board of Directors.

Members of the Executive Board and Segment and Division Heads receive compensation composed of a fixed base salary plus a variable component generally amounting to about 25 percent of total remuneration if goals are met. The actual amount of the variable component is based on attainment of individual (30 percent) and financial (70 percent) goals, which are established in advance each year. The financial goals are based on total revenues, EBIT and capital turnover. In addition, Executive Board members and Segment and Division Heads receive stock options as a form of long-term bonus, generally also amounting to about 25 percent of their total remuneration. The Human Resources Committee approves compensation plans for Executive Board members, Segment Heads and Division Heads, including options, at the proposal of the CEO.

The granting of options and shares to directors is based on the rules adopted on November 11, 1998 and May 5, 2004. Options for management cadre members are governed by rules adopted on May 23 and June 6, 2001.

Compensation for acting members of governing bodies

Total compensation (excluding employer contributions to the AHV state pension fund) paid to members of the Board of Directors amounted to CHF 344 000 in the 2004 financial year. Board members were also issued 20 807 stock options and 5 671 shares of stock.

Total compensation (including all employer pension fund contributions, but excluding employer's AHV contributions) paid in financial year 2004 to members of the Executive Board amounted to CHF 2 926 731. Executive Board members were also granted a total of 10 814 options for Unaxis shares. A total of CHF 2 873 764 in severance compensation was paid to members of the Executive Board during the financial year. No severance compensation was paid to members of the Board of Directors.

Compensation for former members of governing bodies

A total of CHF 323 642 was paid to former executive members of governing bodies in the 2004 financial year. No payments were made to former non-executive members of the Board of Directors.

Share allotments

In the 2004 financial year, 5 671 shares were allotted to members of the Board of Directors as part of their total compensation package. Sale of these shares is restricted for a period of two years. Under the company-wide stock ownership plan, members of the Executive Board each had the opportunity to purchase Unaxis shares for a maximum of CHF 10 000 at a 40 percent discount to the then current market price of CHF 141 on June 4, 2004. Sale of these shares is restricted for a period of two years.

Share ownership

As at December 31, 2004, members of the Board of Directors held, according to their own declaration, a total of 13 046 registered shares of Unaxis Holding Inc. As at December 31, 2004, members of the Executive Board held, according to their own declaration, a total of 70 registered shares of Unaxis Holding Inc.

Options

Members of the Board of Directors and Executive Board were granted options during the corresponding year in the amounts indicated below, with each option entitling the holder to acquire one registered share of Unaxis Holding Inc.:

Options granted to Directors

Year issued	Members	Number of options	Expiration	Sale restricted until	Exercise price in CHF
2001	7	9 118	May 30, 2005	May 28, 2004	400
2002	7	11 246	May 12, 2006	May 12, 2004	225
2003	7	18 526	May 22, 2007	May 02, 2005	123
2004	6	20 807	June 03, 2008	June 05, 2006	150

Options granted to Executive Board members

Year issued	Members	Number of options	Expiration	Sale restricted until	Exercise price in CHF
2001	8	6 682	May 28, 2008	May 28, 2003/04[1]	315
		5 538	May 30, 2005	May 28, 2004	400
2002	11	12 198	May 13, 2009	May 13, 2004/05[1]	189.5
		7 226	May 12, 2006	May 12, 2004	225
2003[2]	5	15 902	May 23, 2010	May 23, 2005/06[1]	110
2004	3	10 814	June 06, 2011	June 06, 2006/07	141

[1] 50 percent on each date
[2] 2003: Group structure simplified

The options with an exercise price of CHF 350 (1998 and 1999) and CHF 650 (2000) issued to Board members in the aforementioned years expired worthless in November 2001, May 2002 and May 2003, respectively. The granting of options to Executive Board members commenced only in 2000. Their options granted at an exercise price of CHF 650 in 2000 expired worthless in May 2004. Although conditional capital exists for the granting of stock options to Group employees, all options issued to date have been covered by shares acquired in the open market.

Additional fees and remunerations

The members of the Board of Directors and Executive Board and parties closely related to those individuals received no fees or other remuneration for additional services rendered to Unaxis Holding Inc. or its subsidiaries during the 2004 financial year.

Loans to members of governing bodies

As at December 31, 2004, Unaxis Holding Inc. and its subsidiaries had granted no guarantees, loans, advances or credits to members of the Board of Directors, the Executive Board or any party closely related to those individuals.

Highest total compensation

The highest total compensation paid to a member of the Board of Directors in the 2004 financial year was CHF 100 000. The same Board member was also granted 8 891 stock options and 2 540 shares of stock during the year under review.

Voting rights restrictions and representation

There are no restrictions on voting rights. Each shareholder may be represented at the general meeting of shareholders by his/her legal representative, by the company-appointed independent proxy, by the institutional representative (Unaxis Holding Inc.), or by means of a written proxy issued to some other registered shareholder.

Statutory quorums

The Articles of Association of Unaxis Holding Inc. provide for no specific quorums that exceed the provisions of corporate law.

Convocation of the general meeting of shareholders

Supplemental to the provisions of corporate law, the company's Articles of Association provide for the convocation of the general meeting of shareholders via a one-time announcement in the Swiss Commercial Gazette.

Agenda

Supplemental to the provisions of corporate law, the company's Articles of Association provide that the inclusion of an item in the agenda can be requested at latest ten weeks prior to the date of the general meeting of shareholders.

Share register entries and related deadlines

The 2005 general meeting of shareholders will be held at 10:00 a.m. on April 26, 2005, at the Lucerne Culture and Convention Center (KKL). Shareholders who are already recorded in the share register or will be recorded by April 5, 2005, will receive, along with their invitation, a registration form for participation at the annual general meeting with which an admission card including voting materials can be requested.

The share register status as at April 5, 2005 determines the right to vote at the general meeting. If shares have been sold from the holdings listed on the admission card, the shareholder is no longer entitled to exercise the voting rights associated with the divested shares.

Right to inspect the minutes of the general meeting of shareholders

The minutes of the 31st annual meeting of shareholders of June 1, 2004 may be viewed on the Internet at www.unaxis.com. In addition, shareholders may inspect the minutes at the headquarters of the corporation upon prior notice. Minutes of the 2005 general meeting will also be published on the Unaxis website after they are compiled.

CHANGES OF CONTROL AND DEFENSE MEASURES

Duty to make an offer

In accordance with the Articles of Association of Unaxis Holding Inc., a person who acquires shares in the company is not required to make a public purchase bid pursuant to Arts. 32 and 52 of the Federal Act on Stock Markets and Securities Trading (Opting Out).

The Board of Directors will submit a proposal to the meeting of shareholders on April 26, 2005 that the corresponding clause in the company's Articles of Association be abrogated.

Clauses on changes of control

In the case of a change of control with regard to Unaxis Holding Inc., Unaxis Management Inc. is under the obligation to make a severance payment to any members of the Executive Board who have been dismissed other than for cause within the meaning of Art. 337 of the Swiss Code of Obligations within a period of two years from the effective date of a change of control or who, themselves, resign within one month subsequent to the effective date of a change of control. The amount of such severance payment is equal to one yearly base salary at the time of termination plus one yearly target short-term cash bonus as well as all employer contributions to the pension fund in the twelve-month period preceding the date of termination.

In addition, upon any change of control, all options granted to members of the Executive Board under their respective employment contracts but not yet vested shall vest immediately, and this regardless of whether the individual's employment contract is terminated or remains in force. Such options may be exercised within a period of one year or, alternatively, sold to Unaxis Management Inc. at the market value at the date of change of control.

Deemed to constitute a change of control is the acquisition of at least 50 percent of the shares of Unaxis Holding Inc. by any person or entity who, at the time the employment contract with the given Executive Board member was signed, held no more than 5 percent of the company's shares, in combination with the replacement of the Chairman of the Board of Directors.

Duration of mandate and lead auditor's term of office

In 2002, the Audit and Finance Committee resolved to implement the decision by the Board of Directors to establish an internal auditing mechanism by outsourcing the related tasks to a qualified partner. Given that Ernst & Young have been the external auditors of Unaxis Holding Inc. (formerly Oerlikon-Bührle Holding Ltd.) since the founding of the enterprise in 1973, corporate governance considerations resulted in the decision to issue simultaneous invitations to tender for the internal and external auditing mandates.

Following comprehensive evaluations, the Board of Directors decided upon recommendation of the Audit and Finance Committee to grant the mandate for internal auditing to Ernst & Young AG and for external auditing to KPMG Fides Peat. The lead auditor for KPMG commenced auditing activities on behalf of Unaxis for the first time with the 2003 annual financial statements.

Auditing fees

In the 2004 calendar year KPMG invoiced the company CHF 2.9 million for global auditing fees.

Additional fees

In the 2004 calendar year KPMG invoiced the company CHF 0.1 million for additional services provided globally.

Supervisory and control instruments pertaining to the audit

The Audit and Finance Committee of the Board of Directors conducts an annual assessment of the performance, remuneration and independence of the auditors and Group auditors and submits a proposal to the Board of Directors for the election of external auditors by the general meeting of shareholders.

At its August meeting, on the basis of an integrated strategic audit plan that encompasses both the internal and external audit, the Audit and Finance Committee conducts an annual examination of the auditing schedules for the upcoming annual financial statements (see also page 68). Once the auditing work has been completed, the results are analyzed extensively and discussed with the external auditors on the basis of a comprehensive management letter. Those results, in turn, constitute the basis for determining the following year's audit plan.

The auditors and Group auditors attend at least three of the four ordinary meetings of the Audit and Finance Committee as the relevant agenda items are dealt with.

Number of shares

	2004	2003	2002	2001	2000
Par value	**20**	20	20	20	20
Voting rights per share	**1**	1	1	1	1
Total outstanding shares including treasury holdings	**14 142 437**	13 170 092	13 170 092	13 170 092	13 170 092
Treasury shares[1]	**223 581**	220 443	213 360	180 840	147 014
Shares with voting and dividend rights	**13 918 856**	12 949 649	12 956 732	12 989 252	13 023 078
Conditional shares for convertible and warrant bonds	**2 000 000**	2 000 000	2 000 000	480 000	480 000
– of which reserved	**0**	0	0	0	0
Conditional shares for employee stock ownership plans	**360 000**	360 000	360 000	360 000	360 000
– of which reserved	**0**	0	0	0	0
Authorized shares	**0**	2 000 000	2 000 000	2 000 000	2 000 000

Per-share data

in CHF	**2004**	2003	2002	2001	2000
Earnings per share[2]	–27.63	2.50	–3.00	8.53	39.17
Equity per share[2]	89	115	114	128	116
Dividends per share[3]	0	2.00	2.00	2.00	2.00
Share price[4]					
High	200	184	207	393	511
Low	98	74	66	103	300
Year-end	113	175	93	179	365

Market capitalization

in CHF million	**2004**	2003	2002	2001	2000
High	2 829	2 423	2 726	5 176	6 730
Low	1 386	975	869	1 357	3 951
Year-end	1 598	2 305	1 225	2 357	4 807

[1] Shares to cover stock options granted to the Board of Directors and some Group executives

[2] New basis: number of shares with voting and dividend rights

[3] 2004 dividend: Board of Directors proposal

[4] Adjusted values

General

Unaxis provides its shareholders and the capital market with information on facts and developments of relevancy to them, and this in an open, comprehensive and timely manner. The company's information policy is oriented towards the principle of equal treatment of all capital market participants.

Aside from its detailed annual report and mid-year report that are prepared in accordance with International Financial Reporting Standards (IFRS, formerly IAS), Unaxis publishes key financial figures and a related commentary for the first and third quarters of its financial year. In addition, media releases keep shareholders and the capital market abreast of significant changes and developments at the company. Also, the company's website – www.unaxis.com – is a permanently accessible platform for company-specific information.

Corporate notifications

The corporate notifications published in 2004 and in the two previous years can be accessed at the company's website, www.unaxis.com.

Agenda

March 22, 2005
Media and analysts conference on 2004 annual results,
Convention Point, SWX Swiss Exchange, Selnaustr. 30, 8021 Zurich

April 21, 2005
Key figures for the 1st quarter of 2005
(sales, orders received, orders on hand)

April 26, 2005
Annual general meeting of shareholders, Lucerne Culture and Convention Center (KKL)

August 18, 2005
Publication of the 2005 semi-annual report

October 20, 2005
Key figures for the 3rd quarter of 2005
(sales, orders received, orders on hand)

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Key figures

Group

Notes

Holding

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

Total Group

in CHF million	2004	2003
Orders received	1 778	1 788
Change in %	–1%	20%
Orders on hand	494	575
Sales	1 850	1 610
Change in %	15%	8%
Operating result (EBIT)	–366	16
Other result	37	37
Financial result	–17	–8
Result before taxes	–345	45
Net loss/income for the period	–378	32
Total assets	2 411	2 550
Shareholders' equity	1 216	1 488
in % of total assets	50%	58%
Net liquidity	625	682
as a % of shareholders' equity	51%	46%
Net assets[1]	756	1 032
Capital expenditure in property, plant, equipment and intangible assets[2]	240	98
Operating result before depreciation and amortization (EBITDA)	–41	157
Impairment loss on goodwill	150	0
Research and development	180	154
Personnel expenses	628	595
Number of employees at year-end	6 844	6 456

[1] Net assets include all operating current and non-current assets (excluding cash and cash equivalents and financial assets), less operating liabilities (excluding financial debts, provisions for post-employment benefits and for taxes and other provisions not charged against operating result).

[2] Included in the 2004 figures is the addition of goodwill in the amount of CHF 109 million attributable to the merger with ESEC.

Business development by segment

in CHF million	2004	2003
Coating Services		
Sales	367	315
Operating result before depreciation and amortization (EBITDA)	98	83
Operating result (EBIT)	57	43
as a % of sales	16%	14%
Net assets[1]	237	208
Vacuum Solutions		
Orders received	365	365
Orders on hand	36	51
Sales	379	345
Operating result before depreciation and amortization (EBITDA)	15	20
Operating result (EBIT)	5	11
as a % of sales	1%	3%
Net assets[1]	123	114
Data Storage Solutions		
Orders received	170	293
Orders on hand	12	52
Sales	208	293
Operating result before depreciation and amortization (EBITDA)	20	56
Operating result (EBIT)	14	37
as a % of sales	7%	13%
Net assets[1]	78	96
Components and Special Systems		
Orders received	309	243
Orders on hand	184	205
Sales	328	228
Operating result before depreciation and amortization (EBITDA)	60	45
Operating result (EBIT)	44	28
as a % of sales	13%	12%
Net assets[1]	13	21
Semiconductor Equipment		
Orders received	567	562
Orders on hand	261	267
Sales	568	420
Operating result before depreciation and amortization (EBITDA)	–220	–47
Impairment loss on goodwill	150	0
Operating result (EBIT)	–468	–98
as a % of sales	–82%	–23%
Net assets[1]	242	530
Others		
Sales	0	8
Operating result (EBIT)	–19	–5
Net assets[1]	62	64

[1] Net assets include all operating current and non-current assets (excluding cash and cash equivalents and financial assets), less operating liabilities (excluding financial debts, provisions for post-employment benefits and for taxes and other provisions not charged against operating result).

Group

In the 2004 financial year, Unaxis recorded a 15 percent increase in sales to CHF 1 850 million (2003: CHF 1 610 million) and received orders totaling CHF 1 778 million, roughly equal to the prior-year level (2003: CHF 1 788 million). At CHF 494 million, orders on hand at the end of 2004 were 14 percent lower than the previous year's reading (2003: CHF 575 million), mainly due to the market collapse witnessed by the Data Storage Solutions segment during the second half of 2004.

With the exception of Data Storage Solutions, all other segments contributed to the overall increase in sales (see table below).

Substantial loss for 2004 financial year attributable to Display Technology, goodwill impairment at Assembly & Packaging (ESEC), as well as restructuring expense

At the Group level, the 2004 financial year resulted in negative operating earnings of CHF –366 million (2003: CHF 16 million). Included in that total are restructuring expenditures of CHF 40 million, goodwill impairment at ESEC amounting to CHF 150 million, and value adjustments of CHF 39 million to non-current assets of the Display Technology division. Overall, the Display Technology division placed a CHF 295 million burden on operating earnings.

In comparison to the previous year (2003: CHF –8 million), the financial result deteriorated to CHF –17 million, a decline that was principally due to the low rate of interest on investments and the unfavorable impact of foreign currency translation. At CHF 14 million, the expense related to interest on German pension fund provisions burdened the financial result but remained unchanged versus the prior year.

The release of provisions for performance guarantees for previously divested activities (e. g. Bally, Leybold Optics and Materials) as well as the sale of a non-operating piece of real estate made a positive contribution of CHF 37 million (2003: CHF 37 million).

Tax expense at the Group level rose from CHF 17 million in 2003 to CHF 26 million, mainly as the result of the elimination of capitalized deferred tax assets on tax loss carry-forwards from ESEC companies.

Taking minority interests into account, this resulted in a consolidated net loss of CHF 378 million following the previous year's net profit of CHF 32 million.

Cash flow statement

Cash flow from operations in the 2004 financial year amounted to CHF 102 million (2003: CHF 88 million). In 2004, Unaxis made advances of CHF 12 million for net current assets. The lower amount in comparison to the previous year (2003: CHF 39 million) is attributable to the weaker second half of 2004 as well as resolute financial discipline in the area of cash management.

Cash flow from operations was insufficient to cover the CHF 131 million worth of investments made in non-current assets (excluding goodwill). Including dividend paid of CHF 33 million and the repayment of financial debt in the amount of CHF 25 million, cash and cash equivalents declined by CHF 82 million in the 2004 financial year (2003: CHF –14 million).

Balance sheet

At the end of 2004, Unaxis had net liquidity of CHF 625 million (previous year: CHF 682 million). Shareholders' equity decreased from CHF 1 488 million (December 31, 2003) to CHF 1 216 million. The capital increase conducted in 2004 through the issuance of 972 345 new Unaxis registered shares in connection with the Unaxis–ESEC merger (exchange of shares) led to a CHF 19 million increase in share capital (from CHF 263 million to CHF 283 million). In addition, capital reserves were increased by CHF 151 million.

Business developments at the Display Technology division impacted the December 31, 2004 balance sheet as follows:

– a provision of CHF 112 million for "onerous contracts", which takes into account the cost overruns for projects as well as the associated risks;
– value adjustments to inventories in the amount of CHF 49 million;
– value adjustments (impairments) to non-current assets totaling CHF 39 million.

Total provisions at the Group level rose from CHF 187 million (as at December 31, 2003) to CHF 302 million, mainly due to the loss-making contracts at Display Technology (CHF 112 million, net) as well as the restructuring of the Semiconductor Equipment segment (CHF 34 million).

Development of sales

in CHF million	**2004**	2003	Change versus prior year	Actual change	Currency-adjusted change
Coating Services	367	315	52	16 %	18 %
Vacuum Solutions	379	345	34	10 %	11 %
Data Storage Solutions	208	293	–85	–29 %	–28 %
Components and Special Systems	328	228	100	44 %	47 %
Semiconductor Equipment	568	420	148	35 %	37 %
Total Unaxis (incl. Others)	1 850	1 610	241	15 %	16 %

Net assets, investments and number of employees at Unaxis
The net assets of the Group decreased in 2004 by CHF 276 million to CHF 756 million (2003: CHF 1 032 million).

As in the previous year, investments made in non-current assets during the year under review were adapted to reflect business developments and clearly focused on maintaining production competency. The total investments of CHF 131 million (excluding investment in goodwill) were significantly higher than the prior-year total (2003: CHF 98 million) and for 2004 correspond to a reinvestment rate of 1.3. At CHF 67 million (2003: CHF 36 million), the investments made during 2004 to strengthen the market position of the Coating Services segment represented more than 50 percent of the total investment budget.

At year's end, the total workforce had risen from 6 456 (2003) to 6 844 (2004) employees.

Profitability of the future targeted structure (assessment)
On November 30, 2004, Unaxis announced its decision to:
- restructure the Display Technology division with the option to divest these activities;
- build up production capacity in Asia for Wire Bonders of the Assembly & Packaging (ESEC) division;
- focus on the Thin Film and Vacuum Technology segments, as well as support the independent further development of the Semiconductor Equipment segment.

EBIT has been normalized in the table below to aid the reader in assessing this targeted structure for the future.

On a comparable basis, and excluding the described special effects, the future core business activities in thin film and vacuum technologies effectively increased EBIT from CHF 117 million (2003) to CHF 130 million (2004). The gratifying course of business at Components and Special Systems (EBIT rise of 68 percent) and Coating Services (EBIT rise of 35 percent) more than compensated for the market-related deterioration at Data Storage Solutions (EBIT decline from CHF 38 million to CHF 22 million) and less favorable results of Vacuum Solutions. Given the 9 percent increase in sales to CHF 1 283 million (2003: CHF 1 182 million), the net operating margin remained unchanged at 10 percent.

Excluding special effects, the Semiconductor Equipment segment (factoring out the Display Technology division in this instance) reduced the prior-year EBIT loss (2003: CHF –73 million) to CHF –3 million in 2004. Its 42 percent increase in sales (from CHF 326 million in 2003 to CHF 462 million in 2004) as well as improved gross margins contributed to this result.

Operating earnings (EBIT) "normalized"
in CHF million

	2004 (reported EBIT)	Restructuring expense	Impairments	Loss-making contracts	Special value adjustment to inventories	2004 (EBIT "normalized")	2004 Change versus prior year	2003 (EBIT "normalized")	2003 special effects	2003 (reported EBIT)
Coating Services	57					57	15	43		43
Vacuum Solutions	5	–1				4	–5	9	–2	11
Data Storage Solutions	14	4		4		22	–16	38	1	37
Components and Special Systems	44	3				47	19	28		28
Thin Film and Vacuum Technology	121	5		4		130	13	117	–1	119
Semiconductor Equipment (excluding Display Technology)	–174	18	150	2		–3	69	–73	–2	–71
Display Technology	–295	16	39	112	49	–77	–50	–27		–27
Others	–19	–0				–19	–10	–8	–3	–5
Total Unaxis	–366	40	189	119	49	31	22	9	–7	16

CONSOLIDATED INCOME STATEMENT

in CHF million	Note	**2004**	2003
Sales	3	1 850	1 610
Cost of sales		–1 398	–1 022
Gross margin		453	587
Marketing and selling		–205	–208
Research and development		–180	–154
Administration		–176	–169
Amortization of goodwill	4	–37	–43
Other operating income and expenses	5	–71	3
Impairment loss on goodwill	6	–150	0
Operating result (EBIT)	7, 8	–366	16
Financial result	9	–17	–8
Result from associated companies		0	0
Other result	10	37	37
Result before taxes		–345	45
Income taxes	11	–26	–17
Net loss/income including minority interests		–372	28
Minority interests		–6	5
Net loss/income for the period		–378	32
Net loss/income per registered share in CHF[1]		–27.63	2.50
Diluted earnings per registered share in CHF[1]		–27.63	2.49
Dividend paid out per registered share in CHF (gross)		2.00	2.00

[1] Average number of shares with voting and dividend rights (2004: 13 676 554, diluted: 13 678 147; 2003: 12 953 191, diluted: 12 999 609).

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

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

Assets

in CHF million	Note	**2004**	2003
Cash and cash equivalents	12	630	712
Marketable securities		2	2
Receivables	13	329	357
Inventories	14	477	355
Prepaid expenses and accrued income	15	32	39
Current assets		1 471	1 466
Loans receivable		28	35
Investments in associated companies		0	0
Other investments	16	58	66
Property, plant and equipment	17	566	591
Intangible assets	18	199	287
Post-employment benefit assets	19	27	30
Deferred tax assets	20, 28	61	76
Non-current assets	21	940	1 085
Total assets		2 411	2 550

Liabilities and shareholders' equity

in CHF million	Note	**2004**	2003
Payables	22	136	129
Accrued liabilities	23	189	188
Current customer advances	24	209	99
Current financial debt	25	2	13
Current income tax provisions	26	28	26
Current post-employment benefit provisions	27	12	5
Current other provisions	29	203	96
Current liabilities		779	556
Non-current customer advances	24	37	34
Non-current financial debt	25	3	17
Non-current post-employment benefit provisions	27	245	251
Deferred tax provisions	28	27	42
Non-current other provisions	29	99	91
Non-current liabilities		410	435
Total liabilities		1 189	991
Minority interests	1	6	72
Share capital		283	263
Treasury shares		–42	–44
Reserves and retained earnings		975	1 268
Shareholders' equity		1 216	1 488
Total liabilities and equity		2 411	2 550

CONSOLIDATED CASH FLOW STATEMENT

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

in CHF million	Note	**2004**	2003
Net loss/income including minority interests		–372	28
Depreciation of property, plant and equipment	17	97	96
Other depreciation and amortization	18	41	48
Impairment losses on property, plant and equipment	5, 17	39	0
Impairment losses on intangible assets	7, 18	151	0
Addition (+), release (–) in other provisions	29	156	–43
Increase (+), decrease (–) in post-employment benefit provisions	27	4	–6
Expense (+), income (–) in deferred taxes	11	–3	–13
Losses (+), gains (–) from sales of non-current assets		–5	4
Decrease (+), increase (–) in post-employment benefit assets	19	1	4
Conversion losses (+), gains (–) on intercompany positions		5	8
Cash flow before change in net current assets		114	127
Decrease (+), increase (–) in marketable securities		0	–1
Decrease (+), increase (–) in receivables/accrued assets		26	–22
Decrease (+), increase (–) in inventories	14	–128	–86
Increase (+), decrease (–) in payables/accrued liabilities and use of other provisions		–25	21
Increase (+), decrease (–) in customer advances	24	114	46
Non cash impact in net current assets due to hedge accounting		0	4
Cash flow from operations		102	88
Capital expenditure in property, plant and equipment	17	–128	–96
Investments in subsidiaries/associated companies/others	1	–7	0
Capital expenditure in intangible assets[1]	18	–3	–2
Decrease (+), increase (–) in loans receivable		4	11
Increase (+), decrease (–) in cash from purchase/sale of subsidiaries		0	–1
Proceeds from sales of property, plant and equipment		11	4
Proceeds from sales of consolidated subsidiaries		0	7
Cash flow from/used by investing activities		–123	–76
Dividends paid		–33	–29
Purchase (–)/sale (+) of treasury shares		–1	0
Increase in (+), repayment of (–) financial debt	25	–25	–11
Cash flow from/used by financing activities		–59	–40
Conversion adjustments on cash and cash equivalents	12	–3	14
Increase (+), decrease (–) in cash and cash equivalents	12	–82	–14
Cash and cash equivalents at the beginning of the year		712	726
Cash and cash equivalents at the end of the year		630	712
Increase (+), decrease (–) in cash and cash equivalents		–82	–14
Increase (–), decrease (+) in financial debts from purchase/sale of subsidiaries		0	1
Repayment of (+), increase in (–) financial debt		25	11
Conversion adjustments on financial debt		0	–2
Increase (+), decrease (–) in net liquidity	25	–57	–4
Additional information:			
Interest paid		1	3
Interest received		4	10
Taxes paid		27	19

[1] The goodwill of CHF 109 million acquired in connection with the Unaxis–ESEC merger is attributable to the exchange of shares and has no impact on cash.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF million	Share capital[1]	Additional paid-in capital[2]	Treasury shares[3]	Conversion differences	Retained earnings	Hedge accounting under IAS 39	Fair value adjustments under IAS 39	Deferred taxes on IAS 39 adjustments	**Total shareholders' equity**	Minority Interests	**Total**
Balance at January 1, 2003	263	471	–47	–53	810	5	28	–4	1 476	79	1 555
Net income					32				32	–5	28
Dividends paid					–26				–26	–3	–29
Fair value adjustments under IAS 39						8	23	–4	27		27
Realization under IAS 39						–5		2	–3		–3
Conversion differences				–19					–19	1	–18
Transactions with minority shareholders									0		0
Purchase of treasury shares			–4						–4		–4
Sale of treasury shares			7		–3				4		4
Balance at December 31, 2003	**263**	**471**	**–44**	**–71**	**815**	**8**	**51**	**–6**	**1 488**	**72**	**1 560**
Balance at January 1, 2004	263	471	–44	–71	815	8	51	–6	1 488	72	1 560
Net loss					–378				–378	6	–372
Capital increase ESEC merger	19	151							171		171
Dividends paid					–28				–28	–6	–33
Fair value adjustments under IAS 39						9	–10	–2	–3		–3
Realization under IAS 39						–8		2	–6		–6
Conversion differences				–26					–26	2	–24
Transactions with minority shareholders									0	–69	–69
Purchase of treasury shares			–11						–11		–11
Sale of treasury shares			13		–3				10		10
Balance at December 31, 2004	**283**	**622**	**–42**	**–98**	**407**	**9**	**41**	**–6**	**1 216**	**6**	**1 222**

[1] The share capital of Unaxis Holding Inc. consists of 14 142 437 fully paid-up registered shares, each with a par value of CHF 20. Of that total, 972 345 shares were created on March 26, 2004 in connection with the merger between Unaxis and ESEC (see note 1).

[2] CHF 57 million of the additional paid-in capital is not readily available according to the regulations of Swiss company law.

[3] The historical cost of treasury shares purchased in relation to Unaxis Holding Inc. to meet potential commitments from its stock option plans (see also note 8 to the financial statements of Unaxis Holding Inc.):

	Number of shares	Price per share in CHF	Cost value in CHF million	Fair value in CHF million	Result in CHF million
Balance at December 31, 2002	213 360	219	47		–1
Purchase 2003	35 750	97	3		
Sale 2003 due to employee share purchase plan	–32 687	200	–7	–4	–3
Re-purchase from employee shares	4 020	116	0		
Balance at December 31, 2003	**220 443**	**200**	**44**		**–3**
Purchase 2004	48 858	138	7	7	
Sale 2004 due to employee share purchase plan	–64 915	196	–13	–10	–3
Re-purchase from employee shares	19 195	215	4	4	
Balance at December 31, 2004	**223 581**	**189**	**42**		**–3**

Introduction

Unaxis Holding Inc. is a Swiss limited liability corporation located in Freienbach SZ, Churerstrasse 120, Pfäffikon SZ. It is the ultimate holding company of Unaxis Group, a globally leading company in the field of Thin Film and Vacuum Technology as well as a major supplier of production equipment for Semiconductor Technology. In addition to Switzerland, Unaxis operates in particular in the EU region, North America and Asia, and employed some 6 800 persons as at the balance sheet date.

Basis

The consolidated financial statements of Unaxis Holding Inc. were prepared in accordance with International Financial Reporting Standards (IFRS, previously IAS). The financial statements were approved by the Board of Directors on March 1, 2005 and will be submitted to the annual general meeting of shareholders on April 26, 2005, for approval. All standards issued by the IASB and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective until the date of the consolidated financial statements were taken into account. The consolidation was based on audited annual accounts of the individual subsidiaries and prepared according to uniform Group accounting principles. All asset values have been determined in keeping with the historical cost principle, with the exception of derivative financial instruments and financial assets available for sale or held for trading purposes, which are stated at fair value. The preparation of the financial statements requires that management make estimates and assumptions that have an impact on the amounts of the assets and liabilities shown in the balance sheet. Actual amounts could differ from these estimates.

Accounting principles

IFRS 3, “Business Combinations”, in conjunction with the revised IAS 36 standard, “Impairment of Assets”, and IAS 38, “Intangible Assets”, is now applicable to all business combinations with an agreement date on or after March 31, 2004. Among other things, IFRS 3 stipulates that goodwill may no longer be amortized linearly, but instead must be subjected at least annually (or earlier if there are indications of a deterioration in value) to a so-called impairment test. Since March 31, 2004, the company has made no acquisitions, which is why IFRS 3 as well as the revised IAS 36 and IAS 38 have not yet had an impact on Unaxis’ 2004 consolidated financial statements. For goodwill from previous acquisitions, the new requirements become applicable as of the 2005 financial year.

During the year under review, no additional new or revised IFRS standards went into effect, and the premature application of individual IFRS guidelines was waived. The accounting principles applied during the prior year remained unchanged in 2004. All amounts (including subtotals and totals) have been systematically rounded. Therefore, adding the individual amounts may result in rounding differences.

Consolidation principles

Method and scope of consolidation. December 31 represents the uniform closing date for all companies included in the consolidated financial statements. All companies in which Unaxis Holding Inc. has either a direct or indirect interest exceeding 50 percent of the shareholders’ voting rights and companies over which control is assured through contractual arrangements are consolidated. Using the full consolidation method, the assets, liabilities, income and expenses of these consolidated subsidiaries are included in their entirety. Minority interests are shown separately in the consolidated financial statements. Group companies acquired or sold during the course of the financial year are included in or, respectively, eliminated from, the consolidated financial statements as of the month of purchase or sale. All majority interests held are shown in the organization chart at the end of this report.

Capital consolidation. The capital consolidation is performed according to the purchase method.

Goodwill. At the time of their initial consolidation, the assets and liabilities of consolidated subsidiaries are stated at fair value according to uniform Group principles. The difference between the purchase price and the shareholders’ equity of the acquired company based on such principles is capitalized as goodwill in the year of acquisition and amortized linearly over a maximum of twenty years as a component of net income. Goodwill denominated in foreign currencies is translated into Swiss francs at the rates prevailing on the balance sheet date.

Conversion of foreign currencies. Assets and liabilities of foreign subsidiaries are converted into Swiss francs at the exchange rate prevailing as of the balance sheet date; income and expenses of foreign subsidiaries are converted into Swiss francs using average rates for the year. Differences resulting from the application of different exchange rates are added to or deducted from shareholders’ equity with no impact on the income statement. Exchange gains and losses as recorded in the individual company accounts of subsidiaries are included in the income statement. Excluded from this rule are specific long-term intercompany financial transactions of an equity-like nature, the gains and losses of which are also credited or charged directly to shareholders’ equity. In the year that a foreign subsidiary is divested, the cumulative conversion differences recorded directly in shareholders’ equity are included in the income statement as a gain or loss on sales of investments.

Elimination of intercompany profits. Interim profits on intercompany sales not yet realized through sales to third parties as of year-end, as well as intercompany results on transfers of fixed assets and investments in subsidiaries, are eliminated in the consolidation.

Valuation principles

Cash and cash equivalents. These assets are placed with various financial institutions with top-quality international ratings. Time deposits included therein mature in three months or less.

Receivables. Credit and default risks are systematically taken into account through value adjustments. These risks are insured with third parties only in rare cases.

Derivative financial instruments. Forward contracts and options are utilized systematically and solely for the purpose of reducing business-related foreign currency and interest rate risks. These transactions are concluded with first-rate financial institutions and, as a general rule, have a term to maturity of up to 12 months. These derivative financial instruments are stated at fair values. Hedge accounting is applied in accordance with IAS 39, i.e. until the hedged underlying business transactions are accounted for, the unrealized profits and losses resulting from the valuation of derivative financial instruments at fair value are booked to shareholders’ equity with no impact on the income statement.

Inventories. Inventories of raw materials, purchased components and trade merchandise are carried at the lower of cost or net realizable value, determined by either the FIFO or the weighted average cost method. Self-produced components, work in process and finished goods are carried at production cost. This includes all material and labor costs as well as a reasonable allocation of overhead. Recognizable reductions in value resulting from excess stock, declines in replacement cost or sales price are taken into account through appropriate writedowns of inventory values.

Unconsolidated investments in subsidiaries. In keeping with the equity method, investments in associated companies (ranging from 20 to 50 percent of voting rights) are carried on the balance sheet at the proportional amount of shareholders' equity owned. Other investments (less than 20 percent of voting rights) are stated at fair value as at the balance sheet date, and any increases in fair value above cost are recorded in shareholders' equity without impacting net income until such investments are sold. Investments in unlisted companies for which no reliable fair value can be determined are carried at historical cost less any necessary value adjustment.

Property, plant and equipment. Fixed assets are recorded at historical purchase or production costs, less economically necessary depreciation. Depreciation is calculated on the straight-line basis according to detailed asset useful-life catalogues. Asset useful lives, as specified for eight asset categories, lie within the following Group ranges:

– IT hardware	3–5 years
– Company cars	4–7 years
– Trucks and electrically powered vehicles	5–10 years
– Technical installations and machines	5–15 years
– Other operating and business equipment	3–15 years
– Central building installations	10–25 years
– Leasehold improvements	duration of rental contract (max. 20 years) or, if shorter, individual useful life
– Plant and administrative buildings used in Group operations	20–40 years

Fixed assets used under financial leasing agreements are treated the same as fixed assets owned outright. Non-operating properties available for sale are carried at the lower of their residual net book value or estimated net realizable value.

Intangible assets (excluding goodwill). Intangible assets are identifiable non-monetary assets without physical substance from which future economic benefits are expected to flow to the Group. Intangible assets are amortized linearly over their economically useful lives (limited to twenty years maximum), but when such useful lives cannot be clearly determined, over a period not to exceed five years. Software is amortized on a straight-line basis over two to three years.

Provisions. Provisions are established on the basis of consistent economic criteria applied uniformly throughout the Group. They serve to cover recognizable outflows of resources that will probably be necessary to meet obligations arising from past events and that can be reasonably estimated.

Participation plans. Unaxis Holding Inc. offers the Board of Directors, corporate management and senior employees options to purchase its shares under various profit participation plans. In addition, a share purchase plan is available for Group personnel. The costs related to such plans (reduced subscription price, mandatory social security contributions) are included in net income as a component of personnel expense. From time to time, the company purchases treasury shares in order to cover the risk associated with the options granted. Acquisition costs of treasury shares are deducted directly from shareholders' equity.

Post-employment benefit plans. Within the Group, various post-employment benefit plans exist, which differ in their purpose and financing according to local needs. Defined-benefit retirement plans are carried forward annually by independent actuaries and evaluated at least every three years. In these calculations, the projected unit credit method is applied uniformly throughout the Group. Costs and cost reductions that result from the introduction of or changes to benefits provided by a plan (past service cost) are charged or credited to the income statement linearly over the average remaining service period until the amended benefits become vested. The impact of changes in plans relating to retirees is recorded in the income statement at once. Actuarial gains and losses, which result among other reasons from changes in actuarial assumptions, are charged or credited to the income statement linearly over eight years, if such deviations exceed 10 percent of the projected benefit obligation or – if larger – of the plan assets of the given plan. The interest component included in the increase in provisions for unfunded plans is included in the financial result.

Impairment of assets. At each balance sheet date, an assessment is made as to whether there are indications that assets may be impaired. If any such indication exists regarding assets of significant value, an impairment test is carried out in order to determine if and to what extent a valuation adjustment is necessary to reduce the asset to its value in use (present value of estimated future cash flows) or, if higher, to its net realizable sales price. In this case the impairment loss is recorded and fully charged to the income statement. With the exception of impairment losses recorded on goodwill, as soon as it is recognized that an impairment adjustment previously recorded is no longer justified, it is reversed and credited to the income statement.

Income statement

Sales. Sales are recorded net of sales taxes, as well as deductions for returns and discounts, at the time the risks and benefits of ownership are substantially transferred to customers. Revenue under long-term production and service contracts in the Semiconductor Equipment segment is recognized according to the percentage-of-completion method. The percentage of completion is determined on the basis of the direct project costs, excluding material costs. In the Component and Special Systems segment, the milestone method is applied.

Interest on financial debts. Interest expense is charged against income without restriction. Thus, no borrowing costs directly incurred during construction are capitalized.

Research and development. Expenditures for research are charged directly against net income as incurred. Development costs that meet the requirements for capitalization set forth in IAS 38 are capitalized.

Taxes. Current-year income taxes are accrued on the basis of income reported locally for the financial year by the individual Group companies in keeping with the current-year taxation principle. Wherever the tax-relevant basis differs from Group values, deferred taxes are determined and recorded by applying currently effective local tax rates to the differences (liability method). Deferred tax assets resulting from negative differences are thus capitalized only to the extent that their realization through corresponding profits is expected. To the extent that the offset of tax loss carry-forwards against future earnings is deemed probable, these benefits are capitalized or netted against any positive valuation differences on an individual company basis. Taxes on dividends from subsidiaries are only accrued when distributions are foreseeable.

Financial instruments

In order to reduce foreign currency risks, the Group companies' business transactions are hedged on a centrally coordinated basis with commonly utilized financial instruments (see Derivate financial instruments: As a general rule, project business is hedged 100 percent; serial business at least 50 percent). In addition, Group companies take out loans denominated congruently in their own local currency. The Group centrally coordinates and optimizes the conditions of Group companies' net liquidity/net debt through a cash management program in the relevant CHF and EUR areas. Interest rate risks are monitored by Corporate Treasury and, on a case-by-case basis, hedged at Group level. As a fundamental rule, no speculative transactions are conducted in the foreign currency or fixed-income/money market area. The credit or default risks associated with commercial accounts receivable are monitored decentrally by the individual Group companies (see Receivables). Financial instruments are stated at fair value. An exception applies to financial assets held to maturity as well as to receivables and credits generated by the Group, which are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of financial assets available for sale are recorded temporarily in shareholders' equity until such assets are sold or disposed of, at which time the gains or losses are transferred to the income statement.

Segment information

Sales between the individual segments are conducted at market conditions. Costs are allocated on a systematic basis which considers their origin and purpose.

Related party transactions

Deemed to be related parties are members of the Board of Directors or Executive Board, significant shareholders, as well as companies controlled by any of those individuals. Related-party transactions are conducted at market conditions.

Changes in Group companies/ownership structure

Note (1)

There were no changes to the scope of consolidation in the 2004 financial year.

Changes in minority interests in connection with the Unaxis–ESEC merger

Upon conclusion on March 26, 2004, of legal challenge, the merger of ESEC with Unaxis Holding Inc. approved by ESEC shareholders on October 7, 2003, was consummated through the exchange of 1.1 Unaxis shares for each ESEC share. As a part of this transaction, 972 345 new Unaxis shares were created. Because IFRS stipulates that the fair value at the time of the exchange is to be applied (CHF 175.50 per Unaxis share), the purchase price for the 43.16 percent minority interest in ESEC shares (including transaction costs) amounted to CHF 177 million, so that – based on the acquired CHF 68 million of residual shareholders' equity in ESEC – goodwill in the amount of CHF 109 million resulted from the transaction. That amount will be amortized over the amortization period for the ESEC goodwill acquired already in 2000.

Conversion rates

Note (2)

The following rates were used to convert the most important foreign currencies in the financial statements:

in CHF	Average rates 2004	2003	Change 03/04	Year-end rates 2004	2003	Change 03/04
1 USD	1.24	1.35	–7.6%	1.13	1.24	–8.9%
1 EUR	1.54	1.52	1.5%	1.54	1.56	–1.0%
1 GBP	2.28	2.20	3.5%	2.18	2.21	–1.3%
100 JPY	1.15	1.16	–1.0%	1.10	1.16	–5.4%
100 CNY	15.00	16.30	–8.0%	13.70	15.00	–8.7%
100 HKD	16.00	17.30	–7.5%	14.60	16.00	–8.8%
1 SGD	0.735	0.772	–4.8%	0.691	0.729	–5.2%

Impact of conversion rates on sales

Note (3)

	Change from prior year: Effective	Excluding conversion impact	Impact of conversion rates
Coating Services	16.4%	17.6%	**–1.1%**
Vacuum Solutions	9.8%	10.9%	**–1.1%**
Data Storage Solutions	–28.9%	–28.4%	**–0.5%**
Components and Special Systems	44.0%	46.6%	**–2.6%**
Semiconductor Equipment	35.2%	36.6%	**–1.4%**
Others	–100.0%	–100.0%	**0.0%**
Total	**15.0%**	**16.2%**	**–1.3%**

Amortization of goodwill

Note (4)

in CHF million	2004	2003
Coating Services	1	1
Data Storage Solutions	0	13
Semiconductor Equipment	36	29
Total	37	43

The annual amortization in the Semiconductor Equipment segment relates to the Assembly & Packaging (ESEC) and Wafer Processing (Plasma-Therm) divisions and is based on a useful life of 15 years. The higher amount of amortization in the Semiconductor Equipment segment is mainly attributable to the additional goodwill from the merger of Unaxis and ESEC on March 26, 2004 (see note 1). That goodwill has been depreciated over the remaining amortization period for the ESEC goodwill acquired in 2000. The lower rate of the US dollar during the 2004 financial year led to a CHF 0.8 million reduction in goodwill amortization (Plasma-Therm).

Note (5)

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

Other operating income and expenses

in CHF million	**2004**	2003
License, patent and know-how revenue	1	1
Other operating income	16	22
Income	16	22
Taxes not based on income	–6	–4
Restructuring costs[1]	–40	0
Impairment losses on plant and equipment[1]	–39	0
Other operating expenses	–3	–16
Expenses	–88	–20
Total	–71	3

[1] The restructuring costs and the impairment losses are related to the business segments as follows:

in CHF million	Restructuring costs	Impairment losses
Coating Services	0	0
Vacuum Solutions	1	0
Data Storage Solutions	–4	0
Components and Special Systems	–3	0
Semiconductor Equipment	–34	–39
Others	0	0
Total	**–40**	**–39**

Impairment losses on non-current assets

During the 2004 reporting period, the Display Technology division (Semiconductor Equipment segment) incurred significant losses because the technological complexity of new product generations led to cost overruns that could not be passed on to customers. As a result of this business development, Unaxis' Board of Directors decided in November 2004 to restructure the Display Technology division with the option to divest those activities at some later date.

During the preparation of the annual financial statements, an examination was conducted to determine the extent to which the book value of the Display Technology division's non-current assets will be supported by its anticipated future cash flows.

The cash-generating business unit is the division. Its future cash flows were discounted with average capital costs of 12 percent as determined through use of the Capital Asset Pricing Model (CAPM). On that basis, the following impairment losses had to be booked:

in CHF million		
Plant, equipment and furniture	29	(see note 17)
Production and administration buildings	9	(see note 17)
Purchased software	1	(see note 18)
Total	**39**	

Impairment loss on goodwill

Note (6)

in CHF million	**2004**	2003
Total	150	0

Weakness in the markets for semiconductor production equipment was more pronounced than expected during the second half of 2004. As a result, the market recovery is being postponed further into 2005 with the result that the Assembly & Packaging division's medium-term strategic plans can only be realized with a shift in time.

Due to the year-end revision of the division's strategic plan, an examination was conducted to determine the sustainable value of goodwill. In so doing, its future cash flows were discounted with average capital costs of 12 percent as determined through use of the Capital Asset Pricing Model (CAPM). A comparison of the determined enterprise value and the division's net assets led to the need for a CHF 150 million value adjustment that has been booked as impairment loss.

The status of goodwill for Assembly & Packaging changed as follows in 2004:

in CHF million	Original goodwill	Additional goodwill (from acquisition of 43% in 2004)	**Total**
Group value at January 1, 2004	159		**159**
Addition out of acquisition		109	**109**
Amortization	–18	–7	**–25**
	141	102	**243**
Impairment loss			**–150**
Group value at December 31, 2004			**93**

Expenses included in operating result (EBIT)

Note (7)

in CHF million	**2004**	2003
Salaries and wages	510	480
Social security and other employee benefits[1]	118	115
Personnel expenses	628	595
Depreciation and amortization of:		
– operating property, plant and equipment	96	94
– intangible assets (excluding goodwill)	4	4
– goodwill for subsidiaries[2]	37	43
Depreciation and amortization of operating assets	136	141
Operating result (EBIT)	–366	16
Depreciation and amortization of operating assets	136	141
Impairment losses on property, plant and equipment	39	0
Impairment losses on intangible assets (excluding goodwill)	1	0
Impairment loss on goodwill[3]	150	0
Operating result before depreciation and amortization (EBITDA)	–41	157

[1] Of the total cost of social security and other employee benefits of CHF 118 million, CHF 24 million (prior year CHF 22 million) relate to specific post-employment benefit plans of the individual companies. The remainder includes the legally required retirement benefit contributions of Group companies as well as other social security expenses.

[2] Additional information can be found in note 4.

[3] See note 6.

Impact of conversion rates on operating result (EBIT)

Note (8)

in CHF million	Change from prior year: Effective	Excluding conversion impact	Impact of conversion rates
Coating Services	15	15	**0**
Vacuum Solutions	–6	–6	**0**
Data Storage Solutions	–23	–22	**–1**
Components and Special Systems	16	17	**–1**
Semiconductor Equipment	–370	–372	**2**
Others	–14	–14	**0**
Total	**–382**	**–382**	**0**

Financial result

Note (9)

in CHF million	**2004**	2003
Interest on financial debt	–1	–3
Interest on provisions for unfunded post-employment benefit plans	–14	–14
Interest income	4	10
Net interest result	–11	–7
Other financial expenses	–1	–1
Other financial income	1	1
Exchange losses, net	–5	–1
Other financial result	–5	–1
Total	–17	–8

The lower level of net liquidity as well as lower interest rates caused a CHF 6 million decline in interest income to CHF 4 million.

Other result

Note (10)

in CHF million	**2004**	2003
Rental income from non-operating real estate	4	5
Expense of non-operating real estate	–2	–3
Depreciation of non-operating real estate	–1	–1
Result from sale of non-operating real estate	6	1
Result from non-operating real estate	7	3
Result from sale of operating real estate	0	0
Result from sale of activities and investments[1]	30	45
Impairment of other investments	0	–1
Others	0	–11
Total	37	37

[1] The result from the sale of activities and investments mainly consists of the release of warranty provisions no longer required as a result of the divestiture of Bally, Leybold Optics and Materials in the years 1999–2003.

Income taxes

Note (11)

in CHF million	2004	2003
Current income taxes	29	30
Deferred taxes	–3	–13
Total	26	17

Analysis of tax expense

in CHF million	2004 Result before taxes	2004 Tax expense	2003 Result before taxes	2003 Tax expense
Group total (actual)	–345	26	45	17
Expected tax expense based on weighted average anticipated tax rates[1]:				
expected tax income		–34		
expected tax expense				26
Difference between actual and expected tax expense		60		–9
Deferred taxes on current year losses not capitalized		64		22
Inclusion of prior tax loss carry-forwards not capitalized		–9		–15
Loss/correction of tax loss carry-forwards capitalized		10		7
Change in potential deferred tax assets not capitalized		–2		–2
Impact of changes in tax rates		0		–4
Subsequent taxes for prior periods (incl. credits)		–2		6
Non-recoverable withholding taxes		1		2
Non-deductible expenses		3		2
Non-taxable income		–10		–28
Other items		4		0
Total tax expense in excess of/ below expected tax expense		60		–9

The largest increase in tax expense (CHF 64 million) is attributable to the partial waiver of capitalizing deferred tax assets on current year tax-losses, because the probability of a future realization of them cannot be assessed sufficiently.

[1] **Calculation of expected tax expense** in CHF million	2004 Result before taxes	2004 Average tax rate	2004 Expected tax expense	2003 Result before taxes	2003 Average tax rate	2003 Expected tax expense
Income on company basis	179	27.5%	49	197	27.5%	54
Losses on company basis	–532	15.6%	–83	–148	18.3%	–28
Loss/income, net	–353		–34	49		26
Consolidating entries not subject to taxes	8		0	–4		0
Total	–345		–34	45		26

Cash and cash equivalents

Note (12)

in CHF million	**2004**	2003
Cash, postal and current bank accounts	253	303
Time deposits	377	409
Total	630	712
Change against previous year	–82	–14
due to changes in Group companies	0	-1
due to conversion differences	–3	14

Some CHF 35 million (previous year: 28 million) of total cash and cash equivalents are held in countries in which prior approval is required to transfer funds abroad. Nevertheless, if the Group complies with these requirements, such liquid funds are available at its disposition within a reasonable period of time.

Cash and cash equivalents are held in the following currencies:

Currency in CHF million	
CHF	471
EUR	52
USD	50
TWD	27
JPY	12
KRW	6
Other	12

Receivables

Note (13)

in CHF million	**2004**	2003
Trade accounts receivable	292	315
Trade notes receivable	20	19
Other receivables	31	44
Allowance for doubtful accounts	–14	–21
Total	329	357
Change against previous year	–28	12
due to changes in Group companies	0	–1
due to conversion differences	–7	1

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

Inventories

Note (14)

in CHF million	Gross value	Value adjustment	**2004 Net value**	Gross value	Value adjustment	2003 Net value
Raw materials and components	108	–29	79	111	–32	78
Work in process	240	–42	198	124	–3	121
Finished goods	78	–23	55	75	–24	51
Trade merchandise	38	–9	29	36	–9	27
Advances for inventories	7	0	7	4	0	4
Accrued sales under percentage-of-completion method	110	0	110	73	0	73
Total	581	–103	477	423	–68	355
Change against previous year			123			83
due to changes in Group companies			0			–2
due to conversion differences			–5			0

Revenue is recognized based on the percentage-of-completion (POC) method for customer contracts in the Semiconductor Equipment (Display Technology division) and Components and Special Systems (Space Technology division) segments, which can be summarized as follows:

in CHF million	**2004**	2003[1]
Invoices for POC contracts	141	126
– POC accruals as of January 1	–73	–15
+ POC accruals as of December 31	110	73
Sales recorded using the POC method	178	184
– Costs of POC sales recorded/accrued	–169	–130
– Expected POC losses recognized	–87	–4
Gross profit recognized on POC contracts	–77	50
POC project costs included in work in process as of January 1	11	12
POC project costs incurred	252	129
POC costs of sales recorded/accrued	–169	–130
POC project costs included in work in process as of December 31	94	11

[1] The presentation of prior-year figures has been supplemented with the POC contracts of the Components and Special Systems segment.

For POC contracts, customer prepayments totaling CHF 228 million have been recorded (2003: CHF 107 million); see also note 24.

Prepaid expenses and accrued income

Note (15)

in CHF million	**2004**	2003
Derivative financial instruments (IAS 39)	14	21
Other prepaid expenses and accrued income	18	18
Total	32	39
Change against previous year	–7	8
due to changes in Group companies	0	0
due to conversion differences	0	0

Gains on derivatives which qualify as hedges of future cash flows have been recognized directly in equity, in accordance with hedge accounting as per IAS 39 (refer to the consolidated statement of changes in shareholders' equity).

Other investments

Note (16)

in CHF million	2004	2003
Pilatus Flugzeugwerke AG, Stans (10%)[1]	19	19
Inficon Holding AG, Bad Ragaz (CH) (19.5%)[2]	39	47
Total	58	66
Change against previous year	–8	16
due to changes in Group companies	0	0
due to conversion differences	0	0

[1] Valuation of the investment in Pilatus Flugzeugwerke AG has been retained on basis of historical costs due to the lack of information to assess a fair value.

[2] The decrease of value of the Inficon shares at CHF 8 million has been debited to shareholders' equity without impacting net income in accordance with the accounting principles applied under IAS 39 (see also changes in shareholders' equity).

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

Property, plant and equipment

Note (17)

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Advances and assets under construction	Non-operating real estate	Investment properties (IAS 40)	**Total**
Cost							
Balance at January 1, 2004	892	406	35	42	69	0	1 444
Conversion differences	–17	–5	–1	–1	–1		–24
Changes in Group companies							0
Additions	79	6		43			128
Disposals	–59	–7			–4		–70
Transfers	41	22		–70	6		–1
Balance at December 31, 2004	936	423	33	15	70	0	1 477
Accumulated depreciation and impairment losses							
Balance at January 1, 2004	611	200	0	0	42	0	853
Conversion differences	–12	–2					–14
Changes in Group companies							0
Depreciation	83	13			1		97
Impairment losses[1]	29	9					39
Disposals	–56	–7			–2		–65
Transfers		–5			5		0
Balance at December 31, 2004	655	209	0	0	46	0	910
Net Group values at December 31, 2003	281	206	35	42	27	0	591
Net Group values at December 31, 2004	**281**	**214**	**33**	**14**	**24**	**0**	**566**
Including assets held under finance leases		1					1
Insured values in the event of fire	928	538		2	142		1 610
Estimated fair value					48		

[1] See also note 5

Commitments under outstanding orders for capital expenditures amounted to CHF 3 million at the end of 2004 (previous year: CHF 2 million).

Intangible assets

Note (18)

in CHF million	Purchased goodwill on Group companies	Purchased Software	Purchased Other intangible assets	Internally generated intangible assets	**Total**
Cost					
Balance at January 1, 2004	639	31	4	0	674
Conversion differences	–14				–14
Changes in Group companies					0
Additions	109	3			112
Disposals		–2	–3		–5
Transfers		1			1
Balance at December 31, 2004	734	32	1	0	768
Accumulated amortization and impairment losses					
Balance at January 1, 2004	359	25	3	0	388
Conversion differences	–5				–5
Changes in Group companies					0
Amortization	37	4			41
Impairment losses[1]	150	1			151
Disposals		–2	–3		–5
Transfers					0
Balance at December 31, 2004	541	27	1	0	569
Net Group values at December 31, 2003	280	6	0	0	287
Net Group values at December 31, 2004	**193**	**5**	**1**	**0**	**199**

[1] See also notes 5 and 6

Of the total reported goodwill of CHF 193 million (previous year: 280 million), CHF 188 million (previous year: 274 million) relate to the Semiconductor Equipment segment and CHF 5 million (previous year: 6 million) to the Coating Services segment (see also note 4).

The addition of CHF 109 million in goodwill was the result of the following transaction (see note 1):

in CHF million	Purchase price	Acquired shareholders' equity	Goodwill
Purchase of 43.16 percent minority interest in ESEC shares on March 26, 2004	177	68	109

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

Post-employment benefit assets

Note (19)

in CHF million	2004	2003
Total	27	30
Change against previous year	–3	–7
due to changes in Group companies	0	0
due to conversion differences	–2	–3

Refer to note 27 for detailed pension plan information.

Deferred tax assets

Note (20)

in CHF million	2004	2003
Total	61	76
Change against previous year	–15	–4
due to changes in Group companies	0	0
due to conversion differences	–3	–2
Unrecognized deferred tax assets resulting from tax loss carry-forwards of CHF 998 million (prior year CHF 546 million)	207	159
Unrecognized deferred tax assets resulting from potential taxable differences of CHF 13 million (prior year CHF 21 million)	2	4

The composition of deferred tax assets is reflected in note 28.
Reference is also made to the comments in note 11.

Tax loss carry-forwards expire as follows:

CHF	4	million in 1 year
CHF	0	million in 2 years
CHF	20	million in 3 years
CHF	133	million in 4 years
CHF	269	million in 5 years
CHF	644	million beyond 5 years
CHF	1 070	million total tax loss carry-forwards
thereof:		
CHF	72	million capitalized
CHF	998	million not capitalized

Assets pledged/otherwise restricted

Note (21)

in CHF million	2004	2003
Property, plant and equipment	1	27

The external leasing contracts have been terminated to the greatest extent, thus the related title-retention provisions no longer apply.

Payables

Note (22)

in CHF million	2004	2003
Trade accounts payable	100	96
Trade notes payable	3	3
Other payables	33	30
Total	136	129
Change against previous year	7	7
due to changes in Group companies	0	–1
due to conversion differences	–3	2

Accrued liabilities

Note (23)

in CHF million	2004	2003
Derivative financial instruments (IAS 39)	2	2
Accrued personnel costs	79	71
Accrued cost of sales	36	41
Other accrued liabilities	72	74
Total	189	188
Change against previous year	1	49
due to changes in Group companies	0	–1
due to conversion differences	–2	0

Losses on derivatives which qualify as hedges of future cash flows have been recognized directly in equity, in accordance with hedge accounting as per IAS 39 (refer to the consolidated statement of changes in shareholders' equity).

Customer advances

Note (24)

in CHF million	2004	Due within 1 year	1 to 5 years	beyond 5 years	Secured	2003
Total	246	209	37			133
Change against previous year	113					46
due to changes in Group companies	0					0
due to conversion differences	–1					0
The customer advances are distributed among the segments as follows:						
Coating Services	1					1
Vacuum Solutions	2					12
Data Storage Solutions	1					6
Components and Special Systems	57					52
Semiconductor Equipment	186					62
Other	0					0
Total	246					133

Financial debt/net liquidity

Note (25)

in CHF million	2004	Due within 1 year	1 to 5 years	beyond 5 years	Secured	2003
Current bank accounts	2	2				6
Loans payable	2		2			11
Financial lease obligations[1]	1			1	1	12
Total financial debt	5	2	2	1	1	30
Less cash and cash equivalents	–630					–712
Net liquidity	625					682
Change against prior year	–57					–4
due to changes in Group companies	0					0
due to conversion differences	–3					14
[1] Future financial lease payments	1			1		18
thereof financial costs	0			0		6

73 percent of the total financial debt is denominated in euros, 26 percent in Taiwanese dollars and 1 percent in other currencies (USD, CHF).
93 percent of the financial debt is owed to banks, while 29 percent is subject to floating interest rates. As an average taken over all currencies, financial debts resulted in interest charges of 2.4 percent (previous year: 5.6 percent).

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

Current income tax provisions

Note (26)

in CHF million	2004	Due within 1 year	Due beyond 1 year	2003
Total	28	28		26
Change against previous year	2			11
due to changes in Group companies	0			0
due to conversion differences	0			0

Post-employment benefit provisions

Note (27)

in CHF million	2004	Due within 1 year	Due beyond 1 year	2003
Total	257	12	245	256
Change against previous year	1			10
due to changes in Group companies	0			0
due to conversion differences	–3			17

Post-employment benefit provisions are related to the following plans:

Summary of post-employment benefit plans	**2004** Total	Defined benefit plans	Defined contribution plans	2003 Total	Defined benefit plans	Defined contribution plans
Number of plans:						
Funded plans	22	11	11	25	12	13
Unfunded plans	10	7	3	7	7	0
Number of persons covered:						
Active participants	6 494	5 199	1 320	5 585	5 322	815
Retirees	2 093	2 088	5	2 066	2 064	2
in CHF million						
Post-employment benefit cost (operating)	24	21	3	22	20	2
Post-employment benefit cost (financial)	14	14	0	14	14	0
Post-employment benefit cost, total	37	35	3	36	34	2
Post-employment benefit provisions	257	255	1	256	256	0
Post-employment benefit assets	27	27	0	30	30	0

Defined benefit plans in CHF million	**2004** Total	Plan assets Funded	Plan assets Unfunded	2003 Total	Plan assets Funded	Plan assets Unfunded
Plan assets at market values	481	481	0	468	468	0
Present benefit obligation (PBO)	–748	–508	–240	–712	–471	–241
Assets in excess of/below PBO	–267	–27	–240	–244	–2	–241
Post-employment benefit provisions	255	9	246	256	9	246
Post-employment benefit assets	–27	–27	0	–30	–30	0
Unrecognized gains/losses	–39	–45	6	–18	–23	5
of which:						
Actuarial gains/losses	–39	–45	6	–18	–23	5
Past service costs	0	0	0	0	0	0

Note (27 ff.)

Post-employment benefit cost from defined benefit plans
in CHF million

	2004	2003
Current service cost after deduction of employee contributions	22	22
+ interest cost of post-employment benefit obligations	32	33
– expected return on plan assets	–22	–22
+ amortization of past service costs	0	0
+ amortization of actuarial (gains)/losses	2	1
Total	35	34
Actual return on plan assets	11	37
Assets:		
Value of fixed assets used by Group companies	0	0
Receivables from Group companies	3	3

The actual return achieved by the funded plans was only about half of the expected return. The Swiss pension plans suffered most from this underperformance. Together with the actuarial losses of CHF 13 million incurred in the financial year 2004, this shortfall had a negative impact on the underfunded status of the defined-benefits plans, which increased by CHF 21 million to CHF 39 million. The actuarial losses are attributable to the reduced discount rates in various countries (decline in the weighted average rate from 4.7 to 3.8 percent; see actuarial assumptions).

The amortization of actuarial losses of CHF 2 million relates to the plans that exceed the corridor of 10 percent. As in the previous year, these are pension plans in the USA. During the financial year 2004, one Swiss and one Japanese defined benefit plan were added, for which the necessary amortization over an eight-year period commenced in 2004.

Net pension liability for defined benefit plans
in CHF million

	2004	2003
Post-employment benefit provisions	255	256
Post-employment benefit assets	–27	–30
Net pension liability	228	226
Movement in net pension liability		
Balance at January 1	226	202
Conversion differences	–1	20
Changes in Group companies	0	0
Post-employment benefit cost for the period	35	34
Company contributions	–30	– 31
Transfers	–1	0
Balance at December 31	228	226

Actuarial assumptions (weighted average rates)	2004	2003
Discount rate	3.8 %	4.7 %
Salary progression	2.0 %	2.7 %
Benefit progression	0.6 %	1.1 %
Return on plan assets	4.6 %	4.8 %

Note (28)

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

Deferred tax provisions

in CHF million	2004	Due within 1 year	Due beyond 1 year	2003
Total	27		27	42
Change against previous year	–15			–11
due to changes in Group companies	0			0
due to conversion differences	0			0

Composition of deferred taxes (including deferred tax assets, see note 20)

in CHF million	2004 Total taxable differences	2004 Potential deferred tax asset	2004 Potential deferred tax liability	2003 Total taxable differences	2003 Potential deferred tax asset	2003 Potential deferred tax liability
Trade accounts receivable	1	1	1	–2	2	1
Other receivables and accruals	13	0	4	14	1	4
Inventories	–6	5	2	95	7	22
Post-employment benefit assets	27	0	9	30	0	10
Financial assets	13	1	4	30	0	5
Property, plant and equipment	68	10	36	60	14	40
Intangible assets	–36	6	0	–49	8	0
Assets	81	23	56	177	33	83
Trade accounts payable	–1	0	0	0	0	0
Other current and long-term liabilities	–37	11	2	–93	21	2
Financial debt	–10	4	0	–11	4	0
Provisions	–53	30	2	–29	29	3
Liabilities	–101	45	4	–132	54	6
Subtotal	–19	68	60	45	87	89
Netting within each company	0	–16	–16	0	–28	–28
	–19	52	44	45	59	60
Thereof potential deferred tax assets not recognized	13	–2	0	21	–4	0
Tax loss carry-forwards recognized	–72	28	0	–129	40	0
Netting via tax entities and others	0	–18	–18	0	–19	–19
Net total	n/a	**61**	**27**	n/a	76	42
Thereof deferred taxes recognized directly as equity (IAS 39)	50	0	6	59	0	6

Other provisions

Note (29)

in CHF million	2004	Due within 1 year	Due beyond 5 years	2003
Total	302	203	99	187
Change against previous year	115			–82
due to changes in Group companies	0			0
due to conversion differences	–2			4

in CHF million	Provisions charged against EBIT: Product warranties	Product liability	Onerous contracts	Long-term employee benefits	Re-structuring	Others	Provisions not charged against EBIT[1]	Total
Balance at January 1, 2004	32	4	0	25	12	15	99	187
Conversion differences								–1
Changes in Group companies								0
Additions	21		146	6	41	2		215
Amounts used	–11		–26	–5	–9	–4	–5	–60
Amounts reversed	–7			–6	–6	–8	–32	–58
Transfers[2]			3			17		21
Balance at December 31, 2004	**34**	**4**	**123**	**19**	**38**	**22**	**61**	**302**
Of which:								
due within 1 year	33	1	120	3	29	3	14	203
due beyond 1 year	2	3	3	16	9	19	47	99

[1] The non-EBIT-related provisions mainly serve to cover identifiable risks associated with divestitures of subsidiaries during the past years

[2] The transfers of CHF 21 million mainly relate to provisions for project-related risks and product anomalies in the Components and Special Systems segment, which were previously offset against the contract costs and consequently recorded as liabilities.

The additions of provisions for onerous contracts is allocable to the following divisions:

in CHF million	
Display Technology	138
Data Storage Solutions	4
Assembly & Packaging	2
Coating Services	1
Total	**146**

In the financial year 2004, the Display Technology division suffered substantial losses. Those losses resulted from the systematic reassessment of project-related risks conducted during the preparation of the annual accounts, as well as from the corresponding adjustments to cost estimates for ongoing projects. The basis for this assessment was the so-called “most likely outcome” principle. The latter relies on assumptions regarding the technical and time-related completion of those projects, and also includes a quantification of the associated risks. Apart from the adjustments recognized as a result of the project reassessment, there exist contingent liabilities from technical risks that could have a negative financial impact. Although the probability that such would occur is less than 50 percent, the precise probability cannot be conclusively determined.

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

Contingent liabilities

Note (30)

in CHF million	**2004**	2003
Performance guarantees/guarantees of debt	2	1
Collateral securities	0	5
Discounted notes receivable	2	2
Total	4	7

Various legal proceedings and claims against Unaxis and its subsidiary companies are pending. In the opinion of management and according to the latest available information, the amounts required to settle such complaints and claims will have no material negative impact on the consolidated financial statements and commercial activities of Unaxis.

Payments under non-cancelable leases

Note (31)

in CHF million	**2004**	2003
Due in 1st year	15	12
Due in 2nd year	13	11
Due in 3rd year	10	10
Due in 4th year	8	8
Due in or beyond 5th year	23	21
Total	68	62

These amounts primarily relate to rental contracts for buildings. The largest amounts pertain to the facilities in Cham (the former ESEC companies) with a total of CHF 18 million, as well as the facilities of Balzers Inc., USA, with an amount of CHF 15 million.

Financial instruments

Note (32)

in CHF million	2004 Contract amounts	Fair value positive	negative	2003 Contract amounts	Fair value positive	negative
Currency derivatives	391	14	2	381	21	2
Interest derivatives	50	0	0	0		
Total	441	14	2	381	21	2

Based on the business activities, the following main currencies are hedged: US dollar, euro and Japanese yen. Positive and negative changes in fair values of currency derivatives (included in the balance sheet according to IAS 39, see notes 15 and 23) are offset by the corresponding gain or loss on the underlying hedged transactions. The maximum risk of counterparty non-performance is equal to the positive deviation from fair value.
In view of the reputation of the counterparties, this risk is deemed to be minimal.

Of the reported net market value of CHF 12 million, CHF 9 million have been booked directly to shareholders' equity not affecting net income, and CHF 3 million have been recorded in the income statement (see also changes in shareholders' equity and note 9).

Maturity structure of open foreign exchange forward transactions as at December 31, 2004:

	in CHF million	in %
Up to 3 months	211	54.1
3 to 12 months	165	42.2
Beyond 12 months	15	3.7

The interest-rate derivative instrument is a "reverse collar", i.e. a "floor" of 0.65 percent was purchased simultaneously with the sale of a "cap" at 1.50 percent. The reference rate is the 3-months Swiss Franc Libor. The derivative position expires on April 5, 2006. As long as the reference rate remains beneath 0.65 percent, a corresponding minimum return is guaranteed. Between the floor and the cap, the position remains neutral. If the reference rate were to rise above 1.50 percent, compensating payments must be made.

Group strategy to reduce risk and the valuation principles applied to the individual positions are described under the accounting principles. Amounts shown in the balance sheet for cash and cash equivalents, receivables and payables, as well as for loans receivable and short-term financial debts approximate fair values. Risks associated with interest rate changes on financial debt can be assessed from the information in note 25.

Unaxis participation plans

Note (33)

The following plans are in existence, pursuant to which the holder is entitled to purchase one share of Unaxis Holding Inc. for each option he or she owns:

- Since 1998, members of the Board of Directors of Unaxis Holding Inc. receive a portion of their compensation by means of a stock option plan (exercise period: 3 to 4 years). Since 2004, Board members may opt to take a part or all of their compensation in the form of shares. Such shares are subject to a blocking period of 2 years.
- As a long-term bonus, members of the Executive Board and senior management may receive a portion of their compensation in the form of options on Unaxis Holding Inc. shares (exercise period: 4 or, as the case may be, 7 years). For personnel who are still under the employ of the Company, shares acquired through the exercise of options are restricted as to sale for a predetermined period of 2, 3 or 4 years.
- The Board of Directors may grant options to employees at any organizational level pursuant to the "Discretionary Option Plan", this with the aim of recognizing outstanding performance as well as strengthening the given employee's bond with Unaxis.

As at December 31, 2004, the following outstanding options had been issued under these plans:

Board of Directors

Allotment	Options outstanding at 1.1.	Options issued in 2004	Options exercised in 2004	Options expired in 2004	Changes in 2004	Options outstanding at 31.12.	Exercise price in CHF	Exercise period from	to
2001	9 118					9 118	400	29.5.04	30.5.05
2002	11 246					11 246	225	13.5.04	12.5.06
2003	18 526					18 526	123	23.5.05	22.5.07
2004		20 807				20 807	150	6.6.06	3.6.08
Total	**38 890**	**20 807**				**59 697**			

Additionally, on June 4, 2004, a total of 5 671 shares of Unaxis Holding Inc. was allotted to the six members of the Board of Directors. The shares are restricted as to sale until June 5, 2006.

Employees

Note (33 ff.)

Allotment	Options outstanding at 1/1	Options issued in 2004[1]	Options exercised in 2004	Options expired in 2004[2]	Changes in 2004[3]	Options outstanding at 12/31	Exercise price in CHF	Exercise period from	to
2000	17 965			–17 965[1]		0	650	05/05/03	05/05/04
2001	5 538					5 538	400	05/29/04	05/30/05
	6 214	215		–282	–832	5 315	315	05/29/03	05/28/08
				–198	198	0	315	04/01/04	12/31/04
					634	634	315	01/01/04	12/31/06
	6 226	216		–282	–832	5 328	315	05/29/04	05/28/08
				–198	198	0	315	04/01/04	12/31/04
					634	634	315	01/01/04	12/31/06
2002	7 226					7 226	225	05/13/04	05/12/06
	13 718	843		–694	–1 135	12 732	189.5	05/14/04	05/13/09
				–317	317	0	189.5	04/01/04	12/31/04
					818	818	189.5	01/01/04	12/31/06
	13 746	844		–697	–1 135	12 758	189.5	05/14/05	05/13/09
				–317	317	0	189.5	04/01/04	12/31/04
					818	818	189.5	01/01/04	12/31/06
2003	40 760	3 095		–11 068	–2 805	29 982	110	05/24/05	05/23/10
			–557		557	0	110	04/01/04	12/31/04
			–2 248		2 248	0	110	01/01/04	12/31/06
	35 789	3 100		–6 071	–2 805	30 013	110	05/24/06	05/23/10
			–557		557	0	110	04/01/04	12/31/04
			–2 248		2 248	0	110	01/01/04	12/31/06
	5 000			–5 000		0	110	05/24/07	05/23/10
	10 000				–10 000	0	82.05	03/04/05	03/03/10
			–10 000		10 000	0	82.05	05/04/04	08/04/04
	5 000			–5 000		0	82.05	03/04/06	03/03/10
	5 000			–5 000		0	82.05	03/04/07	03/03/10
2004		24 155		–97		24 058	141	06/05/06	06/04/11
		24 180		–98		24 082	141	06/05/07	06/04/11
		380				380	176	01/07/06	01/07/11
		380				380	176	01/07/07	01/07/11
Total	**172 182**	**57 408**	**–15 610**	**–53 284**	**0**	**160 696**			

[1] The options issued in 2000 to employees at an exercise price of CHF 650 expired worthless in May 2004.

[2] The options issued in the years 2001 through 2004 expired in 2004 for the following reasons:

- Departure of the respective employees (as per the plan rules)
- Expiration of options with a reduced exercise period

[3] The changes and additions in the years 2001 to 2003 reflect the exchange of ESEC into Unaxis options as a result of the Unaxis–ESEC merger in 2004 as well as the adjustment of exercise periods on the basis of contractual agreements.

The potential obligation to issue shares versus outstanding options is covered exclusively through purchases of Unaxis Holding Inc. shares in the open market (see also note 15 to the annual financial statements of Unaxis Holding Inc.). Since 2004, the social security contributions associated with such options are to be paid only upon exercise as opposed to the previous rule, according to which such options were recorded as personnel expense at the time of allotment. In 2004 social security expenses of CHF 0.1 million are booked to the income statement due to exercise of options.

In addition, a stock purchase plan is available for Group management and personnel, according to which employees were able to acquire shares of Unaxis Holding Inc. at preferential conditions (40 percent discount) in June 2004. 597 employees took advantage of this opportunity and subscribed shares for a total of CHF 5 334 030. The reduction in the purchase price amounted to CHF 2 133 612, and the related amount was booked as personnel expense. These shares are restricted as to sale for a period of 2 years.

Related party transactions

Note (34)

Total compensation (excluding employer contributions to the AHV state pension plan) paid to the members of the Board of Directors amounted to CHF 344 000 in the 2004 financial year. The Board members were also issued 20 807 options and 5 671 shares.

Total compensation (including all employer pension fund contributions but excluding employer AHV contributions) paid in the 2004 financial year to members of the Executive Board amounted to CHF 2 926 731. Those individuals were also issued a total of 10 814 options for Unaxis shares.

Stock ownership plans: see note 33.

There were no other related party transactions during the year under review.

Events after the balance sheet date

Note (35)

No events occurred subsequent to the balance sheet date that would have a significant impact on these financial statements.

in CHF million	Coating Services 2004	Coating Services 2003	Vacuum Solutions 2004	Vacuum Solutions 2003	Data Storage Solutions 2004	Data Storage Solutions 2003
Orders received	367	315	365	365	170	293
Orders on hand	0	0	36	51	12	52
Sales						
Sales to third parties	367	315	379	345	208	293
Sales to Group companies	0	0	10	11	4	3
	367	315	389	356	213	297
Sales by region						
Japan and Asia/Pacific	59	36	96	62	159	239
Europe	233	212	200	195	30	37
North America	74	67	82	80	18	17
Other areas	0	0	2	8	1	0
	367	315	379	345	208	293
Sales by location						
Japan and Asia/Pacific	40	31	71	58	55	56
Europe	247	212	239	223	135	222
North America	55	54	70	64	19	16
Other areas	25	18	0	0	0	0
	367	315	379	345	208	293
Capital expenditures in property, plant, equipment and intangible assets						
Japan and Asia/Pacific	19	7	6	3	0	0
Europe	31	21	11	7	3	3
North America	5	4	1	2	0	0
Other areas	13	5	0	0	0	0
	67	36	18	12	3	3
Number of employees						
Japan and Asia/Pacific	312	233	183	162	80	66
Europe	1 301	1 226	1 220	1 220	345	388
North America	304	272	110	110	17	19
Other areas	255	194	0	0	0	0
	2 172	1 925	1 513	1 492	442	473
Assets (only third parties)						
Japan and Asia/Pacific	57	39	36	30	8	16
Europe	205	190	131	137	109	134
North America	27	29	27	35	5	4
Other areas	26	14	0	0	0	0
	314	272	194	202	121	153
Liabilities (only third parties)	77	64	73	90	43	57
Net assets (only third parties)[1]	238	208	121	112	78	96
Assets including intercompany relations	314	272	197	205	121	154
Liabilities including intercompany relations	78	64	74	91	43	58
Net assets including intercompany relations[1]	237	208	123	114	78	96
Research and development	15	13	31	27	16	17
Operating result before depreciation and amortization (EBITDA)	98	83	15	20	20	56
Depreciation and amortization	–41	–40	–9	–9	–7	–19
Impairment losses on intangible assets	0	0	0	0	0	0
Impairment loss on goodwill	0	0	0	0	0	0
Operating result (EBIT)	57	43	5	11	14	37

[1] Net assets include all operating current and non-current assets (excluding cash and cash equivalents and financial assets), less operating liabilities (excluding financial debts, provisions for post-employment benefits and for taxes and other provisions not charged against operating result).

Components and Special Systems 2004	2003	Semiconductor Equipment 2004	2003	Other 2004	2003	Elimination 2004	2003	Total 2004	2003
309	243	567	562	0	9			1 778	1 788
184	205	261	267	0	0			494	575
328	228	568	420	0	8			1 850	1 610
0	0	10	4	0	0	–24	–18	0	0
329	228	578	424	0	8	–24	–18	1 850	1 610
95	38	408	273	0	7			817	655
139	135	99	94	0	1			701	674
94	55	58	51	0	0			327	271
0	0	3	2	0	0			6	10
328	228	568	420	0	8			1 850	1 610
23	17	183	37	0	8			372	208
175	165	297	330	0	0			1 093	1 151
130	46	87	53	0	0			360	233
0	0	0	0	0	0			25	18
328	228	568	420	0	8			1 850	1 610
2	1	1	0	0	0			28	11
11	4	124	20	8	20			188	76
3	1	3	0	0	0			12	7
0	0	0	0	0	0			13	5
16	6	128	20	8	21			240	98
132	92	394	158	0	0			1 101	711
633	639	1 195	1 328	71	65			4 765	4 865
110	93	179	189	3	3			723	686
0	0	0	0	0	0			255	194
875	824	1 768	1 674	74	68			6 844	6 456
19	17	39	21	0	0			159	123
115	110	502	515	84	88			1 145	1 173
24	23	149	166	0	0			231	257
0	0	0	0	0	0			26	14
159	151	689	702	84	88			1 561	1 567
145	130	448	172	20	23			805	535
14	21	241	529	64	65			756	1 032
159	151	690	703	85	89	–5	–6	1 561	1 567
145	130	448	173	22	25	–5	–6	805	535
13	21	242	530	62	64	0	0	756	1 032
11	11	107	87	0	0			180	154
60	45	–220	–47	–13	–1	0	0	–41	157
–16	–17	–59	–51	–5	–4	0	0	–136	–141
0	0	–39	0	0	0	0	0	–39	0
0	0	–150	0	0	0	0	0	–150	0
44	28	–468	–98	–19	–5	0	0	–366	16

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

Country	Production	Distribution	R&D	Service	Name, registered office	Share capital in local currency[1]	Group owns %	Number of employees	President
Austria	■	■			Balzers GmbH, Kapfenberg	EUR 350	100	35	Zechner, Johann
Belgium	■	■			SA Balzers NV, St. Truiden	EUR 620	100	56	Boghe, Willy
Brazil	■	■			Balzers Balinit do Brasil Ltda., Jundiaí SP	BRL 2 842	95	115	Campos, Walter
China	■	■			Unaxis (Shanghai) Co. Ltd., Shanghai	CNY 99 321.334	100	158	Loh, Benjamin
	■	■			Balzers Coating (Suzhou) Co. Ltd., Suzhou	CNY 13 243	100	24	Cai, Jane
	■	■			Leybold Vacuum Equipment Manufacturing Co. Ltd., Tianjin	CNY 41 026	99.5	50	Ng, Damian
		■			Leybold Vacuum (Tianjin) Int. Trade Co. Ltd., Tianjin	CNY 1 656	99.5	38	Ng, Damian
France				■	Unaxis France Holding SAS, St. Thibault des Vignes	EUR 4 000	100	0	Babacan, Thomas
		■	■		Unaxis France SA, Palaiseau	EUR 762	100	62	Babacan, Thomas
	■	■			Balzers SAS, St. Thibault des Vignes	EUR 7 108	100	229	Ronchetti, René
	■	■	■		Leybold Vacuum France SA, Courtabœuf Cedex	EUR 3 095	99.5	189	Schäfer, Ingo
Germany				■	Unaxis Deutschland Holding GmbH, Aschheim (Munich)	EUR 30 682	99.5	8	Babacan, Thomas
		■			Unaxis Deutschland Vertriebs GmbH, Aschheim (Munich)	EUR 26	99.5	35	Babacan, Thomas
	■	■	■		Unaxis Optics Deutschland GmbH, Geisenheim	EUR 5 150	99.5	52	Grafe, Volker
	■	■			Balzers Verschleißschutz GmbH, Bingen	EUR 511	99.5	353	Brändle, Hans
				■	BuL Vermietungsgesellschaft mbH & Co. KG, Cologne	EUR 50	99.5	6	Babacan, Thomas
				■	BuL Vermietungs-Verwaltungs GmbH, Cologne	EUR 25	99.5	0	Babacan, Thomas
	■	■			Leybold Vacuum Dresden GmbH, Dresden	EUR 100	99.5	56	Grossmann, Frank
	■	■	■		Leybold Vacuum GmbH, Cologne	EUR 1 200	99.5	839	Mattern-Klossen, Monika
				■	perfectit! GmbH, Cologne	EUR 25	99.5	57	Haupt, Reiner
Great Britain				■	Unaxis IT (UK) Ltd., Monmouth	GBP 1	100	6	Hämmerli, Abraham
	■	■			Balzers Ltd., Milton Keynes	GBP 2 000	100	60	Stockley, Peter J.
		■			Leybold Vacuum UK Ltd., London	GBP 300	99.5	28	Ball, Chris
India	■	■			Balzers (India) Ltd., Bhosari/Pune	INR 48 118	100	92	Keskar, Ramesh V.
Italy		■			Unaxis Italia (Branch), Arluno/Milan	EUR 0	100	7	Babacan, Thomas
	■	■			Balzers SpA, Brugherio/Milan	EUR 130	100	85	Gullo, Giancarlo
		■			Leybold Vacuum Italia SpA, Milan	EUR 1 041	99.5	15	Barni, Emanuela
Japan		■	■		Unaxis Japan Co. Ltd., Tokyo	JPY 450	100	56	Fujii, Hirohide
	■	■			Nihon Balzers Co., Ltd., Hiratsuka	JPY 100	100	95	Schmalz, Andreas
		■			Leybold Vacuum Japan Co. Ltd., Yokohama	JPY 450	99.5	40	Schädlich, Christian
Liechtenstein	■	■	■	■	Unaxis Balzers AG, Balzers	CHF 75 000	100	1 022	Hälg, Bruno
		■			Balzers AG, Balzers	CHF 100	100	0	Schulz, Hans
Luxembourg	■	■			Balzers Luxembourg Sarl, Differdange	EUR 1 000	60	13	Boghe, Willy
Malaysia		■			Unaxis Singapore Pte. Ltd. (Branch), Penang	MYR 0	100	10	Wismer, Marcel
Mexico	■	■			Balzers SA de CV., Quéretaro	MXN 71 458	100	48	Cheynet, Loïc
The Netherlands		■			Unaxis Nederland BV, Utrecht	EUR 37	100	16	Babacan, Thomas
		■			Leybold Vacuum Nederland BV (Branch), Utrecht	EUR 463	99.5	9	Piaschinski, Georg
Philippines		■			Unaxis (Philippines) Inc., Manila	PHP 5 250	100	23	Thenu, Marcel
Poland	■	■			Balzers S.p.z.o.o., Polkowice Dolne	PLZ 5 000	100	21	Danis, Marek

[1] JPY and KRW in million, all other currencies in thousand

Country	Production	Distribution	R&D	Service	Name, registered office	Share capital in local currency[1]	Group owns %	Number of employees	President
Singapore	■	■	■	■	Unaxis Singapore Pte. Ltd., Singapore	SGD 15 000	100	86	Wismer, Marcel
	■	■			Balzers Coating Pte. Ltd., Singapore	SGD 6 000	100	43	Vogel, Christian
		■			Leybold Vacuum Singapore Pte. Ltd., Singapore	SGD 300	99.5	7	Mc Grail, Peter
South Korea		■	■		Unaxis Korea Ltd., Gyeonggi-do	KRW 1 050	100	54	Kim, Brian
	■	■			Balzers Korea Coating Co. Ltd., Kyongsan	KRW 6 000	89.9	150	Gim, Jong-Seong
		■			Leybold Vacuum Korea Ltd., Seoul	KRW 7 080	99.5	19	Ende, Andreas
Spain	■	■			Balzers-ELAY SA, Antzuola	EUR 150	51	62	Biana, Alberto
		■			Leybold Vacuum Spain SA, Sant Feliu de Llobregat	EUR 168	99.5	9	Beck, Wolfgang
Sweden	■	■			Balzers Sandvik Coating AB, Stockholm	SEK 11 600	51	65	Hansson, Göran
		■			Leybold Vacuum Scandinavia AB, Gothenburg	SEK 800	99.5	12	Ball, Chris
Switzerland				■	Unaxis Holding Inc., Pfäffikon SZ	CHF 282 849	100	0	Eggers, Harald (a.i.)
				■	Unaxis Management Inc., Pfäffikon SZ	CHF 2 000	100	57	Baumgartner, Beat
	■	■	■		Unaxis Switzerland Ltd., Cham	CHF 2 400	100	445	Steinbichler, Jürgen
			■		Unaxis SPTec Ltd., Neuenburg	CHF 1 000	100	10	Kroll, Ulrich
				■	Unaxis Trading Ltd., Trübbach	CHF 8 000	100	0	Häfeli, Erich
		■		■	Unaxis International Trading Ltd., Cham	CHF 250	100	18	Steinbichler, Jürgen
	■	■			Balzers Revêtements SA, Brügg (Biel)	CHF 2 000	100	26	Dosch, Vincens
		■			Leybold Vacuum Schweiz AG, Zurich	CHF 300	99.5	8	Beck, Wolfgang
	■	■	■	■	Contraves Space Ltd., Zurich	CHF 15 000	100	303	Somaini, Umberto
	■	■	■		Mecanovis Ltd., Trübbach	CHF 100	100	195	Suter, Dominik
				■	Kunz Spinning Mills Ltd., Windisch	CHF 10 000	100	0	Baumgartner, Beat
Taiwan		■			Unaxis Taiwan Ltd., Hsin Chu	TWD 20 000	100	160	Lai, ChungPing
		■			Leybold Vacuum Taiwan Ltd., Hsin Chu	TWD 20 000	100	29	Lo, Joyce
USA				■	Unaxis USA Holding Inc., Pittsburgh, PA	USD 24 980	99.8	0	Druggs, Merrill
	■	■	■		Unaxis USA Inc., St. Petersburg, FL	USD 14 730	99.8	196	Barry, Ken
	■	■			Unaxis Optics USA Inc., Golden, CO	USD 1	99.8	110	Cusick, Mike
	■	■			Balzers Inc., Elgin, IL	USD 20	99.8	304	Connell, Kent
	■	■	■		Leybold Vacuum USA Inc., Export, PA	USD 1 375	99.8	110	Pellegrino, Dennis
				■	Contraves Inc., Pittsburgh, PA	USD 500	99.8	3	Druggs, Merrill

Report of the Group auditors to the General Meeting of

Unaxis Holding Inc., Pfäffikon

As Group auditors, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes, pages 87 through 117) of Unaxis Holding Inc. 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 and with International Standards on Auditing (ISA), which require that an audit be planned and performed 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 consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall presentation of the consolidated financial statements. 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 result of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS), and comply with Swiss law.

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

KPMG Fides Peat

Erik F. J. Willems	Herbert Bussmann
Dutch Certified Public Accountant	Certified Public Accountant
Auditor in charge	

Zurich, March 2, 2005

KEY FIGURES 2000–2004

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

in CHF million	**2004**	2003	2002	2001	2000
Orders received	1 778	1 788	1 494	1 572	3 732
Sales	1 850	1 610	1 490	2 127	3 285
Operating result (EBIT)	–366	16	–83	–211	314
Operating result before depreciation and amortization (EBITDA)	–41	157	71	182	460
Financial result	–17	–8	–11	0	–23
Other result	37	37	47	297	330
Income taxes	–26	–17	–8	–33	–87
Minority interests in net income	–6	5	16	58	–23
Net (loss)/income	–378	32	–39	111	511
Personnel expenses	628	595	634	775	882
Research and development	180	154	157	208	219
Depreciation of property, plant and equipment	97	96	104	120	114
Amortization of intangible assets	41	47	52	73	45
Impairment loss on goodwill	150	0	0	200	0
Current assets	1 471	1 466	1 376	1 628	2 072
Non-current assets	940	1 085	1 149	1 388	1 636
Current liabilities	779	556	441	832	1 305
Non-current liabilities	410	435	530	422	734
Minority interests	6	72	79	95	165
Shareholders' equity	1 216	1 488	1 476	1 667	1 504
Total assets	2 411	2 550	2 525	3 016	3 708
Inventories	477	355	272	326	714
Property, plant and equipment	566	591	597	683	759
Net assets[1]	756	1 032	1 075	1 202	1 761
Net liquidity	625	682	686	768	174
Net funds from operations	102	88	–41	264	486
Capital expenditures in property, plant and equipment	128	96	74	186	191
Capital expenditures in intangible assets	112	2	3	46	436
Proceeds from sales of property, plant and equipment	11	4	10	90	40
Number of consolidated Group companies	77	81	89	95	113
Number of employees at year-end	6 844	6 456	6 544	7 241	9 154
Average number of employees	6 650	6 500	6 892	8 197	8 760
Sales per employee in CHF	278 251	247 620	216 132	259 500	375 000
Operating result as % of net assets (RONA)	–48.4%	1.5%	–7.7%	–17.6%	17.8%
Non-current assets as % of total assets	39.0%	42.5%	44.0%	44.6%	43.1%
Shareholders' equity ratio	50.4%	58.3%	58.4%	55.3%	40.5%

[1] Net assets include all operating current and non-current assets (excluding cash and cash equivalents and financial assets), less operating liabilities (excluding financial debts, provisions for post-employment benefits and for taxes and other provisions not charged against operating result).

INCOME STATEMENT OF UNAXIS HOLDING INC.

in CHF	Note	**2004**	2003
Income from investments in subsidiaries	2	39 101 875	333 137 783
Financial income	3	13 460 940	38 806 329
Other income		7 454 027	3 248 367
		60 016 842	375 192 479
Financial expense	4	–30 569 551	–27 939 574
Other expense		–31 471 798	–21 963 878
Ordinary income		–2 024 507	325 289 027
Gain on sales of subsidiaries	5	19 755 428	27 400 000
Change in value adjustments to loans and investments in subsidiaries	6	–176 927 624	–16 201 745
Net loss/income		–159 196 703	336 487 282

BALANCE SHEET AT DECEMBER 31 OF UNAXIS HOLDING INC.

Assets

in CHF	Note	**2004**	%	2003	%
Cash and cash equivalents	7	464 337 179	39.2	529 680 137	37.0
Marketable securities	8	25 264 653	2.1	38 632 600	2.7
Receivables from third parties		343 548	0.0	1 560 807	0.1
Receivables from affiliated companies		1 202 015	0.1	3 700 395	0.3
Prepaid expenses and accrued income		2 377 321	0.2	1 993 530	0.1
Current assets		493 524 716	41.6	575 567 469	40.2
Investments	9	298 308 008	25.1	480 512 003	33.6
Loans to affiliated companies	10	375 492 582	31.6	352 181 530	24.6
Loans to third parties	11	19 137 257	1.7	23 496 066	1.6
Non-current assets		692 937 847	58.4	856 189 599	59.8
Total assets		1 186 462 563	100.0	1 431 757 068	100.0

Liabilities and shareholders' equity

in CHF	Note	**2004**	%	2003	%
Current payables to affiliated companies		7 949 452	0.7	0	0.0
Accrued liabilities		229 255	0.0	244 000	0.0
Short-term deposits from affiliated companies	12	98 542 234	8.3	105 646 173	7.4
Provisions	13	174 500 000	14.7	201 096 632	14.0
Liabilities		281 220 941	23.7	306 986 805	21.4
Share capital	14	282 848 740	23.8	263 401 840	18.4
Legal reserve		136 314 401	11.5	133 478 129	9.3
Free reserve		598 000 000	50.4	345 000 000	24.1
Reserve for treasury shares	15	41 205 599	4.6	44 041 871	3.1
Retained earnings					
– Balance carried forward		6 069 585	0.5	2 361 141	0.2
– Net loss/income		–159 196 703	–13.4	336 487 282	23.5
Shareholders' equity	16	905 241 622	76.3	1 124 770 263	78.6
Total liabilities and shareholders' equity		1 186 462 563	100.0	1 431 757 068	100.0
Contingent liabilities	17	82 767 025		70 987 320	

General

Reporting basis (1)
The Unaxis Holding Inc. financial statements are prepared in compliance with Swiss Corporate Law. They are a supplement to the consolidated financial statements (pages 87 through 90) prepared according to International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the Unaxis Holding Inc. financial statements (pages 120 through 121) relates to the ultimate parent company alone. The retained earnings reported in these financial statements provide the basis for the decision regarding the distribution of earnings to be made during the annual general meeting of shareholders.

Income statement

Income from investments in subsidiaries (2)
Approximately half of the investment income was attributable to Unaxis Trading AG and Mecanovis AG. A further CHF 9 million resulted from the partial release of provisions related to dividend income in 1999. Provisions in the original amount of CHF 102 million were created at that time, because the dividends received from Contraves Space AG were based partially on write-ups of book values (see also note 13).

Financial income (3)
The decline is attributable to lower interest income on bank balances and loans to affiliated companies. Moreover, the prior-year total includes an increase of CHF 18.6 million in the value of treasury shares at their closing market value on December 31.

Financial expense (4)
During the year under review, the value of treasury shares had to be adjusted downward by CHF 13.3 million to reflect their current market value. As compared to the previous year, this added expense stands in contrast to lower interest expense of CHF 6.5 million and currency losses of CHF 4.2 million.

Gain on sales of subsidiaries (5)
This item includes the release of reserves that were no longer needed upon the lapse of the warranty period associated with the divestitures of the Bally and Oerlikon-Bührle Immobilien AG (IMAG) subsidiary companies. Apart from that, also included is the gain on the sale of SA Balzers NV, St.-Truiden, to Unaxis Deutschland Holding GmbH.

Change in value adjustments to loans and investments in subsidiaries (6)
CHF 166 million is attributable to Unaxis Balzers AG. The remainder includes value adjustments and restructuring contributions to subsidiaries in England and Japan, net of the recovery of CHF 0.8 million previously written down.

Balance sheet

Cash and cash equivalents (7)
This item is comprised of current balances denominated primarily in CHF and held with European banks.

Marketable securities (8)
Marketable securities comprise 223 581 (prior year: 220 443) treasury shares, which were purchased on the stock market and stated at market value as at December 31 (see also note 15). Due to the rights acquired by participants in the stock option plan, 220 393 shares were restricted as to sale on the balance sheet date.

The Board of Directors of Unaxis Holding Inc. receives a considerable proportion of its compensation in the form of shares and options. In addition, there exists a stock options plan for senior management and a stock purchase plan for employees.

To ensure the ability of Unaxis Holding Inc. to meet its obligations under these plans, shares were acquired in the open market in 2004 (2003) amounting to 47 798 (35 750), respectively. 1 060 shares are attributable to the merger with ESEC Holding AG. 19 195 (4 020) shares were repurchased from employees, and 59 244 (11 730) shares were issued to employees at a preferential price. The Board of Directors were issued 5 671 (0) shares at market price as a portion of their compensation (see also consolidated statement of changes in shareholders' equity).

Investments (9)
As at the balance sheet date, the significant equity interests in subsidiary companies as reflected on page 123 were included in Unaxis Holding Inc.'s investment portfolio:

An overview of all companies in which Unaxis Holding Inc. has either a direct or indirect equity interest is shown at the end of this report.

These investments have been recorded on the balance sheet at historical cost less any value adjustments. The reduction of CHF 182 million versus the previous year is mainly attributable to the merger with ESEC Holding AG, as well as the value adjustment for Unaxis Balzers AG.

Loans to affiliated companies (10)
This item consists of current accounts as well as current and non-current loans granted at prevailing market conditions. The greatest portion is denominated in USD (48 percent), CHF (37 percent), JPY (6 percent) and EUR (4 percent), and the remainder (5 percent) in SGD, PLZ, GBP and SEK. The change versus the prior year represents the net effect of new loans granted, repayments and value adjustments.

Loans to third parties (11)
This item pertains to outstanding purchase price obligations of third parties. In the year under review, a partial amount of CHF 4.4 million was received.

Short-term deposits from affiliated companies (12)
Included in this item are short-term time deposits made with Unaxis Holding Inc. by affiliated companies for cash management purposes.

Provisions (13)
Of the provisions made during prior years for warranty obligations associated with sales by affiliates, CHF 26.2 million were reversed (see also notes 2 and 5), and CHF 0.4 million were claimed.

Share capital (14)
The share capital of CHF 282 848 740 is comprised of 14 142 437 registered shares, each with a par value of CHF 20. The increase versus the previous year is attributable to the takeover of the minority interest in ESEC Holding AG.

On the balance sheet date, conditional capital amounted to CHF 47.2 million. The Company no longer has authorized capital at its disposal.

At the end of 2004, the names of 22 702 registered shareholders in total were entered in the stock register. Ihag-Holding AG and Mrs. Hortense Anda-Bührle held 20.5 percent (previous year: 26.2 percent) of the outstanding shares. On the balance sheet date, no other shareholders were known to the Company who held more than 5 percent of its share capital per December 31, 2004.

Reserve for treasury shares (15)
This reserve represents the historical cost to the Company of 223 581 treasury shares (see also note 8).

Changes in shareholders' equity (16)
See table on page 124.

Contingent liabilities (17)
Contingent liabilities relate primarily to sureties and guarantees for bank loans to affiliated companies.

Investments in subsidiaries

Company	Currency	Share capital	% equity interest
Leybold Vacuum Taiwan Ltd., Hsin Chu	TWD	20 000 000	100.0
Balzers Balinit do Brasil Ltda., Jundiaí	BRL	18 204 000	95.0
Balzers Coating (Suzhou) Co. Ltd., Suzhou	USD	1 600 000	100.0
Balzers Coating Pte. Ltd., Singapore	SGD	6 000 000	100.0
Balzers GmbH, Kapfenberg	EUR	350 000	100.0
Balzers (India) Ltd., Bhosari/Pune	INR	48 118 000	100.0
Balzers Korea Coating Co. Ltd., Kyongsan	KRW	6 000 000 000	89.9
Balzers Ltd., Milton Keynes	GBP	2 000 000	100.0
Balzers Luxembourg Sarl, Differdange	EUR	1 000 000	60.0
Balzers Revêtements SA, Brügg (Biel)	CHF	2 000 000	100.0
Balzers SA de CV., Quéretaro	MXP	71 458 000	100.0
Balzers Sandvik Coating AB, Stockholm	SEK	11 600 000	51.0
Balzers S.p.z.o.o., Polkowice Dolne	PLZ	5 000 000	100.0
Balzers SpA, Brugherio/Milan	EUR	130 000	100.0
Balzers-ELAY SA, Antzuola	EUR	150 000	51.0
Contraves Space Ltd., Zurich	CHF	15 000 000	100.0
Inficon Holding AG, Bad Ragaz	CHF	23 150 000	19.5
Mecanovis Ltd., Trübbach	CHF	100 000	100.0
Nihon Balzers Co. Ltd., Hiratsuka	JPY	100 000 000	100.0
Pilatus Flugzeugwerke AG, Stans	CHF	10 000 000	10.0
Kunz Spinning Mills Ltd., Windisch	CHF	10 000 000	100.0
Unaxis Schweiz Ltd., Cham	CHF	2 400 000	100.0
Unaxis (Shanghai) Co. Ltd., Shanghai	CNY	99 321 000	100.0
Unaxis Balzers AG, Balzers	CHF	75 000 000	100.0
Unaxis Deutschland Holding GmbH, Aschheim (Munich)	EUR	30 680 000	99.5
Unaxis France Holding SAS, St. Thibault des Vignes	EUR	4 000 000	100.0
Unaxis International Trading Ltd., Cham	CHF	250 000	100.0
Unaxis Japan Co. Ltd., Tokyo	JPY	450 000 000	100.0
Unaxis Korea Ltd., Gyeonggi-do	KRW	1 050 000 000	100.0
Unaxis Management Inc., Pfäffikon SZ	CHF	2 000 000	100.0
Unaxis Nederland BV, Utrecht	EUR	37 000	100.0
Unaxis IT (UK) Ltd., Monmouth	GBP	600	100.0
Unaxis Singapore Pte. Ltd., Singapore	SGD	15 000 000	100.0
Unaxis SPTec SA, Neuenburg	CHF	1 000 000	100.0
Unaxis Taiwan Ltd., Hsin Chu	TWD	20 000 000	100.0
Unaxis Trading Ltd., Trübbach	CHF	8 000 000	100.0
Unaxis USA Holding Inc., New York	USD	24 980 000	62.9

Changes in shareholders' equity
in CHF million

	Share capital	Legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
Balance at January 1, 2002	**263.4**	**132.4**	**45.1**	**260.0**	**159.5**	**860.4**
Allocation to free reserve				100.0	–100.0	0.0
Payment of dividend for financial year 2001					–26.0	–26.0
Elimination of reserve for treasury shares		–1.5	1.5			0.0
Net income 2002					–20.3	–20.3
Balance at December 31, 2002	**263.4**	**130.9**	**46.6**	**360.0**	**13.2**	**814.1**
Transfer from free reserve				–15.0	15.0	0.0
Payment of dividend for financial year 2002					–25.9	–25.9
Elimination of reserve for treasury shares		2.6	–2.6			0.0
Net income 2003					336.5	336.5
Balance at December 31, 2003	**263.4**	**133.5**	**44.0**	**345.0**	**338.8**	**1 124.7**
Capital increase	19.4					19.4
Merger loss on ESEC				–52.0		–52.0
Allocation to free reserve				305.0	–305.0	0.0
Payment of dividend for financial year 2003					–27.7	–27.7
Elimination of reserve for treasury shares		2.8	–2.8			0.0
Net loss 2004					–159.2	–159.2
Balance at December 31, 2004	**282.8**	**136.3**	**41.2**	**598.0**	**–153.1**	**905.2**

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes at the General Meeting to be held on April 26, 2005, that the available earnings as at December 31, 2004, namely:

in CHF	**2004**	2003
Net loss/income	–159 196 703	336 487 282
Balance carried forward from previous year	6 069 585	2 361 141
Allocation to free reserve	0	305 000 000
Transfer from free reserve	160 000 000	0
Available earnings	6 872 882	33 848 423

be appropriated as follows:

Dividend distribution waived in 2004 (2003: payment of a CHF 2.00 gross dividend to all registered shares entitled to receive dividends).	0	27 778 838
Balance to be carried forward	6 872 882	6 069 585

The Board of Directors proposes at the April 26, 2005, General Meeting that a CHF 194 863 984 capital reduction be made in the form of a partial repayment of par value equal to CHF 14 per registered share.

Pfäffikon SZ, March 1, 2005

For the Board of Directors
The Chairman

Dr. Willy Kissling

If the General Meeting approves the reduction in par value and the related procedure can be carried out according to plan, it is anticipated that the payment of CHF 14 per share will be made as of mid-July 2005.

To the annual general meeting of shareholders
of Unaxis Holding Inc., Pfäffikon

As statutory auditors, we have audited the accounting records and financial statements (balance sheet, income statement and notes, pages 120 through 124) of Unaxis Holding Inc. 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 and 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 be approved.

KPMG Fides Peat

Erik F. J. Willems
Dutch Certified Public Accountant
Auditor in charge

Herbert Bussmann
Certified Public Accountant

Zurich, March 2, 2005

LEGAL STRUCTURE AS AT DECEMBER 31, 2004

Balance at December 31, 2004

Unaxis Holding Inc., Pfäffikon SZ/CH
– Unaxis Management Inc., Pfäffikon SZ/CH
– Unaxis Schweiz Ltd., Cham/CH
– Unaxis SPTec Ltd., Neuenburg/CH
– Unaxis Trading Ltd., Trübbach/CH
– Unaxis International Trading Ltd., Cham/CH
– Unaxis Deutschland Holding GmbH, Aschheim (Munich)/DE
· Unaxis Deutschland Vertriebs GmbH, Aschheim bei (Munich)/DE
· Unaxis Optics Deutschland GmbH, Geisenheim/DE
· SA Balzers NV, St. Truiden/BE
· Balzers Verschleißschutz GmbH, Bingen/DE
· Leybold Vacuum GmbH, Cologne/DE
  BuL Vermietungsgesellschaft mbH & Co. KG, Cologne/DE
  BuL Vermietungs-Verwaltungs GmbH, Cologne/DE
  Leybold Vacuum Schweiz AG, Zurich/CH
  Leybold Vacuum Dresden GmbH, Dresden/DE
  Leybold Vacuum Spain SA, Sant Feliu de Llobregat/ES
  Leybold Vacuum France SAS, Courtabœuf Cedex/FR
  Leybold Vacuum UK Ltd., London/GB
  Leybold Vacuum Italia SpA, Milan/IT
  Leybold Vacuum Nederland BV (Branch), Utrecht/NL
  Leybold Vacuum Scandinavia AB, Gothenburg/SE
  Leybold Vacuum Equipment Manufacturing Co. Ltd., Tianjin/CN
  Leybold Vacuum (Tianjin) Int. Trade Co. Ltd., Tianjin/CN
  Leybold Vacuum Japan Co. Ltd., Yokohama/JP
  Leybold Vacuum Singapore Pte. Ltd., Singapore/SG
  perfectit! GmbH, Cologne/DE
· Leybold Vacuum Korea Ltd., Seoul/KR
– Unaxis France Holding SAS, St. Thibault des Vignes/FR
· Unaxis France SA, Palaiseau/FR
· Balzers SAS, St. Thibault des Vignes/FR
– Unaxis IT (UK) Ltd., Monmouth/GB
– Unaxis Balzers AG, Balzers/LI
· Balzers AG, Balzers/LI
– Unaxis (Shanghai) Co. Ltd., Shanghai/CN
– Unaxis Japan Co. Ltd., Tokyo/JP
– Unaxis Korea Ltd., Gyeonggi-do/KR
– Unaxis Taiwan Ltd., Hsin Chu/TW
– Unaxis Singapore Pte. Ltd., Singapore/SG
· Unaxis Singapore Pte. Ltd. (Branch), Penang/MY
· Unaxis (Philippines) Inc., Mintinlupa/PH
– Balzers Revêtements SA, Brügg (Biel)/CH
– Balzers GmbH, Kapfenberg/AT
– Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN
– Balzers-ELAY SA, Antzuola/ES
– Balzers Ltd., Milton Keynes/GB
– Balzers SpA, Brugherio, MI/IT
– Balzers Luxembourg Sarl, Differdange/LU
– Unaxis Nederland BV, Utrecht/NL
· Unaxis Italia (Branch), Arluno, MI/IT[1]
– Balzers S.p.z.o.o., Polkowice Dolne/PL
– Balzers Sandvik Coating AB, Stockholm/SE
– Balzers (India) Ltd., Bhosari, Pune/IN
– Nihon Balzers Co. Ltd., Hiratsuka/JP
– Balzers Korea Coating Co. Ltd., Kyongsan/KR
– Balzers Coating Pte. Ltd., Singapore/SG
– Balzers Balinit do Brasil Ltda., Jundiaí/BR
– Balzers SA de CV, Quéretaro/MX
– Leybold Vacuum Taiwan Ltd., Hsin Chu/TW
– Contraves Space Ltd., Zurich/CH
– Mecanovis Ltd., Trübbach/CH
– Kunz Spinning Mills Ltd., Windisch/CH
– Unaxis USA Holding Inc., Pittsburgh, PA/US
· Unaxis Optics USA Inc., Golden, CO/US
· Unaxis USA Inc., St. Petersburg, FL/US
· Balzers Inc., Elgin, IL/US
· Leybold Vacuum USA Inc., Export, PA/US
· Contraves Inc., East Pittsburgh, PA/US

[1] Facilities of Unaxis Nederland BV, Utrecht NL

Agenda

March 22, 2005
Media and analysts' conference on 2004 annual results,
Convention Point, SWX Swiss Exchange, Selnaustr. 30, 8021 Zurich

April 21, 2005
Key figures for the 1st quarter of 2005
(sales, orders received, orders on hand)

April 26, 2005
Annual general meeting of shareholders, Lucerne Culture and
Convention Center (KKL)

August 18, 2005
Publication of the 2005 semi-annual report

October 20, 2005
Key figures for the 3rd quarter of 2005
(sales, orders received, orders on hand)

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This report is printed on offset paper and is also available online at the Unaxis website, www.unaxis.com.

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