2004

CONSOLIDATED FINANCIAL STATEMENTS 2004

TORNOS HOLDING S.A., MOUTIER

TORNOS HOLDING SA

Tornos Holding S.A., Moutier

Consolidated Financial Statements 2004

Report of the group auditors
to the general meeting of

Tornos Holding S.A., Moutier

As group auditors, we have audited the consolidated financial statements of Tornos Holding S. A. and subsidiaries (the group), consisting of the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the consolidated financial statements for the year ended December 31, 2004.

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

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing (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 consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Without qualifying our opinion, we draw attention to Note 2.4 of the consolidated financial statements describing the fact that the group's ability to continue as a going concern is dependent either on ongoing compliance with its quarterly credit covenants and successful refinancing of the short-term borrowings and working capital facility of CHF 34.3 million as of December 31, 2004 which is due on April 30, 2005, or the ability to obtain other adequate financing from May 1, 2005.

Berne, February 28, 2005

BDO Visura

André Faessler	Karel Hojac
Swiss Certified Accountant Auditor in Charge	Swiss Certified Accountant Certified IFRS Accountant

Enclosures

- Consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes)

Consolidated income statement

In thousands of CHF, except per share data

For the years ended December 31,	Notes	**2004**	**2003**
Gross sales revenue		**205’671**	**174’683**
Commissions and discounts	6	(8’245)	(5’936)
Net sales		**197’426**	**168’747**
Material expenses	7	(74’001)	(72’452)
Personnel expenses	6, 8	(70’264)	(59’856)
Other operating income / (expenses), net	9	(33’747)	(26’705)
Earnings before interest, tax, depreciation/amortisation (EBITDA)		**19’414**	**9’734**
Depreciation of property, plant and equipment	15	(8’386)	(9’099)
Amortisation of goodwill and other intangibles	16	(62)	(247)
Operating result (EBIT)		**10’966**	**388**
Other financial income / (expense), net	10	(3’027)	(3’443)
Profit / (loss) before tax		**7’939**	**(3’055)**
Income tax (expense) / credit	11	(1’161)	235
Net profit / (loss) for the year		**6’778**	**(2’820)**
Basic and fully diluted profit / (loss) per share	26	**0.51**	**(0.21)**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated balance sheet

In thousands of CHF

As at December 31,	Notes	**2004**	**2003**
ASSETS			
Cash and cash equivalents		7’589	12’317
Trade receivables	13	39’549	44’716
Other receivables and prepayments		9’276	7’175
Inventories	14	61’849	55’764
Total current assets		**118’263**	**119’972**
Property, plant and equipment	15	54’010	59’473
Intangible assets	16	-	62
Financial assets		-	22
Total non-current assets		**54’010**	**59’557**
Total assets		**172’273**	**179’529**
LIABILITIES AND EQUITY			
Trade payables		19’076	12’876
Other payables	18	16’940	15’207
Current tax liabilities		-	423
Interest bearing loans and borrowings	19	33’215	52’775
Provisions	22	10’749	7’471
Total current liabilities		**79’980**	**88’752**
Interest bearing loans and borrowings	19	2’398	4’425
Retirement benefit obligations	21	1’415	1’624
Provisions	22	3’917	5’480
Deferred tax liabilities	17	1’025	821
Total non-current liabilities		**8’755**	**12’350**
Total liabilities		**88’735**	**101’102**
Capital and reserves			
Ordinary shares	23, 24, 25	67’169	66’919
Share premium		13’955	13’943
Retained earnings / (Accumulated deficit)		4’923	(1’855)
Other comprehensive expense	23	(11)	-
Currency translation difference		(2’498)	(580)
Total equity		**83’538**	**78’427**
Total liabilities and equity		**172’273**	**179’529**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

In thousands of CHF	Ordinary shares	Share premium	Retained earnings / (Accumulated deficit)	Other comprehensive income / (expense)	Currency translation difference	Total
At December 31, 2002	**66'919**	**13'943**	**965**	**-**	**87**	**81'914**
Net loss for the year			(2'820)			(2'820)
Currency translation difference					(667)	(667)
At December 31, 2003	**66'919**	**13'943**	**(1'855)**	**-**	**(580)**	**78'427**
Issuance of new shares	250	12				262
Net profit for the year			6'778			6'778
Other comprehensive expense				(11)		(11)
Currency translation difference					(1'918)	(1'918)
At December 31, 2004	**67'169**	**13'955**	**4'923**	**(11)**	**(2'498)**	**83'538**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated cash flow statement

In thousands of CHF

For the years ended December 31,	Notes	**2004**	**2003**
Cash flow from operating activities			
Profit / (loss) before tax		7'939	(3'055)
Adjustments for:			
Depreciation of property, plant and equipment	15	8'386	9'099
Loss on disposal of property, plant and equipment		297	304
Amortisation of other intangible assets	16	62	247
Release of provisions		(2'035)	(3'244)
Increase of provisions		4'748	-
Write-down of inventories	7	5'978	4'276
Change in allowance for bad debts		(240)	(1'030)
Increase in working capital		(3'812)	(7'241)
Interest expense		3'145	4'001
Other non cash items		(215)	825
Income tax paid		(1'177)	(569)
Net cash provided by operating activities		**23'076**	**3'613**
Cash flow from investing activities			
Cash received on disposal of Schäublin activities		-	425
Purchase of property, plant and equipment		(3'538)	(905)
Disposal of property, plant and equipment		139	150
Purchase of intangible assets		-	(53)
Disposal of financial assets		10	-
Interest received		129	174
Net cash used in investing activities		**(3'260)**	**(209)**
Cash flow from financing activities			
Payments on borrowings		(19'003)	(3'064)
Proceeds from borrowings		1'258	-
Payments of finance lease liabilities		(3'848)	(4'439)
Proceeds from issuance of share capital, net	23	262	-
Interest paid		(3'119)	(5'671)
Net cash used in financing activities		**(24'450)**	**(13'174)**
Decrease in cash and cash equivalents		(4'634)	(9'770)
Cash and cash equivalents at January 1		12'317	21'743
Effects of exchange rate changes		(94)	344
Cash and cash equivalents at December 31		**7'589**	**12'317**

The components of the (increase) / decrease in working capital as disclosed in the consolidated cash flow statement are:

Trade receivables	4'107	3'976
Other receivables	(2'133)	2'181
Inventories	(12'605)	(287)
Trade payables	6'281	(4'784)
Other current payables	538	(8'327)
(Increase) / decrease in working capital	**(3'812)**	**(7'241)**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

GENERAL INFORMATION

1 Business

Tornos Holding S.A. (the Company) is a company domiciled in Moutier, Switzerland. The Group is exclusively active in developing, manufacturing, marketing and servicing of machine tools for turning applications. The Group's product lines primarily include sliding headstock lathes and multi-spindle lathes. The Group manufactures solely in Moutier, Switzerland and markets the product lines on a worldwide basis. The Group's operations outside of Switzerland principally include western European countries and North America.

From a statistical perspective, Tornos business is influenced by seasonality factors which generally make that first and second semesters represent 45% and 55% respectively of the annual sales.

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

The Group elected to early adopt IFRS 2 (Share-based Payment) as from January 1, 2004.

2.2 Accounting framework and reporting currency

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments that are stated at fair value (see accounting policy 3.5). All amounts set out in the consolidated financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand unless otherwise stated.

2.3 Accounting estimates and assumptions

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period of the consolidated financial statements. Actual results could differ from those estimates and assumptions.

2.4 Going concern

The consolidated financial statements as of December 31, 2003 and 2004 have been prepared on a going concern basis.

Total drawings under the term loan and working capital facilities of the credit agreement with the syndicate banks amounted to CHF 34.3 million as of December 31, 2004 and will become due on April 30, 2005. The detailed conditions of the credit facility agreement including credit covenants, which have all been met during the year 2004, and interest rates are subject to contract.

The Group's ability to continue as a going concern is dependent on the successful refinancing of the short-term borrowings and working capital facility due on April 30, 2005, or the ability to obtain other adequate financing from May 1, 2005.

Based on current results, management is confident that refinancing will be obtained.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

3 Summary of significant accounting policies

The accounting policies have been consistently applied by the Group companies and are consistent with those used in the previous year with the exception of IFRS 2 which was adopted on January 1, 2004.

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are those companies in which the Company, directly or indirectly, holds an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Acquisitions are accounted for using the purchase method. A listing of the Company's subsidiaries is set out in note 4.

Balances and transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to CHF at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to CHF at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to CHF at the foreign exchange rate ruling at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to CHF at foreign exchange rates ruling at the balance sheet date. The revenues, expenses and cash flows of foreign operations are translated to CHF at the average exchange rates prevailing during the reporting period. Foreign exchange differences arising on this translation are recognised directly in equity as currency translation difference.

3.3 Revenue recognition

Revenues include sales of machines and service costs which can be directly charged to customers. Sales are recognised on the full completion of the delivery or service (upon delivery of products or customer acceptance in the case of "bill and hold" sales, or performance of services), net of sales taxes and discounts, and after eliminating sales within the Group.

3.4 Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short-term liquid investments with original maturities of three months or less. They are stated at their nominal amounts.

3.5 Financial instruments

Current and non-current investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised in the income statement. The fair value is the quoted bid price at the balance sheet date.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

3.6 Trade and other receivables

Trade and other receivables are stated at anticipated realisable value, being cost less allowances determined based on a review of all outstanding amounts at the year-end.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the moving average principle.

The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads, except interest expenses, based on normal operating capacity.

3.8 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses, if any (see accounting policy 3.10). Interest cost on borrowings to finance property, plant and equipment during the course of construction are capitalised.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul costs, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Leased assets

Leases with terms for which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the leases, less accumulated depreciation (see below) and impairment losses, if any (see accounting policy 3.10).

Each lease payment is allocated between the liability and financial charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of financial charges, are included in interest bearing borrowings. The interest element of the finance charge is recognised in the income statement over the lease period.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 20-40 years
- Plant and machinery 8-12 years
- Equipment and motor vehicles 3-10 years

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

3.9 Intangible assets

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation (see below) and impairment losses, if any (see accounting policy 3.10).

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses, if any (see accounting policy 3.10).

Other intangible assets

Other intangible assets acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses, if any (see accounting policy 3.10).

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortised from the date of initial recognition; other intangible assets are amortised from the date the asset is available for use. The estimated useful lives applied are as follows:

▪ Goodwill	15 years
▪ Capitalised development costs	4 - 7 years
▪ Patents and trademarks	6 years

3.10 Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy 3.7), deferred tax assets (see accounting policy 3.11) and pension assets (see accounting policy 3.12), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount, being the higher of the asset's net selling price and value in use, is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

3.11 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that sustainable future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.12 Employee benefits

The Group has established defined benefit and defined contribution plans around the world. Most of the pension schemes are final salary defined benefit plans and are either funded or unfunded. The assets of the funded plans are held independently of the Group's assets in separate trustee-administered funds.

Defined contribution plans

Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit pension and healthcare plans is calculated separately for each defined benefit plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; such benefits are discounted to determine their present value, and the fair value of any plan assets is deducted from the defined benefit obligation. The discount rate is the yield at balance sheet date on AAA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary every year using the projected unit credit method.

When the benefits of a plan change, the portion of the increased benefits relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, it is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a surplus, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

3.13 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.14 Interest bearing borrowings

Interest bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

3.15 Segment reporting

The Group is engaged in the business of developing, manufacturing, marketing and servicing of machine tools for turning applications. The Group's products primarily include sliding headstock lathes and multi-spindle lathes. These products are mainly purchased by companies active in the electronic, automotive, connector, watch and medical engineering industries, as well as other specialised manufacturers of high precision turned parts.

The products of the Group require similar materials and production processes. Management does not consider that there is currently a clear distinction of risks and returns among the products and therefore concluded that the Group operates in one business segment, i.e. automatic lathes.

In view of the foregoing management has chosen the geographical segmentation for the purposes of the Group's primary segment reporting.

Switzerland is the domicile of the parent company and the main operating and distribution company. The Swiss operating company conducts all development and manufacturing activities. The subsidiaries located in the other western European countries (France, Germany, Italy, Spain and the United Kingdom) and the United States only have support or sales and distribution activities. This organisation has the effect that the risks and returns of each geographical location are dependent to a large extent on the operating company in Switzerland. Management has identified three geographical segments, namely, Switzerland, other western European countries and North America. For the purpose of presenting net sales by location of customers, two other geographical segments, namely Asia and Rest of world, are identified.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

4 Scope of consolidation

Subsidiaries

Name	Domicile	Purpose
Tornos S.A., Moutier	Switzerland	Production and sales
Tornos Services S.A., Moutier	Switzerland	Dormant
Tornos Technologies Deutschland GmbH, Pforzheim	Germany	Sales & support services
Tornos Technologies Iberica SA, Granollers	Spain	Sales & support services
Tornos Holding France, Paris	France	Holding company
Tornos Technologies France SAS, St-Pierre-en-Faucigny	France	Support services
Tornos Technologies Italia Srl, Assago	Italy	Sales & support services
Tornos Technologies UK Ltd., Coalville	United Kingdom	Sales & support services
Tornos Technologies U.S. Corp., Brookfield CT	United States	Sales & services

All subsidiaries are held at 100% at December 31, 2004 and 2003.

Acquisitions and disposals

2004

There were no acquisitions or disposals in the year 2004.

2003

There were no acquisitions or disposals in the year 2003.

5 Foreign currency exchange rates

Currency	Balance sheet rate		Average rate	
	2004	2003	2004	2003
EUR	1.5447	1.5590	1.5447	1.5231
USD	1.1348	1.2360	1.2387	1.3361
GBP	2.1795	2.2045	2.2656	2.1967

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

NOTES TO THE CONSOLIDATED INCOME STATEMENT

6 Restructuring in 2002, turnaround in 2003 and consolidation in 2004

6.1 Economic development and operational restructuring

During 2001, there commenced a period of perceptible downturn in the economy and of decline in demand for Tornos' rotary machines. The situation peaked in autumn of 2001 and led to a high number of order cancellations and to a significant under-utilisation of available capacity. In October 2001, the capacities were brought into line with the reduced level of orders and 180 employees in the production company in Moutier and 20 employees in the sales companies had to be laid off.

The continuing negative trend in 2002 led to a severe drain on liquidity and the continuation of operations was compromised. In June 2002, a rescue agreement with syndicate banks and new investors was reached and a short-term bridge loan secured the liquidity of the group. The restructuring plan contained the following cornerstone points:

- adjustment of production capacities (additional reduction of 350 employees)
- simplification of product lines (streamlining of product range; sale of activities transferred from Schäublin in 1999; overhaul of current development projects); and
- repositioning on markets

In autumn 2002, a further structural adjustment became inevitable in view of the fact that the recovery in the economy foreseen to have occurred by the end of 2002 did not materialise. In November 2002, a further 100 employees had to be laid off. The restructuring of operational capacities is considered to be completed with this third wave of redundancies.

2003 was a year of recovery and no further employees had to be laid off.

2004 is a year of consolidation of actions undertaken for the reconstruction of the Group.

6.2 Financial restructuring

The financial restructuring was provided for in the basic rescue agreement for Tornos Group which was adopted at the general meeting of shareholders of June 28, 2002. The financial restructuring encompassed principally a revaluation of the balance sheet and a capital reorganisation.

Restructuring charges and income:

The following restructuring charges were recognised in 2002:

- valuation adjustment on inventories of CHF 42.5 million
- recognition of an impairment loss of goodwill and development costs of CHF 76.1 million
- increase of general warranty provisions of CHF 3.5 million, and recognition of a specific provision for an upgrade program of existing machines of CHF 5.0 million
- recognition of a provision of CHF 9.1 million for personnel redundancies, and of other provisions for restructuring, production reorganisation as well as settlement of legal and patent disputes totalling CHF 6.9 million
- write-down of deferred tax assets of CHF 2.6 million.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

The following restructuring income was recognised in 2002:

- debt forgiveness by syndicate banks of CHF 60 million
- forgiveness of trade and other payables by suppliers of CHF 9.9 million (net of VAT).

Capital reorganisation:

- 90% reduction of share capital from CHF 115 million to CHF 11.5 million by reduction in par value from CHF 50 per share to CHF 5 per share
- capital increase in two steps; capital increase by payment in cash of CHF 60 million and through debt-equity swap by suppliers in the amount of CHF 10.8 million.

No additional restructuring charges were recognised in 2003. At December 31, 2003 the management reassessed the restructuring provisions and the following adjustments were made:

- Reduction of the provision for personnel redundancy by CHF 1.3 million (refer to note 8).

In 2004, management further reassessed all the restructuring provisions and the following adjustments were made :

- additional provision for personnel restructuring by CHF 0.3 million (refer to note 8)
- increase in the provision for other restructuring costs by CHF 0.2 million related to the termination of agency contracts which is included under Commissions and discounts in the consolidated income statement.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

7 Material expenses

	2004	2003
Material expenses	(68'023)	(68'176)
Write-down of inventories	(5'978)	(4'276)
Total material expenses	**(74'001)**	**(72'452)**

In 2004 write-down of inventories totaled CHF 6.0 million. Included in material costs is CHF 0.1 million related to the net increase of material costs in the warranty provision during the year and CHF 1.2 million related to other risks which have been provisioned at December 31, 2004.

In 2003, additional write-down of inventories further to 2002 restructuring was necessary for an amount of CHF 4.3 million. At December 31, 2003, the management reassessed the provision for other risks and CHF 1.0 million were released through the income statement.

8 Personnel expenses

	2004	2003
Total personnel expenses	**(70'264)**	**(59'856)**
Of which :		
Defined benefit plans (note 21.2)	(3'041)	(2'737)
Defined contribution plans	(43)	(193)
Redundancy costs reversal (note 6)	-	1'336
Increase in the provision for restructuring (note 6)	(250)	-
Increase in warranty provision related to personnel costs	(1'534)	-
Number of employees (equivalent full time) at December 31,	698	688

2004

In 2004, the Group paid redundancy costs of CHF 0.5 million and made an additional provision of CHF 0.3 million related to employees who were laid-off during 2002 restructuring (refer to note 6).

2003

In 2003, the Group paid redundancy cost of CHF 2.8 million related to the restructuring of the operational capacities in 2002. No additional lay-offs were necessary in 2003. At the balance sheet date, the management reassessed the restructuring provision and CHF 1.3 million were released through the income statement (refer to note 6).

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

9 Other operating income / (expenses), net

	2004	2003
Indirect production costs	(10’264)	(7’408)
Administrative expenses	(12’044)	(12’800)
Selling expenses	(11’150)	(7’317)
Loss on disposal of property, plant & equipment	(297)	(304)
Other operating income	8	1’124
Other operating income / (expenses), net	**(33’747)**	**(26’705)**

In 2004, selling expenses include a net increase of CHF 1.2 million for various costs other than material and personnel expenses to be incurred in respect of the warranty granted to customers. Administrative expenses include an increase of the provision for other risks by CHF 1.2 million as well as a release of provision of CHF 2.0 million for a risk which did not materialize up to the extent it was estimated at December 31, 2003.

In 2003, selling expenses include a release of warranty provisions in the amount of CHF 0.8 million.

10 Financial income / (expenses), net

	2004	2003
Interest income from third party	129	174
Other financial income	8	148
Interest expenses to third parties	(3’274)	(4’175)
Bank charges and other financial expenses	(163)	(184)
Exchange gains / (losses), net	273	594
Financial income / (expenses), net	**(3’027)**	**(3’443)**

11 Income tax (expense) / credit

	2004	2003
Current income tax credit	-	104
Current income tax expense	(957)	(433)
Deferred tax	(204)	564
Total income tax (expense) / credit	**(1’161)**	**235**

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

The Group's expected tax expense for each year is based on the weighted average of the statutory corporate income tax rates, which in 2004 ranged between 14 % and 38 %, in the tax jurisdictions in which the Group operates. The reconciliation of the expected and the effective income tax (expense) / credit is as follows:

	2004	**2003**
Profit / (loss) before tax	**7'939**	**(3'055)**
Expected tax expense	**(2'128)**	**(196)**
Utilisation of previously unrecognised tax loss carryforwards	2'649	877
Reversal of write-down of deferred tax assets	621	781
Non-taxable income	318	-
Temporary differences on investments in subsidiaries	(1'768)	15
Write-down of deferred tax assets	(320)	-
Unrecognised tax loss carry forwards	(277)	(1'193)
Expenses not deductible for tax purposes	(201)	(143)
Over / underfunded in previous years	(53)	235
Other effects	(2)	(141)
Income tax (expense) / credit recognised	**(1'161)**	**235**

The expected tax (expense) / credit is calculated at entity level since the Group does not file consolidated tax returns. As such, profits and losses generated by different entities cannot be offset against each other.

12 Research and development

During 2004 research and development expenses totaled CHF 5.4 million and applications expenses CHF 3.2 million for a total of CHF 8.6 million (2003: CHF 6.4 million), amounting to around 4.4 % (2003: 3.8%) of net sales.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

NOTES TO THE CONSOLIDATED BALANCE SHEET

13 Trade receivables

	2004	**2003**
Trade receivables	42’121	47’609
Less provision for impairment of receivables	(2’572)	(2’893)
Trade receivables, net	**39’549**	**44’716**

14 Inventories

	2004	**2003**
Materials and components	25’098	30’582
Work in progress	21’510	26’351
Finished goods and spare parts	37’230	28’480
Total inventories, gross	**83’838**	**85’413**
Less allowance for obsolescence	(21’989)	(29’649)
Total inventories, net	**61’849**	**55’764**

In 2004, the decrease in the allowance for obsolescence is mainly a result of articles being discarded for which a 100% allowance had previously been established.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

15 Property, plant and equipment

	Land and buildings	Technical Machinery	Other Equipment	Total
Cost				
At January 1, 2004	56’036	76’024	10’145	142’205
Additions	1’644	505	1’498	3’647
Disposals	-	(1’499)	(1’555)	(3’054)
Translation adjustment	(344)	(65)	(102)	(511)
At December 31, 2004	**57’336**	**74’965**	**9’986**	**142’287**
Accumulated depreciation				
At January 1, 2004	(21’543)	(52’523)	(8’666)	(82’732)
Charge for the year	(1’988)	(5’653)	(745)	(8’386)
Written back on disposal	-	1’240	1’378	2’618
Translation adjustment	88	52	83	223
At December 31, 2004	**(23’443)**	**(56’884)**	**(7’950)**	**(88’277)**
Carrying amounts				
January 1, 2004	34’493	23’501	1’479	59’473
December 31, 2004	33’893	18’081	2’036	54’010

Of which related to leased assets:

	Land and buildings	Technical Machinery	Other Equipment	Total
Additions				
December 31, 2003	-	452	197	649
December 31, 2004	-	-	109	109
Carrying amounts				
December 31, 2003	1’322	13’248	171	14’741
December 31, 2004	1’176	10’228	198	11’602

The fire insurance value of PP&E and inventories amounts to approximately CHF 365 million (prior year: CHF 350 million).

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

16 Intangible assets

	Goodwill	Other intangible assets	Total
Cost			
At January 1, 2004	80’067	31’275	111’342
Write off	(80’067)	(31’275)	(111’342)
At December 31, 2004	**-**	**-**	**-**
Accumulated amortisation			
At January 1, 2004	(18’286)	(16’869)	(35’155)
Charge for the year	-	(62)	(62)
Write off	18’286	16’931	35’217
At December 31, 2004	**-**	**-**	**-**
Accumulated impairment loss			
At January 1, 2004	(61’781)	(14’344)	(76’125)
Write off	61’781	14’344	76’125
At December 31, 2004	**-**	**-**	**-**
Carrying amounts			
January 1, 2004	-	62	62
December 31, 2004	-	-	-

Due to the difficult market environment and the Group's loss making situation the recoverable amounts of Goodwill and the capitalised development costs were tested for impairment in 2002. The Goodwill had arisen from the acquisition of Tornos S.A. and its subsidiaries in 1999 (change of ownership and formation of Tornos Holding S.A.). Based on the calculation of their value in use, the carrying amounts of the goodwill and development costs were fully written down during 2002. The discount rate applied to this calculation is 12 %.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

17 Deferred income taxes

17.1 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2004		2003	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Trade and other receivables	47	4	53	8
Property, plant and equipment	-	1’164	-	1’236
Financial assets	-	-	116	-
Investments in subsidiaries *	-	348	-	-
Trade and other payables	-	89	159	196
Retirement benefit obligations	1	-	7	131
Provisions	21	-	52	215
Borrowings	511	-	578	-
Tax assets / liabilities	**580**	**1’605**	**965**	**1’786**
Set off	-580	-580	-965	-965
Net tax assets / liabilities	**-**	**1’025**	**-**	**821**

* At December 31, 2004 a deferred tax liability related to unrecoverable withholding taxes on retained earnings of subsidiaries has been recognised.

Deferred tax assets and deferred tax liabilities were set off where there is a legally enforceable right to set off these taxes as they relate to the same tax authorities.

There are no deferred taxes which have been recognised directly in equity.

17.2 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2004	**2003**
Tax affected amounts:		
Deductible temporary differences	1’340	1’681
Tax benefit on tax losses	50’242	52’524
Total	**51’582**	**54’205**

The Group had to take drastic restructuring measures in the recent past few years further to a history of severe down-turns and losses in its operating activities. For this reason and although the year 2004 results in a profit, no deferred tax assets are recognised until the Group has proven it can operate with sustainable profits in the next few years.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

The expiry dates of unrecognised tax loss carry forwards in the respective years are:

	2004	**2003**
Year 2006	1’243	17’867
Year 2007	-	1’950
Year 2008	18’872	19’113
Year 2009	210’756	210’197
After 2009	6’966	6’806
Losses not subject to expiry	3’946	2’441
Total	**241’783**	**258’374**

The deductible temporary differences for which no deferred tax asset has been recognised do not expire.

17.3 Tax rulings

On July 5, 2000, tax rulings were obtained from the tax authorities of the Canton of Berne and the local authorities of Moutier whereby tax holidays were granted to the Swiss operating companies.

Tornos S.A. was 100% tax exempted for the years 2000 to 2001, is 80% tax exempted from 2002 to 2003 and 60% tax exempted from 2004 to 2006. Tornos Services S.A. was 80% tax exempted for the years 2000 and 2001 and 60% tax exempted for the years 2002 to 2003.

18 Other payables

	2004	**2003**
Advances received	3’864	5’146
Payable to pension plans	431	293
Other payables and accrued expenses	12’645	9’768
Total other payables	**16’940**	**15’207**

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

19 Interest bearing loans and borrowings

	2004	2003
Current portion:		
Current portion of senior (Term A) Facility	30'000	22'000
Current portion of senior (Term B) Facility	-	20'000
Current portion of senior (Term C) Facility	-	7'000
Current portion of senior (Term D) Facility	-	-
Mortgage	74	-
Other short-term bank borrowings	314	3
Short-term leasing liabilities (refer to note 19.7)	2'827	3'772
Current portion	**33'215**	**52'775**
Non-current portion:		
Other bank borrowings	-	36
Long-term leasing liabilities (refer to note 19.7)	1'528	4'342
Mortgage	870	47
Non-current portion	**2'398**	**4'425**
Total interest bearing loans and borrowings	**35'613**	**57'200**

19.1 Credit agreement with banks

Most interest bearing loans and borrowings are made to the Swiss operating company. Mortgage is granted to a subsidiary at a floating rate of 5.875% at December 31, 2004.

In June 2002, Tornos Holding S.A. was granted a bridge loan by the creditor banks which was repaid on July 9, 2002. As compensation, the banks were granted options on 300'000 shares which entitle them to purchase 300'000 registered shares with par value of CHF 5 for a price of CHF 6 per share. These options are secured by the conditional share capital created in the shareholders meeting held on June 28, 2002.

On June 28, 2002, Tornos concluded a new Credit Agreement with the creditor banks, which laid down the following conditions:

- the banks waive debts of CHF 60 million out of a total amount due to them of CHF 120 million under the previously valid senior credit facility agreement
- the remaining amount of CHF 60 million was due for repayment on December 31, 2003
- as a compensation for their debt waiver, the banks received 750'000 options which entitle them to purchase 750'000 shares of a par value of CHF 5 for a price of CHF 6 per share. The options are secured by the conditional share capital which was approved by the shareholders meeting held on June 28, 2002.

During 2003 Tornos made a voluntary early repayment of CHF 3 million on facility A.

The credit facility agreement was extended by the creditor banks until March 31, 2004 on November 27, 2003 and until April 30, 2005 as confirmed by the lead bank on March 15, 2004. The detailed conditions of the credit facility agreement including credit covenants and interest rates are subject to contract.

During 2004 Tornos made a voluntary early repayment of CHF 5 million on facility A.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

19.2 Facilities

Below is a summary of the credit facilities granted by the creditor banks :

	Facility A	Facility B	Facility C	Facility D	Total
	CHF million	CHF million	CHF million	CHF million	CHF million
At December 31, 2003					
Available	22.0	20.0	7.0	8.0	57.0
Used	22.0	20.0	7.0	3.5	52.5
Interest rate	LIBOR + 6%	LIBOR + 6%	LIBOR + 6%		
At March 31, 2004					
Available	49.0	-	-	8.0	57.0
Used	49.0	-	-	3.8	52.8
Interest rate	LIBOR + 6%				
At August 2, 2004					
Available	44.0	-	-	8.0	52.0
Used	30.0	-	-	3.6	33.6
Interest rate	LIBOR + 4.25%				
At December 31, 2004					
Available	41.0	-	-	11.0	52.0
Used	30.0	-	-	4.3	34.3
Interest rate	LIBOR + 4.25%				

Facility A consists of a term loan credit facility with roll over periods up to 12 months. The amount used at December 31, 2004 matures on April 29, 2005 and bears interest at 5.1875%.

At December 31, 2003, Facility B consisted of a bullet credit facility with roll over periods up to 12 months and Facility C of a working capital facility. In order to simplify the structure of the credit agreement, these two credit facilities have been combined with Facility A in the Restated, Amended and Reduced CHF 57 million Senior Credit Facility Agreement dated March 31, 2004.

Facility D consists of a working capital facility. The facility may be used in the form of advances, current accounts, letters of credit, performance, bid and advance payment bonds, foreign exchange transactions or guarantees.

19.3 Covenants

As of December 31, 2002 the Group's borrowings were subject to certain covenants and conditions for the financial year 2003 including, among other things, the achievement of certain financial targets. The approved budget 2003 showed that the Group would most likely not be able to comply with some of the covenants set out in the credit agreement during 2003. On February 26, 2003, the consortium of banks offered a waiver of the existing covenants and agreed to revised covenants relating to the achievement of budgeted net sales and EBITDA with an acceptable shortfall of 10% and 5% respectively, that had to be complied with in 2003 on a quarterly basis. During 2003 the Group complied with such revised covenants.

As of March 31, 2004 the consortium of banks agreed to revised covenants related to predefined minimum equity, minimum liquidity, interest coverage and leverage ratios to be met on a quarterly basis. The Group complied with all such revised covenants during 2004. In addition the Group agreed to voluntary early repayment of CHF 5 million on August 2, 2004. As a result, the margin over the LIBOR rate included in the interest being charged was reduced from 6% to 4.25%.

Notes to the consolidated financial statements

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19.4 Maturity schedule

	2004	**2003**
Within 1 year	33’215	52’775
Between 1 and 2 years	509	3’075
Between 2 and 5 years	812	655
Over 5 years	1’077	695
Total borrowings	**35’613**	**57’200**

19.5 Interest rate exposure

	2004	**2003**
At fixed rates	34’355	6’361
At floating rates	1’258	50’839
Total borrowings	**35’613**	**57’200**

19.6 Exchange rate exposure

The original currencies of the Group’s borrowings are:

	2004	**2003**
Swiss franc	33’050	55’331
Euro	1’492	1’749
British Pound	1’044	66
US Dollar	27	54
Total borrowings	**35’613**	**57’200**

19.7 Finance lease liabilities

	2004	**2003**
Minimum lease payments		
Within 1 year	3’164	4’239
Between 2 to 5 years	1’202	4’115
More than 5 years	569	780
Total minimum lease payments	**4’935**	**9’134**
Future finance charges on finance leases	(580)	(1’020)
Present value of finance lease liabilities	**4’355**	**8’114**
Of which		
Due within 1 year	2’827	3’772
Between 2 to 5 years	972	3’647
More than 5 years	556	695

The finance lease liabilities of the Group carry an effective interest rate of 4.8 % at December 31, 2004 (2003: 4.8%).

The Company does not act as a lessor.

Notes to the consolidated financial statements

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20 Financial instruments

20.1 Interest rate risks

The Group is exposed to changes in interest rates on borrowings bearing interest at floating rates. At December 31, 2004 and 2003 the Group did not hold any derivative financial instruments in order to limit the interest rate exposure of the Group.

20.2 Foreign currency risk

Tornos S.A., the Swiss operating company of the Group invoices its revenues to the subsidiaries and to customers located outside Switzerland in local currencies. Therefore the currency risk is transferred to the Swiss operating company. The Group decided not to follow any systematic hedging policy against currency risk through financial instruments but to adjust sales prices when exchange rates between CHF and other currencies fluctuate by more than 5%.

20.3 Credit risk

The Company and the Group have no significant concentration of credit risk.

20.4 Fair values

The carrying amounts of the following financial assets and financial liabilities approximate their fair values: cash, trade receivables and payables, other receivables and payables, loans, short-term borrowings and long-term borrowings.

21 Pensions and other post retirement benefit obligations

21.1 Description of pension schemes

Substantially all employees are eligible for retirement benefits. Among the benefit schemes are defined benefit plans as well as defined contribution plans. The locations with significant defined benefit plans are Switzerland, USA, France, Germany and Italy.

Retirement benefits are provided based on a final or average pay and service formula. Some of the plans provide only lump sum benefits in the events of leaving the Group and retirement. The latest actuarial valuation was performed as of December 31, 2004 using the projected unit credit method.

The following summarises the components of pension cost, the funded status, the resulting prepaid assets or accrued liabilities and the underlying actuarial assumptions.

21.2 Net Period pension cost recognised in personnel expenses

	Switzerland		**Outside Switzerland**		**Total**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Current service cost	6’041	4’868	216	274	6’257	5’142
Interest cost	4’644	4’528	169	227	4’813	4’755
Expected return on assets	(5’530)	(5’044)	(117)	(105)	(5’647)	(5’149)
Amortisation of						
unrecognised past service cost	(46)	17	(6)	(6)	(52)	11
unrecognised net (gain)/loss	47	(13)	3	51	50	38
Remeasurement of asset ceiling	369	236	-	-	369	236
Curtailment / settlement	-	-	-	(95)	-	(95)
Employees’ contributions	(2’749)	(2’201)	-	-	(2’749)	(2’201)
Net periodic pension cost recognised	**2’776**	**2’391**	**265**	**346**	**3’041**	**2’737**

Notes to the consolidated financial statements

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21.3 Actual return on plan assets

	Switzerland		Outside Switzerland		Total	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Actual return	3'025	15'972	(209)	354	2'816	16'326

21.4 Pension liability recognised

	Switzerland		Outside Switzerland		Total	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Present value of funded obligations	130'927	129'987	2'361	2'516	133'288	132'503
Market value of assets	(126'863)	(126'600)	(1'636)	(1'788)	(128'499)	(128'388)
(Over) / under funding	**4'064**	**3'387**	**725**	**728**	**4'789**	**4'115**
Present value of unfunded obligations	832	894	463	417	1'295	1'311
Unrecognised past service cost	872	(115)	25	31	897	(84)
Unrecognised net gain / (loss)	(5'340)	(3'549)	(226)	(169)	(5'566)	(3'718)
Net accrued pension cost recognised	**428**	**617**	**987**	**1'007**	**1'415**	**1'624**

The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds. They include marketable securities, real estate and other assets. No shares issued by the Group are included in the assets of the funded plans at December 31, 2004 (CHF 1.96 million at December 31, 2003). In Switzerland, the Pension Fund is controlled by an equal number of representatives of management and the employees. This parity of control implies that neither side individually controls the funds paid into the pension fund. The Company cannot, therefore, dictate on its own that any excess funds will be used for the benefit of the Company (i.e. to reduce future contributions).

The movements in net accrued pension costs are as follows:

	2004	**2003**
At January 1,	1'624	1'513
Net periodic pension costs (note 21.2)	3'041	2'737
Contributions to the plan	(3'207)	(2'607)
Exchange differences	(43)	(19)
At December 31,	**1'415**	**1'624**

21.5 Weighted average assumptions

The following are the major assumptions used in the actuarial calculations:

	Switzerland		Outside Switzerland	
	2004	**2003**	**2004**	**2003**
Discount rate	3.25	3.75	5.49	5.87
Expected return on plan assets	4.50	4.50	6.13	6.27
Salary increases	1.94	1.94	3.84	3.92
Pension indexation	0.50	0.50	1.33	1.46

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

22 Provisions

	Warranties	Restruc-turing	Other	Total
At January 1, 2004 (restated)	**6’825**	**834**	**5’292**	**12’951**
Additional provisions	8’499	484	2’382	11’365
Utilised during the year	(5’716)	(717)	(1’150)	(7’583)
Released via income statement	-	(25)	(2’010)	(2’035)
Exchange differences	(28)	-	(4)	(32)
At December 31, 2004	**9’580**	**576**	**4’510**	**14’666**

Some of the provisions which existed at December 31, 2003 which were classified as restructuring provisions have been reclassified under other provisions as of January 1, 2004 to better fit their purpose.

	2004	2003
Current liabilities	10’749	7’471
Non-current liabilities	3’917	5’480
Total	**14’666**	**12’951**

Warranties

The Company gives a contractual one-year warranty on machines sold and undertakes to repair or replace items that fail to perform satisfactorily. In 2002, the Group also recognised a provision to upgrade existing machines. The expenditures occurred in 2003 in connection with the machine upgrade program amounted to CHF 1.4 million. At December 31, 2003 the upgrade program was reassessed by the management and an amount of CHF 0.4 million was released through income statement. In 2004 the upgrade program together with the contractual warranty was reassessed by management and an additional provision of CHF 2.8 million was booked through the income statement (refer to notes 7, 8 and 9).

Restructuring

Please refer to note 6 (Restructuring in 2002, turnaround in 2003 and consolidation in 2004) and note 8 (Personnel expenses). In addition, during the year 2004 the Company paid CHF 0.2 million related to a provision which existed at December 31, 2003.

Other Provisions

Other provisions include the expected costs of pending litigation and patent disputes as well as other present obligations of uncertain timing. During the year 2004, the Company paid CHF 0.8 million related to provisions already set up at December 31, 2003. Moreover management reassessed the provision for other risks and additional provisions of CHF 2.4 million were booked through the income statement (refer to notes 7 and 9).

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

23 Share capital

23.1 Capital structure

	Issued registered shares	Treasury shares	Total shares in circulation
Issued and fully paid-in at December 31, 2002	**13'383'755**	**-**	**13'383'755**
Acquisition of own shares		168'110	(168'110)
Issued and fully paid-in at December 31, 2003	**13'383'755**	**168'110**	**13'215'645**
Issued for cash	50'000		50'000
Issued and fully paid-in at December 31, 2004	**13'433'755**	**168'110**	**13'265'645**

2004

Subsequent to the General Meeting of Shareholders held on April 13, 2004 the following share capital changes were adopted **(bold mark)** :

- Increase the conditional capital of the company to **CHF 14 million** by the issue of registered shares of CHF 5 each to be fully paid to be allocated as follows :
  - for a maximum amount of CHF 5.75 million which is reserved for the issuance of shares upon the exercise of option rights which were granted to the shareholders within the framework of the reduction of the share capital in 2002 which can be exercised until September 2004
  - for a maximum amount of CHF 6.0 million which is reserved for the issuance of shares upon the exercise of option rights which were granted to certain creditor banks in consideration of them waiving part of their claims in 2002 which can be exercised until July 2007
  - **for a maximum amount of CHF 2.25 million which is reserved for option rights granted to eligible members defined by the Board of Directors.**

During the year 2004 :

- 50'000 registered shares were issued and fully paid for at a price of CHF 5.30 each during the 1st semester of 2004 under the 2004 Management and Board Participation Plan
- option rights for a total share capital amount of CHF 5.75 million granted to shareholders further to the 2002 capital restructuring matured in September 2004 and were not exercised
- the part of the authorised share capital in the amount of CHF 4.58 million which was resolved at the June 28, 2002 shareholders' meeting having not been used during the two years prescribed by law was cancelled. As a result there is no more authorized capital.

2003

There were no changes in the capital structure in 2003.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

23.2 Shares outstanding and rights attached to each class of shares

As of December 31, 2004 the share capital consisted of 13’433’755 ordinary registered shares with a par value of CHF 5 each. The holders of the ordinary shares are entitled to receive dividends as declared by the meeting of shareholders and are entitled to one vote per share at the meetings of shareholders.

23.3 Treasury shares

In connection with the Group's financial restructuring in 2002, Tornos Holding S.A. entered into agreements with its suppliers, under which it received 168’110 of its own shares from one of its suppliers in August 2003. The Company paid CHF 0 compensation for these shares and they have been recorded pro memoria in the balance sheet.

As from July 12, 2004, 50’000 of these shares were loaned to a third party for market making purpose. The Group is charged a fixed fee for each share movement, any gains and losses resulting from the shares sold / bought being at the profit / expense of the third party. During the year 2004, total costs incurred totaled CHF 11’000.

23.4 Conditional share capital

The conditional share capital amounts to CHF 8.0 million. An amount of CHF 6.0 million is reserved for the issuance of shares upon exercise of option rights which were granted to certain creditor banks and creditors in consideration of them waiving part of their claims further to the restructuring in 2002. An amount of CHF 2.0 million is reserved for the issuance of shares that may be used by the Board of Directors to satisfy stock purchase and option plans in favor of eligible members defined by the Board of Directors.

23.5 Significant shareholders

The following shareholders or groups of shareholders held more than 5 percent of the share capital of the Company at December 31, 2004 and 2003:

	2004	**2003**
Doughty Hanson Group	27.4%	27.5%
Credit Suisse Group	24.7%	24.8%
Günther and Helmut Rothenberger	6.5%	6.5%
Berner Kantonalbank	4.9%	6.2%

24 Stock options

In 2002, the Group granted options to the shareholders in the framework of the reduction of the share capital (refer to note 23) and to the creditor banks as compensation for their debt waiver and for granting a bridge loan (refer to note 19). Additional options were granted to the former shareholders in connection with the settlement of a legal dispute in 2002. Until December 31, 2004, none of these options were exercised.

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At December 31, 2004, the following options were still outstanding in this respect :

	Number of options	Expiry date
Options granted to creditor banks for waiver of loans	750’000	08.07.2007
Options granted to creditor banks for bridge loan	300’000	16.07.2007
Options granted to former shareholders	125’000	08.07.2007

Each of the options granted to the creditor banks and to the former shareholders entitles the holder to purchase one registered share for a price of CHF 6.

The options are secured by the conditional share capital of CHF 8.0 million (refer to note 23.4)

25 Stock compensation plans

The General Meeting of Shareholders held on April 13, 2004 approved the issue of 450’000 conditional shares that may be used by the Board of Directors to satisfy stock purchase and option plan commitments set out below.

Share Purchase Plan

Under the 2004 Management and Board Participation Plan, eligible members defined by the Board of Directors were offered 150’000 registered shares at CHF 5.30 per share to be issued in three equal tranches over a three-year period. The purchase price was deemed equivalent to the fair market value at the date each eligible member contractually committed to purchasing the shares, hence no compensation expense has been calculated in respect of the above. As at December 31, 2004, 50’000 registered shares had been issued under the 2004 Management and Board Participation Plan. Subscriptions for 79’992 registered shares to be issued in two equal tranches on May 1, 2005 and 2006 respectively had been received as at December 31, 2004. The 20’008 remaining shares available under this plan will be offered to the participants on May 1, 2005 and 2006 respectively.

Stock Option Plan

Under the 2004 Management and Board Participation Plan, eligible members defined by the Board of Directors were issued options to purchase registered shares at an exercise price in excess of the fair market value of the registered shares on the date of grant. The terms and conditions with respect to options granted were determined by the Board of Directors who administered these plans. Options vest over two years and remain outstanding for periods not exceeding three years. A total of 300’000 registered shares may be issued under this plan.

Compensation expense is recognised over the vesting period in accordance of the provisions of IFRS 2 “Share-based Payment”. Compensation expense of CHF 25’000 was recorded for the year ended December 31, 2004. Such amounts are accrued as a liability when the expense is recognised and subsequently credited to additional paid-in capital upon exercise of the related stock options. Compensation expense arising from stock options outstanding at December 31, 2004 to be recognised in future periods amounted to CHF 50’000.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

A summary of activity under the stock option plans, including weighted average exercise price, is as follows:

	December 31, 2004 (options)	**Exercise price** (CHF)	**Contractual live**
Outstanding at beginning of year	**-**	**-**	
Granted	100’000	6.00	3 years (April 30, 2007)
Exercised	-	-	
Cancelled or expired	-	-	
Outstanding at end of year	**100’000**	**6.00**	
Exercisable at end of year	-	-	

The fair value of the grants under the purchase plan and stock option plan was estimated using the Black-Scholes valuation model with the following assumptions and values :

Dividend yield	-
Expected life	2.5 years
Expected volatility	25%
Risk free interest rate	1.6%
Fair value of grants per option	CHF 0.75
Expected turnover of personnel	-

The expected volatility used to calculate the fair value differs from the historical volatility of the Company’s share price over the previous 18-month period which amounted to 58%. Management considers that the historical volatility is not a reasonable basis upon which to estimate future volatility given the impact that the restructuring measures undertaken in 2002 had on both the share price and the trading volumes experienced during 2003.

OTHER NOTES TO THE CONSOLIDATED INCOME STATEMENT

26 Profit / (loss) per share, basic and fully diluted

The calculation of earnings per share is based on a weighted average of 13’249’115 (previous year: 13’324’917) outstanding shares and the net profit / (loss) for the year as presented in the consolidated income statement. There are no potential ordinary shares that had a dilutive effect in the years under review.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

27 Segment information

As described in note 3.15 above, management of the Group has chosen geographical segments for the purpose of primary segment reporting in accordance with IAS 14. The reportable segments identified are Switzerland, Other western European countries and North America. For the purpose of presenting net sales by location of customers, two other geographical segments, namely Asia and Rest of world, are identified.

27.1 Net sales by location of assets

	2004	**2003**
Switzerland:		
- To third parties	118’231	57’283
- To other segments	53’457	75’297
	171’688	**132’580**
Other western European countries:		
- To third parties	42’011	90’429
- To other segments	3’079	6’532
	45’090	**96’961**
North America:		
- To third parties	37’184	21’035
- To other segments	24	4
	37’208	**21’039**
Elimination	(56’560)	(81’833)
Total net sales	**197’426**	**168’747**

27.2 Net sales by location of customers

	2004	**2003**
Switzerland	23’294	23’905
Other western European countries	125’381	117’470
North America	37’185	21’412
Asia	6’678	4’135
Rest of world	4’888	1’825
Total net sales	**197’426**	**168’747**

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

27.3 Segment result (EBIT) by location of assets

	2004	**2003**
Switzerland	8'548	(5'247)
Other western European countries	(536)	4'786
North America	1'715	29
Total	**9'727**	**(432)**
Elimination	118	34
Unallocated	1'121	786
Total EBIT	**10'966**	**388**

The transactions between Group companies are conducted based on internationally acceptable transfer pricing policies, thereby leaving reasonable margins at local subsidiary level.

27.4 Segment assets

	2004	**2003**
Switzerland	165'849	171'603
Other western European countries	24'530	53'371
North America	20'729	13'868
Total	**211'108**	**238'842**
Elimination	(38'835)	(59'313)
Total assets	**172'273**	**179'529**

27.5 Segment liabilities

	2004	**2003**
Switzerland	55'679	43'379
Other western European countries	24'846	54'312
North America	9'712	2'590
Total	**90'237**	**100'281**
Elimination	(38'140)	(57'623)
Unallocated liabilities:		
- Tax liabilities	1'025	1'244
- Interest bearing borrowings	35'613	57'200
Total liabilities	**88'735**	**101'102**

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

27.6 Depreciation of property, plant and equipment by segment

	2004	**2003**
Switzerland	(7'712)	(8'416)
Other western European countries	(516)	(525)
North America	(158)	(158)
Total depreciation	**(8'386)**	**(9'099)**

27.7 Amortisation of goodwill and other intangible assets by segment

	2004	**2003**
Amortisation		
Switzerland	(9)	(212)
Other western European countries	(53)	(35)
North America	-	-
Total amortisation	**(62)**	**(247)**

27.8 Capital expenditure on property, plant and equipment and other intangible assets by segment

	2004	**2003**
Switzerland	1'688	694
Other western European countries	1'786	804
North America	173	91
Total capital expenditure	**3'647**	**1'589**

28 Commitments and contingencies

28.1 Operating lease commitments

Operating lease liabilities, minimum lease payments

	2004	**2003**
Year 1	1'201	1'242
Year 2	658	534
Year 3	346	330
Year 4	90	12
Year 5	68	-
After 5 years	70	163
Total minimum lease payments	**2'433**	**2'281**

28.2 Other commitments

As of December 31, 2004 there were no other commitments not in the ordinary course of business.

Notes to the consolidated financial statements

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

28.3 Assets pledged

At December 31, 2004 and 2003, the following assets were pledged to creditor banks or leasing companies:

	2004	2003
Carrying amount of pledged assets		
Trade receivables	39’549	44’716
Land and buildings	33’893	32’132
Technical equipment & machinery	10’426	13’419
	83’868	**90’267**

At December 31, 2004, the total value of the pledged mortgage notes related to land and buildings amount to CHF 40’997 (CHF 40’016 at December 31, 2003).

28.4 Contingencies

There were no contingencies at December 31, 2004.

29 Related party transactions

Related parties include the Doughty & Hanson Partnerships, Credit Suisse Group, the Board of Directors and the management of the Group.

Total remuneration to the Board of Directors and Group management amounted to CHF 2.1 million (CHF 2.0 million in 2003). For further information refer to the “Corporate Governance” section of the annual report. As of December 31, 2004, the Board of Directors and Group management held 98’861 shares (0.74%) of the Company and 100’000 option rights (see note 25).

Credit Suisse, a significant shareholder of the Company (refer to note 23.5) is the lead bank of a consortium of banks that granted credit facilities (loans, advances and guarantees) used in the amount of CHF 34.3 million as of December 31, 2004 (CHF 52.5 million as of December 31, 2003). The financial expenses related to such facilities amounted to CHF 2.5 million in 2004 (CHF 3.6 million in 2003). Also refer to note 19.

There are no other related party transactions that should be disclosed under this heading.

30 Post balance sheet events

On February 24, 2005 the Board of Directors approved the consolidated financial statements for issue. The financial statements will be submitted for approval to the general meeting of shareholders on April 19, 2005. Except as disclosed below, there were no other events that took place between the year-end date and February 24, 2005 that would require adjustments to the amounts recognised in these consolidated financial statements or otherwise require disclosure in accordance with IAS 10.

The borrowings under the credit agreement with the syndicate banks in the amount of CHF 34.3 million as of December 31, 2004 (refer to note 19.2) will become due on April 30, 2005. Based on 2004 consolidated financial statements, the Board of Directors believes that the Group will be able to extend or refinance such borrowings. At the date of this report, negotiations with banks are still in progress.

Report of the statutory auditors
to the general meeting of

Tornos Holding S.A., Moutier

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, statement of changes in equity and notes) of Tornos Holding S.A. 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.

Without qualifying our opinion, we draw attention to Note 3 of the financial statements describing the fact that the company's ability to continue as a going concern is dependent either on ongoing compliance with its quarterly credit covenants and successful refinancing of the short-term borrowings and working capital facility of CHF 34.3 million as of December 31, 2004 which is due on April 30, 2005, or the ability to obtain other adequate financing from May 1, 2005.

Berne, February 25, 2005

BDO Visura

André Faessler	Karel Hojac
Swiss Certified Accountant Auditor in Charge	Swiss Certified Accountant

Enclosure

- Financial statements (balance sheet, income statement, statement of changes in equity and notes)
- Proposed appropriation of available earnings

BALANCE SHEET
(in thousands of CHF)

as of December 31,	Note	2004	2003
ASSETS			
Cash and cash equivalents		**54**	**69**
Other receivables third		1	1
Other receivables group		656	800
Prepaid expenses		29	-
Other receivables		**686**	**801**
TOTAL CURRENT ASSETS		**740**	**870**
Investment in a subsidiary	4	65’000	65’000
Loans to a subsidiary		16’000	16’000
TOTAL NON-CURRENT ASSETS		**81’000**	**81’000**
TOTAL ASSETS		**81’740**	**81’870**
LIABILITIES AND EQUITY			
Other payables group		-	105
Accrued expenses		87	374
CURRENT LIABILITIES		**87**	**479**
Ordinary shares	5	67’169	66’919
Additional paid-in capital		13’955	13’943
Retained earnings		529	77
Net income for the year		-	452
SHAREHOLDERS’ EQUITY		**81’653**	**81’391**
TOTAL LIABILITIES AND EQUITY		**81’740**	**81’870**

The accompanying notes form an integral part of these financial statements

INCOME STATEMENT
(in thousands of CHF)

	2004	**2003**
Interest income from a subsidiary	**520**	**800**
Board of Directors and management remuneration	(363)	(360)
Audit, legal and consulting fees	(141)	35
Other expenses	(11)	-
Taxes other than income taxes	(3)	(23)
Total operating expenses	**(518)**	**(348)**
Financial expenses	(2)	-
Net income for the year	**-**	**452**

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
(in thousands of CHF)

	Note	Ordinary shares	Additional paid-in capital	Retained earnings	Total equity
Shareholder's equity as of 31.12.2002		**66’919**	**13’943**	**77**	**80’939**
Net income for the year				452	452
Shareholder's equity as of 31.12.2003		**66’919**	**13’943**	**529**	**81’391**
Increase in capital	5	250	12		262
Net income for the year				-	-
Shareholder's equity as of 31.12.2004		**67’169**	**13’955**	**529**	**81’653**

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS 2004

(in thousands of CHF unless otherwise stated)

1 **Basis of preparation**
The financial statements of Tornos Holding S.A., Moutier (the Company) as of December 31, 2004 have been prepared in accordance with the provisions of the Swiss law and the Company's Articles of Incorporation.

2 **Guarantees**
Tornos Holding S.A. entered as parent company and the original guarantor into a Credit Facility Agreement with the creditor banks. At December 31, 2004 Tornos S.A. has as subsidiary and additional borrower drawn down CHF 34.3 million out of the total CHF 52.0 million facilities.

3 **Going concern**
The Company's financial statements as of December 31, 2003 and 2004 have been prepared on a going concern basis.

Total drawings under the term loan and working capital facilities of the credit agreement with the syndicate banks amounted to CHF 34.3 million as of December 31, 2004 and will become due on April 30, 2005. The detailed conditions of the credit facility agreement including credit covenants, which have all been met during the year 2004, and interest rates are subject to contract.

The Company's ability to continue as a going concern is dependent on the successful refinancing of the short-term borrowings and working capital facility due on April 30, 2005, or the ability to obtain other adequate financing from May 1, 2005.

Based on current results, management is confident that refinancing will be obtained.

4 **Subsidiary**

			Ownership (%)	
Name	**Purpose**	**Share capital**	**31.12.2004**	**31.12.2003**
Tornos S.A., Moutier	Production and sales	CHF 65'000'000	100.00	100.00

5 **Share capital**

Subsequent to the General Meeting of Shareholders held on April 13, 2004 the following share capital changes were adopted **(bold mark) :**

- Increase the conditional capital of the company to **CHF 14 million** by the issue of registered shares of CHF 5 each to be fully paid to be allocated as follows :
  - for a maximum amount of CHF 5.75 million which is reserved for the issuance of shares upon the exercise of option rights which were granted to the shareholders within the framework of the reduction of the share capital in 2002 which can be exercised until September 2004
  - for a maximum amount of CHF 6.0 million which is reserved for the issuance of shares upon the exercise of option rights which were granted to certain creditor banks in consideration of them waiving part of their claims in 2002 which can be exercised until July 2007
  - **for a maximum amount of CHF 2.25 million which is reserved for option rights granted to eligible members defined by the Board of Directors.**

During the year 2004 :

- 50'000 registered shares were issued and fully paid for at a price of CHF 5.30 each during the 1st semester of 2004 under the 2004 Management and Board Participation Plan
- option rights for a total share capital amount of CHF 5.75 million granted to shareholders further to the 2002 capital restructuring matured in September 2004 and were not exercised
- the part of the authorised share capital in the amount of CHF 4.58 million which was resolved at the June 28, 2002 shareholders'meeting having not been used during the two years prescribed by law was cancelled. As a result there is no more authorized capital.

There were no changes in the capital structure in 2003.

Shares outstanding and rights attached to each class of shares

As of December 31, 2004 the share capital consisted of 13'433'755 ordinary registered shares with a par value of CHF 5 each.
The holders of the ordinary shares are entitled to receive dividends as declared by the meeting of shareholders and are entitled to one vote per share at the meetings of shareholders.

NOTES TO THE FINANCIAL STATEMENTS 2004

(in thousands of CHF unless otherwise stated)

Treasury shares

In connection with the Group's financial restructuring in 2002, the Company entered into agreements with its suppliers, under which it received 168'110 of its own shares from one of its suppliers in August 2003. The Company paid CHF 0 compensation for these shares and they have been recorded pro memoria in the balance sheet.

As from July 12, 2004, 50'000 of these shares were loaned to a third party for market making purpose. The Company is charged a fixed fee for each share movement, any gains and losses resulting from the shares sold / bought being at the profit / expense of the third party. During the year 2004, total costs incurred totaled CHF 11'000.

Conditional share capital

The conditional share capital amounts to CHF 8.0 million. An amount of CHF 6.0 million is reserved for the issuance of shares upon exercise of option rights which were granted to certain creditor banks and creditors in consideration of them waiving part of their claims further to the restructuring in 2002. An amount of CHF 2.0 million is reserved for the issuance of shares that may be used by the Board of Directors to satisfy stock purchase and option plans in favor of eligible members defined by the Board of Directors.

Significant shareholders

The following shareholders or groups of shareholders held more than 5 percent of the share capital of the Company at December 31, 2004 and 2003 :

	2004	**2003**
- Doughty Hanson Group	27.4%	27.5%
- Credit Suisse Group	24.7%	24.8%
- Günter and Helmut Rothenberger	6.5%	6.5%
- Berner Kantonalbank	4.9%	6.2%

6 Stock options

In 2002, the Company granted options to the shareholders in the framework of the reduction of the share capital and to the creditor banks as compensation for their debt waiver and for granting a bridge loan. Additional options were granted to the former shareholders in connection with the settlement of a legal dispute in 2002. Until December 31, 2004, none of these options were exercised.

At December 31, 2004, the following options were still outstanding in this respect :

	Number of options	**Expiry date**
Options granted to creditor banks for waiver of loans	750’000	08.07.2007
Options granted to creditor banks for bridge loan	300’000	16.07.2007
Options granted to former shareholders	125’000	08.07.2007

Each of the options granted to the creditor banks and to the former shareholders entitles the holder to purchase one registered share for a price of CHF 6.

These options are secured by the conditional share capital of CHF 8.0 million.

NOTES TO THE FINANCIAL STATEMENTS 2004

(in thousands of CHF unless otherwise stated)

7 Stock compensation plans

The General Meeting of Shareholders held on April 13, 2004 approved the issue of 450'000 conditional shares that may be used by the Board of Directors to satisfy stock purchase and option plan commitments set out below.

Share Purchase Plan

Under the 2004 Management and Board Participation Plan, eligible members defined by the Board of Directors were offered 150'000 registered shares at CHF 5.30 per share to be issued in three equal tranches over a three-year period. The purchase price was deemed equivalent to the fair market value at the date each eligible member contractually committed to purchasing the shares, hence no compensation expense has been calculated in respect of the above. As at December 31, 2004, 50'000 registered shares had been issued under the 2004 Management and Board Participation Plan. Subscriptions for 79'992 registered shares to be issued in two equal tranches on May 1, 2005 and 2006 respectively had been received as at December 31, 2004. The 20'008 remaining shares available under this plan will be offered to the participants on May 1, 2005 and 2006 respectively.

Stock Option Plan

Under the 2004 Management and Board Participation Plan, eligible members defined by the Board of Directors were issued options to purchase registered shares at an exercise price in excess of the fair market value of the registered shares on the date of grant. The terms and conditions with respect to options granted were determined by the Board of Directors who administered these plans. Options vest over two years and remain outstanding for periods not exceeding three years. A total of 300'000 registered shares may be issued under this plan.

Compensation expense is recognised over the vesting period. Compensation expense of CHF 25'000 was recorded for the year ended December 31, 2004. Compensation expense arising from stock options outstanding at December 31, 2004 to be recognised in future periods amounted to CHF 50'000.

A summary of activity under the stock option plans, including weighted average exercise price, is as follows :

	December 31, 2004 (options)	**Exercise price** (CHF)	**Contractual live**
Outstanding at beginning of year	**-**	**-**	
Granted	100’000	6.00	3 years (April 30, 2007)
Exercised	-	-	
Cancelled or expired	-	-	
Outstanding at end of year	**100’000**	**6.00**	
Exercisable at end of year	-	-	

The fair value of the grants under the purchase plan and stock option plan was estimated using the Black-Scholes valuation model with the following assumptions and values :

Dividend yield	-
Expected life	2.5 years
Expected volatility	25%
Risk free interest rate	1.6%
Fair value of grants per option	CHF 0.75
Expected turnover of personnel	-

The expected volatility used to calculate the fair value differs from the historical volatility of the Company's share price over the previous 18-month period which amounted to 58%. Management considers that the historical volatility is not a reasonable basis upon which to estimate future volatility given the impact that the restructuring measures undertaken in 2002 had on both the share price and the trading volumes experienced during 2003.

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

(in thousands of CHF)

	2004	2003
Retained earnings brought forward	529	77
Net income for the year	-	452
Available earnings	**529**	**529**

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:

Available earnings	529
To be carried forward	**529**

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