UNOVA INC
Form 10-K
March 14, 2005

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

**(Mark One)**

**x** ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the fiscal year ended December 31, 2004**

**OR**

**o** TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**Commission file number 001-13279**

# UNOVA, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **95-4647021** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **6001 36th Avenue West Everett, Washington** | |
| **www.unova.com** | **98203-1264** |
| (Address of principal executive offices) | (Zip Code) |

Registrant s telephone number, including area code: **(425) 265-2400**

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, par value $0.01 per share | New York Stock Exchange |
| Rights to Purchase Series A Junior Participating Preferred Stock | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes x No o

The aggregate market value of the registrant s common stock held by non-affiliates of the registrant as of June 30, 2004, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $1,231.7 million. On such date, the closing price of the registrant s Common Stock, as quoted on the New York Stock Exchange, was $20.25.

On February 28, 2005, there were 61,264,143 shares of Common Stock outstanding, exclusive of treasury shares.

Documents Incorporated by Reference

Certain information required to be reported in Part III of this Annual report on From 10-K is herein incorporated by reference from the registrant s Definitive Proxy Statement to be filed with the Securities and Exchange Commission with respect to the registrant s Annual Meeting of Shareholders scheduled to be held on May 18, 2005.

**UNOVA, INC.**
**INDEX TO ANNUAL REPORT**
**ON FORM 10-K**

**PART I**

**SAFE HARBOR**

Forward-looking statements contained in this filing are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 (alternatively: Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and are dependant upon a variety of important factors which could cause actual results to differ materially from those reflected in such forward-looking statements. These factors include but are not limited to the Company s ability to continue to improve the profitability of its continuing operations, reduce expenses, improve efficiency, leverage its investment in research and development to drive significant future revenue, its ability to continue operational improvement and year-over year-growth and complete its divestiture of its IAS businesses and the other factors described in Item 7 of this filing. Such forward-looking statements involve and are dependent upon certain risks and uncertainties. When used in this document and in documents it references, the words anticipate, believe, will, intend, project and expect and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Readers of this report are also encouraged to review the Risk Factors portion of Item 7 of this filing, which discusses additional risks. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this annual report.

**ITEM 1.** BUSINESS

**General**

UNOVA, Inc. and subsidiaries ( UNOVA or the Company ), through its Automated Data Systems ( ADS ) segment, which comprises the Company s wholly-owned subsidiary Intermec Technologies Corporation ( Intermec ), is a leader in global supply chain solutions and in the design, development, manufacture and integration of wired and wireless automated data collection, mobile computing systems, bar code printers, label media and Intellitag® RFID (radio frequency identification). The ADS segment s products and services are used by customers in many industries to improve productivity, quality and responsiveness of business operations, from supply chain management and enterprise resource planning to field sales and service. Intermec s products and services are sold globally to a diverse set of customers in markets such as manufacturing, warehousing, direct store delivery, retail, consumer goods, field services, government, security, healthcare, transportation and logistics.

The Company s Industrial Automation Systems ( IAS ) businesses, which comprises the Cincinnati Lamb and Landis Grinding Systems divisions, has been classified effective the fourth quarter of 2004, as discontinued operations for accounting purposes in the Company s consolidated financial statements and related notes (see Note H to the consolidated financial statements). Prior periods have been restated to reflect this presentation. The IAS businesses are leading producers of value-added manufacturing products and services spanning the production cycle from process engineering and design to systems integration, including comprehensive life cycle support. The IAS business includes integrated manufacturing systems, machining systems, stand-alone machine tools and precision grinding and abrasives operations primarily serving the global aerospace, automotive, off-road vehicle and diesel engine industries as well as the industrial components, heavy equipment and general job shop markets.

In fiscal year 2004, the Company served customers globally through the following businesses:

**Continuing Operations:**

- The Automated Data Systems segment ( ADS ), which comprises Intermec Technologies, offers a broad product line and enterprise integration and implementation expertise within the AIDC (Automated Information and Data Collection) marketplace.

**Discontinued Operations:**

- The Industrial Automation Systems business ( IAS ), comprising Cincinnati Lamb and Landis Grinding Systems divisions, is a leading producer of value added manufacturing products and services. IAS serves the global aerospace, automotive, off-road vehicle and diesel engine industries as well as the industrial components, heavy equipment and general job shop markets.

The Company has commenced a formal process to divest all of the IAS businesses and the Company s excess assets (classified as assets held for sale) through a sale process that the Company expects will conclude in fiscal year 2005. Therefore, effective the fourth quarter of 2004, these businesses were classified as discontinued operations for financial statement purposes.

As part of this divestiture process, the Company has received expressions of interest in both the group as a whole, and for the Cincinnati Lamb and Landis Grinding businesses individually. The Company is pursuing a variety of sale alternatives that will strive to achieve separation and monetization, while allowing these leading businesses to operate successfully independent of UNOVA.

For the years ended December 31, 2004, 2003 and 2002, UNOVA reported revenues from continuing operations of $811.3 million, $706.6 million and $744.4 million, respectively. Intermec has three primary revenue sources: (1) revenue from the design, development, manufacture and integration of wired and wireless automated data collection, mobile computing systems, bar code printers, label media and Intellitag® RFID (radio frequency identification), ( Product Revenue ); (2) revenue from servicing, customer support and professional services related to these products and solution systems ( Services Revenue ); and (3) revenue from settlements related to enforcement of the Company s Intellectual Property rights and sales of certain patents in intellectual property portfolio ( Intellectual Property Sales and Settlement Revenue ).

See Note N to the consolidated financial statements for financial information by reportable segment and by geographical area.

The Company became an independent public company upon the distribution of its common stock to the shareholders of Western Atlas Inc. ( WAI ) on October 31, 1997. The Company is a Delaware corporation and its headquarters are located in Everett, Washington.

Information on the Company may be found at the Internet website *www.unova.com*. The Company s annual report on Form 10-K and certain of its other filings with the Securities and Exchange Commission ( SEC ) are available in PDF format through its Investor Relations website at *www.unova.com/investorinfo.asp*. Its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are also available on the SEC website at *http://www.sec.gov*. The contents of these websites are not incorporated by reference into this report or in any other report or document the Company files, and its references to the addresses of these websites are intended to be inactive textual reference only.

**Products and Services**

***Intermec Technologies***

Intermec products and services include automated data identification systems, rugged mobile computing solutions, wireless networks, including RFID, for untethered enablement of an enterprise, and barcode label and printing solutions and related services. ADS s rugged and robust systems, solutions and services enable Intermec s customers to more efficiently and effectively manage their supply chains and fulfillment activities and other critical company resources.

Intermec is headquartered in Everett, Washington, and its major offices and manufacturing facilities are located in the states of Washington, Iowa, and Ohio and internationally in the United Kingdom, the Netherlands, Sweden, France, Mexico and Singapore.

*Scanners and Data Collection Systems*

Intermec develops bar code scanning and data collection products used primarily by non-office workers such as warehouse, delivery, manufacturing, field service and other employees who operate outside the typical office environment. Product applications include work force automation; tracking of work in process and finished goods inventory through manufacturing, distribution and other commercial operations; and total asset visibility and real-time monitoring of inventory levels and order status to improve productivity, quality and responsiveness. The information collected, managed and exchanged by workers in these applications is susceptible to errors or omissions due to inaccurate keystrokes, illegible handwriting or overlooked transactions. The ability to efficiently capture and wirelessly transmit information in real time means more streamlined business processes. Automating these business processes is important to consistent customer service and fulfillment execution. In addition, Intermec s products and services are increasingly used for automating information exchange within supply chains and facilitating shipment and fulfillment of orders. Intermec s scanning and data collection products include rugged wireless handheld computers and terminals, wand scanners, imagers, linear and area imagers incorporating active pixel technology, and badge and laser scanners. These products are able to read or collect data and move that data directly into standard ERP (enterprise resource planning), WMS (warehouse management systems) and other business applications. The Company also manufactures a number of industrial handheld terminals for use in warehouses and industrial environments.

*Enterprise Wireless Networks Products & Services*

Intermec develops wireless Local Area Network ( LAN ) software, systems and services. It was among the first companies to provide a network architecture that allows customers to use multiple radio technologies within one LAN system. Starting in the early 1980s, the Company installed digital communication between mobile computers and host servers within industrial workspaces such as warehouses, distribution centers, factories and large outdoor facilities. In 1998, the Institute for Electronic and Electrical Engineering ( IEEE ) promulgated a new standard for high-speed network communication via wireless radio signal. The 802.11b standard allows customers to purchase interoperable digital radios for client computing devices. In the years since the standard was established, several large network equipment vendors have begun selling 802.11b and 802.11a/b and 802.11g wireless LAN systems, increasing penetration for this technology among office workers and in public spaces such as hotels, restaurants and airports. Intermec is a Technology Solutions Integrator partner with Cisco Systems Inc. and has extended its systems and devices to include Cisco technology and products. Intermec also offers device management software allowing centralized management services of its devices on the network.

Intermec s core customers in industrial and warehousing markets purchase its wireless systems primarily because these systems are easier to implement and administer than competitive brands. Further, Intermec provides reliable and high quality technical services and support. Finally, customers in these markets are motivated in part by their belief that Intermec s systems are extremely rugged and reliable, and that reliability will prevent failures and downtime in the customer s operation. Intermec supports all major radio technologies, including synthesized UHF, 900 MHz, 802.11b/g, 802.11a and Bluetooth. Radio independence allows customers to choose the most efficient radio technology for their facilities. This freedom resolves data rate, transmission speed and range issues and creates a reliable communications environment.

Intermec has also created wireless LAN products that specifically address the security needs of its customers. Based on IEEE 802.11i and 802.1x security standards, MobileLAN secure™ is an integrated security solution for wireless LANs that builds standards-based security capabilities into all components of the wireless LAN, including access points, authentication server software and network interface cards. Intermec s tiered wireless access point product line cost-effectively addresses diverse wireless applications found in an enterprise both in and out of the office. In 2002 Intermec extended its wireless solutions to support the Cisco wireless infrastructure, including Intermec s innovative Pocket PC line.

*Mobile Computing Solutions*

Intermec delivers automated solutions comprising ruggedized hand-held and vehicle-mounted mobile computing systems and local-area and wide-area wireless and wired data communication systems. Intermec is a leader in integrating multiple wireless technologies (wide area GPRs and CDMS, with 802.11 and Bluetooth) that can operate simultaneously into a mobile computer. This is important for customers who desire a cost-effective, innovative and efficient way to communicate remotely with field employees. Intermec also develops and delivers handheld computer application software for designated markets and applications as well as communication and server systems to integrate the information into customers enterprise management systems. Intermec has developed device management software that can interoperate with existing system management software to allow centralized management and control of remote devices. Data capture devices and specialized peripherals and printer solutions are a part of the provided solution. To assist with the automation of business processes, Intermec provides extensive professional services, such as installation, maintenance, site security and systems integration. Intermec s comprehensive line of hand-held and vehicle-mounted computers combine Microsoft Windows®, Windows® CE and Pocket PC®, and embedded Windows XP capability with scanning and IP (Internet Protocol) based data communication abilities. Intermec s product family ranges from low-cost, hand-held batch and wireless data collection devices to sophisticated pen-based computers with extensive wired and wireless network capabilities and flexible vehicle mount communication systems.

Intermec s open systems design philosophy delivers product flexibility to customers with diverse application requirements. In combination with wireless communications, these mobile systems enable remote workers to have access to centralized computer applications and databases, to automate business processes to the point of transaction and to send and receive information on a real-time basis. This results in improved productivity, efficiency and accuracy of information. Intermec and its partners offer mobile computing application software that provides work force automation, customer level sales ordering, pricing and forecasting, and account settlement. Other software products manage workforce automation and order dispatching, total field asset visibility, real-time proof of delivery, and other critical customer information. Intermec and its partners have over 20 years of experience in developing both hardware and software for mobile computing in the direct-store-delivery ( DSD ) market. This experience gives Intermec insight that is important in developing and producing successful product offerings in other mobile computing markets such as field service and logistics operators.

*Bar Code Label and Printing Solutions*

Intermec s line of flexible on demand bar code printers which range from low-cost, light-duty models to heavy-duty, industrial models that accommodate a wide array of printing widths, materials and label configurations. These printers attach directly to enterprise networks. A variety of specialty printers provides custom capabilities, including color printing, a global language enabler and high resolution (400 DPI) printing that ensures sharp fonts and precise graphics, even on extremely small labels such as those used by the electronics industry. Intermec s printers can also support RFID encoding and smart label printing, offering customers cost effective solutions and flexibility as they adopt RFID technology.

Intermec s media products include pressure-sensitive bar code labels and thermal transfer ribbons, which are sold to customers worldwide. Intermec s media products emphasize service and value-added technologies, such as the design and manufacture of specialized labels to meet customer requirements for extreme environments such as clean rooms, chemical baths and high humidity.

*Radio Frequency Identification RFID*

Intermec is designing and producing next generation item-tracking technology called RFID (radio frequency identification). Intermec s market focus is on passive UHF technology, including RFID tags, readers, software and related equipment, and services under the Intellitag trade name. Intermec products support International Standards Organization ( ISO ) standards and the new EPCglobal Generation-2 UHF standard (the Gen-2 standard ), which are being adopted by customers worldwide. RFID wirelessly communicates important product information between a tracking device, called an interrogator, and tags comprising a computer chip and its antenna encased in a protective covering. RFID tags are programmed to contain identification, serial numbers, history and other attributes. Certain RFID tags, such as Intermec s Intellitag, contain read/write memory to allow updates and tag reuse. Unlike laser scanned bar codes, Intermec s RFID tags do not require line of sight to be read. Companies have expressed interest in using RFID technology as a tool to track pallets, cartons, containers and individual items through their entire supply chain or as an access security application. Intermec is working through alliances and directly with other companies to broaden customer access, create standards support on a global basis and integrate data from RFID collection systems into broader information systems. Intermec has a large RFID intellectual property portfolio with over 140 patents issued largely around UHF technology.

**Services**

Intermec develops technology to solve complex global supply chain solution problems and provides expertise through a broad range of global services. Intermec s customer support services, professional services and installation services enable customers to implement and deploy systems and solutions within their IT environments.

Intermec Project Management teams create strategic plans that clearly identify a customer s operational goals. Strategic plans encompass technology solutions that will accomplish the business issues they are expected to solve. Properly designed systems will typically support the desired functionality without costly upgrades and / or retrofitting.

Project Management teams define the functional requirements for implementing wireless devices throughout the enterprise. This includes why they are needed, how they will be used, and how they will impact customer business processes. Once a business case has been defined, the Project Management teams design an implementation plan to improve processes, increase productivity, and maximize profitability.

Intermec has forged extensive relationships with many wireless system providers, therefore providing one stop shopping with the expertise, convenience, and assurance customers need. In addition, Project Management offers its customers:

- A single point of contact for all project communications
- Project planning, including defining the scope of work, preparing a statement of work, developing project objectives, developing schedules, identifying acceptance procedures, and documenting a project plan
- Project implementation, including proper site preparation; tracking, site evaluation surveys and installation schedules; coordination of the activities of all resources involved in the implementation; project status reports; and implementing project controls
- Oversight and management of the overall installation process, including managing communications, tracking equipment shipment, managing change requests, and identifying problems and resolving them
- Project completion and closeout to the customer s requirements and expectations

Intermec Services customer-focused professionals work closely with customers to integrate new wireless solutions with their existing systems and applications to optimize performance over the short and long terms. Customers can assess a variety of wireless solutions and networking applications that can be tailored to their specific business needs.

Intermec believes that its on-site customer service representatives ( CSR ) are among the most experienced in the industry. Dispatched from over 60 U.S. locations, the Company s technicians have the training, experience, test equipment, and parts to address numerous problems on the first visit. These teams of professionals strive to deliver fast, high quality service with minimal impact on customer s operations, and all repairs are performed with the goal of meeting the highest industry standards.

Intermec s Global Education Services provide a wide array of comprehensive training services and solutions. These services and solutions include designing complete training packages administering entire training programs and Train-the-Trainer sessions, in which it provides in-house personnel with guidance and assistance in creating company-based training programs.

**Technologies/Trends**

Intermec offers an extensive line of data capture products, which includes linear imaging, area imaging, RFID and most recently a laser scanning engine based on micro electro mechanical system ( MEMS ) technology. This new scanning engine technology offers snappier scanning, improved aiming, compact form factor design and less moveable parts than competitive scanning engines. This expanded product suite means customers can select the right data capture technology to meet their application requirements to increase usability, productivity and cost effectiveness of their solution.

Intermec is broadening the application of wireless networking, data capture and mobile computing by developing or integrating new technologies into its products. Recent examples include new high-speed wireless networking products such as:

- secure 802.11a wireless LAN technology
- incorporation of GPRS and CDMA wide-area wireless technologies into Windows Mobile and Pocket PC devices
- new rugged high performance Windows CE and Windows Mobile based computers
- short range radio system networks utilizing Bluetooth technology

- new MEMS-based laser scanning devices
- low-cost miniature linear image scan engines
- new devices that use the Internet to simplify the management of wireless networks

Intermec continues to invest in and develop ISO and EPC standards-based, low-cost RFID products for supply chain applications such as source tagging, shipping labels and pallet tags with embedded electronic memory chips that can be reprogrammed via low-power radio signals. Intermec has also developed a range of products based on its RFID technology, comprising scanners, printers and labels. Intermec RFID products comply with EPC global s Gen-2 standard. Intermec s RFID products also meet domestic and international regulatory requirements such as FCC and ETSI regulations and ISO 1800 6b standards. A prominent industry organization serving the automotive sector has adopted a standard based upon certain of Intermec s communications protocols for RFID. The standard manages communications between a host computer and an RFID tag. This global standard is expected to be used in systems that will allow tire manufacturers and auto companies to track individual tires as they are manufactured, distributed and installed on new cars and trucks manufactured in North America. Intermec offers its RFID technology for integration with existing automatic identification and data capture solutions such as bar code, mobile computing and other enterprise-wide information systems.

**Business Strategy**

Intermec s strategy revolves around investment in:

- Technology and innovation,
- Intellectual property,
- Research and development,
- Expanding and strengthening the product portfolio,
- Providing integrated solutions,
- Partnering with global industry leaders,
- Delivering value to customers,
- Working to profitably increase market share,
- Scaling the business to achieve cost reduction and improve operating leverage.

Intermec systems are designed to create value for customers that desire to identify, track and manage critical company resources and assets. The technology and innovation on which Intermec focuses its research and development efforts are related to developing products, processes and services that help improve productivity, efficiency, information and controls in various vertical markets, including:

- Retail,
- Consumer Goods,
- Manufacturing,
- Transportation and logistics,

- Government supply chain applications.

Primary application focus areas for Intermec include:

- Warehouse management,

- Retail store operations,
- Retail store management,
- Pick-up and delivery and in transit visibility,
- Field service,
- Manufacturing operations,
- Direct store delivery,
- RFID compliance.

Customers seek to improve their control of inventory, equipment and other fixed assets, labor, sales and distribution costs to become more efficient within their markets. The integration of Internet e-commerce and real-time information driven by the increasing demand for more efficient and effective fulfillment systems has created increased opportunities and demand for technologies such as wireless systems and RFID that improve levels of service and responsiveness.

Warehouses and logistics operations already rely on wireless networks and handheld and mobile computers to transmit inventory data to central host computers. When information is updated in real time, customers have greater visibility to their current business operations, helping avoid inventory shortages and improve customer service by providing more accurate shipping and delivery information. As competition places more pressure on customers for faster operational performance, they typically upgrade their supply chain execution technologies to improve working capital efficiency and customer satisfaction standards, such as delivery speed, in-stock availability and order accuracy.

Intermec plans to continue emphasizing and expanding its product development and market activities in the areas of wireless communications, mobile computers, bar code printers, media products, RFID and technologies for supply-chain execution to capitalize on expected strong demand and long-term overall market growth.

**Markets and Customers**

Because automated data systems represent technologies that can be utilized by a company of any size, the market is extensive. Market growth is driven by the global need for technologies and solutions that improve quality, productivity, and cost-efficiency in business and government, particularly through logistics automation, supply chain execution, enterprise resource planning ( ERP ) and e-commerce solutions. Intermec covers the market through a globally coordinated dedicated sales and service organization in conjunction with two-tier distributors, resellers and independent software vendors. These partners extend Intermec s reach in application markets and allow Intermec to cost-effectively penetrate and grow the markets for small and mid-sized businesses.

Intermec sells and services its products through multiple sales and distribution channels: a direct field sales force that concentrates on large or complex systems sales, premier value-added resellers known as Honor s Partners that offer application-specific solutions, alliances with major systems integrators and enterprise computing companies and distributors who provide value added services to the smaller independent software vendors and resellers. Intermec s direct sales organization serves customers from offices throughout the Americas, Europe, the Middle East, Africa and in selected Asia Pacific countries including China and Australia. Indirect sales channels include preferred and non-exclusive relationships with value-added distributors and master resellers. Sales of accessories, certain services and low-cost transactional-based business can be transacted over the web. Intermec has a field-based business development function, which assists with the opening of new market and emerging technology opportunities.

The mobile computing systems market comprises several applications, such as Direct-Store-Delivery, pick up and delivery for package / parcel delivery industries, sales merchandising, in-transit asset visibility, parts management and work force automation applications. These applications are generally used in the consumer products, food, beverage, wholesale, parcel delivery, freight, field service, and home service industries.

Manufacturing applications include the collection and communication of information related to receipt of materials, work in process, finished goods inventory and other functions throughout the manufacturing process. Warehousing and distribution center applications involve the collection and communication of information related to receiving materials to be stored, storage locations, materials retrieval and shipping. Retail applications include the automation of shelf label maintenance, product shipping and receiving functions along with customer service and store management.

Additional international sales opportunities exist in countries where mobile computing practices and other applications are similar to those in the U.S. The extent of wireless systems opportunities in any particular country is based on the level of industrialization, the status of bar code implementation, and the regulatory environment for wireless communication technologies. The major markets for printers and media are manufacturing, distribution, warehousing, transportation, health care, government, and other services.

Intermec s customer base consists of businesses of many sizes, government agencies and resellers. No single customer accounted for 10% or more of revenues in fiscal 2004, 2003 or 2002.

Although the majority of Intermec s sales are made through indirect sales channels, no individual value-added distributor or reseller represents more than 10% of the Company s consolidated revenues. Intermec also maintains direct contact with customers and prospective users by having established user forums for automated data systems applications and technologies.

**Competition**

The market for AIDC / mobile computing systems is largely fragmented. Based on independent market surveys, management believes that Intermec is one of the largest participants measured by revenues. The other major participant is Symbol Technologies. Intermec also faces strong competition for single product lines from specialized suppliers, like Zebra for printers or Hand Held Products for imagers.

The market for mobile computing and radio frequency products is highly competitive and rapidly changing. Some firms, including Fujitsu and Casio, manufacture and market hand-held systems for field based ordering and selling applications. In addition, a number of firms manufacture and market radio-linked data communication products, including LXE, Symbol and Psion /Teklogix. Consumer personal digital assistants from suppliers such as Palm, Hewlett Packard and Dell are potential competitors for certain non-mission critical, light-duty enterprise computing applications. Companies such as Symbol and Entersys compete against Intermec and Cisco Systems Inc. in the wireless network business. On the printer side, Intermec faces competition from Zebra, Datamax, SATO, Printronix and many others, depending on the geographic area.

Intermec competes primarily on the basis of its technology and expertise in applications for focused vertical markets, (integrated solutions, open-systems architecture, networking and communications expertise, applications software), customer relationships and value added service. Other attributes, such as level of sales and support services, product functionality, performance, ruggedness and overall quality, are important for market success.

***Industrial Automation Systems (IAS)***

The Company has commenced a formal process to divest its IAS business, comprising the Cincinnati Lamb and Landis Grinding Systems divisions. The Company s IAS business is classified effective the fourth quarter of 2004 as discontinued operations for accounting purposes in the Company s consolidated financial statements and related notes. Prior periods have been restated to reflect this presentation (see Note H to the Company s consolidated financial statements).

The Company s IAS business, headquartered in Warren, Michigan, is a leading producer of value-added manufacturing products and services spanning the production cycle from process engineering and design to systems integration, including comprehensive life cycle support. The IAS business includes integrated manufacturing systems, machining systems, stand-alone machine tools and precision grinding and abrasives operations primarily serving the global aerospace, automotive, off-road vehicle and diesel engine industries as well as the industrial components, heavy equipment and general job shop markets.

In October, 2002 Cincinnati Lamb was formed through the combination of the business operations of Lamb Machining Systems, Lamb Body & Assembly and Cincinnati Machine to reduce costs, streamline decision making and maximize efficiency. Cincinnati Machine s high-tech aerospace machining and composites business and after-market Cincinnati PLUS service operations were moved from Cincinnati, Ohio to a UNOVA-owned facility in Hebron, Kentucky to maintain critical skills while reducing the high fixed costs associated with the former facility.

On September 5, 2003, the Company sold substantially all of the assets and existing backlog of Lamb Body & Assembly Systems. The Lamb Body & Assembly business was primarily focused on metal forming and welding applications for the North America transportation industry and was part of the IAS business.

**Research and Development**

Research and development expenditures of the Company s continuing operations amounted to $62.1 million, $48.8 million and $44.0 million, all of which was sponsored by the Company, in the years ended December 31, 2004, 2003 and 2002, respectively.

**Patents and Trademarks**

Over a period of years, the Company has secured a large number of patents, trademarks and copyrights relating to its manufactured products. These patents, trademarks and copyrights have been of value in the growth of the Company s business and are expected to be of value in the future. However, the Company s business generally is not dependent upon the protection of any single patent, patent application or patent license agreement, and would not be materially affected by the expiration thereof. In December 2002 the Company assigned approximately 150 patents of the Company s portfolio, which is presently in excess of 570 patents, to Broadcom, Inc. The contract of assignment contained a license grant back to UNOVA to continue using all patents in the sale, manufacture and production of the Company s products. The Company believes this assignment to Broadcom will not have a material effect on the Company s continuing business.

**Seasonality and Backlog**

The Company s quarterly results reflect seasonality in the sale of its products and services, as its revenues are typically highest in the fourth fiscal quarter. See Quarterly Financial Information on page Q-1 of this Form 10-K for a more complete description of the seasonality of the Company s 2003 and 2004 quarterly revenues and expenses.

Sales backlog was $335 million, $327 million and $299 million, including backlog of discontinued operations of $259 million, $266 million and $235 million at December 31, 2004, 2003 and 2002, respectively. Most of the Company s backlog is concentrated in the IAS business. The ADS business typically operates without a significant backlog of firm orders and does not consider backlog to be a relevant measure of future sales.

**Employees**

At December 31, 2004, the Company had 4,456 full-time employees, of which 2,436 were engaged in the ADS segment, 1,984 in the IAS segment, and 36 in corporate and shared services.

**Environmental and Regulatory Matters**

During 2004, the amounts incurred to comply with federal, state and local legislation pertaining to environmental standards did not have a material effect upon the capital expenditures or earnings of the Company.

Radio emissions are the subject of governmental regulation in all countries in which the Company currently conducts business. In North America, both the Canadian and U.S. governments publish relevant regulations, and changes to these regulations are made only after public discussion. In some countries regulatory changes can be introduced with little or no grace period for implementation. Furthermore, there is little consistency among the regulations of various countries outside North America, and future regulatory changes in North America are possible. These conditions introduce uncertainty into the product planning process and could have an adverse effect on the ADS business.

**Raw Materials**

The Company uses a wide variety of raw materials in the manufacture of its products and obtains such raw materials from a variety of suppliers. In general, raw materials used are available from numerous alternative sources. As is customary for its industry, the ADS business at various times enters into certain single-source component part supply agreements. Management believes these agreements will be renewed in the ordinary course of business.

## ITEM 2. PROPERTIES

The Company s executive offices are located at 6001 36th Avenue West, Everett, Washington. Its continuing operations and discontinued operations have an aggregate floor area of approximately 2,482,400 square feet, of which 1,861,744 square feet, or 75%, are located in the United States, and 620,656 square feet, or 25% are located outside the United States, primarily in the United Kingdom, Germany and Canada.

These properties are used by the Company as follows (in square feet):

| | |
|---|---|
| Automated Data Systems | 511,171 |
| Corporate | 10,000 |
| Discontinued Operations | 1,961,229 |
| Total | 2,482,400 |

Approximately 1,735,229 square feet, or 70%, of the principal plant, office and commercial floor area is owned by the Company, and the balance is held under lease.

The U.S. plants and offices associated with the Company s continuing operations and discontinued operations are situated in 9 locations in the following states (in square feet):

| | |
|---|---|
| Pennsylvania | 495,662 |
| Illinois | 396,811 |
| Washington | 327,000 |
| Kentucky | 200,000 |
| Ohio | 177,483 |
| Other states | 264,788 |
| Total | 1,861,744 |

The above-mentioned facilities are in satisfactory condition and suitable for the particular purposes for which they were acquired, constructed or leased and are adequate for present operations.

The foregoing information excludes the following properties:

- Plants or offices that when added to all other of the Company s plants and offices in the same city, have a total floor area of less than 50,000 square feet.

- Company-held properties leased to others.

- Various company-owned properties totaling approximately 1.5 million square feet that are idle as of December 31, 2004, due to the Company s restructuring actions, including sale and closure of various underperforming businesses and consolidation of facilities, during 2002, 2003 and 2004. These properties are classified as assets held for sale on the Company s consolidated balance sheet as of December 31, 2004. See Footnote D to the Company s consolidated financial statements.

**ITEM 3.** LEGAL PROCEEDINGS

*Tower Automotive Products Co. v. Lamb Technicon Body and Assembly* is a lawsuit filed on March 11, 2002, in the Kent County Circuit Court in Michigan, generally alleging a breach of contract involving a frame assembly production line. No specific claim for damages was made in the Complaint by Tower Automotive Products Co. The Company has responded to the Complaint. A trial date has been scheduled for the second quarter of 2005. Management believes the lawsuit is without merit and is vigorously contesting the case. Nevertheless, should there be an unfavorable result, it is possible that cash flows or results from discontinued operations could be materially affected in that period or subsequent periods.

On March 11, 2005, Symbol Technologies, Inc. ( Symbol ) announced that it had filed a lawsuit against Intermec for wireless patent infringement. The complaint does not contain sufficient details for the Company to assess what Symbol will claim regarding the relationship between its cited patents and Intermec products. However, based on prior Company analysis of the cited Symbol patents, the Company believes it has substantial defenses to each of those patents and as such, the ultimate resolution of this complaint would not have a material adverse effect on the Company s consolidated financial position. As with all claims brought against the Company, the Company intends to vigorously defend itself and contest the claims made in the suit. Additionally, Symbol announced that it intends to terminate its original equipment manufacturing ( OEM ) agreement with Intermec to supply laser scan engines. The Company believes that a cancellation of the OEM agreement by Symbol would not have an adverse impact on its future operations.

The Company is currently, and is from time to time, subject to claims and suits arising in the ordinary course of its business. In the opinion of the Company s General Counsel, the ultimate resolution of currently pending proceedings, with the potential exception of the Tower Automotive Products Co. case discussed above, should not have a material adverse effect on the Company s financial condition and results of operations.

**ITEM 4.** SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the fiscal year ended December 31, 2004.

**PART II**

**ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The high and low sales prices of the Company s common stock, by quarter, in the years ended December 31, 2004 and 2003 are as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2004 | | 2003 | |
| | High | Low | High | Low |
| First Quarter | $ 26.63 | $ 19.50 | $ 6.68 | $ 4.42 |
| Second Quarter | 22.43 | 15.25 | 11.95 | 5.26 |
| Third Quarter | 20.24 | 13.59 | 16.50 | 11.05 |
| Fourth Quarter | 25.59 | 13.90 | 25.23 | 13.86 |

The Company s common stock is traded on the New York Stock Exchange under the symbol UNA. As of February 28, 2005, there were approximately 12,800 record holders and 31,300 beneficial owners of the Company s common stock. No cash dividends were paid during 2003 or 2004. The Company s Revolving Facility places limits on the payment of dividends. See discussion of the Revolving Facility under the heading Liquidity and Capital Resources in Item 7 of this annual report on Form 10-K.

See information with respect to securities authorized for issuance under the caption Equity Compensation Plan Information of the Company s 2005 Proxy Statement which is incorporated herein by reference.

**ITEM 6.** SELECTED FINANCIAL DATA

**UNOVA, INC.**
**(millions of dollars, except per share data)**

| | Year Ended December 31, 2004 | 2003 | 2002 | 2001 | 2000(C) |
|---|---|---|---|---|---|
| **Operating Results:**[A] | | | | | |
| Revenues[B] | $ 811.3 | $ 706.6 | $ 744.4 | $ 655.1 | $ 725.4 |
| Earnings (Loss) from Continuing Operations | $ 52.2 | $ 15.1 | $ 37.6 | $ (236.0) | $ (72.5) |
| Earnings (Loss) from Discontinued Operations | (101.3) | (34.4) | (35.2) | (56.2) | 32.7 |
| Net Earnings (Loss) | $ (49.1) | $ (19.3) | $ 2.4 | $ (292.2) | $ (39.8) |
| Basic Earnings (Loss) per Share | | | | | |
| Continuing Operations | $ 0.86 | $ 0.26 | $ 0.65 | $ (4.15) | $ (1.30) |
| Discontinued Operations | (1.67) | (0.59) | (0.61) | (0.99) | 0.59 |
| Net earnings (loss) per share | $ (0.81) | $ (0.33) | $ 0.04 | $ (5.14) | $ (0.71) |
| Diluted Earnings (Loss) per Share | | | | | |
| Continuing Operations | $ 0.84 | $ 0.25 | $ 0.64 | $ (4.15) | $ (1.30) |
| Discontinued Operations | (1.63) | (0.57) | (0.60) | (0.99) | 0.59 |
| Net earnings (loss) per share | $ (0.79) | $ (0.32) | $ 0.04 | $ (5.14) | $ (0.71) |
| Shares used for Basic Earnings (Loss) per Share | 60,502 | 58,828 | 57,821 | 56,851 | 55,714 |
| Shares used for Diluted Earnings (Loss) per Share | 62,154 | 60,234 | 58,614 | 56,851 | 55,714 |
| **Financial Position (at end of year):** | | | | | |
| Total Assets | $ 1,072.7 | $ 1,090.8 | $ 1,124.8 | $ 1,207.0 | $ 1,720.7 |
| Notes Payable and Current Portion of Long-term Debt | $ 108.5 | $ | $ | $ | $ 235.4 |
| Long-term Debt | $ 100.0 | $ 208.5 | $ 224.7 | $ 281.5 | $ 213.5 |
| Working Capital | $ 399.2 | $ 440.4 | $ 386.8 | $ 350.1 | $ 196.3 |
| Current Ratio | 1.9 | 2.4 | 2.1 | 1.9 | 1.3 |
| Total Debt as a Percentage of Total Capitalization | 34 % | 33 % | 35 % | 41 % | 39 % |

(A) Prior periods reflect the classification of IAS as discontinued operations.

(B) Includes intellectual property sales and settlements of $19.7 million, $18.7 million, $112.4 million, and $30.0 million in 2004, 2003, 2002 and 2001, respectively.

(C) Reflects the disposition of Amtech in June 2000.

**ITEM 7.** MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the Consolidated Financial Statements and the notes thereto that appear in Item 8 of this annual report on Form 10-K.*

**Overview**

UNOVA, Inc. and subsidiaries ( UNOVA or the Company ), through its Automated Data Systems ( ADS ) segment comprised of the Company s wholly owned subsidiary Intermec Technologies Corporation ( Intermec ), is a leader in global supply chain solutions, the development, manufacture and integration of wired and wireless automated data collection, mobile computing systems, bar code printers and label media and Intellitag® RFID (radio frequency identification). The ADS segment s products and services are used by customers to improve productivity, quality and responsiveness of business operations, from supply chain management and enterprise resource planning to field sales and service. ADS products and services are sold globally to a diverse set of customers in markets such as manufacturing, warehousing, direct store delivery, retail, consumer goods, field services, government, security, healthcare, transportation and logistics.

Effective the fourth quarter of 2004, the Company committed to a plan to sell its Industrial Automation Systems ("IAS") businesses, comprising the Cincinnati Lamb division and the Landis Grinding Systems division after the Board of Directors concluded that the IAS segment no longer aligned with the Company's long-term strategy. The Company intends to sell IAS as a going concern as a whole or through the sale of its divisions within the 2005 fiscal year. The Company has classified the IAS business as a discontinued operation for accounting purposes in the Company's consolidated financial statements and related notes (see Note H to the consolidated financial statements). Prior periods have been restated to reflect this presentation. The IAS businesses are leading producers of value-added manufacturing products and services spanning the production cycle from process engineering and design to systems integration including comprehensive life cycle support. The IAS businesses include integrated manufacturing systems, machining systems, stand-alone machine tools and precision grinding and abrasives operations primarily serving the global aerospace, automotive, off-road vehicle and diesel engine manufacturing industries as well as the industrial components, heavy equipment and general job shop markets.

The Company s strategy for its ADS segment revolves around continued investment in technology, intellectual property, research and development and innovation; expanding and strengthening the product portfolio; providing integrated solutions; partnering with global industry leaders; delivering value to customers and working to reduce costs and improve profitability; and working to profitably increase market share and the scale of the business. The technology and innovation for which the Company focuses its research and development efforts are related to developing products, processes and services that help improve productivity, efficiency, information and controls in a variety of manufacturing, distribution, retail, field service and logistics supply chain applications.

The ADS results in 2003 and 2004 appear to confirm management s belief