

**The Mikron Group
in the year 2000**



Production Equipment

The image shows two panels of industrial machinery. The left panel depicts a complex machine with various components and a blue base. The right panel shows a more detailed view of a machine's internal or working area, also with blue components.

Components

The image shows two panels of mechanical parts. The left panel features a large, blue, cylindrical component with a central opening. The right panel shows several black, rectangular components, possibly electronic or mechanical parts, arranged on a surface.

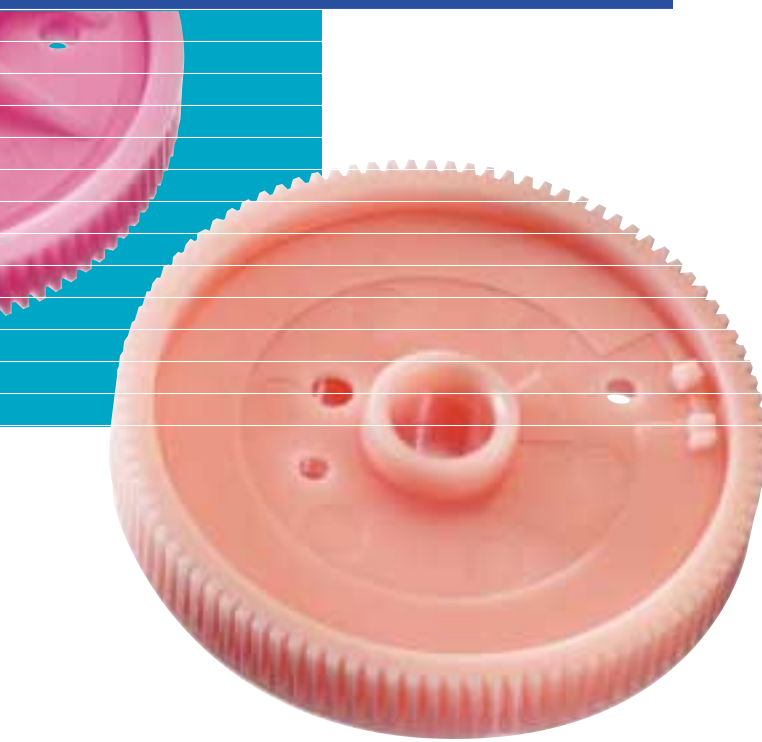
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The Mikron Group today and tomorrow

Unexpected consolidation in the mobile telephony market prevented the Mikron Group from achieving its volume and earnings targets for the year 2000. Net sales for the year totaled CHF 664,7 mill. and net earnings rose from CHF 28,0 mill. to 34,1 mill. Earnings before interest and tax increased by 36% from CHF 48,0 mill. to 65,4 mill. and the profit-to-sales ratio rose from 9,4% to 9,8%. When comparing the figures with those of the previous year, special factors such as the 11-month financial year in 1999 and the sale and acquisition of certain activities should be taken into account.

Mikron's Infocom Technology division will have to be repositioned in 2001 and the exceptional circumstances will result in a considerable, temporary, setback. Thus, despite its takeover of the Axxicon Group, the Mikron Group can expect only a modest increase in net sales, and a reduction in earnings, in 2001.

The Mikron Group in the financial year 2000

The results for the year 2000 can only be compared with those for the previous year to a limited extent. The 1999 financial year covered just 11 months and the Iplast Group, acquired on June 1, 1999, was consolidated for only seven months. The Standard Machines product group was sold on August 1, 2000, and is therefore included for only seven months of the year 2000.

Earnings

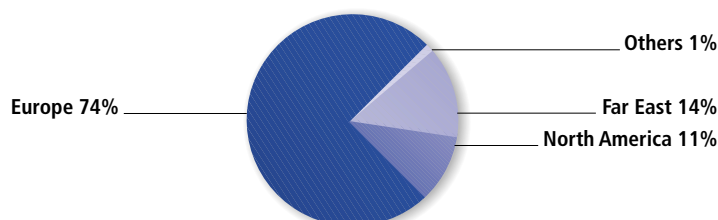
The Group's net earnings improved by 22% from CHF 28,0 mill. to 34,1 mill. Before goodwill amortization

division, they more than doubled. The significant growth in the North American market largely reflects increased net sales by the Assembly Technology division.

Comparing key target markets, those market segments with high growth potential – infocom and medical technology – extended their share at the expense of the automotive sector.

The stock of orders totaled CHF 244,6 mill., an increase, when adjusted to exclude the previous year's stock in the Standard Machines product group, of 16%, most of which was generated by the Production Equipment business segment.

Market segments by region in 2000



(CHF 8,7 mill.) the rate of increase was 29%. Earnings before interest and tax rose by 36% from CHF 48,0 mill. to 65,4 mill. Disinvestment in the year 2000, with the sale of the Standard Machines product group, generated extraordinary profits of close to CHF 30 mill. On the other hand, there were extraordinary costs in connection with the refinancing and restructuring of the Group's long-term liabilities, and provisions of more than CHF 20 mill. for restructuring in the Infocom Technology division, approved in 2000 though not due to take effect until 2001. The sales margin was 9,8% before interest and tax (previous year 9,4%) and 5,1% after goodwill amortization (previous year 5,5%).

Orders and net sales

Orders increased by 27% to CHF 713,5 mill. while net sales were up 29% at CHF 664,7 mill. Adjusted to take account of the special factors described above, the growth rate for both orders and sales was still close to 20%.

Net sales rose in all geographical market areas; in Asia, thanks mainly to the Infocom Technology

Cash flow

The various cash flow levels developed as follows:

Cash flow before any change in net working capital improved – taking account of CHF 31,4 mill. depreciation and CHF 8,7 mill. goodwill amortization – from CHF 49,4 mill. to 56,2 mill. This corresponds to a sales margin of 8,5%. Cash flow after the change in net working capital increased from CHF 56,5 mill. to 60,6 mill. Free cash flow was minus 26,4 mill. (minus 152,2 mill. the previous year). Investments climbed to CHF 95,3 mill. (37,1 mill. the previous year), with the Infocom Technology division responsible for the lion's share of the increase. Development and start-up applications representing CHF 8,1 mill. were activated for new products and markets. Disinvestment, excluding the sale of liquid resources, generated net earnings of CHF 23,3 mill. As well as the Standard Machines product group, the Group also sold Iplast Norabel AB, in Sweden, and 20% of the shares in Step-Tec AG. On the acquisitions side, it spent a total of CHF 4,7 mill. to take over mould makers Aus-Tech Mold & Design Inc. in the United States, as well as the minority shareholding in subsidiary Mikron Faarevejle A/S.

Added value and number of staff

Added value relative to personnel costs was unchanged at 1,8. Reflected in this is the unsatisfactory utilization of capacity in the Infocom Technology division. The number of Mikron Group employees rose from 3387 to 3435 as infocom activities developed in Asia. The sale of the Standard Machines product group reduced the number of employees in Switzerland by 125 to 1045.

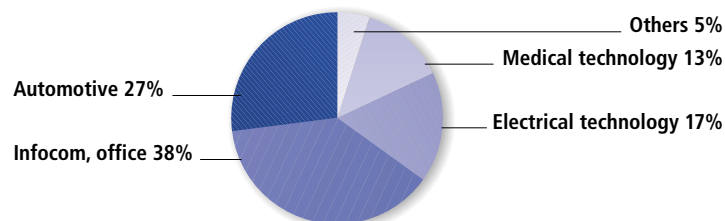
Balance sheet

Despite the sale of the Standard Machines product group, the balance sheet total was slightly up on the previous year, at CHF 707,2 mill. Fixed assets grew by CHF 47,9 mill. while net working capital fell by

significant increase in business volume thanks to the consolidation of three additional companies acquired in the Axxicon Group takeover. Sales in the Infocom Technology division are expected to fall more sharply, reflecting the loss of most of its business from major customer Ericsson and subsequent plant closures. As a result, net sales in the Components business segment are likely to decline.

It is anticipated that earnings will drop to CHF 20–25 mill. in 2001. In the traditional divisions, earnings growth can be expected to keep pace at least with sales. Due to goodwill amortization, the net contribution of the companies acquired in the Axxicon takeover will be relatively limited. The dip in Infocom Technology's

Market segments by industry in 2000



CHF 52,4 mill. due to the Standard Machines disinvestment. Net borrowings were down from CHF 197,6 mill. to 181,7 mill. Shareholders' equity increased from CHF 247,1 mill. to 269,9 mill. and the proportion of shareholders' equity rose to 38,6%. Return on equity was 13,8%.

Outlook for 2001

For 80% of Mikron's business in 2001, growth rates within the normal range can be expected. In the case of Infocom Technology, forecasting currently remains highly uncertain.

The volume of business for the Group as a whole is expected to show only a moderate increase. Demand is likely to remain strong in the markets served by the Production Equipment segment, which aims to achieve 10–15% growth. The companies acquired as part of the Axxicon Group, which together form the new Mould Technology division, will contribute around CHF 100 mill. to sales, thus offsetting the loss of volume caused by the sale of Standard Machines. In the Components segment, the Plastics Technology division will notch up a

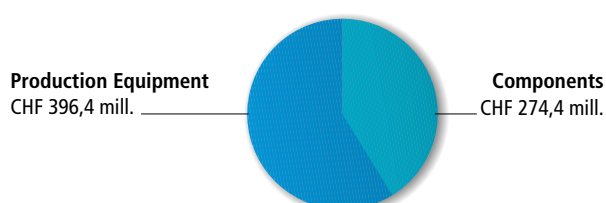
business volume will result in a loss of revenue, after the takeover effect, of at least CHF 20 mill. This assumes that the necessary restructuring will be covered by the provisions made in 2000.

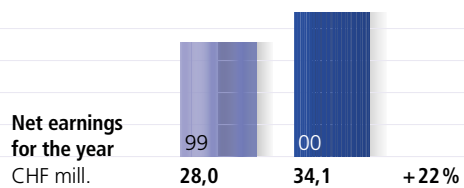
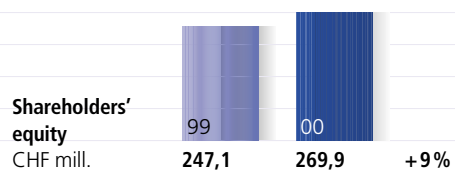
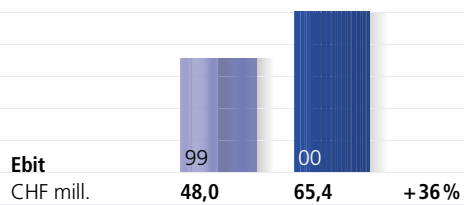
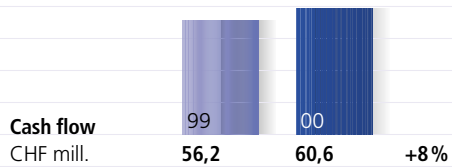
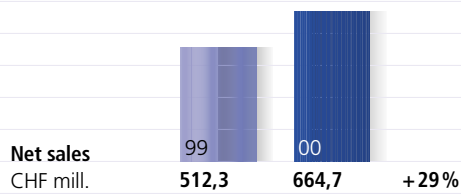
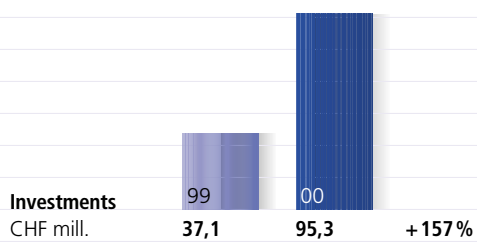
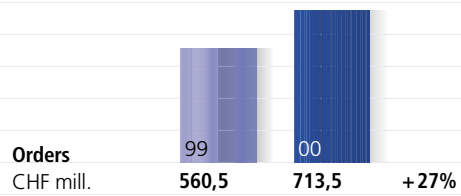
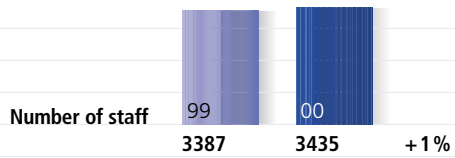
The Group management is basing all its projections on a redressing of the situation in the Infocom Technology division in the course of 2001.

2000 at a glance: key figures compared to the previous year

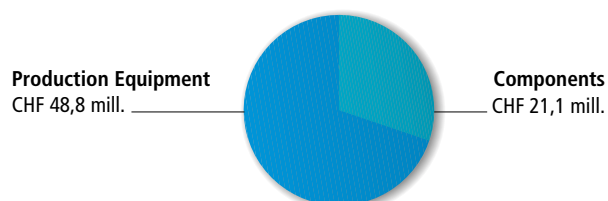
Mikron Group consolidated	00	99	Change	
	CHF mill.	CHF mill.	CHF mill.	%
Key performance data				
Orders	713,5	560,5	+ 153,0	+ 27
Net sales	664,7	512,3	+ 152,4	+ 29
Stock of orders	244,6	246,7	- 2,1	- 1
Productivity (added value/personnel expenses)	1,8	1,8		
Operating output (including trading sales and services)	675,6	535,8	+ 139,8	+ 26
Research and development	22,3	22,5	- 0,2	- 1
Depreciation	31,4	22,2	+ 9,9	+ 41
Goodwill amortization	8,7	5,2	+ 3,5	+ 67
Number of staff (end of year)	3435	3387	+ 48	+ 1
Investments – net	95,3	37,1	+ 58,2	+ 157
Takeover and sale of participations	17,8	172,0	- 154,2	- 89
Earnings				
Earnings before interest and taxes (Ebit)	65,4	48,0	+ 17,4	+ 36
Earnings before interest and taxes, as % of net sales	9,8	9,4		
Net earnings for the year before goodwill amortization	42,8	33,2	+ 9,6	+ 29
Net earnings for the year before goodwill amortization, as % of net sales	6,4	6,5		
Net earnings for the year	34,1	28,0	+ 6,1	+ 22
Net earnings for the year, as % of net sales	5,1	5,5		
Cash flow including movement in net working capital				
Cash flow	60,6	56,2	+ 4,4	+ 8
Cash flow, as % of net sales	7,6	11,0	- 3,4	- 31
Free cash flow	-25,8	-152,5	+ 126,1	+ 83
Balance sheet				
Balance sheet total	707,2	699,7	+ 7,5	+ 1
Current assets	281,2	321,6	- 40,4	- 13
Fixed assets	426,0	378,1	+ 47,9	+ 13
Current liabilities	158,9	174,4	- 15,5	- 9
Long-term liabilities	278,1	277,9	+ 0,2	+ 1
Shareholders' equity	269,9	247,1	+ 22,8	+ 9
Shareholders' equity, as % of balance sheet total	38,2	35,3		

Net sales by segment in 2000





Ebit by segment in 2000



The Mikron management team



Jürg E. Wenger
Dipl. Wirtschaftsprüfer
Chief Financial Officer
Mikron Group

Peter Wirth
Dr. sc. tech., Dipl.-Ing. ETH
Chief Executive Officer
Mikron Group

Hans Ulrich Märki
Lic. rer. pol.
Chairman of the Board of Directors
Mikron Group

Two business segments

Four divisions



Production Equipment



Mikron Machining Technology

Mikron Assembly Technology

Mikron Technology Group



Mikron Plastics Technology

Mikron Infocom Technology

Components

The dual strategy of the Mikron Technology Group is based on a primary area of core competence: “Engineering Intelligence for High Volume Production”. This know-how is applied in markets with potential for the future – telecommunications, medical technology, the automotive industry and electrical technology. In **Production Equipment**, the Machining Technology division supplies the industry with special purpose machinery as well as core components: motor spindles and special purpose tools. Assembly Technology develops and constructs systems for the

high-performance assembly of components and finished products. In **Components**, the Plastics Technology and Infocom Technology divisions concentrate their efforts as component suppliers on the production of plastic components and assemblies for high-volume markets. Their range includes product development, tool construction, injection moulding, surface refinement and assembly.

Mikron’s added-value chain thus extends from system manufacture through to component production in high-volume niche markets.



The 3400 members of Mikron's workforce, in more than 35 companies and support points throughout the world, all contribute to the Group's success.

Engineering Intelligence for High Volume Production

Board of Directors' forum

Changes

The appointments of Martin Frauenfelder, to head the Production Equipment business segment, and his counterpart in the Components segment, Ivan Vollenweider, as well as Michael Hauser's departure from the Machining Technology division, will be covered in the relevant sections of the report.

The 2001 General Meeting marks the end of the period of office of board members H. U. Märki, H.-P. Sieber and P. Wirth, who have all agreed to be renominated. Heinrich Spoerry, currently Chairman of the Board and Chief Executive Officer of the SFS Group, has been proposed as a new member of the Mikron board.

Shares and dividends

The Board of Directors will propose to the General Assembly that, in place of a dividend pay-out, bonus options should be distributed to a value approximately equivalent, at distribution, to the dividend paid in the previous year. Profit per share amounts to CHF 26.83 (previous year: 25.01). The share price – which peaked at CHF 1500 during the year, boosted by the anticipated level of earnings at the time and Stock Exchange euphoria over telecom shares, and representing a P/E valuation of 30 – fell in the autumn, reflecting the general market decline, to CHF 800–900 (P/E 20). It dropped at the year end to CHF 640 as Mikron warned of its revised earnings projections.

Mikron Group capital structure and shares

Capital structure at December 31, 2000	Share capital	CHF	64 075 150.—
	Registered unitary shares	shares	1 281 503
	Nominal value	CHF	50.—
	Own holdings	shares	2250
Key market figures at December 31, 2000	Market capitalization	CHF	820 161 920.—
	of which free float	%	99,84
	Market capital/net sales	%	123,38
	Market capital/shareholders' equity	%	303,92
Key data per share for 2000 (basis: weighted average of issued shares)	Earnings (EPS)	CHF	26.83
	Cash flow	CHF	47.27
	Shareholders' equity	CHF	212.10
Share statistics 2000	Market rate: high/low, 2000 financial year	CHF	1525.—/620.—
	Tax value 1.1.2001	CHF	788.—

Members of the Board of Directors of Mikron Holding AG, as at March 30, 2000

		Term of mandate
Hans Ulrich Märki , Lic. rer. pol., Chairman of the Board	General Manager Services, IBM Europe, Middle East & Africa, based in Paris	Elected until 2001
Peter Forstmoser , Dr. iur., Vice-Chairman	Professor at University of Zurich and lawyer practising in Zurich	Elected until 2002
Erich Müller , Lic. oec.	Board member of Sulzer AG, Winterthur, based in Seuzach	Elected until 2002
Johann-Niklaus Schneider , Dipl.-Ing. ETH	Chairman and CEO of the Ammann Group, Langenthal, based in Langenthal	Elected until 2002
Hans-Peter Sieber , Dipl. Kfm. HKG	General Manager of Bernische Lehrerversicherungskasse, Berne, based in Courtaman	Elected until 2001
Peter Wirth , Dr. sc. tech., Dipl.-Ing. ETH, Delegate of the Board	Chief Executive Officer of the Mikron Group, based in Ipsach	Elected until 2001

Auditors: Ernst & Young AG, Zurich

Prospects

The 1999 annual report noted that Mikron's move into the rapidly reacting consumer goods market of mobile telephony increased the uncertainty in forecasting. As the mobile phone market entered a consolidation phase, the negative impact of this volatility was clearly felt. The consequence for the Mikron Group was a drop in earnings for the year 2000, with the expectation of substantially reduced earnings in 2001.

The Board of Directors is closely monitoring developments in the infocom market and the rapid structural changes affecting customers, suppliers and competitors. With its healthy balance sheet and management capability, the Mikron Group can consider a relatively broad range of responses to the situation.

The top priority is to ensure that the profitable divisions unaffected by the infocom problems – the divisions that currently account for 80% of Mikron's business – can continue to develop unhindered. In Infocom Technology, the task is to assess accurately whether the new market conditions, with a continuation of high growth but a reconfiguration of customers and competitors and a shift of emphasis towards Asia and South America, will continue to justify substantial levels of investment.

From the capital subject to a condition created at last year's General Meeting, the management acquired 22 200 options at market conditions. The remaining capital subject to a condition is earmarked for the distribution of the proposed bonus options and the issue of further management options. This would largely exhaust the existing capital subject to a condition, and a motion will therefore be submitted to the next General Meeting for the creation of additional capital subject to a condition.

Production Equipment



Despite the sale of the Standard Machines product group at the end of July 2000, Production Equipment (Machining Technology and Assembly Technology) managed an 8% increase in business volume during the year. If the year-on-year comparison is confined to the remaining product groups, the segment realized volume growth of 40%, from around CHF 215 mill. to approximately 300 mill., and Ebit growth of more than 50%. The sales margin achieved was thus 12%.

The gratifying growth in operative results was broadly based, reflecting improvements in virtually all the divisions and product groups. Special Purpose Machines achieved particularly strong growth thanks to a high volume of business and a good mix of orders. Only in Motor Spindles earnings were disappointing. Thanks to a healthy trading environment and a markedly improved product range, earnings in Standard Machines – which was sold for strategic reasons to the Agie Charmilles Group in late July 2000 – were also highly satisfactory.

This disinvestment and the fact that the 1999 financial year covered only 11 months rule out direct year-on-year comparison of business volume. In the seven months that it was with Mikron, Standard Machines alone achieved 23% growth. Orders and net sales for the other product groups increased by around 40%. With regard to net sales, irregular effects created by advance notice of delivery dates for major orders have to be taken into account. The level of growth reflected a healthy global economy and Mikron's strong position in its segments of the market.

1999 was a short (11-month) year. The changes indicated for 2000 are based on a 12-month comparative account for 1999.

Prospects

In the course of 2001, Martin Frauenfelder (44), Dipl.-Ing. ETH, MBA Wharton, former Head of the Assembly Technology division, will take over responsibility for the Production Equipment business segment.

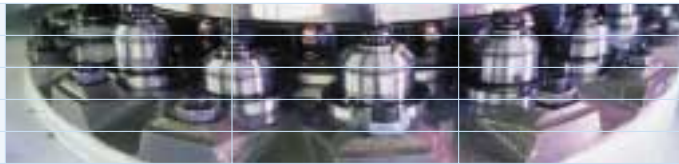
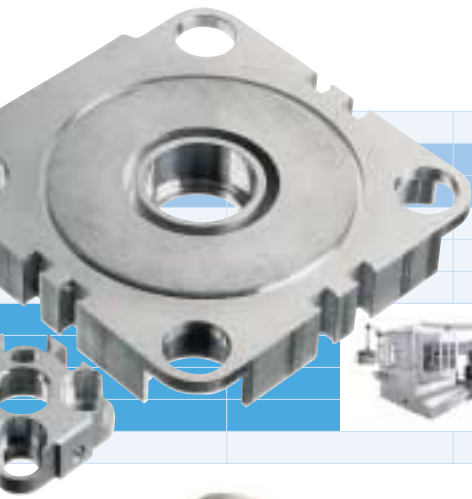
With the acquisition of the Dutch group Axxicon on January 1, 2001, Mikron secures a leading position in the growing market for industrial injection mould construction. Mould construction activities will now be grouped in a new Mould Technology division as part of the Production Equipment business segment, generating a business volume of around CHF 90–100 mill. in 2001. With 10–15% projected growth in its other divisions – reflecting a still healthy order book, particularly in Europe – Production Equipment is expected to achieve a business volume of around CHF 420–450 mill. in 2001. Given that the sales margin in Mould Technology cannot be expected to match that of Mikron's established divisions in the short term, Ebit growth will simply keep pace with sales.

	99 11 months	Compara- tive account 12 months	2000 12/7 months*	
Orders CHF mill.	388,8	422,5	445,9	+6%
Net sales CHF mill.	344,3	368,2	396,4	+8%
Ebit CHF mill.	30,3	33,1	48,8	+47%
Number of staff at year end	1332		1128	-15%

* Standard Machines product group, 7 months only:
Volume (adjusted to exclude internal sales) approx. CHF 95 mill.

Mikron Machining Technology

Successfully focusing



Systems and products from the Machining Technology division: special purpose machines for high-volume production, high-performance and special purpose tools and motor spindles.



Guy Moilliet
Lic. phil. nat.
Head of the Machining
Technology division

Disinvestment Standard Machines

On August 1, 2000, the Standard Machines product group was sold to Agie Charmilles. The main reason for the disinvestment was a strategic shift of emphasis by the Mikron Group, with the Production Equipment business segment concentrating on its core competences of customer-specific

system construction. In a buoyant economic situation, Standard Machines continued to improve its figures in the first seven months of the year: business volume rose by 23% and earnings tripled. This healthy performance was a key factor in the timing of the sale, which realized a profit of approximately CHF 30 mill. Head of Standard Machines Michael Hauser also moved over to the Agie Charmilles Group. We are grateful for his contribution to Mikron and wish him every success in the future.

Impressive growth in Special Purpose Machines, Special Purpose Tools and Motor Spindles

The remaining product groups increased their orders by more than 35% and upped net sales by 25% against the previous year. This resulted in a 37% increase in the stock of orders at the end of 2000.

The extra capacity created at the new factories in Rottweil (Germany) and Luterbach (Switzerland) has already been well utilized. Net earnings in the Special Purpose Machines and Special Purpose Tools product groups were substantially up, although they remained disappointing in Motor Spindles, which was affected by the amalgamation of two production facilities at the new Luterbach plant.

Market conditions in 2000 were highly propitious, especially in the European automotive supply industry, where Mikron capitalized particularly on the trend

towards components of increasing complexity and precision. The ballpoint industry – another important sector for Mikron – also performed well thanks to technological innovations and a reawakening of the Asian market. The new flexible Multifast system went into production and won a warm reception from the market.

Prospects

Markets are expected to remain buoyant in 2001, especially in Europe, where Mikron realizes most of its sales, and an increase in business volume of 15–20% is anticipated. Renovation and expansion of the production plant at Agno will improve process logistics and boost production, and assembly capacity at Rottweil will be extended. Earnings from the Special Purpose Machines and Special Purpose Tools product groups are expected to increase at least in proportion to sales, while Motor Spindles is set to deliver a significantly better performance thanks to its new plant and an increase in business volume.

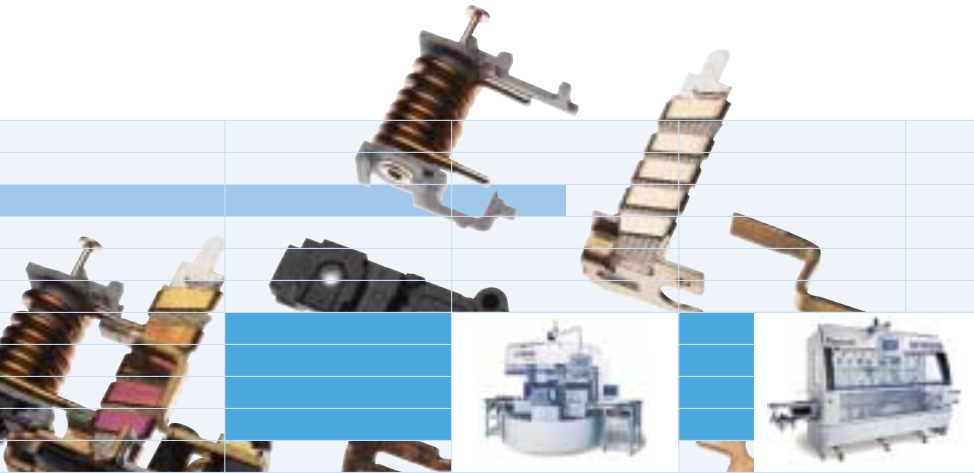
	99 11 months	Compara- tive account 12 months	2000 12/7 months*	
Orders CHF mill.	276,3	304,3	312,5	+3%
	99 11 months	Compara- tive account 12 months	2000 12/7 months*	
Net sales CHF mill.	272,5	288,1	261,8	-9%
	99		2000	
Stock of orders CHF mill.	80,0 **		109,7	+37%
	99		2000	
Number of staff at year end	968		688	-29%

* Standard Machines product group, 7 months only
** excluding Standard Machines

1999 was a short (11-month) year. The changes indicated for 2000 are based on a 12-month comparative account for 1999.

Mikron Assembly Technology

Ongoing development



Syfast with Polyfeed and Flexcell: flexible systems for high-productivity assembly of small parts and components.



Martin Frauenfelder
Dipl.-Ing. ETH, MBA Wharton
Head of the Assembly
Technology division

Market leadership further consolidated

Orders for Mikron Assembly Technology increased by 13% in the report year, outpacing the market generally, where growth was slightly down at around 10%. With its high-speed assembly systems, the division further consolidated its market leadership, particularly in Europe and

most notably in the automotive and medical technology sectors, although increasingly in infocom too. In the United States, the volume of orders was maintained at the previous year's level despite a difficult trading environment. A 68% jump in net sales reflected not only the improved order book of the previous year and the report year but also the accumulation in 2000 of net sales on a number of major projects. The stock of orders remained high and the division once again recorded a satisfactory increase in earnings over the previous year.

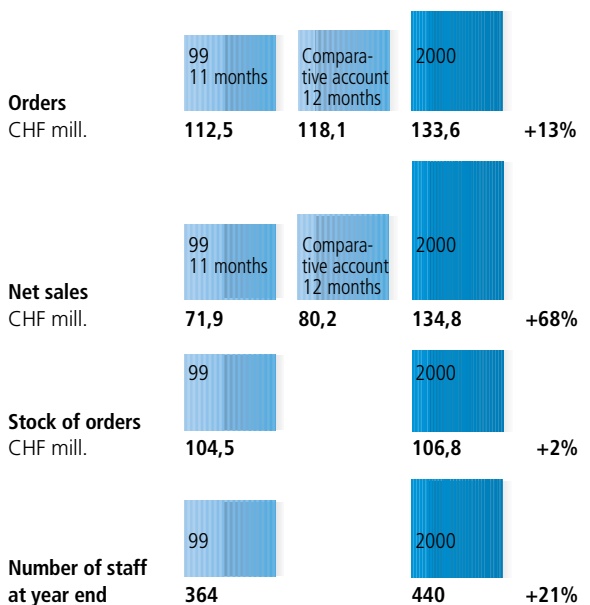
New markets, new systems

Major orders for assembly systems for the new generation of airbags, printer cartridges and electronic components for mobile phones were notable achievements of the year 2000. Another highlight was the delivery of the first assembly system for plastic mobile phone components to the Infocom Technology division, and it was chiefly to serve Infocom Technology that a new subsidiary company was opened in Norway. To meet the infocom market's particular requirements of tighter delivery times and a higher rate of reutilization, Mikron Assembly Technology developed a more compact standard assembly module.

The "global partners" concept is increasingly proving to be a winner: a number of systems initially delivered in Europe have been produced under follow-up projects for the same customers in the USA.

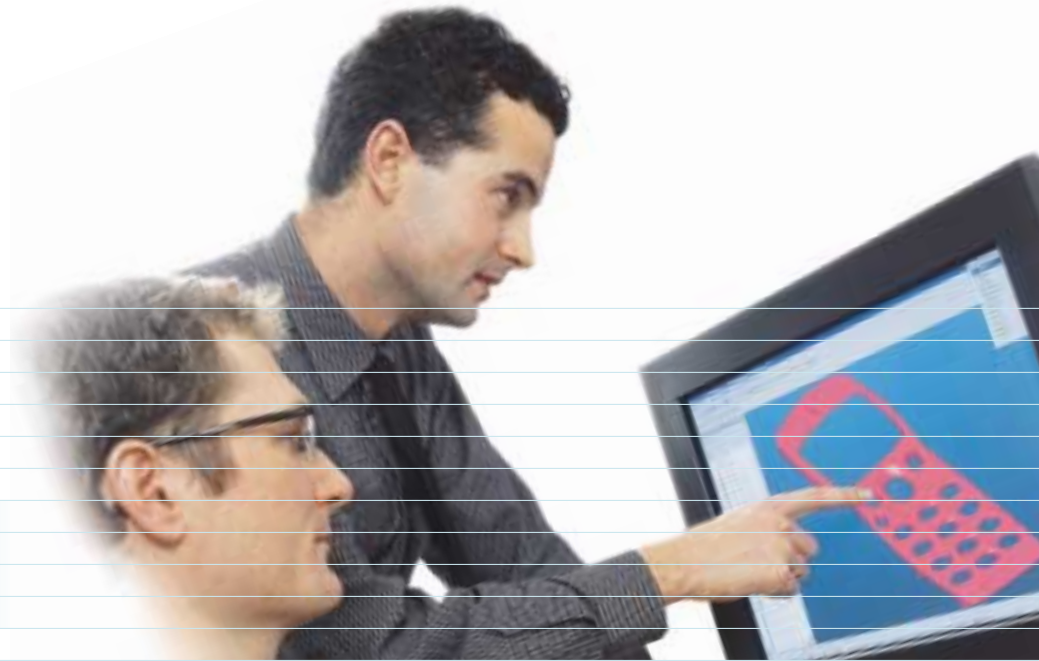
Prospects

Forecasts are based on continuing, if somewhat less dynamic, market growth. Redoubled marketing efforts are planned to achieve a 10% increase in net sales, even with the expected fall-off in infocom orders. Special emphasis will be placed on developing a stronger market presence in the USA. Building work to increase capacity at the division headquarters in Boudry (Switzerland) will begin in 2001. With an interesting mix of orders including many repeat orders, good utilization of capacity, and increased productivity, further growth in operative results is anticipated.



1999 was a short (11-month) year. The changes indicated for 2000 are based on a 12-month comparative account for 1999.

Components



The Components business segment achieved a 23% increase in volume during the year although the rise in Ebit, before provisions for restructuring, was confined to around CHF 21 mill., reflecting a significant decline in the sales margin to 7,7% (from 12,2% the previous year). The main problem was the inflated capacity in Infocom Technology, which could not be adequately utilized due to the unexpected consolidation in the mobile telephony market.

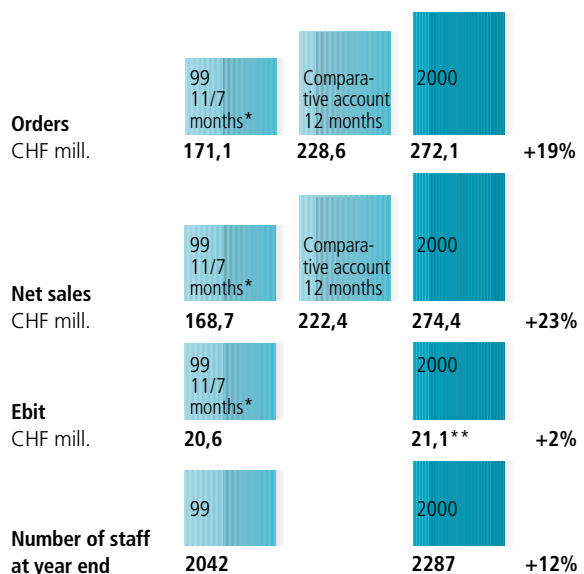
The Infocom Technology division ended the year 2000 in a difficult situation that could not have been anticipated. Although mobile phone sales worldwide rose by 43% from 282 mill. to 405 mill. units, major customer Ericsson suffered heavy setbacks. Ericsson decided to embark on a radical restructuring program, drastically cutting capacity or closing plant in Europe and the USA and developing new capacity in Asia. As other telecom manufacturers moved in the same direction, Mikron and fellow suppliers to the industry found that many programs had to be phased out rapidly, while orders for future programs were being cancelled. So with growth at only 30%, Infocom Technology fell well short of its goal of doubling net sales in the year 2000. The extensive overcapacity had a corresponding effect on earnings.

The Plastics Technology division, with an 11% increase in business volume, got back on course for growth and substantially improved its earnings.

Prospects

With effect from the beginning of the year, Ivan Vollenweider (47) takes over as Head of the Components business segment. After many years in management positions with the Ciba Geigy Group, he was most recently Head of Technical Thermoplastics at Ems Chemie.

The performance of the Components business segment in 2001 will be heavily influenced by the restructuring measures in Infocom Technology. Mikron will not be able to profit from the growth of the mobile phone market, which continues at a respectable pace. The loss of business from Ericsson in Europe and the need to transfer capacity from Europe to Asia will translate into a substantial decrease in volume over 8–10 months. Both business volume and earnings will suffer as a result. By contrast, the Plastics Technology division will realize a marked improvement in both volume and earnings. A number of new projects are on the starting blocks, three companies from the Axxicon Group are to be integrated into the division and the utilization of synergies is set to generate a further improvement in margins. Overall, the 2001 results in the Components business segment are expected to dip somewhat in terms of both volume and operative results.



1999 was a short (11-month) year. The changes indicated for 2000 are based on a 12-month comparative account for 1999.

* Infocom Technology division, 7 months only

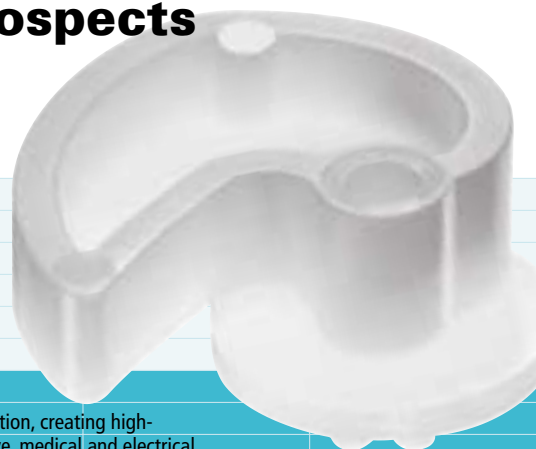
** Ebit before provisions for restructuring

Mikron Plastics Technology

A strong recovery and healthy prospects



Central engineering and customer-oriented production, creating high-performance plastic components for the automotive, medical and electrical components industries.



Beat Sennhauser
Dipl.-Ing. ETH
Head of the Plastics
Technology division

Back on a growth track

After dipping slightly in the previous year, business volume rose again in the year 2000, with all markets contributing to the improvement. There was a substantial increase in earnings although they still fell short of target figures. Earnings from tool assembly activities, especially in Switzerland, remain unsatisfactory. In

terms of results, the production plants performed well in all markets except the USA, where delayed program starts adversely affected earnings.

Partnering development and delivering global solutions

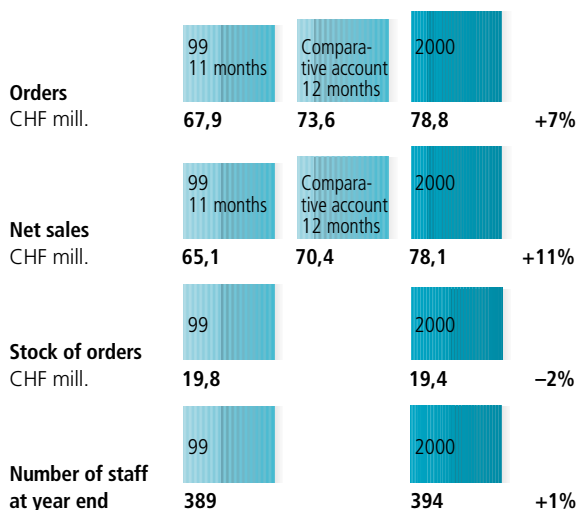
Plastics Technology further reinforced its position as a developer and manufacturer of gears. For the automotive industry, the division produced high-performance braking system and injection pump components, constructing and manufacturing the necessary tools for the job. Due to validation delays, little headway was made with the major project for the medical technology sector. In the course of the year, Mikron Plastics Technology was repeatedly in demand as a development partner and formulated various projects in collaboration with customers. Increasingly, the market also demands global solutions and, thanks to the value-added chain of the Group as whole, Mikron Plastics Technology is ideally placed to deliver, serving its customers not only at home but also worldwide.

Across all its plants, the division has been gearing in readiness for highly demanding projects. It is investing substantially in tool assembly production facilities in order to boost profitability, and has doubled its production space in the USA to cope with the volume of impending projects.

Prospects

In both the USA and Italy, major injection technology projects for the automotive industry are coming on stream at the beginning of 2001. With the integration of the three former Axxicon operations in Switzerland, the Netherlands and the USA, Mikron's markets will extend into the fields of consumer electronics and office equipment. Sales and production are being reorganized, and product engineering and tool assembly are to be centrally coordinated and offered in all markets. With its comprehensive value-added chain for gear assemblies and complex housings, Plastics Technology will concentrate on specific segments of the market: the automotive industry, consumer electronics, power tools and office equipment.

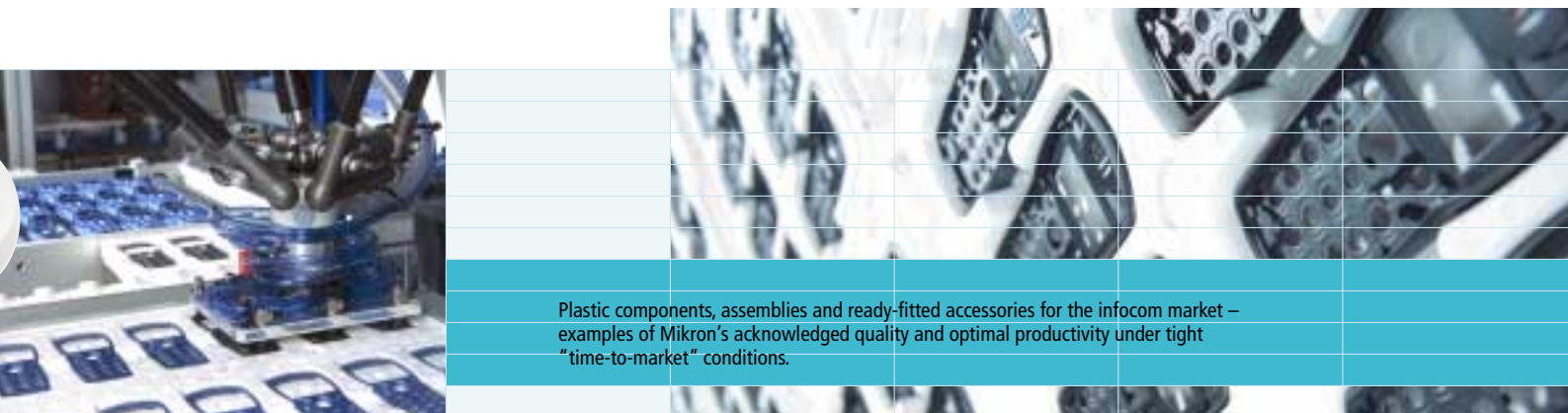
Business volume will increase significantly, reflecting both the Axxicon takeover and internal growth. By eliminating losses on tool assembly, improving utilization of capacity in Italy and the USA and exploiting synergies with the Axxicon companies, the division is expected to achieve a disproportionate increase in operative results.



1999 was a short (11-month) year. The changes indicated for 2000 are based on a 12-month comparative account for 1999.

Mikron Infocom Technology

Consolidation and repositioning



Steinar Faanes
Mech.-Eng., MBA
Head of the Infocom
Technology division

Consolidation gets under way

The division bore the brunt of unexpected consolidation in the mobile telephony market, aggravated by a sweeping reorganization of major customer Ericsson's European operations. In many cases, programs were either terminated early or volumes fell far short of projected levels. Impressive growth in the division's Asian plant

was not enough to offset the loss of earnings caused by the shake-up in Europe. Despite a 29% increase in business volume, earnings at Infocom Technology therefore fell far short of expectations, although the division still managed to do markedly better than break-even.

Capacity adjustments

The necessary restructuring program had a heavy impact in Europe: the number of employees in Scandinavia was cut by 200 and the Danish company reduced activities to mould construction. Two Scandinavian factories invested heavily in surface refinement technologies and plant in order to keep pace of design trends in specially colored mobile phones. The growth achieved in Malaysia was in the areas of accessories, produced complete to go directly into distribution, and mobile phone covers. In China, all the preparations for the takeover of new processes were completed in the course of the year 2000. In the USA, Infocom Technology got into shape to compete in the North American market, where growth is anticipated.

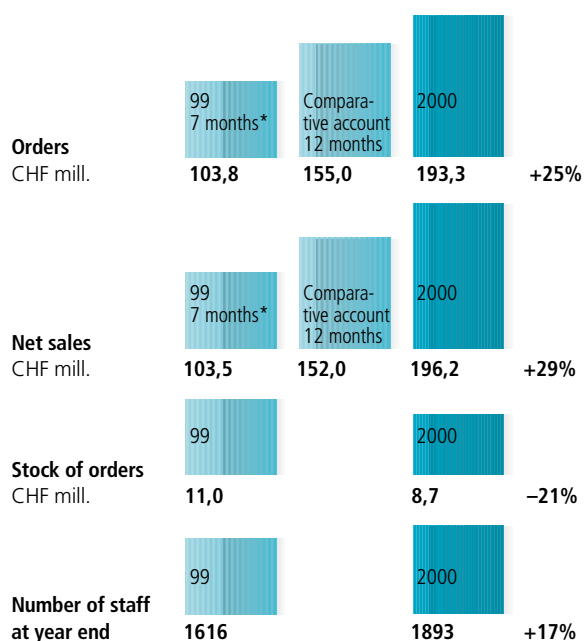
In response to the new challenges, the divisional management was restructured and now reports directly to the new Head of the Components business segment.

1999 was a short (11-month) year. The changes indicated for 2000 are based on a 12-month comparative account for 1999.

Prospects

Most of the global players in the telephony sector anticipate that the worldwide market in mobile phones will sustain an annual growth rate of 20–30%, so Infocom Technology's task in the current year is to achieve successful repositioning.

The reorientation of the division begun in the report year will be pursued in 2001: a significant proportion of production capacity will be shifted from Europe to Asia, a factory in Norway will close, and the number of employees in Scandinavia will be cut by 700 in all. As a result of these measures, the volume of business will be substantially reduced and the division may even experience a temporary fall-off in net sales. In terms of Ebit – and provided the restructuring costs are covered by the provisions made at Group level in 2000 – the target is break-even.



* Acquired on June 1, 1999

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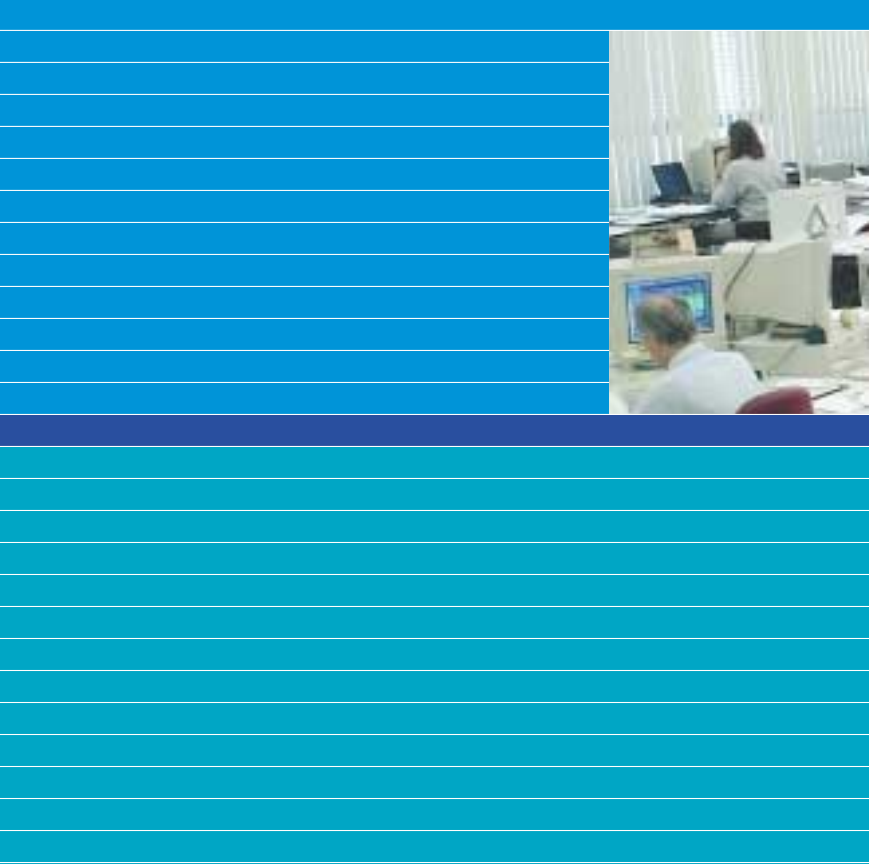
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