

Engineering Intelligence
for Customer Productivity

Financial Report 2003
Mikron Group



Consolidated Financial Statements 2003 Financial Report

The consolidated financial statements for 2003 show the effects of a year dominated by exceptional events. During the first half of the year, Mikron focused on measures aimed at maintaining or securing liquidity. These resulted in the sale or closure of individual companies and had a negative impact on the income statement. An extremely cautious approach was adopted towards investment. Due to the relatively healthy order book at the beginning of the year, volumes during the first six months were gratifying. The added boost from improved productivity enabled the Group to post a positive operating result (before extraordinary expenses) as early as the first half of the year. Affected not least by the uncertainty surrounding the Group's survival, incoming orders during this period were below expectations.

In May, after spending the first few months of 2003 searching hard for ways to restructure the balance sheet, the company reached agreement with the creditors and a group of Swiss investors on a restructuring solution, which was approved by the Annual General Meeting on June 18, 2003. Mikron was thus able to remove some of the net loss for the year by reducing the par value of the registered shares from CHF 50 to CHF 0.10. A two-stage capital increase brought the company CHF 110 million and saw the group of investors take over the majority of the shares (around 70%). Existing shareholders were able to subscribe for new shares on a one-for-one basis and demand for the offer was brisk. The creditors were allocated options entitling them to purchase registered shares at a par value of CHF 0.10. In return, they forgave CHF 220 million of debt. A further CHF 60 million was repaid to the creditors and the remaining CHF 50 million was converted into a long-term loan. The cost of the balance sheet restructuring amounted to around CHF 15.5 million. Following these events, the company has a solid equity base (48% at year-end), sufficient liquid funds and secure medium-term financing.

During the balance sheet restructuring, Mikron also appointed a new Board of Directors and Group Management. The team that served as the Group's interim management from the second half of the year onwards concentrated on restoring the confidence of customers and suppliers and gaining the commitment of all employees. Key investment plans were approved and de-

velopment projects started. Having gained an in-depth knowledge of Mikron's business activities, the management team was also able to cement ideas about the Group's future strategic focus.

Goodwill and asset valuations were critically reviewed and compared with the latest business plans. As a result, goodwill was written down by CHF 83.7 million and tangible and intangible assets by CHF 9.6 million. These valuation adjustments are the main reason for the reduction of around CHF 100 million in total assets.

The net result of CHF 93.7 million (previous year CHF -141.8 million) was heavily influenced by the events described. Stripping out the exceptional items, the net result comes to CHF -5.2 million and is therefore substantially higher than the prior-year result with a comparable value of CHF -47.6 million.

This clear improvement at operating level was driven mainly by the increased volumes and by productivity improvements and cost reductions at Axxicon Mould Technology and the joint venture, BaldaMikron (Infocom Technology). Although Machining Technology and Plastics Technology failed to break even, the chances of their doing so are good given the rise in incoming orders in the fourth quarter and the progress made with medical technology projects.

Balance sheet

Cash and cash equivalents

Cash and cash equivalents rose sharply as a result of the inflow of funds from the balance sheet restructuring and positive operating cash flow.

Accounts receivable from deliveries and services

Despite the increase in volumes, Mikron was able to reduce outstanding receivables through rigorous management.

Net assets/liabilities from construction contracts

Net assets from construction contracts fell again due to lower volumes. Conversely, new orders in the final quarter caused advance payments, and therefore liabilities, to rise.

Inventories

Machining Technology increased production in the final quarter to be able to respond quickly to the improved order book. Through good management, the other divisions kept inventories at prior-year levels despite increased volumes.

Tangible assets

Tangible assets fell by around CHF 25 million as regular depreciation, activity disposals and the CHF 8.9 million impairment charge recognized in the accounts outstripped investments, which were stepped up during the second half of the year.

Intangible assets

Intangible assets amount to just CHF 20.6 million. This is due in particular to the goodwill impairment of CHF 83.7 million.

Banks, bonds and notes

The balance sheet restructuring renders a year-on-year comparison of the Group's financing impossible. The facility agreements secure its financing until 2006, and where use has been made of the facilities, they are entered in the balance sheet accordingly as long-term liabilities. Operating loans are shown as short-term bank debts.

Provisions

New provisions for onerous contracts made it impossible to reduce the total amount despite the fact that legal disputes were settled.

Accrued expenses

The deferred interest payments entered under this item in the previous year have been removed due to the balance sheet restructuring.

Shareholders' equity

Shareholders' equity rose sharply to around CHF 209 million (previous year: CHF 7.7 million) due to the capital increase and the good result, which includes the debt forgiven by the creditors.

Income statement

Net sales rose sharply by around 5%. It is important to note that the discontinued activities or sold companies only contributed around CHF 3.6 million compared with around CHF 20.4 million in the previous year. Adjusted for this, sales are around 9% higher.

Volumes at Axxicon Mould Technology reached record levels, mainly due to the worldwide success of DVDs. The BaldaMikron joint venture benefited from the upturn in mobile telephony and managed to almost double sales after currency adjustments. Machining Technology welcomed a clear improvement in the order book in the fourth quarter. These orders had no impact on annual sales, however. With a healthy order book at the start of the year, Assembly Technology managed to keep volumes almost on a par with the previous year. Sales at Plastics Technology were down slightly on the previous year following the closure of a plant in the US and the streamlining of its range.

The number of employees worldwide rose slightly from 3'042 to 3'159. Headcount fell in Europe and North America but rose in Asia. Nevertheless, personnel expenses fell from CHF 169 million to CHF 161 million as wages in the Far East are lower.

At CHF 79.8 million, «Other operating expenses» are substantially lower year on year (CHF 85.6 million). It is important to bear in mind that the current year's operating expenses include one-off costs of around CHF 15.5 million for the balance sheet restructuring as well as book losses and extraordinary costs in connection with company disposals and closures.

Interest expenses fell by over CHF 20 million to around CHF 11 million after the creditors forgave some of the debt. The gains resulting from the waiver of deferred interest totaling CHF 15 million were shown together with the gains from the forgiven debts and are therefore not entered under this item.

Due to the weak operating results and loss carry forwards available, tax expenses were very low at CHF 0.4 million.

The Mikron Group ended the business year with a profit of CHF 93.7 million (previous year: loss of CHF 141.8 million). This includes extraordinary earnings of CHF 98.9 million:

- Gains of CHF 205 million from the balance sheet restructuring (loans forgiven by creditors less refinancing costs)
- Writedown on fixed assets of CHF 93.3 million (goodwill from acquisitions, tangible assets Plastics Technology)
- Losses, depreciation, provisions for discontinued activities

Cash flow statement

The improvement at operating level is clearly reflected in cash flow, which – before the change in net current assets – rose sharply to CHF 4.6 million (previous year: CHF -36.3 million). This figures clearly shows that most of the one-off events during the year under review did not impact on liquidity. There was a further welcome reduction in net current assets of CHF 20.5 million, as a result of which operating cash flow comes to CHF 25.1 million (previous year: CHF 14.9 million).

Investment increased dramatically during the year under review. The corresponding outflow of funds comes to CHF 17.9 million against an inflow of CHF 7.5 million in the previous year.

«Cash flow from financing activities» shows a net inflow of CHF 25.9 million as a result of the inflow from the capital increase, the contractually-agreed redemptions in connection with the balance sheet restructuring and the repayment of lease debts.

Cash and cash equivalents stand at CHF 67.6 million at year-end, a substantial increase on the previous year of CHF 33.3 million.

4 Consolidated Financial Statements 2003 Mikron Group

Consolidated Balance Sheet

| CHF 1'000 | Notes | 31.12.2003 | 31.12.2002 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 2.1 | 67'590 | 34'332 |
| Accounts receivable, trade | 2.2 | 69'489 | 73'438 |
| Other receivables and prepaid expenses | 2.3 | 13'210 | 16'741 |
| Net assets from construction contracts | 2.4 | 16'569 | 30'272 |
| Inventories, less provisions | 2.5 | 60'626 | 55'429 |
| TOTAL CURRENT ASSETS | | 227'484 | 210'212 |
| FIXED ASSETS | | | |
| Tangible assets | 2.6 | 182'808 | 207'469 |
| Financial assets | 2.7 | 480 | 2'774 |
| Intangible assets | 2.8 | 20'557 | 112'051 |
| Employee benefits | 2.13 | 1'089 | 1'061 |
| Deferred tax assets | 2.14 | 3'123 | 2'619 |
| TOTAL FIXED ASSETS | | 208'057 | 325'974 |
| TOTAL ASSETS | | 435'541 | 536'186 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Banks | 2.9 | 8'492 | 22'801 |
| Term loans, current portion | 2.9 | 0 | 222'915 |
| Notes | 2.9 | 0 | 92'929 |
| Accounts payable, trade | | 50'282 | 57'282 |
| Tax liabilities and provisions | | 1'440 | 101 |
| Net liabilities from construction contracts | 2.4 | 17'707 | 13'676 |
| Short-term provisions | 2.12 | 17'150 | 15'044 |
| Other current liabilities and accrued expenses | 2.9 | 41'132 | 58'256 |
| Total current liabilities | | 136'203 | 483'004 |
| Long-term liabilities | | | |
| Banks | | 39'482 | 1'791 |
| Bonds & Notes | | 19'906 | 8'599 |
| Mortgages | | 1'049 | 2'270 |
| Other long-term liabilities | 2.10 | 6'318 | 4'145 |
| Deferred tax liabilities | 2.14 | 13'737 | 16'538 |
| Other provisions | 2.12 | 9'854 | 12'098 |
| Total long-term liabilities | 2.10 | 90'346 | 45'441 |
| TOTAL LIABILITIES | | 226'549 | 528'445 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 2.16 | 1'612 | 64'285 |
| Capital reserve | | 108'670 | 38'494 |
| Treasury shares | | -152 | -141 |
| Translation adjustments | | -10'049 | -8'617 |
| Revaluation reserves | | 26'462 | 28'307 |
| Retained earnings | | 82'449 | -114'587 |
| TOTAL SHAREHOLDERS' EQUITY | | 208'992 | 7'741 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 435'541 | 536'186 |

The accompanying notes form an integral part of the financial statements.

Consolidated Income Statement

| CHF 1'000, except for per share information | Notes | 2003 | 2002 |
|--|-------|-----------------|-----------------|
| Net sales | 3.1 | 433'185 | 414'717 |
| Change in work-in-process/finished goods | | 6'805 | 830 |
| Capitalized own production | | 3'898 | 5'741 |
| Total operating output | | 443'888 | 421'288 |
| Material cost and subcontractors | 3.2 | 191'221 | 172'100 |
| Personnel expenses | 3.3 | 161'121 | 169'805 |
| Other operating expenses - net | 3.4 | 79'852 | 85'639 |
| Depreciation tangible assets | | 22'999 | 29'614 |
| Depreciation intangible and financial assets | | 5'495 | 5'329 |
| Impairment tangible assets | | 8'918 | 10'500 |
| Impairment intangible assets | | 720 | 3'686 |
| Impairment financial assets | | 3'646 | 5'190 |
| Earnings before goodwill amortization, interest and taxes (EBITA) | | -30'084 | -60'575 |
| Goodwill amortization | 2.8.2 | 3'827 | 8'538 |
| Impairment Goodwill | 2.8.2 | 83'707 | 39'930 |
| Earnings before interest and taxes (EBIT) | | -117'618 | -109'043 |
| Interest expenses - net | 3.5 | -11'062 | -31'693 |
| Other financial income - net | 3.6 | 2'324 | 1'776 |
| Debt forgiveness | 4.10 | 220'529 | 0 |
| Earnings before taxes | | 94'173 | -138'960 |
| Income taxes | 3.7 | 447 | 2'802 |
| NET RESULT FOR THE YEAR | | 93'726 | -141'762 |
| Earnings per share - basic | 6.2 | 10.96 | -110.26 |
| Earnings per share - diluted | 6.2 | 10.57 | -110.26 |

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash flow

| CHF 1'000 | Notes | 2003 | 2002 |
|---|-------|----------------|----------------|
| Cash flow from operating activities | | | |
| Net result for the year | | 93'726 | -141'762 |
| Depreciation tangible, intangible and financial assets | | 28'494 | 36'984 |
| Impairment tangible, intangible and financial assets | | 13'284 | 19'376 |
| Goodwill amortization | 2.8.2 | 3'827 | 8'538 |
| Impairment Goodwill | 2.8.2 | 83'707 | 39'930 |
| Debt forgiveness on financial liabilities | 4.10 | -220'529 | 0 |
| Movement in provisions / other long term liabilities | | -2'747 | -355 |
| Other non-cash items | | 4'836 | 990 |
| Cash flow before movement in net working capital | | 4'598 | -36'299 |
| Movement in short-term loans, various receivables, net assets from customer projects and prepaid expenses | | 19'170 | 20'297 |
| Movement in inventories | | -6'631 | 5'937 |
| Movement in accounts payable | | -5'578 | 9'190 |
| Movement in current liabilities, net liabilities from customer projects, provisions and accrued expenses | | 13'576 | 15'822 |
| Cash flow from operating activities | | 25'135 | 14'947 |
| Cash flow from investing activities | | | |
| Investments in tangible assets | 2.6 | -18'903 | -19'405 |
| Divestments of tangible assets | 2.6 | 6'089 | 18'715 |
| Proceeds from divestments (net of cash disposed) | 4.2 | 480 | 0 |
| Movement in financial and intangible assets | | -5'615 | 8'201 |
| Cash flow from investing activities | | -17'949 | 7'511 |
| Cash flow from financing activities | | | |
| Repayment of bonds & notes | | -21'432 | -356 |
| Proceeds from issuance of share capital | | 110'153 | 0 |
| Repayments of other financial liabilities | | -63'484 | -14'979 |
| Increase in other financial liabilities | | 2'975 | 3'271 |
| Repayment of finance lease liabilities | | -2'325 | -1'097 |
| Cash flow from financing activities | | 25'887 | -13'161 |
| Effect of exchange rate changes on cash | | 185 | -1'483 |
| Increase in cash | | 33'258 | 7'814 |
| Cash and cash equivalents at beginning of period | | 34'332 | 26'518 |
| Cash and cash equivalents at end of period | | 67'590 | 34'332 |
| Income taxes paid | | 4'896 | 1'553 |
| Income taxes received | | 4'203 | 0 |
| Interest paid | | 3'931 | 24'864 |
| Interest received | | 2'684 | 4'985 |

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Shareholders' equity

| CHF 1'000 | Share capital | Capital reserves | Treasury shares | Translation adjustment | Revaluation reserves | Retained earnings | Total Shareholders' equity |
|---|---------------|------------------|-----------------|------------------------|----------------------|-------------------|----------------------------|
| Balance at 31.12.2001 | 64'285 | 38'494 | -141 | -7'590 | 29'128 | 26'497 | 150'673 |
| Net result for 2002 | | | | | | -141'762 | -141'762 |
| Revaluation real estate, less deferred taxes | | | | | -143 | | -143 |
| Transfer of depreciation on revaluated tangible assets | | | | | -678 | 678 | 0 |
| Translation adjustments | | | | -1'027 | | | -1'027 |
| Balance at 31.12.2002 | 64'285 | 38'494 | -141 | -8'617 | 28'307 | -114'587 | 7'741 |
| Net result for 2003 | | | | | | 93'726 | 93'726 |
| Release legal reserve against loss | | -38'494 | | | | 38'494 | 0 |
| Capital reduction | -64'157 | | | | | 64'157 | 0 |
| Capital increase - Tranche A | 1'157 | 98'935 | | | | | 100'092 |
| Capital increase - Tranche B | 129 | 10'993 | | | | | 11'122 |
| Capital increase - Options exercised | 198 | | | | | | 198 |
| Cost of capital increase | | -1'258 | | | | | -1'258 |
| Increase in treasury shares | | | -11 | | | | -11 |
| Change in revaluation, net of taxes | | | | | -1'186 | | -1'186 |
| Transfer of depreciation on revaluated tangible assets | | | | | -659 | 659 | 0 |
| Translation adjustments | | | | -1'432 | | | -1'432 |
| Balance at 31.12.2003 | 1'612 | 108'670 | -152 | -10'049 | 26'462 | 82'449 | 208'992 |

The financial statements of Mikron Holding AG and the Swiss Code of Obligation are authoritative for any distribution.

Further details on the treasury shares are given on page 31.

The accompanying notes form an integral part of the financial statements.

1. Accounting Principles

1.1 General information

The consolidated financial statements correspond to the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared based on the principles of historical cost with the exception of financial instruments, financial assets held for trading or available for sale and real estate, which are held at revalued amounts. The Board of Directors approved the consolidated financial statements at the meeting of 22 March 2004. The approval of the consolidated financial statements is scheduled for the Annual General Meeting on 22 April 2004.

1.2 Scope of consolidation

All companies in which Mikron Holding AG holds directly or indirectly the majority of the voting right are fully consolidated. Joint ventures for which Mikron Holding AG holds directly or indirectly 50% of the shares are consolidated using the proportional approach. The list of the most important subsidiaries can be found in the chapter on Group Companies / Mikron Holding AG Investments on pages 48 and 49.

1.3 Consolidation principles

The consolidation is based on the annual financial statements of the individual Mikron companies as per 31 December, which follows uniform valuation and reporting practices. Relationships within the Group (receivables and liabilities, expenses and income), as well as intragroup profit are eliminated. The reporting is based on Swiss francs. The capital consolidation is aimed at offsetting the consolidated net assets with the applicable book value on this investment. Capital consolidation proceeds in accordance with the purchase method. Assets, liabilities and expenses and revenue are recorded in their entirety, in accordance with full consolidation method. At the time of the initial consolidation, the assets and liabilities of acquired companies are valued according to their standard group principles. Any goodwill (difference between the purchase price and the group's share of the net assets of the acquiree at fair value) is recognised as intangible assets and amortized over a period no longer than 20 years. The paid goodwill for foreign companies is reported in the acquired companies' local currency and converted at the exchange rate on the financial statement's closing date. Minority interests in the equity and results of the consolidated subsidiaries are shown as a separate item in the consolidated financial statements. For joint ventures included in the consolidated financial statements the proportionate consolidation method is applied. Under this method Mikron's share of all assets, liabilities as well as income and expenses is reported combined with the corresponding items of the consolidated financial statements.

1.4 Foreign Currency Translation

Gains or losses arising from transactions in foreign currency are booked in the income statement. On the balance sheet date, assets and liabilities denominated in a foreign currency are reported using the closing rate. Any resulting exchange differences are recognized in the income statement. Balance sheets in foreign currencies are translated into Swiss francs at the year-end rate. Income statements and cash flow statements in foreign currencies are translated into Swiss francs at the average rate for the year. Exchange-rate-related translation differences on the consolidated subsidiaries' equity and on long-term intercompany financing are recorded directly in shareholders' equity and, therefore, do not affect the income statement.

| Exchange rates | Unit | Year-end rate | Year-end rate | Average rate | Average rate |
|----------------|------|---------------|---------------|--------------|--------------|
| | | 31.12.2003 | 31.12.2002 | 2003 | 2002 |
| CNY | 1 | 0.1490 | 0.1675 | 0.1617 | 0.1871 |
| DKK | 1 | 0.2093 | 0.1956 | 0.2049 | 0.1974 |
| EUR | 1 | 1.5580 | 1.4540 | 1.5231 | 1.4668 |
| GBP | 1 | 2.2150 | 2.2350 | 2.2015 | 2.3304 |
| HKD | 1 | 0.1590 | 0.1778 | 0.1718 | 0.1986 |
| JPY | 1 | 0.0115 | 0.0117 | 0.0116 | 0.0124 |
| MYR | 1 | 0.3245 | 0.3649 | 0.3520 | 0.4076 |
| NOK | 1 | 0.1860 | 0.1999 | 0.1896 | 0.1960 |
| SGD | 1 | 0.7257 | 0.7991 | 0.7672 | 0.8673 |
| USD | 1 | 1.2350 | 1.3870 | 1.3378 | 1.5487 |

1.5 Segment reporting

The segmental reporting is presented in two formats. The primary format is based on business segments and the secondary information on geographic regions.

Business segments

The Mikron Group consists of two business segments: «Production Equipment» and «Components».

Mikron Production Equipment develops, designs and builds custom-made machining systems, injections moulds and assembly systems for high-volume production. According to these three main areas, the «Production Equipment» segment is further split into divisions with separate areas of specialisation:

- Mikron Machining Technology
- Axxicon Mould Technology
- Mikron Assembly Technology

Mikron Components develops, industrialises and manufactures custom-made sophisticated components and assemblies. With engineering centers and efficient production sites close to the customers - in North America, Europe and Asia - the «Components» segment has a market-oriented structure:

- Mikron Plastics Technology for parts and assemblies in the automotive, electronics, electric and medical industries
- Infocom joint ventures for parts, assemblies or complete devices in the audio, data, video and communication sectors.

Geographical segments

The Mikron Group is present in the following four geographical regions:

The Group management is located in Switzerland, where most of the parts of its production equipment are produced.

The other European countries form the largest market for Mikron products. Mikron is located in the following European countries with own production plants and sales companies: Netherlands, France, England, Germany, Italy and Norway.

In the U.S. the group operates production plants and sales companies for both the machining and assembly systems as well as plastic products.

In the Far East two production plants in China and Malaysia are primarily active for the production and assembly of plastic products. In addition, a sales company in charge of the local marketing of machining systems is based in Japan.

1.6 Definitions and Accounting Standards

Accounting of financial assets and liabilities

All purchases and sales of financial assets and liabilities are recognized on the trade date. The initial recognition of financial assets is at purchase cost and includes associated transaction costs.

1.6.1 Assets

Current assets

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank and post account balances, third-party sight and demand deposits.

Securities

Securities, which are held for trading purposes are valued at market value. Fluctuations in this value are reported in the income statement.

Derivative financial instruments

All financial instruments entered into for existing and future transactions are valued at fair value. Associated gains or losses are recognized in the income statement.

Receivables

Receivables are shown in the books at nominal value. An allowance for doubtful accounts has been deducted for uncollectible accounts receivable.

Derivative financial instruments included in the receivables, are carried at fair value. Fluctuations in value are recorded in other financial income.

Construction contracts

System project orders are accounted for according to the «percentage of completion» method. The respective stage of completion is evaluated through individual progress calculations. According to the stage of completion the pro rata sales is recognized in the income statement. In the balance sheet the projects in progress - offset by customers' down payments - are recognized as net assets or net liabilities from construction contracts. Present or foreseeable losses on project orders in progress are provided for immediately.

Inventories

Inventories are stated at the lower of purchase or production cost and net realisable value. Production costs include raw materials, subcontractors' cost, direct production costs and separable production overheads. Following appropriate appraisal, provisions are set up for project risks and losses which are already present on the balance sheet date, or can be foreseen in the future. Inventories are valued by use of the FIFO method or by reference to weighted average costs. Provisions are made for slow moving items. Obsolete items are written off.

Fixed assets

Tangible assets

Property is recorded at market value. Buildings, machinery and equipment are depreciated according to their useful lives. Internal added value work is included in the costs. Property values are adjusted to market value at regular intervals. The majority of the properties were appraised as December 31, 2001 by an independent expert. The

changes are shown in the books in the revaluation reserves, net of deferred taxes, in the shareholders' equity. In the event of a devaluation of property, changes that are in excess of the revaluation reserves are shown in the income statement. The interest accumulated on the financing of additions to tangible assets are capitalized before being put into operation. The estimated useful life for the key groups of tangible assets is shown below.

| | Years |
|---------------------------------------|----------------------------------|
| Buildings | 45 |
| Equipment and installations | 25 |
| Machines | 10 |
| EDP equipment and integrated software | 3-5 |
| Vehicles | 5 |
| Office equipment and machines | 5 |
| Furniture | 12 |
| Leasehold improvements | for length of lease agreement |

Leasing

Leases and the related financial obligations acquired under finance lease are recorded at the lower of fair value or the net present value of future minimum lease payments. Assets under finance lease are amortised over their estimated useful lives (see tangible assets).

Operating lease payments are treated as operating cost and charged to the income statement as incurred.

Financial assets

Long term loans to third parties are carried at amortised cost using the effective interest rate method at balance sheet date. Any not consolidated investments and the marketable securities are valued at fair value, if a reliable estimate can be determined. Otherwise they are included in the balance sheet at cost less allowance.

Intangible assets

Intangible assets (prototypes, patents, licenses, trade marks, software, goodwill etc.) are written off over the shorter of their economic or useful life with a maximum of 20 years.

Impairment of assets

The value of tangible assets and other non-current assets, including goodwill and other intangible assets, is assessed at each balance sheet date when there is an indication that an asset may be impaired. If it is determined that the carrying amount of an asset exceeds its recoverable amount, the asset is written down (recognized as an impairment loss) to its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, and from its disposal at the end of its useful life.

1.6.2 Liabilities

Banks

Current bank liabilities, partly on a current account basis, partly as firm advances, as well as long-term bank liabilities as firm advances, are recognised at the nominal value.

Accounts payable

Suppliers' liabilities are recorded at nominal value.

Other current liabilities

Current portion of long-term liabilities, other current liabilities and provisions are recorded at nominal value. Derivative financial instruments included in the other current liabilities, are carried at fair value.

Long term liabilities

The long term liabilities are stated at amortised costs less transaction costs by using the effective interest rate method.

Provisions

Provision for commitments and contingencies are recognized only if Mikron has a present legal or constructive obligation to a third party from a past event, which requires an economic outflow to be settled, and if a reasonable estimate of that obligation can be made.

Employee benefits

There are a number of employee benefit plans in existence within the Group, which are individually aligned with local conditions in their respective countries. They are financed either by means of contributions to legally independent pension/insurance funds, or by recognition as employee benefit liabilities in the balance sheet of the respective Group companies.

For defined contribution plans as well as for multi-employer plans for which costs associated with the defined benefit plan are not known, the net periodic cost to be recognized in the profit and loss statement equals the contribution made by the employer.

In the case of defined benefit plans the net periodic cost is determined by an actuarial valuation by external experts, using the «projected unit credit» method. If the previous year's actual asset values or pension fund obligations differ from the planned values by more than 10%, then these actuarial gains or losses are assigned to the profit and loss statement over the workforce's remaining average working lives.

Actuarial gains and losses from actuarial changes are credited or debited to the income statement over an assumed average remaining working life. Employer contribution reserves in special employer funds are capitalised.

1.7 Financial Risk Management

Group accounting guidelines regulate all affiliates' management of liquidity as well as the procurement of short- and long-term financing. In order to optimize the Group's financing requirements, the management of long-term Group financing is centralized.

Interest rate risk

Interest rate risks result from changes in interest rates, which could negatively affect the capital or income of the Group. Fluctuations in interest rates cause changes in the interest income and expense of interest-bearing assets and liabilities. They can also, as explained below under market risk, affect the market value of certain financial assets, liabilities, and financial instruments. The management of long-term interest rate risk is achieved centrally.

Foreign exchange risk

The Group is active all over the world and therefore exposed to fluctuations in exchange rates, which affect the value of Group assets and income reported in Swiss francs. Group Instructions exist on the management of ex-

change rate risks. The transaction and other currency risk are treated on division or group level. Foreign exchange contracts are the main instrument to hedge foreign exchange risks. Gains and losses from hedging the foreign exchange risk of assets and liabilities, which are carried at fair value are booked over the income statement. Foreign exchange translation differences arising in consolidation are recorded and disclosed within shareholders' equity of the Group.

Credit loss risk

Credit risks arise from the possibility that the counter party to a transaction is unable or unwilling to fulfill its obligations and that the Group thereby suffers financial damage. Counter party risks are minimized and monitored via limiting our associations to first-class business partners and banks. Trade receivables are monitored on an ongoing basis via Group management reporting procedures. The necessary valuation adjustments are made locally and reviewed by Group management.

Liquidity

Based on the budgets and the rolling liquidity planning, liquidity is monitored regularly.

Market risk

Changes in the market value of financial assets, liabilities, or financial instruments can affect the capital or income of the Group.

1.8 Income Statement

Net sales

Net sales include the invoiced sales to third parties after the deduction of value added taxes, discounts, rebates and sales commissions. The pro rata sales of system project orders, accounted for in accordance with the POC-method, are also included in this position. The revenue is booked upon delivery.

Research and development

Research and development expenses are generally charged directly to the respective cost account of the income statement. Costs incurred for clearly defined development projects with probable chances of market success and machine prototypes are capitalized and depreciated over their useful life.

Taxes

Taxes, paid on the results of the individual companies in accordance with accounting principles and tax regulations, are charged to the group's income statement. The «balance sheet liability» method is applied. If the carrying amount on the balance sheet differs from the tax base, deferred tax assets or liabilities are recognized. Deferred tax assets, including assets for unused tax losses or carryforwards and expected tax credits, are only recognized if it is probable that the assets may be set off against future profits.

2. Details to the Balance Sheet

2.1 Cash and cash equivalents

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--------------------------------|---------------|---------------|
| Bank and postal check accounts | 50'756 | 32'282 |
| Escrow account | 1'172 | 2'050 |
| Time deposit | 15'662 | 0 |
| Total Cash | 67'590 | 34'332 |

The escrow account is linked to a safeguarding agreement which has been cancelled after the balance sheet date. The prior year amount was linked to the Proceeds on the sale of the interest and foreign exchange swap amounting to TCHF 2'050.

2.2 Accounts receivable

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|-----------------------------------|---------------|---------------|
| Accounts receivable | 72'448 | 72'640 |
| Notes receivable | 377 | 2'564 |
| Allowance for doubtful accounts | -3'336 | -1'766 |
| Total accounts receivables | 69'489 | 73'438 |

2.3 Other receivables and prepaid expenses

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|----------------------------------|---------------|---------------|
| Derivative financial instruments | 0 | 501 |
| Tax receivables | 0 | 1'026 |
| Short-term loans | 389 | 1'687 |
| Prepaid expenses | 5'088 | 3'730 |
| Other | 7'733 | 9'797 |
| Total other receivables | 13'210 | 16'741 |

2.4 Construction contracts

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|---|----------------|----------------|
| Projects in progress - costs incurred | 36'533 | 87'749 |
| Recognised profits less recognised losses | 8'566 | 3'907 |
| Down payments from customers | -28'530 | -61'384 |
| Total net assets from customer projects | 16'569 | 30'272 |
| Projects in progress - costs incurred | 33'109 | 1'948 |
| Recognised profits less recognised losses | 1'652 | -3'567 |
| Down payments from customers | -52'468 | -12'057 |
| Total net liabilities from customer projects | -17'707 | -13'676 |

2.5 Inventories

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--|---------------|---------------|
| Raw material | 23'960 | 22'572 |
| Work in process | 31'821 | 21'731 |
| Finished goods | 18'412 | 22'581 |
| Down payments to suppliers | 3'029 | 4'609 |
| Down payments from customers | -16'596 | -16'064 |
| Total inventories | 60'626 | 55'429 |
| Book value of inventories, carried at net realizable value | 539 | 234 |
| Inventories pledged | 0 | 8'806 |

2.6 Tangible assets

| CHF 1'000 | Real estate | Machines | Equipment | Down payments | Machine Leasing | Others | Total |
|-----------------------------------|----------------|-----------------|----------------|---------------|-----------------|---------------|-----------------|
| At cost | | | | | | | |
| Balance at 01.01.2002 | 201'508 | 191'211 | 63'411 | 2'599 | 15'077 | 2'311 | 476'117 |
| Changes in scope of consolidation | 0 | -9'263 | -1'435 | 0 | -1'146 | 0 | -11'844 |
| Additions 2002 | 820 | 10'248 | 2'119 | 3'131 | 2'804 | 283 | 19'405 |
| Other movements | -95 | 1'039 | -23 | -1'422 | -1'508 | 344 | -1'665 |
| Disposals 2002 | -10'074 | -18'407 | -2'173 | -9 | -67 | -5 | -30'735 |
| Translation adjustments | -4'007 | -6'787 | -1'929 | -105 | -232 | -215 | -13'275 |
| Balance at 31.12.2002 | 188'152 | 168'041 | 59'970 | 4'194 | 14'928 | 2'718 | 438'003 |
| Changes in scope of consolidation | -19 | -20'805 | -3'312 | 0 | -1'585 | 0 | -25'721 |
| Additions 2003 | 952 | 14'423 | 2'534 | 1'830 | 1'789 | 36 | 21'564 |
| Other movements | -2'124 | 3'799 | -702 | -3'376 | -1'703 | 1'060 | -3'046 |
| Disposals 2003 | -34 | -9'467 | -3'907 | -349 | 0 | 0 | -13'757 |
| Translation adjustments | 32 | -525 | 227 | -71 | 417 | -22 | 58 |
| Balance at 31.12.2003 | 186'959 | 155'466 | 54'810 | 2'228 | 13'846 | 3'792 | 417'101 |
| Accumulated depreciation | | | | | | | |
| Balance at 01.01.2002 | -73'437 | -97'042 | -39'727 | 0 | -4'235 | -438 | -214'879 |
| Changes in scope of consolidation | 0 | 4'538 | 511 | 0 | 80 | 0 | 5'129 |
| Additions 2002 | -4'201 | -14'425 | -8'868 | 0 | -1'678 | -442 | -29'614 |
| Impairment | -510 | -9'281 | -573 | 0 | -136 | 0 | -10'500 |
| Other movements | 55 | 977 | -352 | 0 | 752 | -10 | 1'422 |
| Disposals 2002 | 1'998 | 8'638 | 1'575 | 0 | 46 | 5 | 12'262 |
| Translation adjustments | 970 | 3'221 | 1'287 | 0 | 87 | 81 | 5'646 |
| Balance at 31.12.2002 | -75'125 | -103'374 | -46'147 | 0 | -5'084 | -804 | -230'534 |
| Changes in scope of consolidation | 19 | 15'199 | 3'075 | 0 | 934 | 0 | 19'227 |
| Additions 2003 | -4'235 | -12'117 | -4'958 | 0 | -969 | -720 | -22'999 |
| Impairment | -1'150 | -6'344 | -714 | -306 | -404 | 0 | -8'918 |
| Other movements | 348 | 293 | 714 | 0 | 793 | -414 | 1'734 |
| Disposals 2003 | 32 | 3'977 | 3'658 | 0 | 0 | 0 | 7'667 |
| Translation adjustments | -259 | 184 | -240 | 0 | -194 | 39 | -470 |
| Balance at 31.12.2003 | -80'370 | -102'182 | -44'612 | -306 | -4'924 | -1'899 | -234'293 |
| Net book value | | | | | | | |
| Balance at 31.12.2002 | 113'027 | 64'667 | 13'823 | 4'194 | 9'844 | 1'914 | 207'469 |
| Balance at 31.12.2003 | 106'589 | 53'284 | 10'198 | 1'922 | 8'922 | 1'893 | 182'808 |

Included under the heading «other movements» are changes in revaluation, transfers between individual categories and other adjustments.

On the level of the «Plastics Technology», the tangible assets have been tested for impairment and a loss of TCHF 6'903 resulted. The phasing out of the infocom activities of Mikron Plastics Technology Corp., San Antonio resulted in an additional impairment loss of TCHF 2'015.

At the balance sheet date, assets with a book value of TCHF 105'382 (prior year TCHF 195'711) were pledged.

Historical cost less accumulated depreciation (without revaluation):

| CHF 1'000 | Real estate | Machines | Equipment | Down payments | Machine Leasing | Others | Total |
|------------------------------|---------------|---------------|---------------|---------------|-----------------|--------------|----------------|
| Balance at 31.12.2002 | 88'676 | 63'617 | 13'823 | 4'194 | 9'844 | 1'914 | 182'068 |
| Balance at 31.12.2003 | 83'418 | 52'559 | 10'215 | 1'921 | 8'981 | 1'892 | 158'986 |

2.7 Financial assets

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|-------------------------------|------------|--------------|
| Investments | 19 | 21 |
| Long-term loans | 0 | 2'309 |
| Other financial assets | 461 | 444 |
| Total financial assets | 480 | 2'774 |

The fair value adjustment of the current year amount to TCHF 3'669 (thereof TCHF 3'646 as impairment in connection with the closure of Mikron Faarevejle A/S).

2.8 Intangible assets

| CHF 1'000 | Notes | 31.12.2003 | 31.12.2002 |
|--------------------------------|-------|---------------|----------------|
| Patents, Prototypes, Others | 2.8.1 | 5'356 | 10'260 |
| Goodwill | 2.8.2 | 15'201 | 101'791 |
| Total intangible assets | | 20'557 | 112'051 |

2.8.1 Patents, Prototypes, Others

| CHF 1'000 | Patents | Prototypes external | Prototypes internal | Others external | Others internal | Total |
|---------------------------------|-------------|---------------------|---------------------|-----------------|-----------------|----------------|
| At cost | | | | | | |
| Balance at 01.01.2002 | 305 | 12'826 | 3'099 | 11'704 | 1'007 | 28'941 |
| Changes in scope | | | | | | |
| of consolidation | 0 | 0 | -160 | 0 | 0 | -160 |
| Additions 2002 | 0 | 1'466 | 2'500 | 1'641 | 0 | 5'607 |
| Other movements | 0 | 1'958 | 0 | -2'250 | 292 | 0 |
| Disposals 2002 | 0 | 0 | 0 | -421 | 0 | -421 |
| Translation adjustments | 0 | -30 | -16 | -274 | -226 | -546 |
| Balance at 31.12.2002 | 305 | 16'220 | 5'423 | 10'400 | 1'073 | 33'421 |
| Changes in scope | | | | | | |
| of consolidation | 0 | 0 | 0 | -2'263 | 0 | -2'263 |
| Additions 2003 | 0 | 634 | 1'200 | 377 | 0 | 2'211 |
| Other movements | 0 | 34 | 0 | -1'315 | 0 | -1'281 |
| Disposals 2003 | 0 | 0 | 0 | 0 | 0 | 0 |
| Translation adjustments | 0 | 233 | 65 | -193 | -119 | -14 |
| Balance at 31.12.2003 | 305 | 17'121 | 6'688 | 7'006 | 954 | 32'074 |
| Accumulated depreciation | | | | | | |
| Balance at 01.01.2002 | -305 | -10'470 | -550 | -3'717 | -1'203 | -16'245 |
| Changes in scope | | | | | | |
| of consolidation | 0 | 0 | 13 | 0 | 0 | 13 |
| Additions 2002 | 0 | -1'767 | -934 | -1'222 | 0 | -3'923 |
| Impairment | 0 | 0 | -686 | -3'000 | 0 | -3'686 |
| Other movements | 0 | 0 | 0 | 95 | -95 | 0 |
| Disposals 2002 | 0 | 0 | 0 | 421 | 0 | 421 |
| Translation adjustments | 0 | 0 | 12 | 22 | 225 | 259 |
| Balance at 31.12.2002 | -305 | -12'237 | -2'145 | -7'401 | -1'073 | -23'161 |
| Changes in scope | | | | | | |
| of consolidation | 0 | 0 | 0 | 2'263 | 0 | 2'263 |
| Additions 2003 | 0 | -3'668 | -1'233 | -573 | 0 | -5'474 |
| Impairment | 0 | 0 | 0 | -720 | 0 | -720 |
| Other movements | 0 | 162 | 0 | 40 | 0 | 202 |
| Disposals 2003 | 0 | 0 | 0 | 0 | 0 | 0 |
| Translation adjustments | 0 | -42 | -64 | 159 | 119 | 172 |
| Balance at 31.12.2003 | -305 | -15'785 | -3'442 | -6'232 | -954 | -26'718 |
| Net book value | | | | | | |
| Balance 31.12.2002 | 0 | 3'983 | 3'278 | 2'999 | 0 | 10'260 |
| Balance at 31.12.2003 | 0 | 1'336 | 3'246 | 774 | 0 | 5'356 |

In the course of the regular review of the future economic benefits of the ongoing projects, capitalised costs of TCHF 720 have been considered impaired and a respective loss has been recognised.

2.8.2 Goodwill

| CHF 1'000 | Infocom | Axxicon | Others | Total |
|-----------------------------------|-----------------|----------------|----------------|-----------------|
| At cost | | | | |
| Balance at 01.01.2002 | 148'264 | 94'831 | 13'592 | 256'687 |
| Changes in scope of consolidation | 0 | 0 | 0 | 0 |
| Additions 2002 | 0 | 0 | 0 | 0 |
| Other movements | 0 | 0 | 0 | 0 |
| Disposals 2002 | 0 | 0 | 0 | 0 |
| Translation adjustments | 9'503 | -1'327 | -2'371 | 5'805 |
| Balance at 31.12.2002 | 157'767 | 93'504 | 11'221 | 262'492 |
| Changes in scope of consolidation | 0 | 0 | 0 | 0 |
| Additions 2003 | 0 | 0 | 0 | 0 |
| Other movements | 0 | 0 | 0 | 0 |
| Disposals 2003 | 0 | 0 | 0 | 0 |
| Translation adjustments | -9'991 | 5'962 | 0 | -4'029 |
| Balance at 31.12.2003 | 147'776 | 99'466 | 11'221 | 258'463 |
| Accumulated depreciation | | | | |
| Balance at 01.01.2002 | -99'101 | -4'813 | -2'095 | -106'009 |
| Changes in scope of consolidation | 0 | 0 | 0 | 0 |
| Additions 2002 | -3'046 | -4'866 | -626 | -8'538 |
| Impairment | -10'000 | -21'000 | -8'930 | -39'930 |
| Other movements | 0 | 0 | 0 | 0 |
| Disposals 2002 | 0 | 0 | 0 | 0 |
| Translation adjustments | -6'110 | -544 | 430 | -6'224 |
| Balance at 31.12.2002 | -118'257 | -31'223 | -11'221 | -160'701 |
| Changes in scope of consolidation | 0 | 0 | 0 | 0 |
| Additions 2003 | -1'339 | -2'488 | 0 | -3'827 |
| Impairment | -30'900 | -52'807 | 0 | -83'707 |
| Other movements | 0 | 0 | 0 | 0 |
| Disposals 2003 | 0 | 0 | 0 | 0 |
| Translation adjustments | 7'354 | -2'381 | 0 | 4'973 |
| Balance at 31.12.2003 | -143'142 | -88'899 | -11'221 | -243'262 |
| Net book value | | | | |
| Balance at 31.12.2002 | 39'510 | 62'281 | 0 | 101'791 |
| Balance at 31.12.2003 | 4'634 | 10'567 | 0 | 15'201 |

In connection with its analysis of the business portfolio, the Board of Directors, together with management, subjected the business plans to a thorough review. In order to prevent overvaluation, the book values of the goodwill paid underwent an impairment test.

The goodwill from the acquisition of the Axxicon Group was allocated to the businesses acquired: Optical Disc Moulds, Customer Specified Moulds and Plastics Technology, in order to refine the impairment tests. Owing to the weak cash flow generated by Plastics Technology, the entire goodwill for this business was written off in the interim accounts.

The two businesses, Customer Specific Moulds (CSM) and Optical Disc (OD) tools, are successful, and their prospects are good. In the case of CSM, however, the outlook is based chiefly on past or future business development following the acquisition and thus cannot be used for calculating goodwill according to IAS 36. The future cash flows of OD are very good, but this business is volatile, which is reflected in the valuation through the interest rate applied.

In view of the rapid changes sweeping the infocom industry and the related investments and expenditures, the current and future business, and hence the cash flows, bear less and less of a relation to the goodwill originally paid. Hence only part of the goodwill is recoverable despite the very good business performance.

In order to determine the recoverable value, the value in use was calculated. The value in use corresponds to the present value of the estimated future cash flows over the remaining useful life. Risk-adjusted surcharges were applied as the discount factors. The corresponding values (before tax) are 14.2% for Axxicon OD, 13% for Axxicon CSM and 12.6% for Infocom.

These calculations necessitate a writedown of TCHF 30'900 (previous year TCHF 10'000) for the goodwill from the Infocom acquisition and of TCHF 52'807 (previous year TCHF 21'000) for Axxicon. In the previous year, the goodwill from the acquisition of Mikron Corp Denver reported under «Other items» was fully written down.

Group management and the Board of Directors regard the assumptions underlying the forecasts as reasonable and defensible. The value of the goodwill depends, however, on actually reaching the budget targets. Depending on the scale of the deviation from the budgets, major changes in value may occur.

The remaining net book value of the goodwill consists of the goodwill from the acquisition of Infocom (formerly Iplast; acquired in fiscal 1999) amounting to TCHF 4'634 and Axxicon (acquired in fiscal 2001) amounting to TCHF 10'567. The remaining useful life is 15.5 years and 17 years respectively.

2.9 Current liabilities

| CHF 1'000 | Notes | 31.12.2003 | 31.12.2002 |
|---|-------|----------------|----------------|
| Banks | | 8'492 | 22'801 |
| Term loans ¹⁾ , current portion | | 0 | 222'915 |
| Notes (Private placement) ²⁾ , current portion | | 0 | 92'929 |
| Accounts payable, trade | | 50'282 | 57'282 |
| Tax liabilities and provisions | | 1'440 | 101 |
| Net liabilities from customer projects | | 17'707 | 13'676 |
| Short term provision | 2.12 | 17'150 | 15'044 |
| Other current liabilities | | | |
| • Current portion of long-term liabilities | | 2'731 | 7'828 |
| • Other current liabilities | | 17'396 | 17'271 |
| | | 20'127 | 25'099 |
| Accrued expenses | | 21'005 | 33'157 |
| Total current liabilities | | 136'203 | 483'004 |

¹⁾ with an average interest rate of 4.746%

²⁾ with cross currency interest rate swap at a fixed interest rate of 5.98%; after cancellation of the swap as per 23 December 2003: 9.43%

Current liabilities due to the banks and the current portion of long-term liabilities are interest-bearing.

In the course of the financial restructuring, new credit agreements with the lenders of the private placement and the syndicate banks have been agreed, including new facility conditions regarding limit, financial and operating covenants which mature on 18 June 2006. The group is especially subject to restrictions on the use of proceeds from the sale of assets. Based on these agreements, the finance liabilities are shown as long term.

2.10 Long-term liabilities

| CHF 1'000 | Notes | 31.12.2003 | 31.12.2002 |
|--|-------|---------------|---------------|
| Banks (with an average interest rate of 3.6%; prior year 6.25%) | | 39'482 | 1'791 |
| Bonds (with an average interest rate of 4.96%; prior year 4.9%) | | | |
| • Private placement 1999 - 2006 | | 13'360 | 0 |
| • Industrial Revenue Bonds 1996 - 2010 | | 2'964 | 3'883 |
| • Industrial Revenue Bonds 1998 - 2012 | | 3'582 | 4'716 |
| | | 19'906 | 8'599 |
| Mortgages (with an average interest rate of 4.76%; prior year 4.91%) | | 1'049 | 2'270 |
| Other long-term liabilities | | | |
| • Leasing liabilities | 2.11 | 4'062 | 4'145 |
| • Other long-term liabilities | | 2'256 | 0 |
| | | 6'318 | 4'145 |
| Provisions for deferred taxes | 2.14 | 13'737 | 16'538 |
| Other provisions | | 9'854 | 12'098 |
| Total long-term liabilities | | 90'346 | 45'441 |
| Currency distribution | | | |
| • CHF | | 51'350 | 28'886 |
| • EUR | | 17'415 | 2'531 |
| • USD | | 19'905 | 8'599 |
| • others | | 1'676 | 5'425 |
| Total | | 90'346 | 45'441 |
| Maturity structure | | | |
| • 2004 | | 0 | 15'183 |
| • 2005 | | 4'862 | 3'439 |
| • 2006 | | 56'001 | 3'611 |
| • 2007 | | 1'982 | 2'033 |
| • 2008 | | 1'982 | 1'110 |
| • later | | 25'519 | 20'065 |
| Total | | 90'346 | 45'441 |

2.11 Finance lease liabilities

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--|--------------|--------------|
| Payable | | |
| • not later than 1 year | 2'201 | 2'864 |
| • later than 1 year but not later than 5 years | 4'211 | 4'402 |
| • later than 5 years | 125 | 0 |
| Future finance charges on finance leases | -438 | -506 |
| Finance lease liabilities - net, less future finance charges | 6'099 | 6'760 |
| less current finance lease liabilities - net | 2'037 | 2'615 |
| Long-term finance lease liabilities - net | 4'062 | 4'145 |

2.12 Provisions

| CHF 1'000 | Legal cases | Warranties | Employee benefit plans | Project loss reserve | Restructuring | Severance payments | Onerous contracts | Others | Total |
|-----------------------------------|--------------|--------------|------------------------|----------------------|---------------|--------------------|-------------------|--------------|---------------|
| Current provisions | 1'015 | 2'495 | 0 | 1'563 | 543 | 669 | 0 | 8'759 | 15'044 |
| Long-term provisions | 2'024 | 3'438 | 1'035 | 0 | 3'000 | 2'019 | 0 | 582 | 12'098 |
| Provisions at 31.12.2002 | 3'039 | 5'933 | 1'035 | 1'563 | 3'543 | 2'688 | 0 | 9'341 | 27'142 |
| Statement of changes | | | | | | | | | |
| Additions | 31 | 4'032 | 1'180 | 629 | 417 | 629 | 5'949 | 5'060 | 17'927 |
| Utilization | -1'936 | -2'289 | 0 | -645 | -1'729 | -671 | 0 | -4'750 | -12'020 |
| Reversal | -615 | -461 | 0 | -734 | -1'771 | -10 | 0 | -2'474 | -6'065 |
| Changes in scope of consolidation | 0 | 0 | -78 | 0 | 0 | 0 | 0 | 0 | -78 |
| Translation adjustments | -31 | 127 | 26 | 80 | 13 | 192 | 0 | -309 | 98 |
| Provisions at 31.12.2003 | 488 | 7'342 | 2'163 | 893 | 473 | 2'828 | 5'949 | 6'868 | 27'004 |
| Current provisions | 78 | 5'675 | 0 | 893 | 473 | 1'103 | 3'060 | 5'868 | 17'150 |
| Long-term provisions | 410 | 1'667 | 2'163 | 0 | 0 | 1'725 | 2'889 | 1'000 | 9'854 |
| Provisions at 31.12.2003 | 488 | 7'342 | 2'163 | 893 | 473 | 2'828 | 5'949 | 6'868 | 27'004 |

Based on the final settlement of two cases the provision for legal cases could be substantially reduced. The remaining provision covers the risks of the open cases.

Warranty provisions are related to sales of products and services and are based on experience. Long term provisions for warranties include TCHF 1'200 for remaining specific risks from the sale of the «Standard Machines» business to Agie Charmilles in 2000.

Provisions for losses on projects in production (project loss reserve) were made in order to offset the anticipated losses.

The restructuring provision for costs of Mikron Norge AS and Mikron Tunsberg AS have been used in connection with the sale of these entities. The infocom activities in Texas have been ceased according to plan. The remaining provision covers the cost of the announced restructuring of the Plastics Technology Division in Italy.

Provisions for severance payments cover the legal entitlement of employees in Italy.

The liabilities of the group for onerous contracts are based on long term lease agreements and purchase commitments in which the group has entered into in connection with the sale of business activities.

The other provisions relate to remaining costs of already invoiced projects.

2.13 Employee benefit plan

Due to the legally prescribed minimum interest and fixed pension conversion rate in Switzerland, defined contribution plan schemes in Switzerland are classified as defined benefit plans according to IAS 19. An actuarial report was made for December 31, 2003.

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--|---------------|----------------|
| Reconciliation of assets and liabilities recognized in the Balance Sheet | | |
| Present value of defined benefit obligation | 202'357 | 197'313 |
| Fair value of plan assets ¹⁾ | 162'180 | 162'065 |
| Deficit (Surplus) | 40'177 | 35'248 |
| Unrecognized actuarial losses | -41'691 | -38'017 |
| Unrecognized assets | 1'514 | 2'769 |
| Unrecognized surplus | 0 | 0 |
| Recognized employer contribution reserve | -1'089 | -1'061 |
| Total liabilities - net | -1'089 | -1'061 |
| thereof recognized as assets | -1'089 | -1'061 |
| thereof recognized as liabilities | 0 | 0 |
| Pension expense recognized in the income statement | | |
| Current service cost | 8'245 | 8'098 |
| Contribution paid by employees | -3'587 | -3'732 |
| Interest cost | 7'212 | 7'123 |
| Expected return on plan assets | -8'043 | -9'171 |
| | 3'827 | 2'318 |
| Amortization of actuarial gains/losses | 1'144 | 0 |
| Change in employer contribution reserve | -28 | 423 |
| Change in unrecognized assets in the balance sheet | -1'384 | 1'414 |
| Pension cost | 3'559 | 4'155 |
| Reconciliation of the movement of net defined benefit liability / (asset) | | |
| as per January 1 | -1'061 | -1'484 |
| Pension expenses as per income statement | 3'559 | 4'155 |
| Contribution paid | -3'587 | -3'732 |
| as per December 31 | -1'089 | -1'061 |
| Actual return on plan assets | | |
| Expected return on plan assets | 8'043 | 9'171 |
| Actuarial loss on plan assets | -4'689 | -27'266 |
| Actual return on plan assets | 3'354 | -18'095 |
| in % | 2.1 | -9.9 |
| Basis of actuarial calculations | | |
| Technical interest rate | 3.75% | 3.75% |
| Expected return on assets | 5% | 5% |
| Increase in salaries/wages | 3% | 3% |
| Increase in pensions | 1.5% | 1.5% |
| Fluctuation rate | 2% | 2% |

¹⁾ The fair value of plan assets includes shares of Mikron Holding AG with a market value of TCHF 67 (prior year TCHF 17).

2.14 Deferred tax

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--|---------------|---------------|
| The deferred tax assets and liabilities refer to the following balance sheet items: | | |
| Current assets | 1'653 | 2'157 |
| Fixed assets | 13'338 | 12'697 |
| Financial and intangible assets | 302 | 593 |
| Current liabilities | -277 | 1'636 |
| Long-term liabilities | -732 | -175 |
| Other current liabilities | -547 | -112 |
| Loss carry forwards | -3'123 | -2'877 |
| Total deferred tax liabilities - net | 10'614 | 13'919 |
| thereof recognized in the balance sheet as deferred tax liabilities | 13'737 | 16'538 |
| thereof recognized in the balance sheet as deferred tax assets | 3'123 | 2'619 |
| Statement of changes in deferred tax liabilities | | |
| January 1 | 16'538 | 20'146 |
| Set-up / (reversal) of temporary differences | -4'228 | -3'847 |
| Adjustments over the equity | 1'285 | 615 |
| Translation adjustments | 142 | -376 |
| December 31 | 13'737 | 16'538 |
| Statement of changes in deferred tax assets | | |
| January 1 | 2'619 | 5'239 |
| Set-up / (reversal) of deferred tax assets | -2'647 | -2'244 |
| Increase deferred tax asset | 3'110 | 0 |
| Translation adjustments | 41 | -376 |
| December 31 | 3'123 | 2'619 |

2.15 Not capitalised tax loss carry forwards

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--------------------------------------|----------------|----------------|
| Expiry date | | |
| ● 2004 (incl. 2003 in prior year) | 3'386 | 6'421 |
| ● 2005-2006 | 7'437 | 7'728 |
| ● 2007-2008 | 10'666 | 14'171 |
| ● 2009-2010 | 273'960 | 270'435 |
| ● 2011-2015 | 41'805 | 34'579 |
| ● No expiry date | 4'659 | 14'656 |
| Total tax loss carry forwards | 341'913 | 347'990 |

Deferred tax assets are recognised only to the extent probable that future taxable profits will be available against which the tax losses may be utilised. The tax loss carryforward for which no deferred tax asset is recognised amounts to TCHF 341'913 (prior year TCHF 347'990). The respective potential tax saving, calculated using the current tax rate of the group, amounts to TCHF 43'079 (prior year TCHF 50'186) considering also the reduced rate of holding companies in Switzerland. Deferred tax liabilities on group internal investments in subsidiaries is not recognised as the group controls the reversal of these temporary differences and does not expect them to do so in the foreseeable future.

2.16 Share capital

The share capital as of December 31, 2003, amounts to TCHF 1'612 (prior year TCHF 64'285) and consists of 16'120'975 registered shares with a nominal value of CHF -.10 per share.

| CHF 1'000 | Numbers of registered shares | Value |
|---|------------------------------|--------------|
| Balance at 31.12.2002 | 1'285'704 | 64'285 |
| Reduction of share capital through reduction of par value to CHF 0.10 | | -64'157 |
| Capital increases (Tranches A and B and exercised options) | 14'835'271 | 1'484 |
| Balance at 31.12.2003 | 16'120'975 | 1'612 |

Since the balance sheet restructuring three categories of capital subject to a condition exist amounting to TCHF 121, whereby a new category has been created for the options of the lenders. After several option exercises this category amounts to TCHF 59 at year-end.

The employee and management share option plans expired this year. In the reporting period, no options have been granted.

3. Details to the Consolidated Income Statement

3.1 Net sales

| CHF 1'000 | 2003 | 2002 |
|---------------------------------------|----------------|----------------|
| Net sales products & services | 299'156 | 266'717 |
| Net sales from construction contracts | 134'029 | 148'000 |
| Total net sales | 433'185 | 414'717 |

3.2 Material costs and subcontractors

| CHF 1'000 | 2003 | 2002 |
|--|----------------|----------------|
| Raw and auxiliary material | 154'243 | 132'955 |
| Subcontractors | 36'978 | 39'145 |
| Total material costs and subcontractors | 191'221 | 172'100 |

3.3 Personnel expenses

| CHF 1'000 | 2003 | 2002 |
|---|----------------|----------------|
| Salaries and wages | 139'631 | 144'821 |
| Social charges | 14'908 | 18'322 |
| Contribution pension fund (defined contribution plan) | 3'023 | 2'507 |
| Contribution pension fund (defined benefit plan) | 3'559 | 4'155 |
| Total personnel expenses | 161'121 | 169'805 |

3.4 Other operating expenses - net

| CHF 1'000 | 2003 | 2002 |
|---|---------------|---------------|
| Other income | -5'498 | -11'503 |
| Other expenses | 85'776 | 95'770 |
| Gain on sale of fixed assets | -731 | -835 |
| Loss on sale of fixed assets | 37 | 1'867 |
| Capital tax | 205 | 216 |
| Other tax | 63 | 124 |
| Total other operating expenses - net | 79'852 | 85'639 |

Other income includes mainly rental income and recharged ancilliary costs. Other expenses include rent, expenses for external services (outsourcing), maintenance and repairs, energy, auxiliary material, advertising and selling, administrative expenses, changes in provisions (all without personnel expenses which are shown separately), as well as the cost for securing the financing and the preparation of the restructuring solutions of TCHF 15'500 (respective amount in prior year: TCHF 16'800 as well as TCHF 4'200 for provisions regarding restructuring subsidiaries).

3.5 Interest expenses - net

| CHF 1'000 | 2003 | 2002 |
|--------------------------------------|---------------|---------------|
| Interest income | -2'349 | -4'013 |
| Interest expenses | 13'411 | 35'706 |
| Total interest expenses - net | 11'062 | 31'693 |

Interest payments of TCHF 15'303 for the period from 29 October 2002 through 20 June 2003 which have been deferred in connection with the restructuring and for which a forgiveness have been granted are included in the interest expense of 2003 and 2002 shown above. The gain on the forgiveness of this interest is included in the amount of TCHF 220'529 of the debt forgiveness.

3.6 Other financial income - net

| CHF 1'000 | 2003 | 2002 |
|---|--------------|--------------|
| Exchange gains | 25'123 | 19'508 |
| Exchange losses | -22'813 | -15'654 |
| Other financial income | 1'029 | 189 |
| Other financial expenses | -1'015 | -2'267 |
| Total other financial income - net | 2'324 | 1'776 |

3.7 Tax

| CHF 1'000 | 2003 | 2002 |
|---|------------|--------------|
| Income tax | 2'401 | 1'666 |
| Deferred tax | -2'660 | 1'352 |
| Deferred tax resulting from changes in tax rate | 706 | -216 |
| Total taxes | 447 | 2'802 |

Details to income and deferred taxes

The applicable tax rate of the Group is 25% and corresponds to the expected income tax rates of the individual Group companies in each jurisdiction.

The following statement shows the reconciliation of the income and deferred taxes calculated with the tax rate of the group and the actual taxes.

| CHF 1'000 | 2003 | 2002 |
|--|-----------------------|--------------|
| Net earnings before taxes and amortization of goodwill | 181'709 | -90'492 |
| Income taxes at the group rate | 45'427 | -22'623 |
| Taxes at other rates | -22'124 ¹⁾ | 5'825 |
| Impact of losses or loss carry forwards | -21'229 | -1'196 |
| Impact of non-capitalization of loss carry forward | 9'751 | 21'819 |
| Capitalization of deferred tax assets | -3'110 | 0 |
| Depreciation of deferred tax assets | 3'229 | 2'155 |
| Prior year adjustment | -2'073 | 1'134 |
| Impact of non-deductible expenses | -10'130 | -4'096 |
| Impact of tax rate changes | 706 | -216 |
| Total taxes | 447 | 2'802 |

¹⁾ The debt forgiveness was granted to Mikron Holding AG, whose effective tax rate is substantially lower than the group tax rate based on its holding status.

4. Other notes

4.1 Joint venture

The Mikron Group holds 50% of the BaldaMikron AG, Biel with the following subsidiaries:

| | |
|---|------|
| ● TFP Precision Industry SDN, BHD, Ipoh | 50% |
| ● Balda-Mikron Norge AS, Tunsberg | 100% |
| ● Mikron Investment Pte Ltd., Singapore | 100% |
| with subsidiary BaldaMikron Ltd. Suzhou, Suzhou | 100% |

The joint venture companies are involved in contractual manufacturing, and produce plastic components and products for the Infocom market. Included in the consolidated financial statement of the Mikron Group are the following items, which represent the Group's interests in the assets and liabilities as well as in the year-end result of the joint venture:

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|------------------------------|---------------|---------------|
| Current assets | 22'562 | 19'335 |
| Fixed assets | 14'013 | 17'321 |
| Total assets | 36'575 | 36'656 |
| Current liabilities | 19'126 | 19'409 |
| Long-term liabilities | 6'454 | 8'830 |
| Total liabilities | 25'580 | 28'239 |
| Revenue | 47'238 | 33'619 |
| less expenses | -43'003 | -33'095 |
| Earnings for the year | 4'235 | 524 |

4.2 Effects of changes in scope of consolidation

In the reporting period the following changes in scope of consolidation occurred:

Additions:

On 28 February 2003 the wholly owned Mikron Ltd Suzhou, Suzhou with a registered share capital of TUSD 5'000 was founded. Net Sales for 2003 amount to TCHF 1'818 and are included in the figures of the Segments Components.

Mikron Chomutov s.r.o., Most, has been founded on 8 September 2003 as a wholly owned subsidiary with a registered share capital of TCZK 6'300. The company will start its operations in 2004. During 2003, start-up costs of TCHF 170 are included in the segment results of Components.

Disposals:

As per 1 January 2003, New Ingenia SA, Boudry has been deconsolidated.

As per 31 March 2003 all shares in Mikron Norge AS, Tunsberg and Mikron Tunsberg AS have been sold for CHF 1.-- and the transfer of loans owed to Mikron Holding AG amounting to TNOK 5'300.

Per 30 June 2003 Mikron TecStar L.P. San Antonio, owned to an extent of 50%, was liquidated.

During July 2003 Mikron Faarevejle fell into bankruptcy.

All entities disposed of incurred the following sales and results:

| CHF 1'000 | Net Sales | | EBITA | |
|--|-----------|--------|--------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| New Ingenia SA, CH-Boudry | 0 | 1'640 | 0 | -17 |
| Mikron Norge AS, NO-Tunsberg | 0 | 0 | -3'846 | -2'143 |
| Mikron Tunsberg AS, NO-Tunsberg | 570 | 2'178 | -320 | -10'540 |
| Mikron Faarevejle A/S, DK-Faarevejle | 2'989 | 11'856 | -957 | -661 |
| Mikron TecStar L.P., San Antonio (50%) | 0 | 4'733 | -132 | -720 |

The effects on the balance sheet, income statement as well as cash flows may be summarised as follows:

| CHF 1'000 | 2003 | 2002 |
|---|---------------------|---------|
| Cash | -86 | -333 |
| Receivables and prepaid expenses | -2'854 | -5'830 |
| Inventories, less down payments | -1'024 | -9'605 |
| Tangible assets | -6'579 | -6'715 |
| Intangible assets | 0 | -146 |
| Bank debts | -1'082 | 0 |
| Accounts payable | -981 | -2'216 |
| Current liabilities | -3'369 | -1'967 |
| Long-term liabilities | -320 | 0 |
| Liabilities due to affiliated companies | 0 | -17'817 |
| Minority interest | 0 | -154 |
| Net assets incl. Goodwill | -4'791 | -475 |
| less cash | 86 | 333 |
| Net assets without cash | -4'705 | -142 |
| Purchase price / Sales price - net | 566 | 0 |
| Add back of loss on sale incl. sale costs | 4'225 ¹⁾ | 475 |
| Net assets incl. Goodwill | 4'791 | 475 |
| less cash | -86 | -333 |
| Acquisitions / Disposals without cash acquired/disposed | 4'705 | 142 |

¹⁾ included in the statement of cash flow under «other non-cash items»

4.3 Fair Values of Financial Instruments

| CHF 1'000 | Book value 2003 | Fair value 2003 | Book value 2002 | Fair value 2002 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| Financial assets | | | | |
| Cash and cash equivalents | 67'590 | 67'590 | 34'332 | 34'332 |
| Receivables | 76'517 | 76'517 | 83'736 | 83'736 |
| Financial assets | 480 | 480 | 2'774 | 2'774 |
| Financial liabilities | | | | |
| Financial liabilities | 68'929 | 68'929 | 349'249 | 349'249 |
| Other liabilities | 50'282 | 50'282 | 57'282 | 57'282 |

Fair values**Receivables and payables**

The book values are a reasonable estimate of the market value because of the short maturity of such positions.

Cash, marketable securities, financial assets

The carrying amounts of cash, marketable securities which were disclosed in prior year and the financial assets approximate market value.

Financial debts

Based on the complete refinancing during the reporting period, the bookvalues do represent market values.

In the prior year, the fair value of fixed rate debts was not determinable with adequate reliability as there was no trading.

4.4 Financial Instruments

To secure foreign currency positions and future transactions in foreign currencies as well as to secure the interest risk the Group uses financial instruments (forward exchange contracts, options and swaps). Mikron does not make use of hedge accounting. As per balance sheet date the Group had the following financial instruments:

| CHF 1'000 | Gross placement value | | Contract equivalent | Contract equivalent by due date | | | |
|---|-----------------------|------------|---------------------|---------------------------------|--------------|------------|--------------|
| | positive | negative | | 0-3 months | 3-12 months | 1-5 years | over 5 years |
| Open derivative instruments 2002 | | | | | | | |
| Forward exchange contracts | 576 | 75 | 23'280 | 17'513 | 5'629 | 138 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign exchange | 576 | 75 | 23'280 | 17'513 | 5'629 | 138 | 0 |
| Forward exchange contracts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest-rate swap | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cross Currency Swap | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other derivative instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total derivative instruments | 576 | 75 | 23'280 | 17'513 | 5'629 | 138 | 0 |
| Open derivative instruments 2003 | | | | | | | |
| Forward exchange contracts | 125 | 137 | 11'025 | 8'720 | 2'305 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign exchange | 125 | 137 | 11'025 | 8'720 | 2'305 | 0 | 0 |
| Forward exchange contracts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest-rate swap | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cross Currency Swap | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other derivative instruments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total derivative instruments | 125 | 137 | 11'025 | 8'720 | 2'305 | 0 | 0 |

The main currencies are CHF, USD and EUR. The above mentioned forward exchange contracts are due by 31.5.2004 the latest.

4.5 Assets pledged to secure own debts

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|---|------------|------------|
| Tangible assets - book value of property, plant and equipment | 105'382 | 195'711 |
| Total collateral securities | 90'400 | 93'779 |
| Real estate deposited to secure own debts | 109'639 | 106'923 |
| Other assets pledged to secure own liabilities | 0 | 46'381 |
| Loans used: mortgages | 1'049 | 2'270 |
| used by finance leasing: machinery, equipment | 6'099 | 6'760 |
| used by revolving loans, term loans, private placement | 49'441 | 324'977 |

4.6 Lease commitments

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--|------------|------------|
| The future minimum lease payments under non-cancellable operating leases are as follows: | | |
| not later than 1 year | 6'641 | 7'757 |
| later than 1 year but not later than 5 years | 18'744 | 22'598 |
| later than 5 years | 4'720 | 13'141 |

4.7 Fire insurance value of tangible assets and inventories

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--------------------------------------|------------|------------|
| Buildings | 152'094 | 144'998 |
| Machinery, equipment and inventories | 439'526 | 500'615 |

4.8 Related party transactions

During the 2003 business year, the members of the Board of Directors received only their basic compensation and expenses. These came to TCHF 258 in total.

For their function as interim Co-CEO, Mr Schneider and Mr Affentranger were also paid fees and remuneration totaling TCHF 420 in the 2003 business year.

An amount of TCHF 5'318 was expensed in 2003 for gross compensation and employer's additional voluntary contributions to the pension scheme for the members of Group Management (7.5 persons).

Further information on the remuneration policy is disclosed in the «corporate governance» section.

There have been no other related party transaction during the reporting period.

4.9 Information on own shares

On December 31, 2003 800 registered shares of Mikron Holding AG were held by Mikron Management AG, Biel (prior year 400) and 1'700 registered shares were held by Mikron Holding AG, Biel (prior year 850).

4.10 Financial Restructuring

On 18 June 2003, the Annual General Meeting approved the restructuring measures drawn up by the Board of Directors with representatives of the bank syndicate and the private placement (creditors) and with the group of investors. The restructuring was carried out in stages as follows:

- Share capital reduced by CHF 64'156'629 by reducing the par value of the 1'285'704 registered shares from CHF 50 to CHF -.10 per share;
- Capital increased by issuing 11'571'336 shares to the group of investors at CHF 8.65 per share without subscription rights for present shareholders;
- Offer to present shareholders to subscribe one new share at CHF 8.65 for every existing share; the offer was widely taken up and the remaining shares were subscribed for by the group of investors.
- Options allocated to the creditors, allowing them to purchase 2'570'000 shares at CHF -.10 per share. By 31 December 2003, they had subscribed for 1'978'231 shares.
- Creditors forgave debts of CHF 220.5 million;
- Repayment of TCHF 63'358 in financial debts to lenders;
- Conversion of existing financial debts of TCHF 50'000 into long-term loans.

The change in shareholders' equity reflects these restructuring measures.

4.11 Research and Development

| CHF 1'000 | 2003 | 2002 |
|---------------------------------------|--------------|---------------|
| Development for customers | 1'096 | 1'453 |
| Own development | 7'698 | 9'241 |
| Total research and development | 8'794 | 10'694 |

The division machining technology invested primarily in a new family of machines. In addition, the development of specialised tools has been intensified.

The new basis platform developed last year by the division Assembly Technology has been enhanced for specific projects to broaden the scope of application. Through software improvements additional productivity gains could be achieved.

In the area of the successful products, Axxicon Mould Technology carried out various specialised developments on behalf of its clients.

Investments in the components segment were primarily directed to enhance efficiency of processes for medical products.

5. Information by business and geographical segment

5.1 Information by business segment

| CHF 1'000 | Production Equipment | | Components | | Eliminations | | Corporate | | Total Group | |
|-------------------------|----------------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|-----------------|-----------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Net sales - third party | 276'171 | 273'778 | 157'014 | 140'939 | 0 | 0 | 0 | 0 | 433'185 | 414'717 |
| Net sales - group | 8'917 | 3'049 | 12 | 7 | -8'929 | -3'056 | 0 | 0 | 0 | 0 |
| Total net sales | 285'088 | 276'827 | 157'026 | 140'946 | -8'929 | -3'056 | 0 | 0 | 433'185 | 414'717 |
| EBITDA | 30'447 | 17'224 | 1'733 | 375 | 0 | 0 | -20'486 | -23'855 | 11'694 | -6'256 |
| Depreciation | -17'300 | -19'138 | -9'403 | -12'686 | 0 | 0 | -1'791 | -2'618 | -28'494 | -34'442 |
| Impairment fixed assets | -3'879 | -5'876 | -9'638 | -14'001 | 0 | 0 | 233 | 0 | -13'284 | -19'877 |
| EBITA | 9'268 | -7'790 | -17'308 | -26'312 | 0 | 0 | -22'044 | -26'473 | -30'084 | -60'575 |
| Goodwill amortization | -2'487 | -3'583 | -1'340 | -4'955 | 0 | 0 | 0 | 0 | -3'827 | -8'538 |
| Impairment goodwill | -52'807 | -29'930 | -30'900 | -10'000 | 0 | 0 | 0 | 0 | -83'707 | -39'930 |
| EBIT | -46'026 | -41'303 | -49'548 | -41'267 | 0 | 0 | -22'044 | -26'473 | -117'618 | -109'043 |

Revenues on intersegment sales and intersegment cost charges are determined on the same basis as transactions with third parties.

| CHF 1'000 | Production Equipment | | Components | | Eliminations | | Corporate | | Total Group | |
|---|----------------------|---------|------------|---------|--------------|----------|-----------|--------|----------------|----------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Assets without cash and marketable securities | 286'741 | 341'186 | 117'959 | 222'343 | -72'925 | -63'242 | 36'176 | -5'765 | 367'951 | 494'522 |
| Cash and marketable securities | | | | | | | | | 67'590 | 41'664 |
| Total consolidated assets | | | | | | | | | 435'541 | 536'186 |
| Liabilities without banks, bonds & notes, mortgages and taxes | 223'908 | 151'528 | 117'239 | 85'882 | -197'167 | -115'318 | 9'452 | 27'937 | 153'432 | 150'029 |
| Banks, bonds & notes, mortgages and taxes | | | | | | | | | 73'117 | 378'416 |
| Total consolidated liabilities | | | | | | | | | 226'549 | 528'445 |

| CHF 1'000 | Production Equipment | | Components | | Eliminations | | Corporate | | Total Group | |
|---|----------------------|--------------|---------------|-------------|--------------|----------|------------|---------------|---------------|------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Investments in tangible assets | 7'933 | 7'998 | 12'724 | 10'137 | 0 | 0 | 907 | 1'270 | 21'564 | 19'405 |
| Divestments of tangible assets | -3'016 | -837 | -2'419 | -10'733 | 0 | 0 | -654 | -7'145 | -6'089 | -18'715 |
| Total Investments in tangible assets - net | 4'917 | 7'161 | 10'305 | -596 | 0 | 0 | 253 | -5'875 | 15'475 | 690 |

5.2 Information by geographical segments

| CHF 1'000 | Net sales | |
|-----------------------------|----------------|----------------|
| | 2003 | 2002 |
| Switzerland | 22'370 | 19'048 |
| Europe ¹⁾ | 282'416 | 274'362 |
| North America ²⁾ | 39'894 | 66'659 |
| Far East ³⁾ | 82'225 | 42'380 |
| Others | 6'280 | 12'268 |
| | 433'185 | 414'717 |

| ¹⁾ Net sales | 2003 | 2002 |
|-------------------------|----------------|----------------|
| Germany | 104'482 | 120'250 |
| Great Britain | 36'479 | 33'387 |
| Italy | 27'939 | 21'974 |
| France | 24'089 | 24'313 |
| Denmark | 18'057 | 17'707 |
| Netherlands | 14'363 | 16'388 |
| Other Europe | 57'007 | 40'343 |
| | 282'416 | 274'362 |

²⁾ mostly USA

³⁾ 2002 mostly China, Malaysia, Philippines, Japan, India and 2003 mostly China, Malaysia, Thailand, South Korea, Japan, India

| CHF 1'000 | Total assets | | Investments | | Divestments | | Investments - net | |
|-----------------------------|----------------|----------------|---------------|---------------|---------------|----------------|-------------------|------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Switzerland | 251'887 | 251'396 | 3'864 | 7'352 | -1'043 | -6'709 | 2'821 | 643 |
| Europe ¹⁾ | 120'921 | 188'869 | 8'343 | 8'685 | -4'271 | -9'306 | 4'072 | -621 |
| North America ²⁾ | 20'643 | 33'827 | 2'063 | 1'377 | -207 | -2'470 | 1'856 | -1'093 |
| Far East ³⁾ | 42'090 | 62'094 | 7'294 | 1'992 | -568 | -231 | 6'726 | 1'761 |
| | 435'541 | 536'186 | 21'564 | 19'406 | -6'089 | -18'716 | 15'475 | 690 |

¹⁾ Germany, Italy, France, Great Britain, Netherlands, Norway

²⁾ mostly USA

³⁾ China, Malaysia

| Number of Employees per | 31.12.2003 | 31.12.2002 |
|-----------------------------|--------------|--------------|
| Switzerland | 850 | 964 |
| Europe ¹⁾ | 699 | 822 |
| North America ²⁾ | 140 | 165 |
| Far East ³⁾ | 1'470 | 1'091 |
| | 3'159 | 3'042 |

¹⁾ Germany, Italy, France, Great Britain, Netherlands, Norway

²⁾ mostly USA

³⁾ Japan, Singapore, China, Malaysia

6. Earnings per share

6.1 Weighted average number of shares

| Number | 2003 | 2002 |
|--|------------------|------------------|
| Issued shares at the beginning of the year | 1'285'704 | 1'285'704 |
| Capital increase | 12'857'040 | 0 |
| Exercise of options | 1'978'231 | 0 |
| Issued shares at the end of the year | 16'120'975 | 1'285'704 |
| Adjusted for weighted average | -7'569'905 | 0 |
| Weighted average number of shares - basic | 8'551'070 | 1'285'704 |
| Effect of dilution | 315'610 | 0 |
| Weighted average number of shares - diluted | 8'866'680 | 1'285'704 |

6.2 Computation of gain/loss per share

| CHF 1'000, except for per share information | 2003 | 2002 |
|---|--------------|----------------|
| Net earnings for the year | 93'726 | -141'762 |
| Weighted average number of shares - basic | 8'551'070 | 1'285'704 |
| Earnings per share - basic | 10.96 | -110.26 |
| Weighted average number of shares - diluted | 8'866'680 | 1'285'704 |
| Earnings per share - diluted | 10.57 | -110.26 |

Report of the group auditors

Zurich, March 22, 2004

**To the general meeting of
Mikron Holding AG, Biel**

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes / pages 4 to 35) of Mikron Holding AG for the year ended December 31, 2003.

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 International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Ernst & Young Ltd

Yves Vontobel
Swiss Certified Accountant

(in charge of the audit)

André Gosteli
Swiss Certified Accountant

5 years Financial Summary

| CHF 1'000 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|--------|-------|--------|-------|-----------|
| | | | | | 11 months |
| Performance ratios | | | | | |
| Order intake | 414.0 | 442.6 | 501.2 | 713.5 | 560.5 |
| Net sales | 433.2 | 414.7 | 607.5 | 664.7 | 512.3 |
| Stock of Orders | 123.6 | 144.9 | 152.2 | 244.6 | 246.7 |
| Productivity (added value/personnel expenses) | 1.57 | 1.47 | 1.50 | 1.80 | 1.80 |
| Operating output (incl. trade and service turnover) | 443.9 | 421.3 | 550.1 | 675.6 | 535.8 |
| Research and development | 8.8 | 10.7 | 12.4 | 22.3 | 22.5 |
| Depreciation and impairment | 41.8 | 54.3 | 66.0 | 31.4 | 22.2 |
| Goodwill amortization and impairment | 87.5 | 48.5 | 93.3 | 8.7 | 5.2 |
| Number of employees (headcount at year-end) | 3159 | 3042 | 2770 | 3435 | 3387 |
| Investments - net | 17.9 | -7.5 | 41.1 | 102.7 | 37.1 |
| Acquisitions/Divestments of subsidiaries | 0.6 | 0.0 | -74.2 | -18.6 | 172.0 |
| Earnings | | | | | |
| Earnings before goodwill amortization, interest and taxes (EBITA) | -30.1 | -60.6 | -15.8 | 63.3 | 53.2 |
| EBITA as % net sales | -6.9 | -14.6 | -2.6 | 9.5 | 10.4 |
| Earnings before interest and taxes | -117.6 | 109.0 | -109.1 | 54.6 | 48.0 |
| Earnings before taxes | 94.2 | 139.0 | -128.6 | 41.4 | 34.6 |
| Net result for the year | 93.7 | 141.8 | -127.3 | 34.1 | 28.0 |
| Net result for the year as % of net sales | 21.6 | - | - | 5.1 | 5.5 |
| Cashflow | | | | | |
| Cashflow | 25.1 | 14.9 | -5.0 | 59.8 | 56.2 |
| Cashflow as % of sales | 5.8 | 3.6 | -0.8 | 9.0 | 11.0 |
| Free cashflow | 7.2 | 22.4 | -120.3 | -23.6 | -152.5 |
| Balance sheet | | | | | |
| Total assets | 435.5 | 536.2 | 706.4 | 707.2 | 699.7 |
| Current assets | 227.5 | 210.2 | 270.2 | 281.2 | 321.6 |
| Fixed assets | 208.1 | 326.0 | 436.2 | 426.0 | 378.1 |
| Current liabilities | 136.2 | 483.0 | 155.3 | 158.9 | 174.4 |
| Long-term liabilities | 90.3 | 45.4 | 400.3 | 278.1 | 277.9 |
| Shareholders' equity | 209.0 | 7.7 | 150.7 | 269.9 | 247.1 |
| Shareholders' equity as % of total assets | 48.0 | 1.4 | 21.3 | 38.2 | 35.3 |

Information to Share capital

| Number | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|-------------------|------------------|------------------|------------------|------------------|
| | | | | | 11 months |
| Number of shares¹⁾ (nominal value CHF -.10) | | | | | |
| Registered shares | 16'120'975 | 1'285'704 | 1'285'704 | 1'281'503 | 1'258'563 |
| Total | 16'120'975 | 1'285'704 | 1'285'704 | 1'281'503 | 1'258'563 |
| Shares entitled to dividends | | | | | |
| Registered shares | 16'120'975 | 1'285'704 | 1'285'704 | 1'281'503 | 1'258'563 |
| Total | 16'120'975 | 1'285'704 | 1'285'704 | 1'281'503 | 1'258'563 |
| Shares subject to a condition for¹⁾ (nominal value CHF 0.10) | | | | | |
| Convertible bond | 0 | 0 | 12'580 | 12'580 | 29'210 |
| Management options | 0 | 24'660 | 46'620 | 22'700 | 6'852 |
| Options of the bank syndicate | 591'769 | 0 | 0 | 0 | 0 |
| Total | 591'769 | 24'660 | 59'200 | 35'280 | 36'062 |
| Key figures per share in CHF²⁾ | | | | | |
| Net earnings for the year | 10.96 | -110.26 | -99.18 | 26.83 | 25.01 |
| Cashflow | 2.94 | 11.62 | -3.87 | 47.03 | 50.49 |
| Shareholders' equity | 24.44 | 6.02 | 117.79 | 212.10 | 220.74 |
| Dividends | 0.00 | 0.00 | 0.00 | 5.00 | 5.00 |
| Market price high-low (business year) | | | | | |
| Registered shares | 21.7-4.33 | 159-6 | 645-88 | 1'525-620 | 700-270 |

¹⁾ The par value per share has been reduced to CHF -.10 through a capital reduction in June 2003 (Par value pre reduction: CHF 50)

²⁾ Based on the average number of outstanding shares without diluting effects.

Trading volume (daily average)

In the financial year 2003 the average daily trade volume was 24'229 shares (prior year 4'959 shares).

Opting out/up

The company did not choose to make use of these options.

Financial Statements of Mikron Holding AG 2003 Financial Report

General

The annual financial statements of Mikron Holding AG are dominated by last year's balance sheet restructuring. Following the capital write-down aimed at removing some of the cumulated losses, the capital increase by the group of investors and the public shareholders, and the forgiveness of debt by the syndicate banks and the creditors of the private placement, the balance sheet is now restructured.

Again, the valuation of various equity holdings had to be adjusted to reflect poor operating results and valuation adjustments recognized on tangible and intangible assets.

The cost of the balance sheet restructuring was mostly borne by Mikron Holding AG.

Balance sheet

Cash and cash equivalents

Mikron Holding AG is responsible for liquidity management within the Mikron Group. Where possible, the cash and cash equivalents available within the Group are combined at Mikron Holding AG. Again, cash and cash equivalents rose sharply year on year to reach CHF 49.3 mn at year-end.

Equity holdings

The stake in Mikron Faarevejle A/S (Denmark) had to be written off after the company went bankrupt. The sale of the shares in New Ingenia SA resulted in a small profit. A further TEUR 200 was invested in Mikron Chomutov, the company being set up in the Czech Republic. The review of the equity holdings' valuation resulted in another adjustment of CHF 41.6 mn at year-end.

Loans to subsidiaries

Loans to subsidiaries increased by CHF 104.7 mn year on year. As part of the balance sheet restructuring, Mikron Holding AG took on some of the subsidiaries' debts to third parties in return for granting group loans. In the business year 2003, subsidiaries were again restructured by forgiving debts.

Accrued expenses

Deferred interest and additional costs in connection with credit agreements caused accrued expenses to rise sharply year on year. These liabilities were settled as part of the balance sheet restructuring.

Bank debts

As at December 31, 2003, Mikron Holding AG had no debts. The loans from the syndicate banks remaining after the balance sheet restructuring were granted directly to individual subsidiaries by these banks.

Private placement

The private placement fell by CHF 83.4 mn year on year as a result of debts being forgiven.

Shareholders' equity

On June 18, 2003, the Annual General Meeting approved the restructuring measures drawn up by the Board of Directors with representatives of the bank syndicate and the private placement (creditors) and with the group of investors. The restructuring was carried out in stages as follows:

- Share capital reduced by CHF 64'156'629 by reducing the par value of the 1'285'704 registered shares from CHF 50 to CHF -.10 per share.
- Capital increased by issuing 11'571'336 shares to the group of investors at CHF 8.65 per share excluding subscription rights for existing shareholders.
- Offer to existing shareholders to subscribe for one new share per existing share at CHF 8.65; the offer was widely taken up and the remaining shares were subscribed for by the group of investors.
- Options allocated to the creditors, allowing them to purchase 2'570'000 shares at CHF -.10 per share. By December 31, 2003, they had subscribed for 1'978'231 shares.
- Creditors forgave debts of CHF 220.5 mn.

The change in the shareholders' equity of Mikron Holding AG reflects these restructuring measures.

Income statement

Practically no revenue was posted from equity holdings as the subsidiaries continued to turn in weak operating results. The sale of the stake in New Ingenia SA resulted in a small profit. Financial revenue rose sharply year on year as a result of higher lendings to subsidiaries. Revenue was posted from the restructuring after the banks forgave debts. Financial expenditure fell sharply in the wake of the balance sheet restructuring. The increase in the valuation adjustment for the equity holdings and the cost of restructuring subsidiaries are included in the 'Restructuring of subsidiaries' item. The costs incurred in connection with the balance sheet restructuring were charged to 'Other expenses'.

Balance Sheet

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|---|----------------|----------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 49'325 | 21'021 |
| Bank escrow account | 0 | 2'055 |
| Marketable securities | 108 | 101 |
| Receivables | 4 | 0 |
| Intercompany receivables | 2'093 | 3'371 |
| Other receivables | 42 | 53 |
| Short-term loans | 3'101 | 1'000 |
| Short-term loans to affiliated companies | 9'414 | 17'182 |
| Prepaid expenses | 86 | 308 |
| TOTAL CURRENT ASSETS | 64'173 | 45'091 |
| FIXED ASSETS | | |
| Financial assets | | |
| • Investments | 37'716 | 79'329 |
| • Loans to affiliated companies | 191'880 | 87'141 |
| • Loans to third parties | 7'647 | 12'203 |
| | 237'243 | 178'673 |
| TOTAL FIXED ASSETS | 237'243 | 178'673 |
| TOTAL ASSETS | 301'416 | 223'764 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Accounts payable | 92 | 423 |
| Intercompany payables | 848 | 2'750 |
| Bank debts | 0 | 56'620 |
| Notes (Private placement) | 0 | 99'495 |
| Other liabilities | 1'831 | 66 |
| Short-term loans from affiliated companies | 36'796 | 22'210 |
| Accrued expenses | 2'150 | 15'591 |
| Total short-term liabilities | 41'717 | 197'155 |
| Notes (Private placement) | 16'065 | 0 |
| Loan from affiliated companies | 28'081 | 24'647 |
| Provisions | 5'000 | 5'000 |
| Total long-term liabilities | 49'146 | 29'647 |
| TOTAL LIABILITIES | 90'863 | 226'802 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 1'612 | 64'285 |
| Legal reserve | 108'670 | 63'366 |
| Reserve for own shares | 152 | 141 |
| Retained earnings/deficit | 100'119 | -130'830 |
| TOTAL SHAREHOLDERS' EQUITY | 210'553 | -3'038 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 301'416 | 223'764 |

Income Statement

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--------------------------------|----------------|-----------------|
| Revenue | | |
| Dividend income | 7 | 1'107 |
| Gain on sale of investments | 466 | 1'346 |
| Financial income | 17'339 | 5'547 |
| Restructuring income | 220'529 | 0 |
| Services and other income | 6'286 | 4'483 |
| Total revenue | 244'627 | 12'483 |
| Expenses | | |
| Personnel expenses | 1'935 | 1'276 |
| Financial expenses | 8'435 | 21'661 |
| Restructuring of subsidiaries | 114'971 | 105'700 |
| Loss on sale of investments | 0 | 475 |
| Other expenses | 15'811 | 14'255 |
| Taxes | 38 | -54 |
| Total expenses | 141'190 | 143'313 |
| NET RESULT FOR THE YEAR | 103'437 | -130'830 |

Notes to Financial Statements

1. Guarantees and assets pledged in favor of third parties

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|--|----------------|----------------|
| Guarantees and assets pledged in favor of third parties | 75'273 | 204'379 |
| Guarantees and assets pledged in favor of group companies | 26'277 | 42'023 |
| Assets pledged | 0 | 2'055 |
| Total guarantees and assets pledged in favor of third parties | 101'550 | 248'457 |

2. Assets pledged to secure own debts / liabilities of subsidiaries

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|----------------|------------|------------|
| Current assets | 0 | 2'055 |
| Fixed assets | 0 | 147'351 |

3. Liabilities to pension fund

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|-----------------------------|------------|------------|
| Liabilities to pension fund | 227 | 0 |

4. Notes

Private placement 1999-2006 amounting to USD 10.8 million with an interest rate of 5.75% (prior year USD 67 million with an interest rate of 9.42%)

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|-------------------|------------|------------|
| Private placement | 16'065 | 99'495 |

5. Share capital

5.1 Capital I subject to a condition

Capital increase subject to a condition of initial nominal value of CHF 12'079.90 as per approval of the Annual General Meeting of June 18, 2003 by the issue of 120'799 registered shares at a nominal value of CHF -.10.

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|----------------------------------|------------|------------|
| Capital I subject to a condition | 12 | 25 |

5.2 Capital II subject to a condition

Capital increase subject to a condition of initial nominal value of CHF 50'000 as per approval of the Annual General Meeting of June 18, 2003 by the issue of 500'000 registered shares at a nominal value of CHF -.10.

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|-----------------------------------|------------|------------|
| Capital II subject to a condition | 50 | 6'039 |

5.3 Capital III subject to a condition

Capital increase subject to a condition of initial nominal value of CHF 257'000 as per approval of the Annual General Meeting of June 18, 2003 by the issue of 2'570'000 registered shares at a nominal value of CHF 0.10, without subscription rights for present shareholders. Based on the exercise of options, the capital subject to this condition was reduced to a nominal value of CHF 59'176.90 (591'769 shares).

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|------------------------------------|------------|------------|
| Capital III subject to a condition | 59 | 5'000 |

6. Major investments

see pages 48 and 49.

7. Information on own shares

On December 31, 2003 800 registered shares of Mikron Holding AG were held by Mikron Management AG, Biel (prior year 400) and 1'700 registered shares were held by Mikron Holding AG, Biel (prior year 850).

8. Accounting principles

The financial statements of Mikron Holding AG have been prepared in accordance with accounting principles stipulated by Swiss law. Balance sheet items are reported at the exchange rates on the balance sheet date, taking the imparity principle and the lower of cost or market principle into consideration. The translation of transactions in foreign currency is effected at the current exchange rate.

9. Investments

Investments are held as cost less any required allowance. These values may also contain capitalised goodwill in subsidiaries resulting from acquisitions.

10. Statement of shareholders' equity

| CHF 1'000 | Share capital | Legal reserve | Reserve for own shares | Retained earnings/ losses | Total shareholders' equity |
|--------------------------------------|---------------|----------------|------------------------|---------------------------|----------------------------|
| Balance at 31.12.2001 | 64'285 | 99'568 | 141 | -36'202 | 127'792 |
| Net result 2002 | | | | -130'830 | -130'830 |
| Reversal of legal reserve | | -36'202 | | 36'202 | 0 |
| Balance at 31.12.2002 | 64'285 | 63'366 | 141 | -130'830 | -3'038 |
| Net result 2003 | | | | 103'437 | 103'437 |
| Reversal of legal reserve | | -63'366 | | 63'366 | 0 |
| Increase reserve for own shares | | | 11 | -11 | 0 |
| Capital reduction | -64'157 | | | 64'157 | 0 |
| Capital increase - Tranche A | 1'157 | 98'935 | | | 100'092 |
| Capital increase - Tranche B | 129 | 10'993 | | | 11'122 |
| Capital increase - Exercised options | 198 | | | | 198 |
| Cost of capital increase | | -1'258 | | | -1'258 |
| Balance at 31.12.2003 | 1'612 | 108'670 | 152 | 100'119 | 210'553 |

11. Shareholder structure at December 31, 2003

From a total of 7'359 shareholders, 7'299 shareholders with 13'823'394 shares are entitled to vote. 60 shareholders with 303'557 shares and as well 1'994'024 shares of the trading stock are not entitled to vote.

| | | | Number of shareholders | Number of shares | % |
|---------------|-----------|---------|------------------------|-------------------|---------------|
| Shareholders | > 806'048 | > 5% | 1 | 11'742'941 | 72.8% |
| Shareholders | ≤ 806'048 | > 5'000 | 16 | 435'537 | 2.7% |
| Shareholders | ≤ 5'000 | > 1'000 | 339 | 802'245 | 5.0% |
| Shareholders | ≤ 1'000 | > 500 | 562 | 449'335 | 2.8% |
| Shareholders | ≤ 500 | > 100 | 1'976 | 538'892 | 3.3% |
| Shareholders | ≤ 100 | > 50 | 1'029 | 85'091 | 0.5% |
| Shareholders | ≤ 50 | > 20 | 1'257 | 46'745 | 0.3% |
| Shareholders | < 20 | | 2'179 | 26'165 | 0.2% |
| Trading stock | | | | 1'994'024 | 12.4% |
| Total | | | 7'359 | 16'120'975 | 100.0% |

Appropriation of Retained-Earnings at 31.12.2003 (Proposal of the Board of Directors)

| CHF 1'000 | 31.12.2003 | 31.12.2002 |
|---|----------------|-----------------|
| Retained-earnings deficit carried forward | -67'464 | 0 |
| Decrease of nominal value of share capital | 64'157 | 0 |
| Reversal of reserve for own shares | -11 | 0 |
| Net result for the year | 103'437 | -130'830 |
| Retained-earnings (deficit) | 100'119 | -130'830 |
| Appropriation of retained-earnings (deficit) | | |
| Reversal of legal reserves | 0 | -63'366 |
| Carry forward to new account | 100'119 | -67'464 |
| | 100'119 | -130'830 |

Report of the statutory auditors

Zurich, March 22, 2004

To the general meeting of Mikron Holding AG, Biel

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 41 to 46) of Mikron Holding AG for the year ended December 31, 2003.

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 comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd

Yves Vontobel
Swiss Certified Accountant

(in charge of the audit)

André Gosteli
Swiss Certified Accountant

Group Companies/Investments Mikron Holding AG

| local currency 1'000 | Activity | Currency | Share capital | Net sales ¹⁾ | Share-holding direct | Share-holding indirect | Division |
|---|----------|----------|---------------|-------------------------|----------------------|------------------------|--------------------------|
| Switzerland | | | | | | | |
| • Mikron AG Biel, Nidau | 1,2,3,4 | CHF | 4'000 | 9'003 | 100% | | Plastics Technology |
| • Mikron AG Derendingen, Derendingen | 1,2,3,4 | CHF | 400 | 18'089 | 100% | | Plastics Technology |
| • Mikron Holding AG, Biel | 4 | CHF | 1'612 | 0 | | | |
| • Mikron Management AG, Biel | 4 | CHF | 25'000 | 0 | 100% | | |
| • Mikron SA Agno, Agno | 1,2,3,4 | CHF | 13'500 | 44'585 | 100% | | Machining Technology |
| • Mikron SA Boudry, Boudry | 1,2,3,4 | CHF | 2'000 | 74'549 | 100% | | Assembly Technology |
| • Mikron Tool SA Agno, Agno | 1,2,3,4 | CHF | 300 | 12'758 | 100% | | Machining Technology |
| • BaldaMikron AG, Biel | 4 | CHF | 6'000 | 0 | | 50% | BaldaMikron (JV) |
| Czech Republic | | | | | | | |
| • Mikron Chomutov, s.r.o., Most | 1,2,3,4 | CZK | 6'300 | 0 | 100% | | Plastics Technology |
| France | | | | | | | |
| • Axxicon Moulds Caen SA, Hérouville-St-Clair | 1,2,3,4 | EUR | 1'081 | 13'221 | | 100% | Axxicon Mould Technology |
| Germany | | | | | | | |
| • Mikron GmbH Rottweil, Rottweil | 1,2,3 | EUR | 383 | 8'927 | 100% | | Machining Technology |
| Great Britain | | | | | | | |
| • Axxicon Moulds Cleveleys Ltd., Lancashire | 1,2,3 | GBP | 100 | 4'256 | | 100% | Axxicon Mould Technology |
| • Mikron (U.K.) Ltd., Huddersfield | 1,2,3 | GBP | 2'970 | 9'739 | | 100% | Plastics Technology |
| Italy | | | | | | | |
| • Mikron S.p.A. Zingonia, Zingonia | 1,2,3,4 | EUR | 1'190 | 16'177 | 100% | | Plastics Technology |
| Japan | | | | | | | |
| • Mikron Ltd. Tokyo, Yokohama City | 1 | JPY | 15'000 | 527'122 | 100% | | Machining Technology |
| Malaysia | | | | | | | |
| • TFP Precision Industries SDN.BHD, Ipoh | 1,2,3,4 | MYR | 18'000 | 147'420 | | 25% | BaldaMikron (JV) |

| local currency 1'000 | Activity | Currency | Share capital | Net sales ¹⁾ | Share-holding direct | Share-holding indirect | Division |
|---|----------|----------|---------------|-------------------------|----------------------|------------------------|--------------------------|
| Netherlands | | | | | | | |
| • Axxicon Mould Technology B.V., Helmond | 4 | EUR | 2'478 | 0 | | 100% | Axxicon Mould Technology |
| • Axxicon Moulds Eindhoven B.V., Son | 1,2,3,4 | EUR | 20 | 36'794 | | 100% | Axxicon Mould Technology |
| • Axxicon Moulds Helmond B.V., Helmond | 1,2,3,4 | EUR | 50 | 7'939 | | 100% | Axxicon Mould Technology |
| • Mikron Vianen B.V., Vianen | 1,2,3,4 | EUR | 33 | 14'039 | | 100% | Plastics Technology |
| • F.T. Engineering B.V., Nuenen | 2 | EUR | 20 | 2'045 | | 100% | Axxicon Mould Technology |
| Norway | | | | | | | |
| • BaldaMikron Norge AS, Tunsberg | 1,2,3 | NOK | 100 | 12'150 | | 50% | BaldaMikron (JV) |
| P.R. China | | | | | | | |
| • Balda-Mikron Suzhou Ltd., Suzhou | 1,2,3 | RMB | 106'200 | 378'513 | | 50% | BaldaMikron (JV) |
| • Axxicon Moulds Hong Kong Ltd., Hong Kong | 1 | HKD | 4'444 | 0 | | 100% | Axxicon Mould Technology |
| • Mikron Suzhou Ltd, Suzhou | 1,2,3,4 | RMB | 16'247 | 11'083 | | 100% | Plastics Technology |
| Singapore | | | | | | | |
| • International Mikron Machining Technology PTE Ltd., Singapore | 4 | SGD | 0 | 0 | 100% | | Plastics Technology |
| • Mikron Investments PTE Ltd, Singapore | 4 | SGD | 4'600 | 0 | | 50% | BaldaMikron (JV) |
| USA | | | | | | | |
| • Axxicon Molds Los Angeles, Aliso Viejo | 1 | USD | 0 | 0 | | 100% | Axxicon Mould Technology |
| • Mikron Corp. Denver, Aurora | 1,2,3,4 | USD | 10 | 10'916 | | 100% | Assembly Technology |
| • Mikron Corp. Monroe, Monroe | 1,4 | USD | 1 | 5'109 | | 100% | Machining Technology |
| • Mikron Corp. Rochester, West Henrietta | 1,2,3,4 | USD | 1 | 9'848 | | 100% | Plastics Technology |
| • Mikron North America Corp., Monroe | 4 | USD | 3'500 | 0 | 100% | | |

¹⁾ Net sales to third parties 2003.

Only active companies are listed.

Activities

- 1 = Sales
- 2 = Research and Development
- 3 = Production
- 4 = Services

Impressum

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