

Annual Report 2004

Engineering Intelligence
for Customer Productivity



 **MIKRON**[®]
Technology Group

In the 2004 business year the Mikron Group saw a 17% rise in new orders to CHF 340 million for the continued activities. Sales were up 9% year-on-year to CHF 332 million. Operating profit (EBIT) remained in negative territory at CHF -12.3 million, but improved significantly year-on-year (57%). Following the sale of two business segments in the first half, the Mikron Group closed the 2004 business year with an annual result which broke even: CHF 0.5 million.

The refinancing carried out in the second half of the year has made Mikron debt-free. The equity ratio stands at 62%.

A small volume growth is expected in 2005, which should lead to an operating result above the break-even point.

The Mikron Group Three specialized divisions, structured in two business segments to serve customer needs.

Production Equipment business segment



Solutions and systems for machining metal parts
Special tools and small drills for metal-machining



Solutions and systems for component assembly

Components business segment



Development and production of plastic parts and assemblies

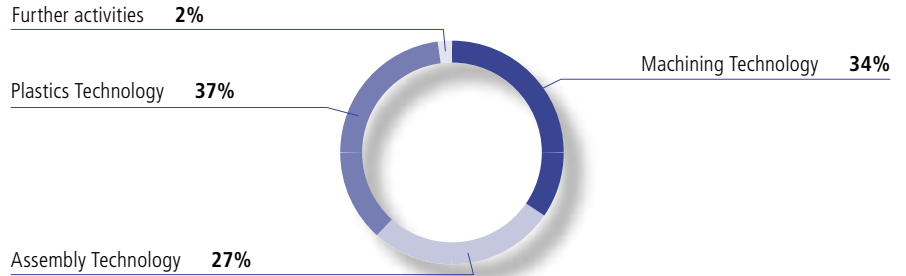
Further activities

Seropa Technology: Tool- and mould-making for the production of plastic parts

Cover photo: Rotor of a gas valve manufactured on a machining system from Mikron Machining Technology using special tools from Mikron Tool SA Agno. Mikron is the only manufacturer of transfer machines capable of supplying its customers with dedicated cutting tools.

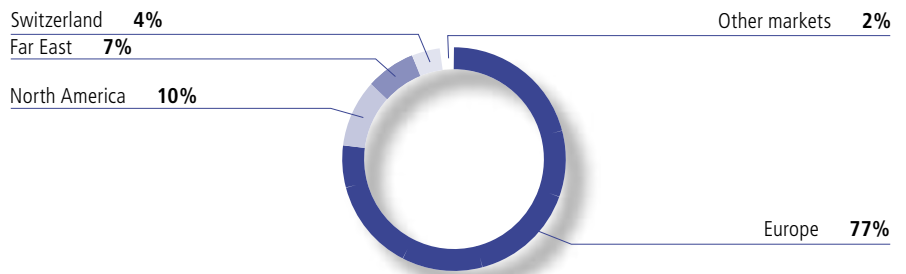
Sales by division

Total CHF 332 million



Sales by geographical market

Total CHF 332 million



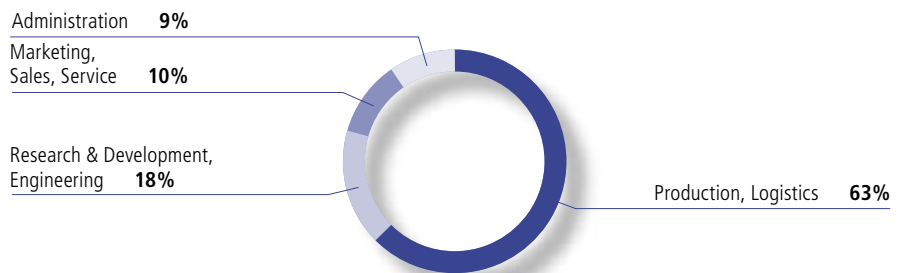
Sales by market segment

Total CHF 332 million



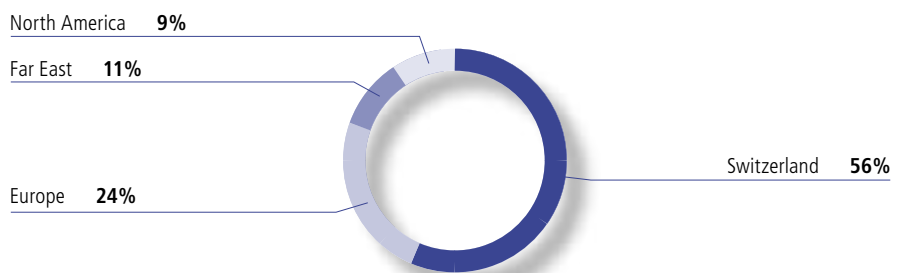
Employees by activity

Total 1698



Employees by country

Total 1698



Key Figures 2004

in CHF million	2004		2003		+/-	
Key performance data						
Orders	339.8		290.9		48.9	16.8%
Net sales	332.0		304.7		27.3	9.0%
Stock of orders	115.7		100.6		15.1	15.0%
Operating output	332.9		315.8		17.1	5.4%
Research and development	8.3		8.8		-0.5	-5.7%
Number of employees (end of year)	1698		1530		168	11.0%
Productivity (added value/personnel expenses)	1.44		1.41			
Earnings						
Earnings before interest and taxes (EBIT), as % of net sales	-12.3	-3.7%	-28.8	-9.5%	16.5	57.3%
Net earnings for the year continued activities, as % of net sales	-16.0	-4.8%	-23.0	-7.6%	7.0	30.4%
Net earnings for the year discontinued activities, as % of net sales	16.6	5.0%	116.8	38.3%	-100.2	n.a.
Net earnings for the year, as % of net sales	0.5	0.2%	93.7	30.8%	-93.2	99.5%
Cash flow						
Cash flow from operating activities						
(incl. movement in net working capital), as % of net sales	-7.8	-2.3%	26.3	8.6%	-34.1	n.a.
Investments in fixed assets	12.6		16.4		-3.8	-23.2%
Gain on sale of group subsidiaries (without cash)	57.1		0.0		57.1	n.a.
Free cash flow	36.6		9.9		26.7	269.7%
Balance sheet						
Balance sheet total	340.3		435.5		-95.2	-21.9%
Current assets	182.4		227.5		-45.1	-19.8%
Fixed assets	157.9		208.1		-50.2	-24.1%
Current liabilities	108.0		136.2		-28.2	-20.7%
Long-term liabilities	23.0		90.3		-67.3	-74.5%
Shareholders' equity, as % of balance sheet total	209.3	61.5%	209.0	48.0%	0.3	0.1%

Accounting standard IFRS 5

All figures refer to the continued activities: the Machining Technology, Assembly Technology and Plastics Technology divisions.

In order to ensure comparability of the figures despite the major portfolio changes that took place in the year under review, the Mikron Group is reporting in accordance with the new accounting standard IFRS 5 (binding only as of the business year starting on January 1, 2005) for fiscal 2004.

Agno, 04:51 – Working to an accuracy of a micrometer (1/1000 mm). Production of a customized reaming tool for machining a turbocharger ring.



Table of Contents

Structure	Front cover
Key Figures	Front cover
Report of the Board of Directors	3
Group operations	5
Markets	8
Mission	9
Research and Development	10
Production Equipment business segment	14
Machining Technology division	15
Assembly Technology division	19
Components business segment	22
Plastics Technology division	23
Further activities	26
Discontinued businesses	27
Corporate Governance	29
Corporate Structure	Back cover
Mikron Companies	Back cover
Financial Report 2004	Annex

Report of the Board of Directors



**Johann Niklaus Schneider-Ammann,
Chairman of the Board of Directors.**

“Mikron is taking shape as a
technology group”

Dear shareholders The Mikron Group underwent significant change in 2004. The first full year following the far-reaching balance sheet restructuring lies behind it. The progress achieved was only possible thanks to the enduring confidence shown in the company by all concerned. We would like to take this opportunity to extend our heartfelt thanks to our shareholders, employees, partner companies, creditors and new investors.

Mikron started 2004 with its long-established focus and business mix still in place. It was clear that several key issues needed to be addressed very quickly. Therefore, at the beginning of the year under review, the Board of Directors set itself two major, fundamental objectives: firstly, to focus the portfolio of activities; and secondly, to refinance the Group.

The Board of Directors dealt with its first task, the matter of the new strategic focus, back at the end of 2003. The first steps were announced at the beginning of the year under review, and the portfolio was accordingly restructured in two stages. First, various options were considered with regard to the future of the BaldaMikron joint venture. In the end the preferred option was the sale of the unit to the joint venture partner Balda. Then, the Group took leave of its mould-making business, Axxicon Mould Technology. With its revamped portfolio, the Group raised its profile considerably in the second half of the year. The core capital goods businesses gained the greater importance desired for them.

In the fall, the refocusing process embarked upon was accompanied by a new financing arrangement, a further milestone. The creditor structure that had taken shape in the past, consisting of a consortium of banks and a group of institutional investors from the US, was dissolved. All outstanding loans were repaid, and a new loan agreement was concluded with Credit Suisse. By taking this step, Mikron rid itself of its debts. We would like to take this opportunity to thank the consortium of banks and the institutional investors for their support over the years, which was not easy for all involved. Credit Suisse, with whom a new and appropriate loan agreement has been concluded in the best of partnerships, also deserves our heartfelt thanks.

With these two measures, the Mikron Group made progress with its long-term recovery and reconstruction process. Further steps are needed to take it closer to achieving its goal of becoming a reinvigorated company dedicated to healthy growth.

Of greatest importance in 2004 was the market success of the slimmer Mikron Group. After all, this is the key indicator of whether the company is meeting its customers' exacting requirements. Its excellent market position in the two capital goods businesses, where orders reached unexpectedly high levels, was clearly confirmed. The Board of Directors will maintain efforts to focus consistently on the customer.

Also of importance is the fact that Mikron has taken steps to nurture the values that make up the company. Although customers know about the importance of technical expertise, the Group needed to catch up on issues that had had to take second place during the difficult times.

It added to its workforce employees with specific skill sets, enabling the Group to push on with groundbreaking work on the company's future products and services.

The result achieved confirms that the breakdown of the business activities by segment is indeed the right one. The figures posted for the Production Equipment segment indicate a significant improvement in the situation. This trend is very important given the significance of this segment within the Mikron Group's field of activity. The result did not reward the major efforts undertaken in the Components segment. Nevertheless, these efforts have paved the way for the future recovery of this business.

Despite the negative operating result for the ongoing activities, significant progress was achieved in the year under review. However, our business performance in 2004 also reflects the reconstruction work that lies ahead of us. We need to continue and extend our success in the markets while at the same time pushing on with the necessary internal changes. "Engineering Intelligence for Customer Productivity" is the key idea underlying customer and shareholder expectations. Just as the customer expects to receive added value from his business relationship with Mikron, the shareholder demands to be rewarded with the success of his investment over the long term. The prerequisite is the Mikron Group's uncompromising market focus. Our dedicated workforce has tackled these challenges with all their strength, which makes us confident going forward.

On behalf of the Board of Directors, the Chairman



Johann N. Schneider-Ammann

Group operations



Eduard Rikli, CEO of the Mikron Group.

“Our customer’s confidence is both a confirmation and an incentive”

Year under review In the 2004 business year the markets were considerably more buoyant than the previous year, particularly for capital goods. After a rather restrained first quarter, pent-up demand for capital investment on the part of Mikron’s customers led to a big rise in orders. From then on, plant utilization picked up and remained high to the end of year. The increase in business activity was also evidence of customer confidence in Mikron. Targeted investment meant that gaps that had opened up in operational activities could largely be closed. Development activities were also carried forward purposefully.

In the first half of the year, in line with the direction defined by the Board of Directors, the sale of the stakes in the Balda Mikron joint venture to the partner Balda was carried out. Secondly, there was a management buyout at the Axxicon Mould Technology division’s mould-making business, with the assistance of external financial partners. This sale did not include the company Seropa Technology, which was retained by the Mikron Group and now appears under Production Equipment for reporting purposes. There were a few other small changes to the corporate structure of the portfolio as it then stood. Streamlining its area of operations in this way has helped to define the company’s future business orientation more clearly. During the year under review the program of restructuring at group level reached its conclusion with the refinancing.

In the aftermath of these changes the significant progress achieved in the Production Equipment segment was particularly welcome, since this segment now forms the core operational activity.

Results The Mikron Group closed out the fiscal year with an annual result which was just in profit territory at CHF 0.5 million (compared to CHF 93.7 million in the previous year, when the balance-sheet restructuring had a major impact). After allowing for revenues of CHF 16.6 million (previous year: CHF 116.8 million) from phased-out activities, ongoing business activities performed as follows:

Earnings before interest and tax (EBIT) came to CHF -12.3 million, an improvement on the previous year’s CHF -28.8 million. Of particular note is the contribution made by the Production Equipment segment, which achieved a significant increase in EBIT to CHF 5.2 million (previous year: CHF -1.7 million). There was marked progress in the Machining Technology division as the major efforts put into the ongoing change process began to pay off. The Assembly Technology division made a solid contribution to operating results thanks to high capacity utilization. Seropa Technology posted a substantial loss because of the restructuring program. In the Components segment, the Plastics Technology division introduced a comprehensive program to improve production processes and structural alignment, while also paving the way for commercial production for a major medical technology project. These improvements entailed considerable expenditure. Earnings were strongly negative at CHF -14.8 million (previous year: CHF -23.0 million including a reduction in value for assets and goodwill).

Orders The following refers only to volume figures for ongoing activities.

New orders for the Mikron Group came to CHF 339.8 million, up 16.8% on the previous year. The Production Equipment segment benefited from rising demand in the target markets.

New orders in the Machining Technology division fulfilled expectations in the first quarter and started to climb strongly in the second quarter. Demand then weakened, returning to the predicted level in the last quarter. Overall, order volumes were significantly higher than those recorded in the previous year, exceeding expectations. This laid the groundwork for good net sales in this division, as well as ensuring healthy workflows for 2005.

The Assembly Technology division saw similar growth in demand, with a slight time lag. The year began according to plan and then saw order volumes rise at the end of the second quarter and during the summer months. Here, too, demand flattened out in the fall, and orders were low in the last quarter. Longer average running times for projects also resulted in good workflows for the division at the beginning of 2005.

In the Components segment, order volumes for the Plastics Technology division rose to a good level over the year as a whole. On the other hand, though, orders for engineering services remained well below expectations. First orders in connection with the major medical technology project arrived in fits and starts during the second half of the year.

Net sales Net sales for the Production Equipment segment were up in comparison with the previous year. The Components segment also saw a rise in net sales, but the figures are if anything too positive, since some projects contributed to sales without generating added value.

Overall, the Group's net sales revenues for ongoing activities came to CHF 332 million, up 9% on the previous year.

Cash flow Cash flow from operations fell from CHF 26.3 million in the previous year to CHF -7.8 million. These resources were mainly needed to provide additional working capital to fund an increase in business activity.

Proceeds from the sale of companies belonging to the Group were used to pay off financial liabilities and loans in full.

Productivity and staffing Ongoing activities saw a slight rise in productivity. This was mainly due to efficient use of capacity in the Production Equipment segment. The Components segment still has potential for improved capacity utilization.

Staffing rose by 11% year-on-year. The headcount in the Production Equipment segment went up by 9% to 969 employees. In the Machining Technology and Assembly Technology divisions this increase mirrored the growth in orders. The company Seropa Technology cut its workforce by 30% to adjust to smaller volumes. In the Components segment the number of employees rose by 15% to 704. This adjustment was carried out partly in order to ensure quality of delivery while transitional procedures were in place. In total the Mikron Group employed 1'698 staff at the end of the year.

Balance sheet Following the sale of the BaldaMikron joint venture and the Axxicon Mould Technology division, the balance sheet total fell by CHF 95.3 million year-on-year, to CHF 340.3 million. This fall is attributed in more or less equal proportions to a reduction in both current and fixed assets, as a result of the streamlining of the Group's business activities. With regard to ongoing business activities, capital investment was carried out at a level somewhat below that of depreciation. The backlog was made up through targeted investment.

The Mikron Group was able to pay off all its debts using revenue from the sale of the two business units divested. This revenue was utilized for the early repayment of liabilities to the consortium of banks and to institutional investors who had participated in the private placement, and to repay the two Industrial Revenue Bonds. Long-term liabilities totaling CHF 60 million were thus eliminated.

Equity capital remained almost unchanged and the equity ratio rose to a solid 62%.

Outlook for 2005 The Mikron Group is carrying over an order backlog of CHF 115.7 million from 2004, which represents a year-on-year increase of 15%. The year 2005 is thus starting on a positive note. The general market conditions for 2005 should remain favorable, leading to moderate volume growth. The ongoing business activities are expected to achieve positive operating results.

Markets

The Mikron Group's activities are organized primarily in line with the solutions that Mikron develops for industrial production and only secondarily in response to specific market segments. From this point of view, success in a particular market segment reflects first and foremost the acceptance of a solution by a specific industry.

The customers of Mikron are often suppliers to an industry and thus cover a part of the production chain. Their technical innovation is, for the most part, also limited to parts of a market. As a rule, therefore, the Mikron Group's products and solutions chalk up success in the niches of a main market.

So what counts for Mikron is the trend in a particular niche rather than the developments on the main market. The automotive industry illustrates this graphically. The main automotive market is flat in Europe, but demand for gasoline and diesel engine injection systems is buoyant – a niche with potential for the coming years and an area in which the products and solutions from Mikron are well positioned.

Sales by market segment

Automotive

- ▶ Fuel delivery systems
 - Injection pumps/parts
 - Nozzle
- ▶ Engine components
 - Pulleys
- ▶ Security systems
 - Airbag gas generator
 - Brake control
- ▶ Comfort systems
 - Door lock systems
 - Climate control
 - Window / Roof lift
 - Lights
 - Seat adjustments

Medical/Personal Care

- ▶ Self medication devices
 - Inhalers
 - Pen injectors
- ▶ Self diagnostic devices
 - Pregnancy testers

Office Equipment

- ▶ Ballpoints
- ▶ Gears
- ▶ Fingers
- ▶ Toner cartridge parts

Others

- ▶ Circuit breakers
- ▶ Switches
- ▶ Connectors
- ▶ Power tools
- ▶ Smart Card



Mission

Engineering Intelligence for Customer Productivity The Mikron Group sees itself as a global partner to its customers, with the expertise to produce customer-specific solutions that satisfy high productivity requirements.

The Mikron Group's expertise has developed over the course of its almost 100-year history. Today, the Mikron Group stands for the following competencies:

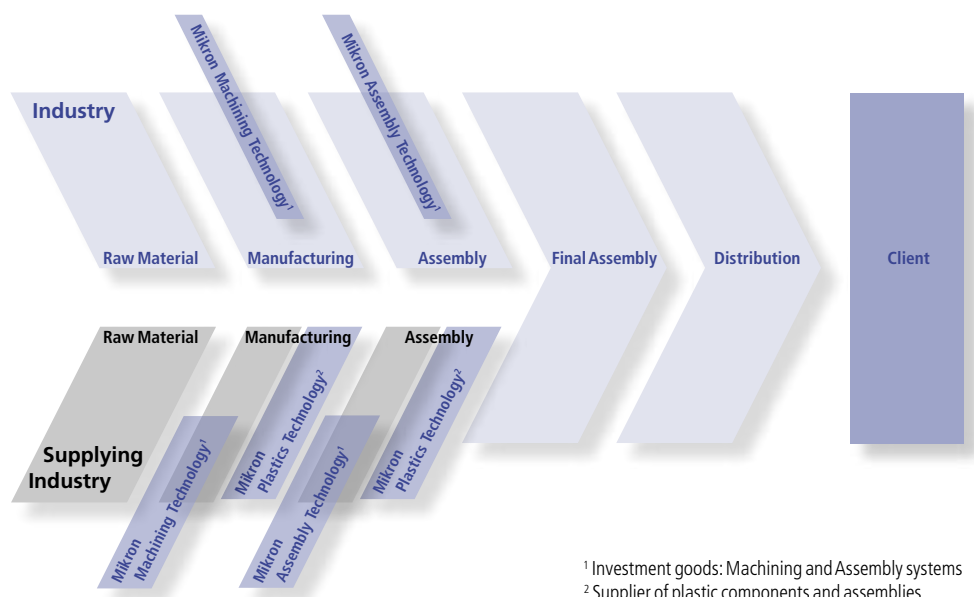
Superior precision Mikron sets itself apart from the competition by satisfying customers' highest precision requirements cost-effectively.

Superior quality The Mikron name has grown in tandem with customers' quality requirements. Be it products or customer processes, Mikron is known for total quality.

High-volume production The Mikron Group's expertise is tailored to customers and markets that manufacture in very high volume. The typical number of units produced per annum is at least several hundred thousand and usually several million.

Focus on capital goods Mikron is well-known for focusing on the customer's application and providing a solution tailored to the customer's requirements.

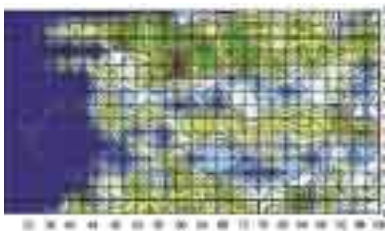
In providing solutions, the Mikron Group operates either in the market for capital goods or as a supplier of components and subassemblies. The diagram below shows the roles Mikron can play as part of the industrial production chain.



Research and Development

The Mikron Group's research and development activities focus on two areas: machine tools including tools and assembly systems (Production Equipment segment).

In the year under review, efforts were channeled into strengthening selected existing product lines and developing a small number of new products. In both areas, the main influencing factors – unit costs or productivity and flexibility for manufacturing customers – were optimized, as the four examples below illustrate.



Polyfeed Set up for new components in record time Using a numerical simulation, the Polyfeed feeding system is set up for customer-specific components. This efficient set-up optimizes motion parameters for separating and positioning components and eliminates the need for time-consuming experimentation.



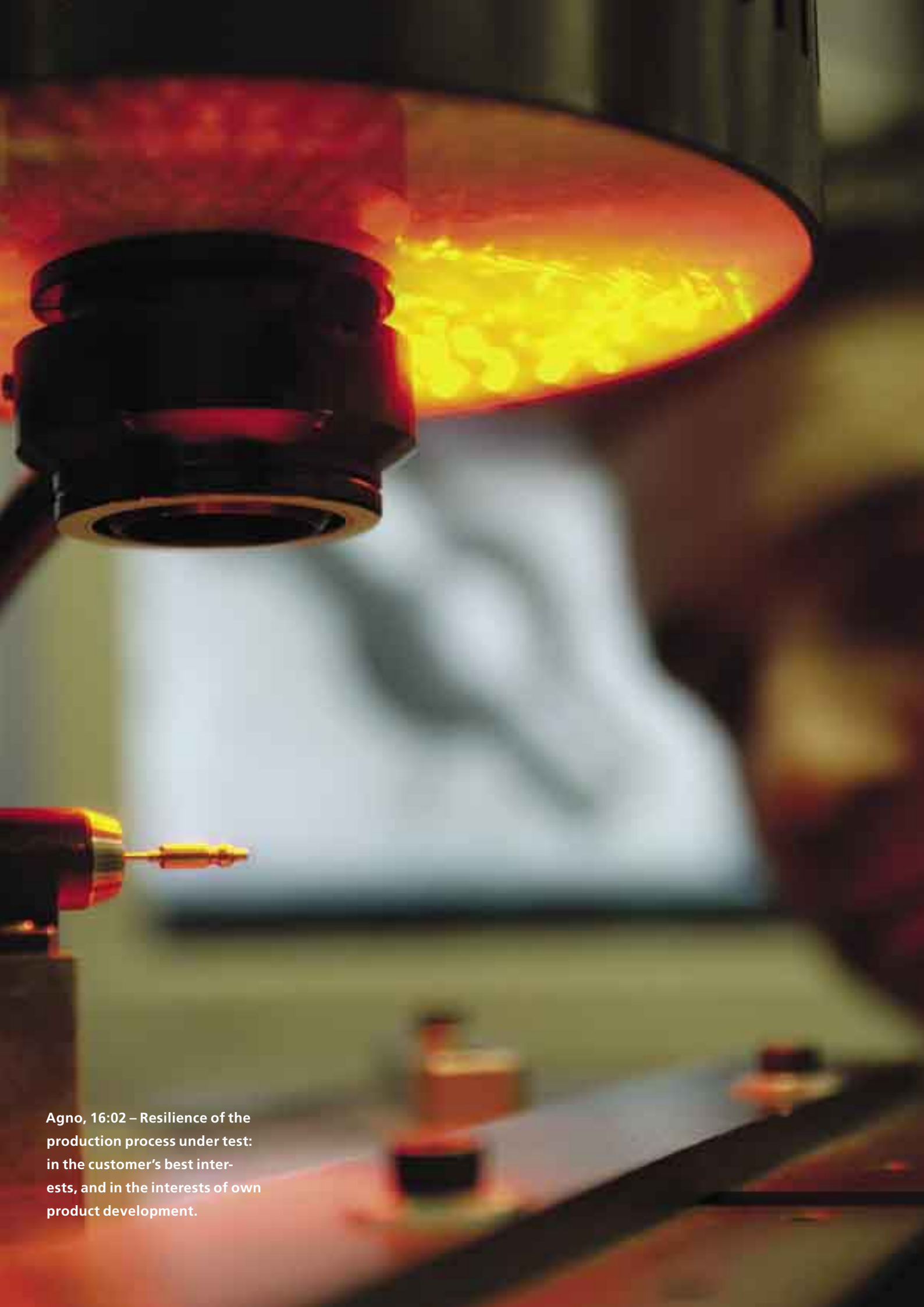
Polyfeed Standalone Flexible feeding system with a high feed rate As part of the targeted efforts to expand the product range, the Polyfeed feeding system was developed into a standalone solution. As well as offering twice the feed rate, Polyfeed Standalone is suitable for use with a much wider range of component sizes. By further developing its original solution, the Assembly Technology division has met market demand for flexibility and extended the G05 assembly platform to include a very reliable, high-performance feeding system.



Crazy Drill Cool A substitute for expensive deep-hole drilling The still young Crazy Drill™ product range from Mikron Tool SA Agno has been extended to include yet another innovation. The new Crazy Drill Cool drilling system can be used for drilling depths of up to 15xD where surface quality is high. The highest productivity rates are achieved in diameters of 1 to 4 millimeters.



Multistep Higher output at no extra cost As part of the work to improve the existing product range, the Machining Technology division's Multistep linear transfer machine was equipped with new machine control software. With idle time consistently minimized, productivity can be increased by up to 20%.



Agno, 16:02 – Resilience of the production process under test: in the customer's best interests, and in the interests of own product development.



Boudry, 15:47 – A workpiece holder on a trial run through the G05 assembly system, equipped with a high-precision “nest” for the exact positioning of the 12 small parts during the assembly process.

Production Equipment

The Production Equipment segment encompasses the activities of the Machining Technology and Assembly Technology divisions, as well as those of the company Seropa Technology. It develops and manufactures capital goods for industrial production (primarily machining and assembly systems). The main markets are the automotive and medical/personal care sectors.

New orders in the Production Equipment segment benefited from a largely positive investment climate. Since projects run over several months, this trend was not fully reflected in sales. The return to profit of the Machining Technology division was the main cause of a marked rise in operating results.

The year 2005 began with an encouragingly high backlog of orders. Good volume figures and an improvement in results are expected in this segment.

Key figures for the Production Equipment business segment

in CHF million	2004	2003	+/-
Orders	228.5	185.5	23.2%
Machining Technology	114.2	93.4	22.3%
Assembly Technology	105.5	81.6	29.3%
Seropa Technology	8.8	10.5	-16.2%
Net sales	215.0	198.8	8.1%
Machining Technology	114.0	84.1	35.6%
Assembly Technology	94.0	94.6	-0.7%
Seropa Technology	7.0	20.1	-65.2%
EBIT	5.2	-1.7	n.a.
Stock of orders	101.6	88.5	14.8%
Machining Technology	41.2	41.1	0.1%
Assembly Technology	56.6	45.3	24.9%
Seropa Technology	3.9	2.1	87.8%
Number of employees	969	891	8.8%
Machining Technology	564	504	11.9%
Assembly Technology	345	301	14.6%
Seropa Technology	60	86	-30.2%

Machining Technology division



Markus Schnyder (above) and Franz Wyss, Co-COO Machining Technology.

“Having success with customers also means re-defining internal values”

Markets and environment Around two thirds of the products and services delivered by the Machining Technology division in 2004 went to suppliers to the automotive industry. In Europe, this sector is currently undergoing a period of consolidation. The trend towards identical component strategies continues, with unit costs and the punctual completion of projects at the manufacturers’ and suppliers’ end becoming increasingly important as a result.

Within the automotive market, the Machining Technology division concentrates on a small number of growth niches. In these areas driven by technical innovation, the division’s expertise is developing particularly well. Against a backdrop of tougher emission standards in the EU, the US and Japan, demand for new fuel and diesel injection systems remains high.

In 2004, the Machining Technology division set itself apart from its competitors by providing customer-specific solutions that met the stringent demands for precision combined with very high productivity.

Writing instruments and other market niches with potential Among the Machining Technology division’s specialties are its activities in the writing instruments market, where it has a long tradition. In 2004, around 15% of the division’s work was performed for manufacturers of writing instruments. This sector of industry is undergoing a process of concentration dominated by a small number of large manufacturers. Furthermore, there are signs of increasing demand from Asia and more specifically China. With a market share of over 90%, the Machining Technology division is currently the main supplier to all the market leaders.

Other major applications in various market niches requiring a large number of units, such as the electro or gas industry, are performing satisfactorily worldwide and offer further potential for the future.

Overall, the division clearly benefited from the largely positive investment climate in the year under review.

Business trend Following two difficult years, incoming orders in the Machining Technology division returned to a gratifying level in 2004. Primarily in the second and third quarters, numerous postponed projects were given the go-ahead. Once the market’s pent-up demand was satisfied, incoming orders in the final quarter were in line with expectations.

The positive business trend was also the result of the internal change process currently underway. The new division management brought the management structure more into line with the needs of the project business and unleashed an internal cultural change.

At the beginning of the year, the division’s sales were already at a promising level thanks to the healthy order book from the final quarter of the previous year. Overall, the division maintained the level of sales throughout the year and clearly exceeded the prior-year figure. Headcount was adjusted in 2004 in line with the increased volume.

Production Equipment

After several years of losses, the Machining Technology division posted an operating profit after just six months. Although a few critical projects requiring an excessive amount of time and energy to complete placed a strain on the division in 2004, it was able to sustain the positive operating result through to year-end.


The division last year channeled considerable effort into optimizing existing products. In this context, technical skills were extended and a new organizational structure defined. At the same time, large investments were released for the development of a new product, both as part of an extensive product strategy. Used machinery became a new field of activity for the Machining Technology division.

Machining systems and tools from a single source The cutting tools business achieved a good result despite strong price pressure and a slight drop in orders. In 2004, various activities were relocated to the production site in Rottweil, Germany with the aim of being closer to the customer. Notably, Mikron Machining Technology is the only manufacturer of transfer machines able to supply its customers with its own cutting tools. Consequently, it has considerable expertise in application development for the cutting process, which significantly increases the machines' efficiency and thus the division's competitiveness.

Outlook The niche markets served by the Machining Technology division continue to show good potential in 2005. At year-end, the division already has sufficient orders on hand to ensure a high capacity utilization rate in the coming year. A further improvement in the result is expected.

Multifactor™ with new casing for improved access to the machine and simpler handling when setting up. The rotary transfer machining system with 12 or 15 stations is designed for the high-volume production of small precision parts with a cube length of up to 100 millimeters – from small sealing parts for gas fittings to covers for windshield wiper motors.





Agno, 12:25 – Every 0.5 seconds a processing step in the production of a ballpoint pen tip takes place here. Thus the Multistar™ LX-12 produces 120 tips with a ball diameter of 0.7 mm per minute.

Assembly Technology division



Rolf Rihs, COO Assembly Technology.

“With our strong concepts we anticipate customers’ wishes”

Markets and environment Around half of the products and services delivered by the Assembly Technology division in 2004 went to companies operating in the medical and personal care industry. The second-strongest market segment was the automotive market, accounting for almost 40 percent. In Europe, appetite for investment remained largely unchanged but healthy in both sectors of industry. The US on the other hand showed signs of a much improved economic climate, as a result of which companies were increasingly willing to invest following a long period of restraint.

In the medical/personal care and automotive markets, the Assembly Technology division successfully served those niches characterized by high volumes, low unit costs and exacting quality requirements. Typical examples include self-medication devices in the medical/personal care market and assemblies for low-emission motorization or automotive safety in the automotive market. The division was able to strengthen its position in both markets in 2004.

Modularity provides flexibility In the division’s project business, customers rely on being able to make their investment decisions at increasingly short notice ahead of the specified delivery date. This requires the Assembly Technology division to reduce the time it takes to complete a project. Furthermore, the price pressure on assembly systems continues to grow, and customers increasingly demand the option to reconfigure customer-specific assembly systems at a later date.

The division responded to these trends two years ago with the launch of its G05 product line. This was used to create a modular assembly platform that is both highly standardized and flexible. The strong market acceptance confirms that this concept is working. For a majority of new customer projects, the division now offers this new product platform. In the year under review, it extended the G05 product line to include the flexible feed system Polyfeed so that it would be better placed to meet market demand for high flexibility – an innovation that has met with a very positive response from customers.

Business trend The total volume of orders outstripped the rather weak prior-year order book and clearly exceeded expectations. This was due primarily to a build-up of orders that the division had been trying to win for some time and was the case mainly in the first three quarters. During the last quarter, the volume of incoming orders was insufficient.

In both the medical/personal care and automotive markets, the division received orders that are important for its strategic focus and hold the potential for follow-up orders. In Europe, Germany remained the main geographic market. In the US, there was strong growth in project activity, which enabled the division to revive its US business. Business in other countries was at a rather low level. Again, the percentage of orders accounted for by the G05 product line was significantly higher year-on-year, having climbed to over 50%.

Production Equipment

Sales were on a par with the previous year and thus exceeded expectations slightly. The division was impacted by the order backlog run up until the middle of the year, especially in the second half of the year. It addressed this problem by increasing headcount.

The operating result achieved by the Assembly Technology division exceeded expectations. However, the mix of projects completed during the year contained some applications of a pilot nature that were less profitable. Overall, it can be described as a good result.

Outlook 2005 is not expected to see a further upturn in the markets. In Europe, the market situation is likely to remain subdued. However, the improved sentiment in the US should continue. The division is starting 2005 with a healthy order book. Given the weak volume of incoming orders around the end of 2004 and beginning of 2005, an operating result on a par with the previous year remains an ambitious goal for the Assembly Technology division.



High performance assembly line for an application from the Medical/Personal Care sector consisting of a G05 "short" and a G05 standard cell. With four or eight process units, the assembly process meets the customer's high quality and productivity requirements.



Boudry, 08:23 – Assembly of the fifth of eight standardized process units on a G05 basis machine. Next step: setting up the process units to match the customer's specific application.

Components

The Components segment includes the activities of the Plastics Technology division. Plastic components and assemblies are developed and produced, mainly for the automotive, medical/personal care and office equipment markets, as well as for companies in the consumer goods industry.

The reorientation of the Components segment entailed substantial expenditure. Continuing pressure on margins, the cost of further improvements in quality and a steep fall in volumes at the end of the year all took their toll, leading to an overall loss. The segment has therefore not yet achieved the turnaround despite efforts to do so.

These efforts will be systematically continued in 2005. The measures taken in 2004 have created the conditions necessary for sustained improvement in the results.

Key figures for the Components business segment

in CHF million	2004	2003	+/-
Orders	111.3	105.4	5.6%
Plastics Technology	111.3	105.4	5.6%
Net sales	122.5	111.9	9.4%
Plastics Technology	122.5	111.9	9.4%
EBIT	-14.8	-23.0	35.7%
Number of employees	704	614	14.7%
Plastics Technology	704	614	14.7%

Plastics Technology division



Jörg P. Hotz, COO Plastics Technology.

“Supplying global customers with products can’t be taken for granted”

Markets and environment A little more than half of the work performed by the Plastics Technology division in 2004 was for suppliers or as a supplier to the automotive industry. The division also achieved high volumes in the medical/personal care and office equipment markets and with companies in the consumer goods industry. Trends in the individual markets were mixed during the year under review, depending on the geographical focus.

In Europe, where the division has the majority of its sites and activities, customers continued to relocate to Eastern Europe. The division responded to this trend in a variety of ways. At the production site in the Czech Republic, staff was recruited in preparation for the start of operations and production got under way in mid-2004. This step was completed at the end of the year under review, when the company became quality certified. 2004 also saw individual projects assigned to new sites. The division thus met customer requirements for specialized production sites and higher quality.

In the automotive market, the Plastics Technology division supplied its customers primarily with the proven niche applications for plastic gearboxes. At the same time, it worked on new projects in various areas of future vehicle technology. In the medical/personal care market, the division scaled up to commercial production of subassemblies. In the office equipment market and for companies in the consumer goods industry, the focus was on applications centered around functional plastic components or subassemblies.

Considerable effort invested in refocusing the business For the Plastics Technology division, 2004 was a year dominated by the restructuring of its activities. In selecting and working on new projects, the division placed a greater emphasis on its skills in transmission technology. In these projects, the division focused its competencies increasingly on applications that support customers along an extended value chain – from component design through to completed sub-assembly.

As a result, the division concentrated more on globally active customers in the year under review. Having been developed at a western location, the first international projects were transferred to China for physical implementation.

Business trend The volume of orders was slightly up year on year and at a good level overall. However, engineering orders remained below expectations. In Europe, demand from existing customers in the automotive industry stagnated or fell. Some of the orders in their final stages experienced a faster drop than planned. In the US, project activity was at a satisfactory level. There was an uneven flow of orders from the medical sector, where the run-up to commercial production for a large order began in the summer.

Nominally, the trend in sales was good, but because some customer projects contributed to sales without generating added value, the figures paint too positive a picture.

Components

Due to the restructuring measures in western Europe, the setting-up of sites in the Czech Republic and China and activities in the medical sector, plus numerous efforts to improve or safeguard delivery quality, costs were very high in the year under review. The company had to shoulder additional personnel expenses that were in some cases quite considerable. The operating result for 2004 was also negative. Therefore, the division did not manage to reduce the loss.

Outlook Market conditions are not expected to change in 2005. With the measures it took in the year under review, the Plastics Technology division paved the way to achieve a sustainable improvement in the result.



Precision gear for a counter: Engineering, parts production and fully automatic final assembly of 8 injection molded parts and 3 metal inserts in Switzerland.



Suzhou, 22:13 – Precision gear of a motion-tracking camera for videoconferences (size 20 x 30 mm). Development for a global customer: Design in Switzerland, engineering in the Netherlands, parts production and final assembly in China.

The key figures for Seropa Technology are found in the overview of the Production Equipment segment on page 14.

Further activities

Seropa Technology When Mikron hived off the Axxicon Mould Technology division in mid-2004, the purchaser decided not to acquire the French company Axxicon Moulds Caen SA. During the second half of the year, this company reverted to its original name and is now called Seropa Technology.

Seropa Technology is a specialized mould-maker mainly serving manufacturers of plastic components from the medical technology industry and providers of smart cards. However, it also develops applications in related technical areas. Seropa focuses mainly on specialized products such as moulded parts for multi-component injection moulding, moulds for inserts and whole systems.

Seropa Technology's main markets are regional and were flat in the year under review, which led to consolidation in the industry. Accordingly, business was weak throughout the year.

A restructuring program launched already in the first half of 2004 enabled the company to adjust both capacity and headcount. In the fall of last year, a new management team took over at the helm. The company's main effort has been directed to refocusing the internal organization in line with customer needs and to achieving better coverage of its target markets. The order backlog increased slightly in the final quarter. For the full-year 2004 Seropa Technology posted a substantial loss owing to the unsatisfactory business performance and the costs incurred to improve the situation.

In 2005 the company will endeavor to restore continuity with customer projects and to get back into profit territory. The revival of smart card technology with contact-free data transmission should bring about a recovery.



Injection molding tool for the manufacture of filter units using dual component technology for a customer in the Medical sector. What is special is that during production a paper filter is inserted between the two plastic components by means of a robot.

Discontinued businesses

As part of the review of its business portfolio, Mikron divested itself of two businesses in the reporting year, since the two operations no longer fitted with Mikron's long-term strategic orientation. At the end of March, it sold its 50% stake in the BaldaMikron joint venture to the Balda Group. At the end of June it sold off the Axxicon Mould Technology division to the management team, which continues to run the business.

BaldaMikron joint venture Asia's telecommunication market continued to perform well. Project followed project in quick succession for mobile telephony in the narrow sense and for accessories. The BaldaMikron joint venture supplied these markets with components and assemblies.

The BaldaMikron joint venture thrived on the market situation in its two locations, China and Malaysia. Though orders and sales were slightly below expectations, the shortfall was due to the usual project delays in consultation with the customers.

Operating profit for the first quarter fell well short of the previous year's level, but was still satisfactory in view of the downturn in sales.

Axxicon Mould Technology division The Axxicon Mould Technology division served mainly the optical storage media industry and plastic component manufacturers in various customer segments. As a specialized mould-maker, Axxicon Mould Technology supplied the makers of optical storage media with largely standardized injection moulds for data storage media such as CDs and DVDs. For other customers, it offered project-specific moulds requiring a high level of engineering and manufacturing.

In particular, the CD/DVD tool business was buoyant, as regards both new orders and sales, for which there was little delay in this segment. The division beat the targets set for the first half of 2004, having chalked up a high level of order intake the previous year. In contrast, the other business – customer-specific moulds – continued to find the going tough. One reason was that the reorientation of this part of the division had not been completed. On balance, orders and sales were higher than targeted and above the previous year's level.

The high level of sales and good quality in standardized mould-making were instrumental in the division achieving a very good operating profit, which beat both forecasts and the good performance in the previous year.

Members of the Board of Directors
(from left to right): Heinrich Spoerry,
Andreas Steiner, Johann Niklaus Schneider-
Ammann (Chairman), Anton Affentranger
(Vice-Chairman), Peter Forstmoser

Corporate Governance



Corporate Structure & Shareholders

The corporate governance report describes the main principles and regulations regarding the management and control of the Mikron Group and how these principles and regulations were established in detail by the company's senior management. The report is in compliance with the Swiss Exchange (SWX) guidelines published on July 1, 2002 regarding information on corporate governance. Aspects of the SWX guidelines not covered in this report are either not applicable or irrelevant to the Mikron Group.

Based in Biel, Mikron Holding AG is organized as a holding company under Swiss law and directly or indirectly holds all Mikron companies worldwide. Mikron Holding AG is listed on SWX Swiss Exchange in Zurich (Swiss securities number 339'006) and on December 31, 2004 had a market capitalization of CHF 265.0 million. At operating level, the Mikron Group is made up of three divisions organized into two business segments, a Corporate Service and other companies controlled by Mikron Holding AG.

The divisions are structured according to product and service type and encompass all the functions required by an independent company, such as sales, development, production and controlling. The centralized special departments, such as Accounting and Controlling, Treasury, Corporate Communications and Corporate IT Services, are part of the Corporate Service, which supports the individual companies as well as the Board of Directors and Group Management in their management and control functions.

The corporate structure is illustrated on the back cover.

The Mikron Group consists of 28 companies worldwide. The companies are listed on page 39 of the financial report enclosed. The Mikron Group's management structure is independent of its legal structure.

Significant Shareholders The following table illustrates the shareholder structure of Mikron Holding AG. It also lists and names those shareholders who, as at December 31, 2004, hold 5% or more of the voting rights of Mikron Holding AG.

Shareholders	31.12.2004		31.12.2003	
	Number of shares of CHF - 10 par value each		Number of shares of CHF - 10 par value each	
Group of investors ¹	11'742'941	70.9%	11'742'941	72.8%
Public shareholders	4'770'443	28.8%	4'334'174	26.9%
Board of Directors and Group Management	51'660	0.3%	43'860	0.3%
Total	16'565'044	100.0%	16'120'975	100.0%

¹) This group of investors comprises Ammann Group Holding AG, Corporate Investment Management Affentranger Holding AG, Personalfürsorgestiftung Rieter AG, Tegula AG and Mr Rudolf Maag, who until 2008 are bound together by a shareholder pooling agreement with a fixed term of 5 years.

Cross-Shareholdings There are no cross-shareholdings consisting of either capital or voting rights.

Board of Directors

The duties of Mikron Holding AG's Board of Directors are defined in the Swiss Code of Obligations, the Articles of Association and the Organizational Regulations.

Members of the Board of Directors The company's Board of Directors consists of five members. The Chairman and Vice-Chairman of the Board of Directors shared the role of Co-CEO in an interim management arrangement between the Annual General Meeting in June 2003 and the end of that year, when the new CEO joined the company. None of the other members have held an executive role within the Mikron Group during the last three years, and none of them maintain a significant business relationship with the Group.

The following table provides information on each of the members of the Board of Directors as at December 31, 2004:

Name	Age	Nationality	Position	First elected	Elected until
Johann Niklaus Schneider-Ammann Dipl. Ing. ETH	52	Swiss	Chairman, non-executive	1991	2005

As well as being Chairman and CEO of the Ammann Group in Langenthal, Johann-Niklaus Schneider is also a member of the Swiss National Council and President of Swissmem (Swiss Mechanical and Electrical Engineering Industries). In addition, he sits on the Board of Directors of the Swatch Group in Biel and of a number of SMEs.

Anton Affentranger , lic. oec.	48	Swiss	Vice-Chairman, non-executive	2003	2006
---------------------------------------	----	-------	---------------------------------	------	------

Anton Affentranger is active professionally in various capacities, firstly as founder and Chairman of Affentranger Associates AG, Corporate Investment Management Affentranger Holding AG, and Ulteira Capital AG, an investment company active in the biotechnology sector. He also serves as Executive Chairman of the Freiburg-based software company Dartfish, as Chairman of the Board of Directors at Zschokke Holding and as member of the Board of Directors at Ammann Group.

Peter Forstmoser , Prof. Dr. iur., LL. M.	61	Swiss	Member, non-executive	1976	2005
--	----	-------	-----------------------	------	------

Peter Forstmoser is professor of civil, commercial and capital market law at the University of Zurich and a partner at the Zurich law firm Niederer Kraft & Frey. He chairs the Board of Directors at Swiss Re, Hesta AG and Hesta Tex AG, Zug.

Heinrich Spoerry , lic. oec., MBA	53	Swiss	Member, non-executive	2001	2007
--	----	-------	-----------------------	------	------

Heinrich Spoerry serves as CEO at SFS Holding in Heerbrugg. At the same time, he is a member of the Board of Directors at SFS Holding, Industrieholding Cham AG and Tegula AG, Zurich.

Andreas Steiner , Dipl. Ing. ETH, Dr. sc. techn. ETH	59	Swiss	Member, non-executive	2003	2006
---	----	-------	-----------------------	------	------

Andreas Steiner is CEO and President of the Board of Directors at Belimo Holding AG, Hinwil. He is a member of the University of Zurich's University Council, Chairman of Economiesuisse's research commission, a member of the board of trustees at the Hasler Foundation, Berne and a member of the Board of Directors at Eurospider Information Technology AG, Zurich.

Corporate Governance

Cross-Involvements There are no cross-involvements among the Board of Directors of this and any other company. The main mandates of members of the Mikron Board of Directors can be found on page 31.

Elections and Terms of Office Pursuant to the Articles of Association, the company's Board of Directors consists of at least five and at most nine members, who are elected by the Annual General Meeting for a three-year term and who may be re-elected to successive terms.

After reaching the age of 65, members of the Board of Directors are required to tender their resignation at the next Annual General Meeting.

Duties The Board of Directors is the company's most senior body with responsibility for management supervision. It is the company's external representative and handles all matters not assigned by law, the Articles of Association or Organizational Regulations to any other corporate body. It issues guidelines on corporate policy and keeps itself informed about the course of business.

The primary duties of the Board of Directors are:

- ▶ Strategic direction and management of the Mikron Group,
- ▶ Shaping accounting as well as financial planning, policy and controls,
- ▶ Overall supervision of business operations,
- ▶ Shaping the Group structure,
- ▶ Appointing and dismissing members of Group Management and other key executives,
- ▶ Preparing the annual report and the Annual General Meeting and executing resolutions passed by the latter.

The Board of Directors convenes as often as business requires but at least four times a year. During the 2004 business year, the Board held eight meetings including teleconferences. Average attendance by Board members was 95% during that period.

Prior to the meetings, the members of the Board of Directors receive documentation allowing them to be properly prepared to discuss the items on the agenda.

A quorum of the Board of Directors is reached when at least half of the members are present. The Board passes its resolutions by a majority of the votes cast. In the event of a tie vote, the Chairman has the deciding vote.

Committees Two committees were set up to support the Board of Directors: the Audit Committee and the Remuneration Committee.

The committees meet regularly and are required to prepare minutes of their meetings and recommendations for perusal at the regular meetings of the Board of Directors.

The committees notify the full Board of Directors of important matters immediately.

Audit Committee The Audit Committee's primary task is to maintain a comprehensive and efficient auditing system for Mikron Holding AG and the Mikron Group. The committee also rates the external and internal auditors, approves the focal points of the audits, and reviews the audit results, accounting principles and financial control mechanisms.

The members of the Audit Committee are the Board members Peter Forstmoser (Chairman) and Heinrich Spoerry. Five meetings were held in the 2004 business year.

Remuneration Committee The Remuneration Committee submits to the full Board of Directors proposals concerning the compensation (including employee participation scheme) of the members of the Board of Directors and Group Management. Details of the Mikron Group's remuneration policy can be found on page 36.

The members of the Remuneration Committee are the Board members Heinrich Spoerry (Chairman) and Peter Forstmoser. Two meetings were held in the 2004 business year.

Information and Control Instruments vis-à-vis Group Management The following measures ensure that the Board of Directors has sufficient information for an adequate decision-making process:

- ▶ Financial statements (balance sheet, income statement) are prepared for each of the subsidiaries on a monthly basis. These figures are summarized by division, consolidated at Group level and compared against the prior-year figures, the monthly budget and the forecast, which is revised on a quarterly basis. In addition, a medium-term plan spanning three years is prepared for each division.
- ▶ Each month, the division heads (Chief Operating Officers) submit a written report to the holding company detailing the extent to which their targets have been met. At the Board of Directors' meetings, these reports are discussed with the CEO, the CFO and, if necessary, with the COOs.
- ▶ By request, other executives will attend Board meetings to report on their areas of responsibility.
- ▶ The Audit Committee meets regularly with executives and external consultants. It coordinates the work of external and internal auditors and receives their reports.
- ▶ Group Management informs the Board of Directors about current business by regularly distributing important information and, if necessary, in teleconferences.

Once a year, the Board of Directors assesses the performance of its own members, the Chairman and the CEO and approves the targets for the next year.

Corporate Governance

Group Management

Management Philosophy The Mikron Group delegates entrepreneurial responsibility to the lowest possible level. The management structure is based on decentralized responsibility and rapid decision-making channels close to each of the local markets.

Management Structure The Board of Directors delegates the task of operational management to the CEO of the Mikron Group. The COOs and the CFO report to the CEO. The Group's Organizational Regulations set out the rights and duties of the Board of Directors, the CEO, the divisions and the Corporate Service and describe how these cooperate.

Chief Executive Officer The CEO is responsible for the management of the Group insofar as this task has not been assigned by law, the Articles of Association or the Organizational Rules to any other corporate body.

He prepares the strategy, the long-term and medium-term targets and the management guidelines for the Mikron Group before submitting them to the Board of Directors for approval.

On the recommendation of the CEO, the Board of Directors takes its decisions on the annual budget (consolidated and for the holding company), individual key projects, financial statements (separate and consolidated) and personnel issues. The Remuneration Committee approves the compensation of the members of Group Management as proposed by the CEO.

The CEO regularly reports to the Board of Directors on current business developments, anticipated opportunities and risks, and changes at lower management levels. The members of the Board of Directors may request additional information. The CEO must notify the Chairman of the Board of Directors immediately when significant unanticipated developments occur.

The CEO reviews compliance with the Articles of Association, the Organizational Regulations and the authorization to sign and proposes amendments should they become necessary.

Chief Operating Officers The Chief Operating Officers manage their respective divisions in accordance with the internal Organizational Regulations and are responsible for their division's earnings.

The following table provides information on each of the members of Group Management as at December 31, 2004:

Corporate Governance

Name	Age	Nationality	Position	Since
Eduard Rikli Dipl. Ing. ETH, Dr. sc. techn. ETH	53	Swiss	Chief Executive Officer	2004

After many years in various managerial positions at the Sulzer Group, Eduard Rikli started as CEO on January 1, 2004. Mr Rikli also sits on the board of education for the Zurich College of Technology, Economics and Administration.

Andreas Moser Betriebsökonom HWV	42	Swiss	Chief Financial Officer	1998
--	----	-------	-------------------------	------

Andreas Moser worked in various functions at the Ascom Group before joining Mikron in 1998 as Division Controller Machining Technology. From 2001 onwards, he headed up the Group's Business Controlling unit. He became interim finance director in June 2003 and CFO of the Mikron Group in January 2004.

Markus Schnyder	46	Swiss	Co-Chief Operating Officer Mikron Machining Technology	1981
------------------------	----	-------	---	------

Markus Schnyder has been employed in various functions at the Mikron Group for over 20 years. In 1998, he took over as head of what was then a newly founded subsidiary, Mikron Tool SA Agno specializing in cutting tools. Since the end of 2003, he has managed the division together with Franz Wyss.

Franz Wyss Dipl. Ing. FH/NDU	48	Swiss	Co-Chief Operating Officer Mikron Machining Technology	1990
--	----	-------	---	------

Franz Wyss joined Mikron SA Agno in 1990 as head of a business unit. He has held various managerial functions and between 1999 and 2000 relocated an entire product line to Germany, where he set up a new mechanical engineering company. Since the end of 2003, he has managed the division together with Markus Schnyder.

Rolf Rihs Dipl. Ing. ETH	41	Swiss	Chief Operating Officer Mikron Assembly Technology	2002
------------------------------------	----	-------	---	------

Rolf Rihs took over as COO of the Assembly Technology division in mid-2002, prior to which he worked for the Sulzer Group for eight years in various regions and functions. He was previously a consultant at Helbling Management Consulting working on numerous projects for well-known Swiss companies.

Jörg P. Hotz Dipl. Ing. ETH, MBA	53	Swiss	Chief Operating Officer Mikron Plastics Technology	2003
--	----	-------	---	------

Jörg Hotz joined the company following the balance sheet restructuring in mid-2003, having advised the new investors during the takeover. For a number of years prior to this, he was self-employed in the plastics processing industry.

Management Contracts There are no management contracts.

Corporate Governance



**Members of Group Management
(from left to right):
Jörg P. Hotz, Franz Wyss, Andreas Moser,
Eduard Rikli, Markus Schnyder, Rolf Rihs**

Compensations, Shareholdings and Loans

Content and Method of Determining the Compensation and the Shareholding Programs The basic principles of the remuneration policy are drawn up by the Remuneration Committee and approved by the full Board of Directors, which also endorses bonus programs and stock option plans. The Board of Directors sets the salaries of the Board of Directors, Group Management and the Chief Operating Officers on the basis of the Remuneration Committee's proposals.

The members of the Board of Directors receive a basic compensation and an earnings-related bonus.

The Mikron Group's senior managers receive performance-related compensation. The variable component – 15% to 50% of the overall salary – depends on the individual achieving the performance targets set a year in advance and on the return on investment generated by the operating unit in question.

Compensation for Acting Members of Governing Bodies and Group Management

The compensation paid to the members of the Board of Directors in the 2004 business year amounted to CHF 310'000 in total.

The compensation paid to the members of Group Management (6 people) for the 2004 business year amounted to CHF 2'410'000.

Compensation of CHF 220'000 was paid to members of Group Management who terminated their function in the 2004 business year.

Compensation for Former Members of Governing Bodies and Group Management In the 2004 business year, no compensation was paid to former members of governing bodies or Group Management who terminated their function before the year under review.

Share Allotment during the 2004 business year No shares in Mikron Holding AG were allotted to members of governing bodies and Group Management in the 2004 business year.

Share Ownership The group of investors holding 11'742'941 registered shares has three representatives on the Board of Directors. Additionally, according to the share register as at December 31, 2004, members of the Board of Directors and parties closely linked to them hold 44'660 Mikron Holding AG registered shares in total. Members of Group Management hold 7'000 registered shares.

Options There were no outstanding options as at December 31, 2004.

Loans Granted by Governing Bodies No loans were granted to members of governing bodies.

Highest Total Compensation The highest compensation paid to a member of the Board of Directors in 2004 amounted to CHF 98'000.

Capital Structure

Capital, Convertible Bonds and Options The Mikron Group's capital as at December 31, 2004:

	Registered shares	Par value in CHF	Total in CHF
Ordinary capital	16'565'044	0.10	1'656'504.40
Authorized capital	0		0.00
Conditional capital	768'499	0.10	76'849.90

Of the conditional capital, 147'700 registered shares with a par value of CHF 0.10 each have been reserved to cover options granted to the creditors on June 19, 2003 as part of the refinancing. The issue price for these shares was set at CHF 0.10. The options expire on June 19, 2006.

Corporate Governance

A further 620'799 registered shares, each with a par value of CHF 0.10, may be created for the purposes of exercising option and conversion rights granted to their holders in connection with the company's bonds or similar debentures and/or by exercising option rights allotted to the shareholders and/or the company's Board of Directors and management. The number of registered shares securing management option rights is limited to a maximum of 550'000 registered shares. As at the cut-off date, the company had not entered into any commitments that would result in these registered shares being created.

Changes in capital over the last 3 years

in CHF		Number of shares	Par value	Ordinary capital
2002	As at January 1	1'285'704	50.00	64'285'200.00
	Change	0	50.00	0.00
	As at December 31	1'285'704	50.00	64'285'200.00
2003	As at January 1	1'285'704	50.00	64'285'200.00
	Capital write-down as at June 18	1'285'704	-49.90	-64'156'629.60
	Capital increase tranche B (group of investors)	11'571'336	0.10	1'157'133.60
	Capital increase tranche A (public shareholders)	1'285'704	0.10	128'570.40
	Exercise of creditors' options	1'978'231	0.10	197'823.10
	As at December 31	16'120'975	0.10	1'612'097.50
2004	As at January 1	16'120'975	0.10	1'612'097.50
	Exercise of creditors' options	444'069	0.10	44'406.90
	As at December 31	16'565'044	0.10	1'656'504.40

Mikron Holding AG has issued neither participation certificates (Partizipationsscheine) nor dividend right certificates (Genussscheine).

Mikron Holding AG did not issue any convertible bonds or option programs during the 2004 business year.

Shares The issued shares are fully paid in.

Each registered share carries one vote at Mikron Holding AG's Annual General Meetings. Voting rights may be exercised only after the shareholder has been entered as a shareholder with voting rights in Mikron Holding AG's share register.

There are no limitations on transferability or nominee registrations.

Shareholders' Participation Rights

Shareholder Legitimacy Those persons entered in Mikron Holding AG's share register may exercise the voting rights attached to their registered shares.

The Board of Directors keeps a record of the entries in a share register containing the names and addresses of the shareholders and beneficiaries.

Shares acquired by the applicant as a trustee for third parties may not be entered in the register.

Shareholders' Rights Each registered share carries one vote at the Annual General Meeting. There are no shares affording preferential voting rights.

Voting-Right Restrictions and Representation Mikron does not impose any voting-right restrictions. Shareholders who are unable to attend the Annual General Meeting in person may appoint someone as their proxy by giving him/her written authorization to represent them.

Convocation of the Annual General Meeting and Agenda The invitation to the Annual General Meeting goes out at least twenty days prior to the event and takes the form of a single notice published in the *Schweizerisches Handelsamtsblatt* and a letter sent to the address of shareholders entered in the share register.

The convening notice should cite the agenda items and proposals of the Board of Directors and the shareholders who have requested that a General Meeting be held or an item placed on the agenda.

Entries in the Share Register For three days before and three days after the Annual General Meeting, no entries will be made in the share register.

Quorums at the Annual General Meeting The Annual General Meeting passes its resolutions and carries out its elections with an absolute majority of the share votes represented unless the law or the Articles of Association specify otherwise.

Changes of Control and Defense Measures

Duty to Make an Offer The legal provisions according to Art. 32 (1) of the Swiss Stock Exchange and Securities Trading Act (SESTA) apply. Therefore, any party whose voting rights exceed the 33.33% limit, directly, indirectly or as a result of an agreement with third parties, is obliged to make a public purchase offer.

Clauses on Changes of Control There are no clauses on changes of control in favor of the members of the Board of Directors, Group Management or other employees.

Auditors

The auditors carry out their work according to the legal regulations and the principles of good professional practice.

The Annual General Meeting elects the auditors for one year at a time.

Between 1996 and 2003, Ernst & Young AG, Zurich held the auditing mandate at Mikron Holding AG, its companies and the Mikron Group.

Since 2004, PricewaterhouseCoopers AG, Berne has held the auditing mandate at Mikron Holding AG, its companies and the Mikron Group. Hanspeter Gerber, as lead auditor, is responsible for the mandate.

Auditing Fees and Additional Fees In the 2004 business year, PricewaterhouseCoopers AG, Berne charged the Mikron Group CHF 525'000 for services rendered in connection with auditing the 2004 annual financial statements of Mikron Holding AG and its subsidiaries and the consolidated financial statements of the Mikron Group.

The Mikron Group did not obtain any other services from PricewaterhouseCoopers in 2004.

Supervisory and Control Instruments vis-à-vis the Auditors The Board of Directors' Audit Committee assesses the performance, fees and independence of the auditors and the Group auditors on an annual basis.

For further information regarding auditing, please see the chapter entitled "Audit Committee" on page 33.

Corporate Governance

Information Policy

Mikron Holding AG pursues an up-to-date and transparent information policy for the public and the financial markets, with all interest groups being treated equally.

Key dates

End of the business year	December 31
Guidance on the 2004 business year	Beginning of February
Announcement of the annual results	End of March
Publication of the annual report	End of March
Annual General Meeting	End of April
End of the first six months of the business year	June 30
Announcement of the semi-annual results	End of July
Guidance on the 2005 business year	Beginning of February

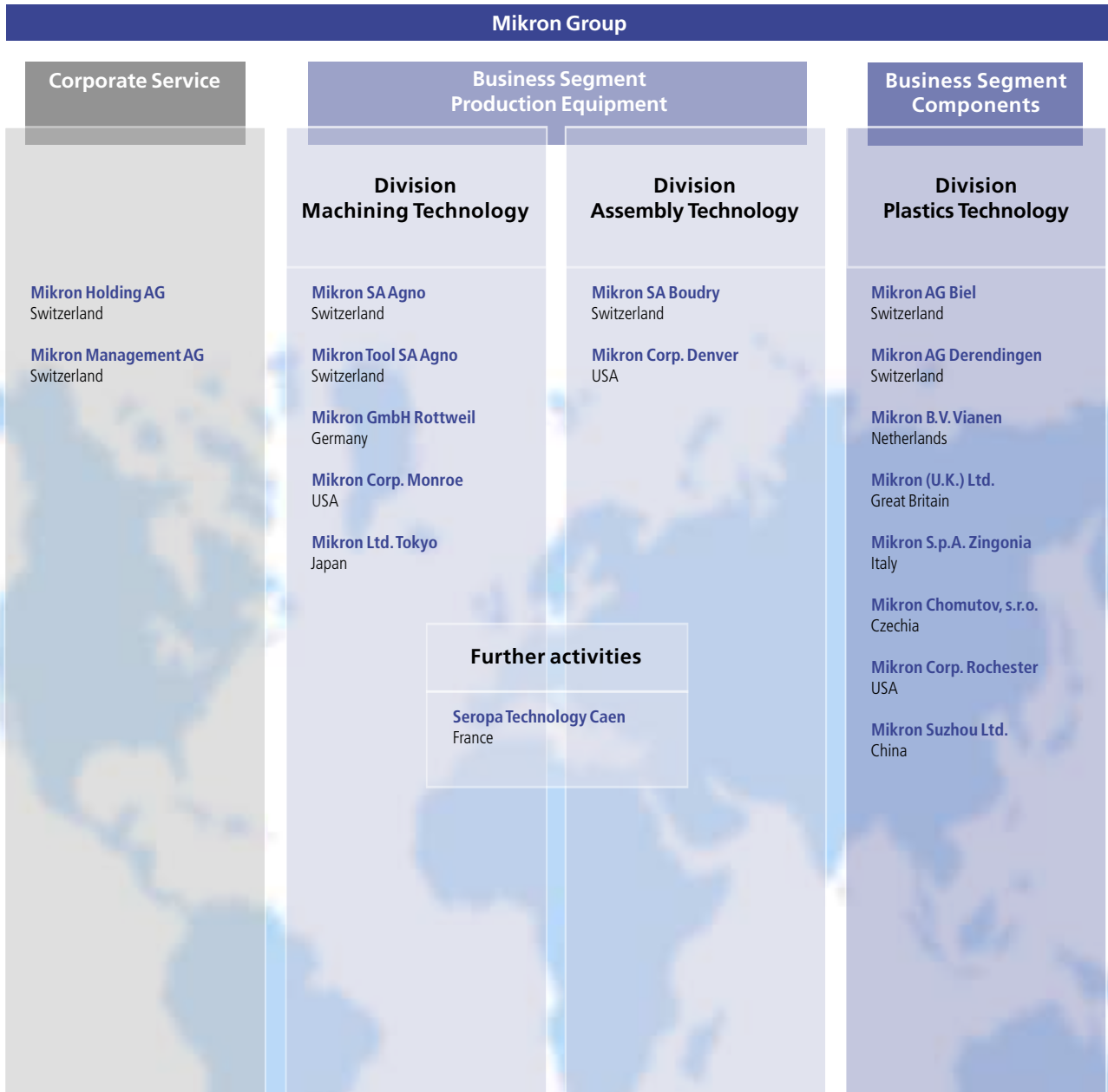
Detailed information is published on the Mikron Group's website at www.mikron.com. Visitors to the website can also view the current share price, the annual report and all press releases, and subscribe to receive news updates and the press releases free of charge.

As well as the in-depth annual and semi-annual reports, the company also publishes quarterly order and sales figures.

In addition to publishing its financial results, the Mikron Group also keeps the public abreast of current changes and developments. Mikron Holding AG publishes information on events relevant to the share price in accordance with SWX Swiss Exchange regulations regarding *ad hoc* publicity.

At the Annual General Meeting, the Board of Directors and Group Management report on the financial statements and the business trend and answer shareholders' questions.

Corporate Structure



Mikron Companies

Mikron Group

Switzerland
HQ Mikron Holding AG
 Mühlebrücke 2
 CH-2502 Biel
 Tel. +41 32 321 72 00
 Fax +41 32 321 72 01
 mho@mikron.com

Switzerland
HQ Mikron Management AG
 Mühlebrücke 2
 CH-2502 Biel
 Tel. +41 32 321 72 00
 Fax +41 32 321 72 01
 mma@mikron.com

Further activities

France
SA Seropa Technology Caen
 EN 204 Boulevard de la
 PR Grande Delle
 SE P.O. Box 84
 FR-14200 Hérouville-Saint-Clair
 Tel. +33 231 47 23 00
 Fax +33 231 47 59 66
 seropa@mikron.com

Machining Technology

Switzerland
HQ Mikron SA Agno
 SA Casella Postale 115
 EN CH-6903 Lugano 3
 PR Tel. +41 91 610 61 11
 SE Fax +41 91 610 66 80
 mag@mikron.com

Switzerland
SA Mikron Tool SA Agno
 EN Casella Postale 340
 PR CH-6934 Bioggio
 SE Tel. +41 91 610 65 00
 Fax +41 91 610 66 83
 mto@mikron.com

Germany
SA Mikron GmbH Rottweil
 EN Berner Feld 71
 PR DE-78628 Rottweil
 SE Tel. +49 741 5380 0
 Fax +49 741 5380 580
 mro@mikron.com

USA
SA Mikron Corp. Monroe
 EN 600 Pepper Street
 SE P.O. Box 268
 USA-Monroe, CT 06468
 Tel. +1 203 261 31 00
 Fax +1 203 268 47 52
 mmo@mikron.com

Japan
SA Mikron Ltd. Tokyo
 SE Nisso 11 Bldg.
 2-3-4 Shin-Yokohama, Kohoku-Ku
 Japan-222-0033 Yokohama City
 Tel. +81 45 472 10 01
 Fax +81 45 472 20 22
 mfe@mikron.com

Italy
SA Mikron SAS Nerviano
 SE Via S. Ambrogio 16
 IT-20015 Parabiago (MI)
 Tel. +39 0331 55 12 22
 Fax +39 0331 55 12 86
 mnv@mikron.com

India
SA Mikron Machining Technology
 SE **India Office**
 #1010, 10th Floor, Brigade Towers
 135 Brigade Road
 India-560 025 Bangalore
 Tel. +91 80 223 33 67
 Fax +91 80 227 99 13
 min@mikron.com

Taiwan
SA Mikron Machining Technology
 SE **Taiwan Office**
 P.O. Box 91-251
 Taiwan R.O.C.-Taipei
 Tel. +886 2 2231 07 07
 Fax +886 2 2231 01 07
 mtw@mikron.com

HQ = Headquarters
SA = Sales
EN = Engineering
PR = Production
SE = Service

Assembly Technology

Switzerland
HQ Mikron SA Boudry
 SA Route du Vignoble 17
 EN CH-2017 Boudry
 PR Tel. +41 32 843 11 11
 SE Fax +41 32 843 11 12
 mbo@mikron.com

USA/Canada/Mexico
SA Mikron Corp. Denver
 EN 562 Sable Boulevard
 PR USA-Aurora, CO 80011
 SE Tel. +1 303 364 52 22
 Fax +1 303 364 52 24
 mde@mikron.com

Germany/Benelux
SA Mikron Assembly Technology
 SE **Büro Deutschland/Benelux**
 Brunnenstrasse 4a
 CH-9326 Horn
 Tel. +41 71 841 05 33
 Fax +41 71 841 05 53
 msd@mikron.com

Germany-Northern Part
SA Mikron Assembly Technology
 SE **Regionalbüro Norddeutschland**
 Taunusstrasse 2
 DE-35510 Butzbach
 Tel. +49 6447 88 60 260
 Fax +49 6447 88 60 262
 nrw@mikron.com

Germany-Southern Part
SA Mikron Assembly Technology
 SE **Regionalbüro Süddeutschland**
 Pfaffenweilerstrasse 27
 DE-78052 VS Rietheim
 Tel. +49 7721 40 69 24
 Fax +49 7721 40 69 25
 mst@mikron.com

Austria/Eastern Europe
SA Mikron Assembly Technology
 SE **Regional Office Austria & Eastern Europe**
 Johann Orth-Allee 17
 AT-4810 Gmunden
 Tel. +43 7612 71 316
 Fax +43 7612 71 316
 mau@mikron.com

France
SA Mikron Assembly Technology
 SE **Bureau France**
 17, chemin Vinetier
 FR-39600 Arbois
 Tel. +33 384 66 04 22
 Fax +33 384 66 04 22
 mfr@mikron.com

Italy
SA Mikron Assembly Technology
 SE **Ufficio regionale Italia**
 Via Donatello 86
 IT-25124 Brescia
 Tel. +39 0302 30 02 13
 Fax +39 0302 31 52 26
 mui@mikron.com

Great Britain/Ireland
SA Mikron Assembly Technology
 SE **Regional Office UK & Ireland**
 4 Barley Brook Meadow, Sharples
 GB-Bolton BL1 7HP
 Tel. +44 1204 30 57 16
 Fax +44 1204 30 98 94
 muo@mikron.com

Great Britain/Ireland
SA Mikron Assembly Technology
 SE **Regional Office UK & Ireland**
 74 Newland Lane Ash Green
 GB-Coventry CV7 9BA
 Tel. +44 2476 36 60 71
 Fax +44 2476 36 60 84
 muc@mikron.com

Nordic countries
SA Mikron Assembly Technology
 SE **Regional Office Nordic**
 Skyllebakke Havn 47
 DK-3600 Frederikssund
 Tel. +45 47 38 81 00
 Fax +45 47 38 81 08
 mdk@mikron.com

Switzerland
SA Mikron Assembly Technology
 SE **Büro Schweiz**
 Traugott-Meyer-Strasse 72
 CH-4147 Aesch
 Tel. +41 61 753 98 33
 Fax +41 61 753 98 34
 mch@mikron.com

Plastics Technology

Europe/Switzerland
HQ Mikron AG Biel
 SA Ipsachstrasse 14
 EN CH-2560 Nidau
 PR Tel. +41 32 332 76 76
 Fax +41 32 332 76 77
 mbi@mikron.com

Switzerland
SA Mikron AG Derendingen
 EN Gewerbestrasse 1
 PR CH-4552 Derendingen
 Tel. +41 32 681 51 00
 Fax +41 32 681 51 15
 mdg@mikron.com

Netherlands
SA Mikron B.V. Vianen
 EN Eendrachtsweg 12
 PR P.O. Box 60
 NL-4130 EB Vianen
 Tel. +31 347 376 767
 Fax +31 347 373 916
 mvi@mikron.com

Great Britain
SA Mikron (U.K.) Ltd.
 EN Tandem Industrial Estate, Tandem
 PR UK-Huddersfield HD5 0QR
 Tel. +44 1484 42 43 84
 Fax +44 1484 53 50 53
 muk@mikron.com

Italy
SA Mikron S.p.A. Zingonia
 EN Piazza Milano 12
 PR IT-24040 Ciserano-Zingonia
 Tel. +39 035 4182 011
 Fax +39 035 4182 070
 mzi@mikron.com

Czechia
SA Mikron Chomutov, s.r.o.
 EN Most-Kopisty 1
 PR CZ-43401 Most
 Tel. +420 476 203 837
 Fax +420 476 203 835
 mcz@mikron.com

USA
SA Mikron Corp. Rochester
 EN 150 Park Centre Drive
 PR USA-West Henrietta, NY 14586
 Tel. +1 716 427 94 10
 Fax +1 716 427 94 38
 mrc@mikron.com

China
SA Mikron Suzhou Ltd.
 EN Suzhou Industrial Park
 PR Suhong Zhong Road
 No. 4 Building Huayitianhe Estate
 P.R. China - 215021 Suzhou
 Tel. +86 512 6258 0069
 Fax +86 512 6258 0065
 msu@mikron.com

www.mikron.com

Mikron Holding AG
Mühlebrücke 2
CH-2502 Biel
Tel. +41 32 321 72 00
Fax +41 32 321 72 01
mho@mikron.com

Published in English and German.

Text: Mikron Holding AG, CH-Biel
English translation: bmp translations ag, CH-Basel
Concept, design, copywriting, graphics and production:
Cermusoni Wyder GmbH, CH-Biel
Photography: Claude Joray, Guy Perrenoud, Gian Vaitl, Mikron archive,
AMAG CH-Schinznach Bad, Getty Images
Printing CTP: Schlaefli & Maurer, Druckerei, CH-Interlaken/Spiez

March 2005, © Copyright Mikron Holding AG

Mikron®, Mikron Tool™, CrazyDrill™, CrazyMill™, Flexcell™,
Flexifactor™, G05™, MToday™, Multifactor™, Multifast™, Multistep™,
Multistar™, Polyfactor™, Polyfeed™, Syfast™, VibroSet™ and AIM™ are
trademarks of Mikron Holding AG, Biel (Switzerland).