

Financial Report 2004 Mikron Group

Engineering Intelligence
for Customer Productivity



 **MIKRON**[®]
Technology Group

**Cover photo: "Human
Machine Interface" of the
G05 assembly platform from
Mikron Assembly Technology.
Easy-to-configure control
and monitoring software for
effortless communication
between man and machine.**

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Consolidated Financial Statements 2004

Mikron Group

Consolidated Balance Sheet

CHF 1'000	Note	31.12.2004	31.12.2003
Current assets			
Cash and cash equivalents	4.1	44'027	67'590
Accounts receivables	4.2	56'107	69'489
Inventories	4.3	45'667	60'626
Net assets from customer projects	4.4	26'246	16'569
Other receivables and prepaid expenses	4.5	10'305	13'210
Total current assets		182'352 54%	227'484 52%
Non-current assets			
Tangible assets	4.6	147'894	182'808
Intangible assets	4.7	3'749	20'557
Financial assets	4.8	642	480
Employee benefits	4.9	1'098	1'089
Deferred taxes	4.10	4'528	3'123
Total non-current assets		157'911 46%	208'057 48%
TOTAL ASSETS		340'263 100%	435'541 100%
Current liabilities			
Financial short-term liabilities	4.11	2'572	13'260
Accounts payable		43'945	50'282
Net liabilities from customer projects	4.4	25'492	17'707
Short term provisions	4.12	10'923	17'150
Other current liabilities and accrued expenses	4.13	25'069	37'804
Total current liabilities		108'001	136'203
Long-term liabilities			
Financial long-term liabilities	4.11	4'394	64'499
Provisions	4.12	7'954	9'854
Deferred taxes	4.10	10'236	13'737
Other long-term liabilities		410	2'256
Total long-term liabilities		22'994	90'346
TOTAL LIABILITIES		130'995 38%	226'549 52%
Shareholders' equity			
Share capital	4.15	1'656	1'612
Treasury shares		-201	-152
Reserves		207'813	207'532
TOTAL SHAREHOLDERS' EQUITY		209'268 62%	208'992 48%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		340'263 100%	435'541 100%

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

Consolidated Financial Statements 2004

Mikron Group

Consolidated Statement of Income

CHF 1'000, except for per share information	Note	2004	2003
Continued business			
Net sales	5.1	332'011	304'688
Change in work in process/finished goods		-3'266	7'255
Capitalized own production		4'186	3'898
Total operating output		332'931 100%	315'841 100%
Material cost and subcontractors	5.2	150'073	137'618
Personnel expenses	5.3	126'642	126'660
Other operating expenses - net	5.4	50'396	48'146
Depreciation		18'129	19'649
Impairment tangible assets		0	9'638
Amortization goodwill		0	82
Impairment goodwill		0	2'873
Earnings before interest and taxes (EBIT)		-12'309 -4%	-28'825 -9%
Financial income - net	5.5	-5'011	1'808
Earnings before taxes		-17'320 -5%	-27'017 -9%
Income taxes	5.6	-1'271	-3'983
Net earnings continued business		-16'049 -5%	-23'034 -7%
Net earnings discontinued business		16'597 5%	116'761 37%
Net earnings		548 0%	93'726 30%
Earnings per share continued business - basis		-0.99	-2.69
Earnings per share continued business - diluted		-0.96	-2.60
Earnings per share discontinued business - basis		1.03	13.65
Earnings per share discontinued business - diluted		0.99	13.17

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

Consolidated Financial Statements 2004

Mikron Group

Consolidated Statement of Cash flow

CHF 1'000	Notes	2004	2003
Continued business			
Cash flow from operating activities			
Net result for the year		-16'049	-23'034
Depreciation		18'129	19'731
Impairment		0	12'511
Non-cash changes of long-term liabilities		-4'870	-426
Other non-cash items		734	178
Changes in net working capital	4.16	-5'772	17'334
Cash flow before movement in net working capital		-7'828	26'294
Cash flow from investing activities			
Investments in tangible assets		-16'574	-13'662
Divestments of tangible assets		4'382	3'553
Proceeds from divestments (net of cash disposed)		57'068	0
Investments in financial and intangible assets		-419	-6'257
Cash flow from investing activities		44'457	-16'366
Cash flow from financing activities			
Proceeds from issuance of share capital		44	110'153
Purchase of treasury shares		-49	0
Repayments of other financial liabilities		-39'149	-46'175
Repayment of bonds & notes		-20'181	-21'432
Increase in other financial liabilities		0	2'975
Repayment of finance lease liabilities		-2'274	-1'999
Cash flow from financing activities		-61'609	43'522
Effect of exchange rate changes on cash		-235	463
Net cash flow from continued business		-25'215	53'913
Net cash flow from discontinued business		1'652	-20'655
Increase / decrease of cash and cash equivalents		-23'563	33'258
Cash and cash equivalents at beginning of period ¹⁾		67'590	34'332
Cash and cash equivalents at end of period		44'027	67'590
Income taxes paid		440	3'849
Income taxes received		170	2'049
Interest paid		3'366	2'239
Interest received		1'603	2'554

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

¹⁾ includes continued and discontinued business

Consolidated Financial Statements 2004

Mikron Group

Consolidated Statement of Shareholders' equity

CHF 1'000	Share capital	Treasury shares	Reserves			Retained earnings (deficit)	Total Shareholders' equity
			Capital reserves	Translation adjustment	Revaluation reserves		
Balance at 31.12.2002	64'285	-141	38'494	-8'617	28'307	-114'587	7'741
Financial restructuring	-62'673		70'176			102'651	110'154
Result 2003						93'726	93'726
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	-152	108'670	-10'049	26'462	82'449	208'992
Result 2004						548	548
Capital increase	44					0	44
Purchase of treasury shares		-49					-49
Change in revaluation, net of taxes					-8'680	8'680	0
Transfer of depreciation on revaluated tangible assets					-551	551	0
Translation adjustments				-267			-267
Balance at 31.12.2004	1'656	-201	108'670	-10'316	17'231	92'228	209'268

Further details on the treasury shares are given on page 35.

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

Notes to Consolidated Financial Statements 2004 Mikron Group

1. General Information

1.1 Basis of preparation The consolidated financial statements of the Mikron Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting rules of the Swiss Exchange. The consolidated financial statements have been prepared under the historical cost convention, modified by land and buildings held at revalued amounts and available-for-sale financial assets and financial assets and liabilities at fair value through profit and loss.

The board of directors approved the consolidated financial statements at the meeting of 7 March 2005. The approval of the consolidated financial statements is scheduled for the Annual General Meeting on 19 April 2005.

1.2 Consolidation All entities over which the Group exercises the control over financial and operating policies are fully consolidated. This power generally is based on a shareholding of more than half of the voting rights. Joint ventures in which Mikron Holding AG holds directly or indirectly 50 % of the shares are consolidated using the proportional approach. Associated companies in which the Group only holds between 20 % and 50 % of the voting rights are accounted for using the equity method.

The list of the subsidiaries can be found in the chapter on Group Companies Mikron Holding AG on page 39.

The consolidation is based on annual financial statements as of 31 December of all subsidiaries based on the consistent accounting guidelines of the Group. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. The consolidated financial statements are prepared and presented in Swiss Francs.

Acquisitions of subsidiaries are accounted for using the purchase method. The costs of an acquisition consist of the Group's share of the identifiable assets acquired measured at fair value plus any attributable costs. The excess over these costs of acquisition is recorded as goodwill.

1.3 Foreign currency translation Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Swiss Francs, which is the Group's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Foreign exchange differences out of the translation of the equity of consolidated companies that have a functional currency different from the presentation currency are directly recognised in equity. Exchange differences on long-term loans with equity character are also taken to equity. When such a foreign operation is sold, such exchange differences are recognised in the income statement as part of gain or loss on sale.

The translation of assets and liabilities at each balance sheet date is made using the closing rate, income and expense as well as all cash-flows for each period are translated using the average exchange rates.

Notes to Consolidated Financial Statements 2004 Mikron Group

Significant exchange rates in Swiss Francs:

Currency	Unit	Closing rate 31.12.2004	Closing rate 31.12.2003	Average rate 2004	Average rate 2003
EUR	1	1.543800	1.558000	1.543533	1.523067
USD	1	1.132100	1.235000	1.240833	1.337750
GBP	1	2.182200	2.215000	2.272358	2.201533
CNY	1	0.136780	0.149000	0.149888	0.161725

1.4 Segment reporting A business segment is a Group of net assets and transactions that are subject to risk and returns different from those of other business segments.

A geographical segment is engaged within a particular economic environment that is subject to risks and returns different from other regions.

The reporting of the Mikron Group's segments is primarily based on the business segment.

1.5 Discontinued business Discontinued operations or available-for-sale operations are re-classified as current assets and valued at the lower of carrying amount and fair value less costs to sell if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The Group early adopted IFRS 5 "Non-current Assets held for Sale and Discontinued Operations" from 1 January 2004 prospectively in accordance with the standard's provisions. The early adoption of IFRS 5 has resulted in a change in the accounting policy for discontinued operations.

At the closing dates of 2004 and 2003, no non-current assets were classified as held-for-sale. Therefore, there was no difference in measurement or valuation of any balance sheet position but changes in the presentation.

The adoption resulted in a change of presentation and disclosure of the prior year data of the income statement and cash-flow statement as well as the segment reporting and the respective notes to the income statement, which are presented on a comparable basis.

2. Significant accounting policies

2.1 Assets

Cash and cash equivalents Cash and cash equivalents includes cash in hand, current bank and post accounts as well as deposits held at call with banks with original maturities of 90 days or less and are shown at nominal values. Bank overdrafts on current accounts are disclosed in current financial liabilities.

Financial assets and liabilities and derivative instruments All transactions of financial assets and liabilities are recognized on the trade day. The initial recognition of financial assets is made at purchase price and includes associated transaction costs.

Financial instruments which are used to limit the risk associated with current or future transactions are measured at fair value through profit and loss. The group does not apply hedge accounting.

Derivative instruments are marked to market value and presented in other current assets. All changes in the value are included in the financial income and expense.

Receivables Receivables are initially measured at nominal values. A provision for bad debt risks is established for cases where the Group has an objective risk not to collect the outstanding amount.

Notes to Consolidated Financial Statements 2004 Mikron Group

Construction contracts Accounting for construction contracts in the business segment Production Equipment is based on the "percentage of completion" method of IAS 11. 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 through profit and loss.

Inventory Inventories are stated at the lower of purchase or production cost and net realizable 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.

Tangible assets Property consists of production and office buildings and is measured at fair value. Machinery and equipment are measured at amortised cost and 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. In 2004 all buildings and land in Switzerland has been appraised and the market valuation confirmed. 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 statement of income. The estimated useful life for the key groups of tangible assets is as follows:

	Years
Buildings	20 - 40
Equipment and installations	25
Machinery	10
IT Equipment and integrated software	5
Vehicles	5
Office equipment and machines	5
Furniture	12
Leasehold improvements	over the duration of the lease agreement

Intangible assets

a) Goodwill Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets and is depreciated linearly over 20 years. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

b) Development projects, patents, licences and trademarks Costs of an own identifiable development project, where the future economic benefit exceeds their costs materially are recognised on the balance sheet and depreciated over the estimated useful life (not exceeding 5 years). Costs represent direct project costs and directly attributable indirect costs.

c) Software Acquired software licenses are shown at historical cost and amortized over their estimated useful life. Costs associated with the development of a new platform may be capitalised, if the future benefits exceeds cost. The useful life of software does not exceed 5 years.

Impairment of assets Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

The value in use represents the net present value of all estimated future cash-flows generated from the continuing use of the asset and its disposal at the end of its economic life.

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 amortized over their estimated useful lives (see tangible assets).

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

2.2 Liabilities

Financial liabilities Current and non-current financial bank borrowings and other financial liabilities are shown at market values split by maturity. Changes in market value are credited or debited to the income statement.

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. No provisions are made for future operating losses.

Deferred income taxes Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that are expected to apply when the related deferred income tax is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Temporary differences on investments in subsidiaries are not provided for when the timing of the reversal is controlled by the group and the reversal will not happen in the foreseeable future.

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.

2.3 Revenue recognition Sales and earnings are recognised if it is probable that the economic benefit will flow to the Group and can be estimated reliably. The sales are considered realised with the transfer of risk and reward to the client.

Pro rata profits on construction contracts are realised based on the individual project progress and the estimated future profit in accordance with IAS 11.

Notes to Consolidated Financial Statements 2004 Mikron Group

3. Financial risk management

The group is exposed to a variety of market risks, primarily currency risks, credit risks and interest-rate risks.

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.

Foreign exchange risks 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 exchange rate risks. The transaction and other currency risk are treated on division or group level. Foreign exchange contracts are the main instrument to manage foreign exchange risks. Gains and losses from hedging the foreign exchange risk of assets and liabilities, which are carried at fair value are booked through profit and loss.

Foreign exchange translation differences arising in consolidation are recorded and disclosed within shareholders' equity of the Group. The group does not apply hedge-accounting.

Credit risk Credit risks arise from the possibility that the counterparty 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.

Interest rate risk Interest rate risks result from changes in interest rates, which could negatively affect the capital or income of the Group. Based on the substantially reduced external financing, this risk was fundamentally reduced.

Fluctuations in interest rates cause changes in the interest income and expense of interest-bearing assets and liabilities.

They can also affect the market value of certain financial assets, liabilities, and financial instruments.

The management of long-term interest rate risk is achieved centrally.

Liquidity risk Prudent liquidity risk management is achieved through rolling cash forecasts on Group level and through committed short-term credit line facilities.

Notes to Consolidated Financial Statements 2004 Mikron Group

4. Details to the Balance Sheet

4.1 Cash and cash equivalents

CHF 1'000	31.12.2004	31.12.2003
Bank and postal check accounts	14'943	50'756
Escrow account	0	1'172
Time deposits	29'084	15'662
Total cash and cash equivalents	44'027	67'590

4.2 Accounts receivables

CHF 1'000	31.12.2004	31.12.2003
Accounts receivable	58'244	72'448
Notes receivable	166	377
Allowance for doubtful accounts	-2'303	-3'336
Total accounts receivables	56'107	69'489

4.3 Inventories

CHF 1'000	31.12.2004	31.12.2003
Raw material	14'005	23'960
Work in process	15'016	31'821
Finished goods	22'084	18'412
Down payments to suppliers	5'441	3'029
Down payments from customers	-10'879	-16'596
Total inventories	45'667	60'626
Book value of inventories, carried at net realizable value	541	539

4.4 Construction contracts

CHF 1'000	31.12.2004	31.12.2003
Projects in progress - costs incurred	52'269	36'533
Recognised profits less recognised losses	8'212	8'566
Down payments from customers	-34'235	-28'530
Total net assets from customer projects	26'246	16'569
Projects in progress - costs incurred	38'130	33'109
Recognised profits less recognised losses	6'598	1'652
Down payments from customers	-70'220	-52'468
Total net liabilities from customer projects	-25'492	-17'707

4.5 Other receivables and prepaid expenses

CHF 1'000	31.12.2004	31.12.2003
Others	7'801	7'733
Prepaid expenses	2'504	5'088
Short-term loans	0	389
Total other receivables	10'305	13'210

Notes to Consolidated Financial Statements 2004 Mikron Group

4.6 Tangible assets

CHF 1'000	Real estate	Machines	Equipment	Down payments	Machine Leasing	Others	Total
At cost							
Balance at 01.01.2003	188'152	168'041	59'970	4'194	14'928	2'718	438'003
Changes in the 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
Changes in the scope of consolidation	-16'431	-37'972	-8'084	-414	48	-1'595	-64'448
Additions 2004	1'633	12'751	3'835	-789	1'454	535	19'419
Other movements	-11	1'267	0	-447	-809	0	0
Disposals 2004	-3'114	-14'251	-7'118	0	-11	-449	-24'943
Translation adjustments	-731	-1'316	-636	-7	-76	-115	-2'881
Balance at 31.12.2004	168'305	115'945	42'807	571	14'452	2'168	344'248
Accumulated depreciation							
Balance at 01.01.2003	-75'125	-103'374	-46'147	0	-5'084	-804	-230'534
Changes in the 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
Changes in the scope of consolidation	6'460	21'070	5'711	0	114	700	34'055
Additions 2004	-3'274	-10'664	-3'001	0	-1'642	-275	-18'856
Impairment	0	0	0	0	0	0	0
Other movements	0	-309	309	0	0	0	0
Disposals 2004	1'079	12'933	6'947	0	12	106	21'077
Translation adjustments	293	774	521	0	29	46	1'663
Balance at 31.12.2004	-75'812	-78'378	-34'125	-306	-6'411	-1'322	-196'354
Net book value							
Balance at 31.12.2003	106'589	53'284	10'198	1'922	8'922	1'893	182'808
Balance at 31.12.2004	92'493	37'567	8'682	265	8'041	846	147'894

At the balance sheet date, assets with a book value of CHF 59.6 million (prior year CHF 105.4 million) were pledged.

Historical cost less accumulated depreciation (without revaluation):

CHF 1'000	Real estate	Machines	Equipment	Down payments	Machine Leasing	Others	Total
Balance at 31.12.2003	83'418	52'559	10'215	1'921	8'981	1'892	158'986
Balance at 31.12.2004	73'854	37'179	8'682	265	8'041	846	128'867

Notes to Consolidated Financial Statements 2004 Mikron Group

4.7 Intangible assets

CHF 1'000	Notes	31.12.2004	31.12.2003
Patents, Prototypes, Others	4.7.1	3'749	5'356
Goodwill	4.7.2	0	15'201
Total intangible assets		3'749	20'557

4.7.1 Patents, Prototypes, Others

CHF 1'000	Patents	others	Prototypes internal	others	Others internal	Total
At cost						
Balance at 01.01.2003	305	16'220	5'423	10'400	1'073	33'421
Changes in the 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
Changes in the scope of consolidation	0	-4'458	-965	-2'151	0	-7'574
Additions 2004	0	192	1'085	424	0	1'701
Other movements	0	0	0	462	0	462
Disposals 2004	0	0	0	-144	0	-144
Translation adjustments	0	-38	-9	-41	-80	-168
Balance at 31.12.2004	305	12'817	6'799	5'556	874	26'351
Accumulated depreciation						
Balance at 01.01.2003	-305	-12'237	-2'145	-7'401	-1'073	-23'161
Changes in the 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
Changes in the scope of consolidation	0	3'134	965	1'429	0	5'528
Additions 2004	0	0	-1'080	-294	0	-1'374
Impairment	0	0	0	0	0	0
Other movements	0	0	0	-335	0	-335
Disposals 2004	0	0	0	144	0	144
Translation adjustments	0	25	9	39	80	153
Balance at 31.12.2004	-305	-12'626	-3'548	-5'249	-874	-22'602
Net book value						
Balance 31.12.2003	0	1'336	3'246	774	0	5'356
Balance 31.12.2004	0	191	3'251	307	0	3'749

The additions in 2004 are based on ongoing development projects for product platforms in the segment production equipment.

Notes to Consolidated Financial Statements 2004 Mikron Group

4.7.2 Goodwill

CHF 1'000	Infocom	Axxicon	Others	Total
At cost				
Balance at 01.01.2003	157'767	93'504	11'221	262'492
Changes in the 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
Changes in the scope of consolidation	0	0	0	0
Additions 2004	0	0	0	0
Other movements	0	0	0	0
Disposals 2004	-147'776	-99'466	-11'221	-258'463
Translation adjustments	0	0	0	0
Balance at 31.12.2004	0	0	0	0
Accumulated depreciation				
Balance at 01.01.2003	-118'257	-31'223	-11'221	-160'701
Changes in the 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
Changes in the scope of consolidation	0	0	0	0
Additions 2004	-75	-311	0	-386
Impairment	0	0	0	0
Other movements	0	0	0	0
Disposals 2004	143'217	89'210	11'221	243'648
Translation adjustments	0	0	0	0
Balance at 31.12.2004	0	0	0	0
Net book value				
Balance at 31.12.2003	4'634	10'567	0	15'201
Balance at 31.12.2004	0	0	0	0

In the previous year the Board of Directors, together with management, thoroughly reviewed the business plans in connection with the analysis of the portfolio. From this review resulted an impairment of CHF 30.9 million on the Infocom goodwill and CHF 52.8 million on the Axxicon goodwill.

At the sale of the joint venture BaldaMikron and Axxicon, the remaining goodwills Infocom and Axxicon have been taken into consideration in the deconsolidation (see note 6.2).

4.8 Financial assets

CHF 1'000	31.12.2004	31.12.2003
Securities	642	461
Investments	0	19
Total financial assets	642	480

Notes to Consolidated Financial Statements 2004 Mikron Group

4.9 Employee benefits 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 calculation was made as per 31 December 2004.

CHF 1'000	31.12.2004	31.12.2003
Reconciliation of assets and liabilities recognized in the Balance Sheet		
Present value of defined benefit obligation	165'807	202'357
Fair value of plan assets ¹⁾	166'712	162'180
(Surplus) / Deficit	-905	40'177
Unrecognized actuarial losses	-193	-41'691
Unrecognized assets	0	425
Total liabilities (asset) - net	-1'098	-1'089
Pension expense recognized in the statement of income		
Current service cost	6'835	8'245
Interest cost	7'443	7'212
Expected return on plan assets	-7'301	-8'043
Contribution paid by employees	-3'947	-3'587
Amortization of actuarial gains/losses	1'333	1'144
Change in unrecognized asset	-425	-1'412
Pension cost (see note 5.3)	3'938	3'559
Reconciliation of the movement of net defined benefit liability / (asset)		
as per January 1	-1'089	-1'061
Pension expenses as per income statement	3'938	3'559
Contribution paid	-3'947	-3'587
as per December 31	-1'098	-1'089
Actual return on plan assets		
Expected return on plan assets	7'301	8'043
Actuarial loss on plan assets	-4'392	-4'689
Actual return on plan assets	2'909	3'354
Basis of actuarial calculations		
Technical interest rate	3.75%	3.75%
Expected return on assets	4.5%	5%
Increase in salaries/wages	2%	3%
Increase in pensions	1.0%	1.5%

¹⁾ Estimated value at the time of recalculation. The fair value of plan assets includes 3'802 shares of Mikron Holding AG with a market value of CHF 61'000 (prior year CHF 67'000).

Notes to Consolidated Financial Statements 2004 Mikron Group

4.10 Deferred tax

CHF 1'000	31.12.2004	31.12.2003
The deferred tax assets and liabilities refer to the following balance sheet items:		
Current assets	872	1'653
Fixed assets	9'694	13'338
Financial and intangible assets	274	302
Current liabilities	-104	-277
Long-term liabilities	26	-732
Other current liabilities	-526	-547
Loss carry forwards	-4'528	-3'123
Total deferred tax liabilities - net	5'708	10'614
thereof recognized in the balance sheet as deferred tax liabilities	10'236	13'737
thereof recognized in the balance sheet as deferred tax assets	-4'528	-3'123
Statement of changes in deferred tax liabilities		
January 1	13'737	16'538
Set-up / (reversal) of temporary differences	-879	-4'228
Adjustments over the equity	-147	1'285
Changes in the scope of consolidation	-2'429	0
Translation adjustments	-46	142
December 31	10'236	13'737
Statement of changes in deferred tax assets		
January 1	3'123	2'619
Set-up / (reversal) of deferred tax assets	-1'375	-2'647
Increase deferred tax asset	2'761	3'110
Translation adjustments	19	41
December 31	4'528	3'123

Notes to Consolidated Financial Statements 2004 Mikron Group

4.11 Interest bearing liabilities

CHF 1'000	31.12.2004	31.12.2003
Financial short-term liabilities		
Bank overdrafts	117	8'492
Finance lease liabilities	2'020	2'037
Current portion of long-term debt	435	2'731
Total	2'572	13'260
Financial long-term liabilities		
Bank debt	0	39'482
Bonds - Private placement 1999 - 2006 ¹⁾	0	13'360
- Industrial Revenue Bond 1996 - 2010 ¹⁾	0	2'964
- Industrial Revenue Bond 1998 - 2012 ¹⁾	0	3'582
Mortgages	1'038	1'049
Finance lease liabilities	3'356	4'062
Total	4'394	64'499

¹⁾ In connection with the refinancing fully paid back in the reporting period.

Currency split		
CHF	3'605	26'878
USD	102	22'269
EUR	2'438	23'440
other	821	5'172
Total	6'966	77'759
Maturity structure		
not later than 1 year	2'572	13'260
later than 1 year but not later than 5 years	4'394	64'374
later than 5 years		125
Total	6'966	77'759

Distribution of maturities of the lease liability

CHF 1'000	31.12.2004	31.12.2003
Payable		
- not later than 1 year	2'243	2'201
- later than 1 year but not later than 5 years	3'619	4'211
- later than 5 years	0	125
Future finance charges on finance leases	-486	-438
Finance lease liabilities - net of future charges	5'376	6'099
Short-term finance lease liabilities	2'020	2'037
Long-term finance lease liabilities	3'356	4'062

In 2004, Mikron Group continued its efforts to reduce indebtedness. The proceeds from the sales of the joint venture BaldaMikron in April 2004 and of the division Axxicon in July 2004 allowed Mikron Group to become entirely net debt free (indebtedness minus cash position).

The said proceeds were used to fully repay Mikron Group's liabilities toward the Syndicated Banks and the Noteholders.

In addition, the two Industrial Revenue Bonds (IRB) were repaid early.

In October 2004, a loan agreement was reached with Credit Suisse that provides Mikron Group with the necessary credit facility for bank guarantees and also grants a credit line for cash loans in the amount of CHF 10 million for possible future use.

Notes to Consolidated Financial Statements 2004 Mikron Group

4.12 Provisions

CHF 1'000	Warranties and short-term projects	Onerous contracts	Employee benefit plans	Restructuring	Others	Total
Current provisions	6'568	3'060	1'103	473	5'946	17'150
Long-term provisions	1'667	2'889	3'888	0	1'410	9'854
Provisions at 31.12.2003	8'235	5'949	4'991	473	7'356	27'004
Statement of changes						
Additions	4'622	1'886	246	740	1'985	9'479
Utilization	-1'345	-3'015	-1'048	-327	-3'168	-8'903
Reversal	-888	0	-1'266		-1'281	-3'435
Changes in the scope of consolidation	-3'675	0	-336		-759	-4'770
Translation adjustments	-60	0	-46	-4	-388	-498
Provisions at 31.12.2004	6'889	4'820	2'541	882	3'745	18'877
Current provisions	5'077	2'102	232	882	2'630	10'923
Long-term provisions	1'812	2'718	2'309	0	1'115	7'954
Provisions at 31.12.2004	6'889	4'820	2'541	882	3'745	18'877

Warranty provisions are related to sales of products and services and are based on experience. Provisions for losses on short-term projects in production (project loss reserve) were made in order to offset the anticipated losses. In addition warranty provisions in connection with the sale of the divisions Axxicon Mould (CHF 1.5 million) and standard machines in 2000 (CHF 0.25 million) have been booked.

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.

Provisions for employee benefit plans include legal liabilities in specific countries (mainly Italy and Asia).

The restructuring provisions created in the previous year for Italy have now been used. The remaining balance covers the current program of Seropa Technology in France and several decisions within the division Plastics Technology.

The other provisions relate to remaining costs of already invoiced projects, where the final acceptance has not yet taken place. Based on the final amicable settlement of a legal case in April 2004 provisions for legal cases of CHF 0.4 million have been released. At the end of this period no material unresolved legal case was pending.

Notes to Consolidated Financial Statements 2004 Mikron Group

4.13 Other current liabilities and accrued expenses

CHF 1'000	31.12.2004	31.12.2003
Accrued expenses	17'602	21'005
Other current liabilities	7'117	15'359
Current income tax accrual	350	1'440
Total current liabilities	25'069	37'804

4.14 Not capitalised tax loss carry forwards

CHF 1'000	31.12.2004	31.12.2003
Expiry date		
- 2005 (incl. 2004 in prior year)	7'808	8'722
- 2006-2007	21'340	12'398
- 2008-2009	39'408	10'052
- 2010-2011	162'289	269'037
- 2012-2015	0	41'130
- No expiry date	2'999	944
Total tax loss carry forwards	233'844	342'283

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 CHF 233.8 million (prior year CHF 342.3 million). The respective potential tax saving, calculated using the current tax rate of the group, amounts to CHF 33.6 million (prior year: CHF 43 million) 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.

The strong decrease is mainly based on the high profit incurred from the financial restructuring in the previous year of Mikron Holding AG which reduces loss carry forwards in this period.

Notes to Consolidated Financial Statements 2004 Mikron Group

4.15 Share capital

CHF 1'000	Numbers of registered shares	Value
Balance at 31.12.2003	16'120'975	1'612
Capital increases (option exercises)	444'069	44
Balance at 31.12.2004	16'565'044	1'656

The share capital as of December 31, 2004, amounts to CHF 1.7 million (prior year CHF 1.6 million) and consists of 16'565'044 registered shares with a nominal value of CHF 0.10 per share.

Since the balance sheet restructuring three categories of capital subject to a condition exist amounting to CHF 76'850. 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. For additional information see Financial Statements of Mikron Holding AG on page 34.

On December 31, 2004, 800 registered shares of Mikron Holding AG were held by Mikron Management AG, Biel (prior year 800) and 5'617 registered shares were held by Mikron Holding AG, Biel (prior year 1'700).

4.16 Change in net working capital

CHF 1'000, continued business	31.12.2004	31.12.2003
Movement in receivables	12'424	-15'980
Movement in net assets from customer projects and prepaid expenses	7'849	-12'368
Movement in inventories	2'552	2'880
Movement in accounts payable	-9'621	10'287
Movement in net liabilities from customer projects, other liabilities and accrued expenses	-7'432	-2'153
Total change in net working capital	5'772	-17'334

5. Details to the Consolidated Income Statement

5.1 Net sales

CHF 1'000	2004	2003
Net sales products & services	187'744	170'659
Net sales from construction contracts	144'267	134'029
Total net sales	332'011	304'688

5.2 Material costs and subcontractors

CHF 1'000	2004	2003
Raw and auxiliary material	124'233	108'591
Subcontractors	25'840	29'027
Total material costs and subcontractors	150'073	137'618

Notes to Consolidated Financial Statements 2004 Mikron Group

5.3 Personnel expenses

CHF 1'000	2004	2003
Salaries and wages	109'890	108'813
Social charges	12'028	11'995
Contribution pension fund (defined contribution plan)	786	2'293
Contribution pension fund (defined benefit plan)	3'938	3'559
Total personnel expenses	126'642	126'660

5.4 Other operating expenses - net

CHF 1'000	2004	2003
Other income	-5'058	-4'277
Other expenses	55'725	52'435
Gain on sale of fixed assets	-518	-295
Loss on sale of fixed assets	23	16
Capital tax	205	204
Other tax	19	63
Total other operating expenses - net	50'396	48'146

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 and changes in provisions (all without personnel expenses which are shown separately).

Gain on sale of fixed assets includes CHF 0.4 million resulting from the sale of fixed assets of Mikron Corporation, Anderson (USA) at 5 November 2004.

5.5 Financial result - net

CHF 1'000	2004	2003
Interest income	1'619	2'193
Interest expenses	-3'384	-2'824
Total interest expenses - net	-1'765	-631
Exchange gains	15'900	24'557
Exchange losses	-18'074	-21'793
Other financial income	152	303
Other financial expenses	-1'224	-628
Total other financial income - net	-3'246	2'438
Total financial result - net	-5'011	1'808

Notes to Consolidated Financial Statements 2004 Mikron Group

5.6 Income Taxes

CHF 1'000	2004	2003
Current income tax	349	-2'052
Deferred income tax	-1'620	-1'931
Total income taxes	-1'271	-3'983

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 taxes calculated with the tax rate of the group and the actual income taxes.

CHF 1'000	2004	2003
Net earnings before taxes and amortization of goodwill	-17'320	-24'062
Income taxes at the group rate	-4'330	-6'273
Income taxes at other rates	1'833	-554
Impact of losses or loss carry forwards	-2'976	-8'478
Impact of non-capitalization of loss carry forward	5'864	6'060
Capitalization of deferred tax assets	-2'761	-3'110
Depreciation of deferred tax assets	1'375	2'647
Prior year adjustment	307	-2'476
Impact of non-deductible expenses	-437	7'498
Impact of tax rate changes	-146	703
Total income taxes	-1'271	-3'983

6. Other notes

6.1 Joint venture The Mikron Group has sold all the interests in joint ventures (see note 6.2).

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	31.12.2004	31.12.2003
Current assets	0	22'562
Fixed assets	0	14'013
Total assets	0	36'575
Current liabilities	0	19'126
Long-term liabilities	0	6'454
Total liabilities	0	25'580
Revenue	0	47'238
less expenses	0	-43'003
Earnings for the year	0	4'235

Notes to Consolidated Financial Statements 2004 Mikron Group

6.2 Discontinued business On April 1st, 2004, the 50 %-share of the joint venture „BaldaMikron“ was sold for EUR 20 million. The joint venture included companies in China and Norway (Engineering) as well as a 50:50 % joint venture with a local partner in Malaysia. It developed and produced components for the audio, video and data industry.

Per July 14th, 2004, the division „Axxcion Mould Technology“ was sold – with exception of the company in

Caen (F) – for EUR 27.5 million. In total seven legal entities were sold, most of them located in the Netherlands. The Division was mainly producing tools for the manufacturing of components for the CD/DVD and cell phone production.

Total results and cash flows of the discontinued business (2003 includes refinancing and other minor disposals) are as follows:

CHF 1'000	2004	2003
Net sales	50'957	128'497
Cost of production	-47'584	-140'016
Debt forgiveness	0	220'529
Impairment Goodwill	-386	-84'578
Gain on sale	15'768	0
Net earnings before taxes	18'755	124'432
Taxes	-2'158	-7'671
Net earnings from discontinued business	16'597	116'761

CHF 1'000	2004	2003
Cash flow from operating activities	3'757	-1'158
Cash flow from investing activities	-1'584	-1'583
Cash flow from financing activities	-568	-17'635
Effect of exchange rate changes on cash	47	-279
Net cash flow from discontinued business	1'652	-20'655

The consequences of the disposals described above on the balance sheet and cash flows can be summarized as follows:

CHF 1'000	2004	2003
Cash	-14'390	-86
Receivables and prepaid expenses	-23'476	-2'854
Inventories	-18'715	-1'024
Tangible assets	-30'661	-6'579
Intangible assets	-16'903	0
Bank debts	-6'881	-1'082
Accounts payable	-13'622	-981
Current liabilities	-18'236	-3'369
Long-term liabilities	-9'717	-320
Net assets incl. Goodwill	-55'689	-4'791
less cash	14'390	86
Net assets without cash	-41'299	-4'705
Sales price - net	71'457	566
less gain on sale (loss in prior year)	-15'768	4'225
Net assets incl. Goodwill	55'689	4'791
less cash	-14'390	-86
Net Disposals without cash	-41'299	4'705

Notes to Consolidated Financial Statements 2004 Mikron Group

6.3 Fair Values of Financial assets and liabilities

CHF 1'000	Book value 2004	Fair value 2004	Book value 2003	Fair value 2003
Financial assets				
Cash and cash equivalents	44'027	44'027	67'590	67'590
Receivables	63'908	63'908	77'222	77'222
Financial assets	642	642	480	480
Financial liabilities				
Financial liabilities	1'155	1'155	68'929	68'929
Other liabilities	43'945	43'945	50'282	50'282

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 and the restructuring in the prior year, the bookvalues do represent market values.

6.4 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 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
Open derivative instruments 2004							
Forward exchange contracts	114	174	12'108	6'605	5'503	0	0
Options	0	0	0	0	0	0	0
Foreign exchange	114	174	12'108	6'605	5'503	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	114	174	12'108	6'605	5'503	0	0

The main currencies are CHF, USD and EUR.

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.

Notes to Consolidated Financial Statements 2004 Mikron Group

6.5 Assets pledged to secure own debts

CHF 1'000	31.12.2004	31.12.2003
Tangible assets - book value of property, plant and equipment	59'621	105'382
Total collateral securities	66'000	90'400
Real estate deposited to secure own debts	66'652	109'639
Other assets pledged to secure own liabilities (leasing, factoring)	5'777	0
Loans used: mortgages	0	1'049
used by finance leasing: machinery, equipment	5'376	6'099
used by revolving loans, term loans, private placement	652	49'441

6.6 Lease commitments

CHF 1'000	31.12.2004	31.12.2003
The future minimum lease payments under non-cancellable operating leases are as follows:		
not later than 1 year	3'541	6'641
later than 1 year but not later than 5 years	10'165	18'744
later than 5 years	784	4'720

6.7 Fire insurance value of tangible assets and inventories

CHF 1'000	31.12.2004	31.12.2003
Buildings	139'164	152'094
Machinery, equipment and inventories	405'033	439'526

6.8 Related party transactions The compensation paid to the members of the Board of Directors in the 2004 business year amounted to CHF 0.3 million in total.

Compensation of CHF 0.2 million was paid to members of Group Management who terminated their function in the 2004 business year.

The compensation paid to the members of Group Management (6 people) for the 2004 business year amounted to CHF 2.4 million.

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.

6.9 Research and Development

CHF 1'000	2004	2003
Development for customers	0	1'096
Own development	8'304	7'698
Total research and development	8'304	8'794

The development activities mainly took place in the divisions Machining Technology and Assembly Technology. The focus was on the continuous improvement of productivity and flexibility for the producing customers. This was achieved for example through improved steering software and more flexible feeding systems.

With the sale of the division Axxicon Mould Technology also their development for customers disappeared.

Notes to Consolidated Financial Statements 2004 Mikron Group

7. Information by business and geographical segments

7.1 Information by business segments

Continued business CHF 1'000	Production Equipment		Components		Eliminations		Corporate		Total Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Net sales - third party	209'579	192'890	122'432	111'798	0	0	0	0	332'011	304'688
Net sales - group	5'424	5'932	37	97	-5'461	-6'439	0	410	0	0
Total net sales	215'003	198'822	122'469	111'895	-5'461	-6'439	0	410	332'011	304'688
EBITDA	15'157	9'727	-7'781	-3'853	0	0	-1'554	-2'458	5'822	3'416
Depreciation	-9'969	-11'432	-6'948	-6'531	0	0	-1'214	-1'685	-18'131	-19'648
Impairment fixed assets	0	0	0	-9'638	0	0	0	0	0	-9'638
Goodwill amortization	0	0	0	-82	0	0	0	0	0	-82
Impairment goodwill	0	0	0	-2'873	0	0	0	0	0	-2'873
EBIT continued business	5'188	-1'705	-14'729	-22'977	0	0	-2'768	-4'143	-12'309	-28'825

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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Assets without cash and marketable securities	283'200	286'741	80'496	117'959	-272'485	-72'925	205'025	36'176	296'236	367'951
Cash and marketable securities									44'027	67'590
Total consolidated assets									340'263	435'541
Liabilities without banks, bonds & notes, mortgages and taxes	198'534	223'908	74'392	117'239	-272'485	-197'167	128'614	9'452	129'055	153'432
Banks, bonds & notes, mortgages and taxes									1'940	73'117
Total consolidated liabilities									130'995	226'549

CHF 1'000	Production Equipment		Components		Eliminations		Corporate		Total Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Investments in tangible assets	12'985	7'933	5'818	12'724	0	0	616	907	19'419	21'564
Divestments of tangible assets	-1'214	-3'016	-92	-2'419	0	0	-2'560	-654	-3'866	-6'089
Total Investments in tangible assets - net	11'771	4'917	5'726	10'305	0	0	-1'944	253	15'553	15'475

Notes to Consolidated Financial Statements 2004 Mikron Group

7.2 Information by geographical segments

CHF 1'000	Net sales	
	2004	2003
Switzerland	14'285	20'191
Germany	111'545	78'468
Great Britain	29'476	32'058
Italy	25'427	27'707
France	39'098	22'951
Danmark	3'290	11'918
Netherlands	7'304	8'154
Other Europe	39'802	40'475
North America ¹⁾	31'880	35'175
Far East ²⁾	24'652	21'975
Others	5'252	5'615
	332'011	304'688

¹⁾ mostly USA

²⁾ mostly China, Malaysia, Japan, India, South Korea

CHF 1'000	Total assets		Investments		Divestments		Investments - net	
	2004	2003	2004	2003	2004	2003	2004	2003
Switzerland	244'584	251'887	8'399	3'864	-120	-1'043	8'279	2'821
Europe ¹⁾	70'155	120'921	8'416	8'343	-1'184	-4'271	7'232	4'072
North America ²⁾	17'442	20'643	505	2'063	-2'542	-207	-2'037	1'856
Far East ³⁾	8'082	42'090	2'099	7'294	-20	-568	2'079	6'726
	340'263	435'541	19'419	21'564	-3'866	-6'089	15'553	15'475

¹⁾ Germany, Italy, France, Great Britain, Netherlands, Czechia, Norway (only prior year)

²⁾ mostly USA

³⁾ China, Japan, Malaysia (only prior year)

Number of Employees per	31.12.2004	31.12.2003
Switzerland	954	850
Europe ¹⁾	411	416
North America ²⁾	145	136
Far East ³⁾	188	128
	1'698	1'530

¹⁾ Germany, Italy, France, Great Britain, Netherlands, Czechia, Norway (only prior year)

²⁾ mostly USA

³⁾ Japan, Singapore, China, Malaysia (only prior year)

Notes to Consolidated Financial Statements 2004 Mikron Group

8. Gain/Loss per share

8.1 Weighted average number of shares

Number	2004	2003
Issued shares at the beginning of the year	16'120'975	1'285'704
Capital increase	0	12'857'040
Exercise of convertible bond rights and options	444'069	1'978'231
Issued shares at the end of the year	16'565'044	16'120'975
thereof own shares	-6'417	-2'500
Adjusted for weighted average	-423'354	-7'567'405
Weighted average number of shares - basic	16'135'273	8'551'070
Effect of dilution	572'034	315'610
Weighted average number of shares - diluted	16'707'307	8'866'680

8.2 Computation of gain/loss per share

CHF 1'000, except for per share information	2004	2003
Net earnings for the year continued business	-16'049	-23'034
Weighted average number of shares - basic	16'135'273	8'551'070
Basic loss per share - basic	-0.99	-2.69
Weighted average number of shares - diluted	16'707'307	8'866'680
Basic loss per share - diluted	-0.96	-2.60
Net earnings for the year discontinued business	16'597	116'761
Weighted average number of shares - basic	16'135'273	8'551'070
Basic loss per share - basic	1.03	13.65
Weighted average number of shares - diluted	16'707'307	8'866'680
Basic loss per share - diluted	0.99	13.17



**Report of the group auditors
to the general meeting of
Mikron Holding AG
Biel**

PricewaterhouseCoopers AG
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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 2 to 28) of Mikron Holding AG for the year ended December 31, 2004. The prior year corresponding figures were audited by other auditors.

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, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers AG

Hanspeter Gerber

Marcel Durand

Bern, March 7, 2005

5 years Financial Summary

5 years Financial Summary

CHF million	2004 ¹⁾	2003	2002	2001	2000
Performance ratios					
Order intake	339.8	414.0	442.6	501.2	713.5
Net sales	332.0	433.2	414.7	607.5	664.7
Stock of Orders	115.7	123.6	144.9	152.2	244.6
Productivity (added value/personnel expenses)	1.44	1.57	1.47	1.50	1.80
Operating output (incl. trade and service turnover)	332.9	443.9	421.3	550.1	675.6
Research and development	8.3	8.8	10.7	12.4	22.3
Depreciation and impairment	18.1	41.8	54.3	66.0	31.4
Goodwill amortization and impairment	0.0	87.5	48.5	93.3	8.7
Number of employees (headcount at year-end)	1'698	3'159	3'042	2'770	3'435
Investments - net	-44.3	17.9	-7.5	41.1	102.7
Acquisitions/Divestments of subsidiaries	-57.1	0.6	0.0	-74.2	-18.6
Earnings					
Earnings before goodwill amortization, interest and taxes (EBITA)	-12.3	-30.1	-60.6	-15.8	63.3
EBITA as % net sales	-3.7	-6.9	-14.6	-2.6	9.5
Earnings before interest and taxes	-12.3	-117.6	-109.0	-109.1	54.6
Earnings before taxes	-17.3	94.2	-139.0	-128.6	41.4
Net result for the year	-16.0	93.7	-141.8	-127.3	34.1
Net result for the year as % of net sales	-4.8	21.6	-	-	5.1
Cash flow					
Cash flow	-7.8	25.1	14.9	-5.0	59.8
Cash flow as % of sales	2.4	5.8	3.6	-0.8	9.0
Free cash flow	36.4	7.2	22.4	-120.3	-23.6
Balance sheet					
Total assets	340.3	435.5	536.2	706.4	707.2
Current assets	182.4	227.5	210.2	270.2	281.2
Fixed assets	157.9	208.1	326.0	436.2	426.0
Current liabilities	108.0	136.2	483.0	155.3	158.9
Long-term liabilities	23.0	90.3	45.4	400.3	278.1
Shareholders' equity	209.3	209.0	7.7	150.7	269.9
Shareholders' equity as % of total assets	61.5	48.0	1.4	21.3	38.2

¹⁾ continued business only

Information to Share capital

Number	2004	2003	2002	2001	2000
Number of shares¹⁾					
(nominal value CHF 0.10)					
Registered shares	16'565'044	16'120'975	1'285'704	1'285'704	1'281'503
Total	16'565'044	16'120'975	1'285'704	1'285'704	1'281'503
Shares entitled to dividends					
Registered shares	16'565'044	16'120'975	1'285'704	1'285'704	1'281'503
Total	16'565'044	16'120'975	1'285'704	1'285'704	1'281'503
Shares subject to a condition for¹⁾					
(nominal value CHF 0.10)					
Convertible bond	0	0	0	12'580	12'580
Management options	0	0	24'660	46'620	22'700
Options of the bank syndicate	147'700	591'769	0	0	0
Total	147'700	591'769	24'660	59'200	35'280
Key figures per share in CHF²⁾					
Net earnings for the year	0.03	10.96	-110.26	-99.18	26.83
Cashflow	-0.25	2.94	11.62	-3.87	47.03
Shareholders' equity	12.97	24.44	6.02	117.79	212.10
Dividends	0.00	0.00	0.00	0.00	5.00
Market price high-low (business year)					
Registered shares	19.5-11.6	21.7-4.33	159-6	645-88	1'525-620

¹⁾ The par value per share has been reduced to CHF 0.10 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 2004 the average daily trade volume was 12'186 shares (prior year 24'229 shares).

Opting out/up The company did not choose to make use of these options.

Financial Statements 2004

Mikron Holding AG

Balance Sheet

CHF 1'000	31.12.2004	31.12.2003
Current assets		
Cash and cash equivalents	39'039	49'325
Marketable securities	158	108
Receivables	5	4
Intercompany receivables	1'794	2'093
Other receivables	138	42
Short-term loans	7'582	3'101
Short-term loans to group companies	17'908	9'414
Prepaid expenses	73	86
Total current assets	66'697	64'173
Fixed assets		
Tangible assets	191	0
Financial assets		
- Investments	94'992	37'716
- Loans to group companies	135'363	191'880
- Loans to third parties	0	7'647
Total financial assets	230'355	237'243
Total fixed assets	230'546	237'243
TOTAL ASSETS	297'243	301'416
Liabilities		
Accounts payable	356	92
Intercompany payables	833	848
Other liabilities	1'356	1'831
Short-term loans from group companies	6'650	36'796
Accrued expenses	1'396	2'150
Total current liabilities	10'591	41'717
Notes (Private placement)	0	16'065
Loans from group companies	74'080	28'081
Provisions	5'000	5'000
Total long-term liabilities	79'080	49'146
TOTAL LIABILITIES	89'671	90'863
Shareholders' equity		
Share capital	1'657	1'612
Legal reserve	108'670	108'670
Reserve for own shares	201	152
Retained earnings / loss	97'044	100'119
TOTAL SHAREHOLDERS' EQUITY	207'572	210'553
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	297'243	301'416

Financial Statements 2004

Mikron Holding AG

Income Statement

CHF 1'000	31.12.2004	31.12.2003
Revenue		
Dividend income	0	7
Gain on sale of investments	0	466
Financial income	7'275	17'339
Restructuring income	0	220'529
Services and other income	6'175	6'286
Total revenue	13'450	244'627
Expenses		
Personnel expenses	1'970	1'935
Financial expenses	27	0
Restructuring of subsidiaries / Provisions for investments	6'490	8'435
Loss on sale of investments	3'067	114'971
Other expenses	4'891	15'811
Taxes	31	38
Total expenses	16'476	141'190
NET RESULT FOR THE YEAR	-3'026	103'437

Notes to Financial Statements 2004

Mikron Holding AG

Notes to Financial Statements

1. Guarantees and assets pledged in favor of third parties

CHF 1'000	31.12.2004	31.12.2003
Guarantees and assets pledged in favor of third parties	0	75'273
Guarantees and assets pledged in favor of group companies	32'193	26'277
Total guarantees and assets pledged in favor of third parties	32'193	101'550

2. Operating leases

CHF 1'000	31.12.2004	31.12.2003
Operating leases	49	0

3. Liabilities to pension fund

CHF 1'000	31.12.2004	31.12.2003
Liabilities to pension fund	21	227

4. Notes The private placement 1999-2006 amounting to USD 10.8 million with an interest rate of 5.75% (prior year 5.75%) was paid back before expiry date.

CHF 1'000	31.12.2004	31.12.2003
Private placement	0	16'065

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 0.10.

CHF 1'000	31.12.2004	31.12.2003
Capital I subject to a condition	12	12

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 0.10.

CHF 1'000	31.12.2004	31.12.2003
Capital II subject to a condition	50	50

Notes to Financial Statements 2004

Mikron Holding AG

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 147'700 shares with a nominal value of CHF 14'770 (prior year 591'769 shares with CHF 59'176.90 value).

CHF 1'000	31.12.2004	31.12.2003
Capital III subject to a condition	15	59

6. Major investments see page 39.

7. Information on own shares On December 31, 2004 800 registered shares of Mikron Holding AG were held by Mikron Management AG, Biel (prior year: 800) and 5'617 registered shares were held by Mikron Holding AG, Biel (prior year: 1'700).

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. In prior years any allowance on loans were deducted from investments. As a change in policy, these allowances are now being deducted from the loans to group companies starting as per 31.12.2004.

10. Statement of shareholders' equity

CHF 1'000	Share capital	Legal reserve	Reserve for own shares	Retained earnings / losses	Total shareholders' equity
Balance at 31.12.2002	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
Net result 2004				-3'026	-3'026
Increase reserve for own shares			49	-49	0
Capital increase - Exercised options	45				45
Balance at 31.12.2004	1'657	108'670	201	97'044	207'572

Notes to Financial Statements 2004

Mikron Holding AG

11. Shareholder structure at December 31, 2004 From a total of 7'129 shareholders, 7'076 shareholders with 14'228'351 shares are entitled to vote. 53 shareholders with 404'615 shares and as well 1'932'078 shares of the trading stock are not entitled to vote.

				Number of shareholders	Number of shares	%
Shareholders		> 828'252	> 5%	1	11'742'941	70.9%
Shareholders	≤ 828'252	> 10'000		19	557'631	3.4%
Shareholders	≤ 10'000	> 1'000		435	1'085'934	6.6%
Shareholders	≤ 1'000	> 500		674	550'627	3.3%
Shareholders	≤ 500	> 100		1'973	550'853	3.4%
Shareholders	≤ 100	> 50		956	79'260	0.5%
Shareholders	≤ 50	> 20		1'139	42'534	0.3%
Shareholders		< 20		1'932	23'186	0.1%
Trading stock					1'932'078	11.7%
Total				7'129	16'565'044	100.0%

Appropriation of Retained Earnings

Appropriation of Retained Earnings at 31.12.2004 (Proposal of the Board of Directors)

CHF 1'000	31.12.2004	31.12.2003
Retained earnings deficit carried forward	100'119	-67'464
Decrease of nominal value of share capital	0	64'157
Reversal of reserve for own shares	-49	-11
Net result for the year	-3'026	103'437
Retained deficit	97'044	100'119
Coverage of retained earnings deficit		
Reversal of legal reserves	0	0
Carry forward to new account	97'044	100'119
	97'044	100'119

Report of the Statutory Auditors



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**Report of the statutory auditors
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 32 to 37) of Mikron Holding AG for the year ended December 31, 2004. The prior year corresponding figures were audited by other auditors.

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

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Hanspeter Gerber

Marcel Durand

Bern, March 7, 2005

Group Companies / Investments Mikron Holding AG

Local currency 1'000	Activity	Currency	Share capital	Net sales ¹⁾	Shareholding direct	Shareholding indirect	Division
Switzerland							
Mikron AG Biel, Nidau	1,2,3,4	CHF	4'000	21'983	100%		Plastics Technology
Mikron AG Derendingen, Derendingen	1,2,3,4	CHF	400	14'713	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	69'870	100%		Machining Technology
Mikron SA Boudry, Boudry	1,2,3,4	CHF	2'000	81'826	100%		Assembly Technology
Mikron Tool SA Agno, Agno	1,2,3,4	CHF	300	12'701	100%		Machining Technology
Czech Republic							
Mikron Chomutov, s.r.o., Most	1,2,3,4	CZK	6'300	17'146	100%		Plastics Technology
France							
Seropa Technology, Hérouville-St-Clair	1,2,3,4	EUR	700	4'572		100%	
Germany							
Mikron GmbH Rottweil, Rottweil	1,2,3	EUR	383	15'244	100%		Machining Technology
Great Britain							
Mikron (U.K.) Ltd., Huddersfield	1,2,3	GBP	2'970	8'854	100%		Plastics Technology
Italy							
Mikron S.p.A. Zingonia, Zingonia	1,2,3,4	EUR	1'190	11'698	100%		Plastics Technology
Japan							
Mikron Ltd. Tokyo, Yokohama City	1	JPY	15'000	109'343	100%		Machining Technology
Netherlands							
Mikron Vianen B.V., Vianen	1,2,3,4	EUR	2'032	17'154	100%		Plastics Technology
Singapore							
International Mikron Machining Technology PTE Ltd., Singapore	4	SGD	0	0	100%		Plastics Technology
USA							
Mikron Corp. Denver, Aurora	1,2,3,4	USD	10	5'489		100%	Assembly Technology
Mikron Corp. Monroe, Monroe	1,4	USD	1	5'445		100%	Machining Technology
Mikron Corp. Rochester, West Henrietta	1,2,3,4	USD	1	11'446		100%	Plastics Technology
Mikron North America Corp., Monroe	4	USD	3'500	0	100%		
P.R. China							
Mikron Suzhou Ltd., Suzhou	1,2,3,4	RMB	16'247	41'674		100%	Plastics Technology

¹⁾ Net sales to third parties 2004.

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

The following companies are not listed because their liquidation is in process: Mikron Finance B.V., Mikron International B.V., Mikron Limited, Mikron Denmark Aps.,

Mikron Plastics Technology Corp. Americas, Mikron Corp. Anderson, Seropa France and Mikron Sul Americana Ltda.

Impressum

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