

Semiannual report 2004

Report of the Mikron Group

Business portfolio streamlined,
strong growth in order intake (+22.9%),
change programs well on target

In the first six months of 2004, the Mikron Group substantially streamlined its business portfolio and made good progress in the various change programs in its remaining three divisions. The gratifying level of new orders had a positive impact on these programs. The Mikron Group has overcome the turbulence of the previous two years and is well set to further improve its operational performance.

Key operating figures

New orders came to CHF 242 million in the first half of 2004, which was a substantial 22.9% increase. The Production Equipment segment was the main beneficiary of pent-up demand for capital spending on industrial manufacturing.

Sales revenue came to CHF 210.0 million, 3.6% below the figure of the previous year of CHF 217.9 million, and was marked by mixed trends in the divisions (see pages 3 and 4).

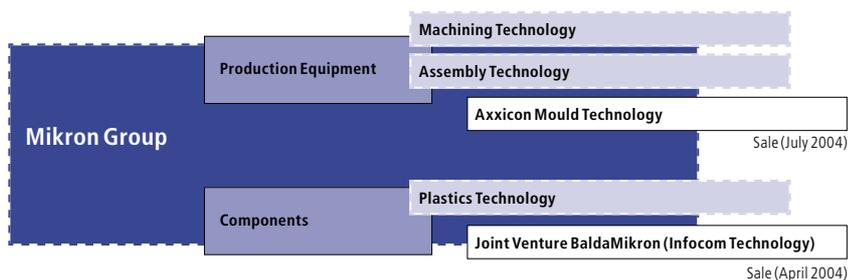
Operating profit (EBITA before one-off effects) fell short of the previous year's figure, as expected. While the Production Equipment segment improved its result, the Components segment failed to reach the levels of the last year. One major reason was that the first-half result contained only one quarter's figures for the stake in the BaldaMikron joint venture sold as per April 1, 2004.

Result for the first six months

In the first half-year, the Mikron Group generated a profit of CHF 8.1 million. A major factor was the proceeds from the sale of Mikron's stake in the BaldaMikron joint venture (CHF 15.3 million).

New Portfolio

In the first six months Mikron set focus on three divisions.



Volumes			
	Cumulative per end of quarter 1/1 – 30/6/2004		
Mio. CHF	2004	2003	+/- %
New Orders	242.0	196.9	22.9%
- Production Equipment	175.9	123.1	42.9%
- Components	66.5	74.9	-11.3%
Net Sales	210.0	217.9	-3.6%
- Production Equipment	139.1	140.7	-1.1%
- Components	71.4	80.2	-11.0%
Stock of Orders	155.3	121.7	27.6%
- Production Equipment	137.1	100.7	36.1%
- Components	18.2	21.0	-13.1%

Operating results			
	Cumulative per end of quarter 1/1 – 30/6/2004		
Mio. CHF	2004	2003	
EBITA (before one-off effects)	-0.8	4.6	
Gain on sale 50% of BaldaMikron	15.3		
Year-to-date costs to sell Axxicon	-0.7		
One-off effects 2003			-28.6
EBITA	13.8	-24.0	
- Production Equipment	8.2	7.2	
- Components	-5.2	1.4	
- Corporate	10.8	-32.6	

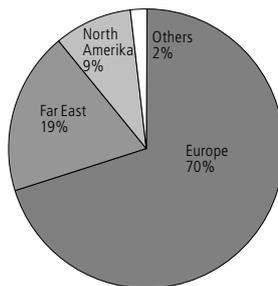
Outlook

Following the spin-off of the Infocom joint venture BaldaMikron and the Axxicon Mould Technology division (transaction closed on July 14, 2004), the business portfolio for the second half is significantly different. The charts opposite – taking the 2003 figures as the basis – show the impact of the portfolio changes on Net sales and employees figures. Due to the altered portfolio, sales revenues of the Mikron Group will decrease in the immediate future.

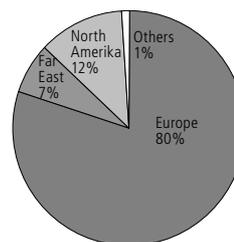
With the elimination of the Infocom and mould-making divisions, the operating profit will be lower at the end of the year than in the previous year. The essential point, however, is that the divisions that were loss-making last year should be able to substantially improve their result and in future further increase the level achieved.

Mikron will therefore continue to focus on the ongoing programs to enhance quality in all its businesses. This will further improve conditions, enabling Mikron to remain a reliable partner for its customers in future too.

Changes Net sales

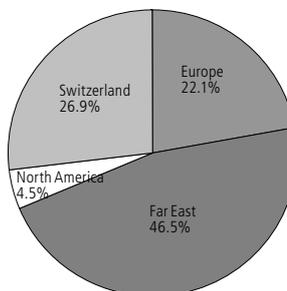


including Joint Venture BaldaMikron and Axxicon Mould Technology
CHF 433 million

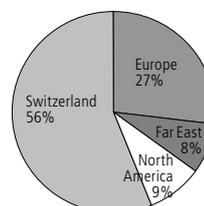


excluding Joint Venture BaldaMikron and Axxicon Mould Technology
CHF 308 million

Changes Employees



including Joint Venture BaldaMikron and Axxicon Mould Technology
3 159 employees



excluding Joint Venture BaldaMikron and Axxicon Mould Technology
1 530 employees

Automotive and Health/Personal Care: The two most dynamic key market segments for Mikron at the moment



Segment reports

Production Equipment segment

Business activity

Order intake in the Production Equipment segment increased by a gratifying 42.9% to CHF 175.9 million compared with CHF 123.1 million in the period of the previous year. New orders were up 23% compared with the second half of 2003.

The upturn in business, which was apparent by the fourth quarter of 2003 in the Machining Technology division, continued and even beats estimates significantly. The orders stem from more buoyant demand in the automotive industry. The Assembly Technology division landed some major contracts from existing and new customers in the health/personal care and the automotive market segments. An important element is that the division won some key projects in the US in the second quarter. Axxicon Mould Technology's business with moulds for the CD/DVDs blanks continued to perform well and more than



Micro assembly cell „Mikron G05“: One of the numerous options based on the advanced highly flexible assembly system G05.

offset the general weak order intake for customer-specific moulds.

Sales fell by 1% compared with the previous year from CHF 140.7 million to CHF 139.1 million. In the Machining Technology division, the improved order situation in recent quarters was reflected in a marked increase in sales revenue. As expected, the Assembly Technology division did not match the figures of the year before owing to longer project lead times and the exceptionally high level of deliveries in the first half of 2003. Due to the short delivery times for CD/DVD moulds, the Axxicon Mould Technology division succeeded in lifting its sales.

Following the sale of the Axxicon Mould Technology division, one Axxicon company remains in the Mikron Group for the time being: Axxicon Moulds Caen SA in France, a unit that focuses on the manufacture of customer-specific moulds, was not acquired by the buyer.

Operating profit (EBITA) rose 14% to CHF 8.2 million. The margin was 6%. The Machining Technology division, which posted a loss last year, already broke even in the first half of 2004. As expected, the contribution of the Assembly Technology division was lower than the previous year because an exceptionally large number of repeat orders was completed in the comparable period of the previous year. The Axxicon Mould Technology division improved its result compared with the previous year.



The „Multistar“ rotary transfer machine now features new CNC units allowing for high productivity and precision with added flexibility in manufacturing of high volume precision parts.

Key figures Production Equipment segment

Mio. CHF	Cumulative per end of quarter 1/1 – 30/6/2004		+/- %
	2004	2003	
New Orders	175.9	123.1	42.9%
- Machining Technology	65.1	40.5	60.8%
- Axxicon Technology	49.4	41.7	18.6%
- Assembly Technology	61.4	40.8	50.5%
Net Sales	139.1	140.7	-1.1%
- Machining Technology	53.8	42.2	27.4%
- Axxicon Technology	46.2	43.3	6.6%
- Assembly Technology	39.2	55.2	-28.9%
Stock of Orders	137.1	100.7	36.1%
- Machining Technology	52.5	30.1	74.3%
- Axxicon Technology	17.2	26.6	-35.5%
- Assembly Technology	67.4	44.0	53.2%
EBITA	8.2	7.2	14.3%

Outlook

The good capacity utilization levels in Machining Technology and Assembly Technology will not yet be fully reflected in this year's profit figures. Now that Axxicon Mould Technology was sold as per July 14, 2004, this division will not make any contribution to profit in the second half of 2004. A restructuring program is being launched to improve the competitiveness of Axxicon Moulds Caen SA. The costs are estimated at a maximum of CHF 2 million and will impact the profit for the year.

On the whole, it is expected that the Production Equipment segment will break even in the second half at the EBITA level.

Components segment

Business activity

The Components segment saw its order intake decrease by 11.3% to CHF 66.5 million compared with the previous year's CHF 74.9 million. Factoring in the stake in the BaldaMikron joint venture, sold as per April 1, 2004, the segment more or less matched the level of the previous year.

Sales came to CHF 71.4 million (previous year CHF 80.2 million). Adjusted for the joint venture stake that Mikron sold, an increase of 3% was generated.

Operating profit (EBITA) came to CHF -5.2 million, well short of the previous year's CHF 1.4 million. Compared with the same period of the previous year, the contribution of the BaldaMikron joint venture was lacking in the second quarter of 2004 (impact: CHF -2.4 million).

The Plastics Technology division reported a loss for the following reasons:

- On July 1, 2004, production started up for a major order in the medical technology field. The preparations for series production generated planned expenditures of CHF 2.8 million in the first six months of 2004 and included setting up, testing and validating the production process as well as hiring and training employees.
- Owing to a lack of volume or lower margins, the contribution by three plants in western Europe fell short of expectations.

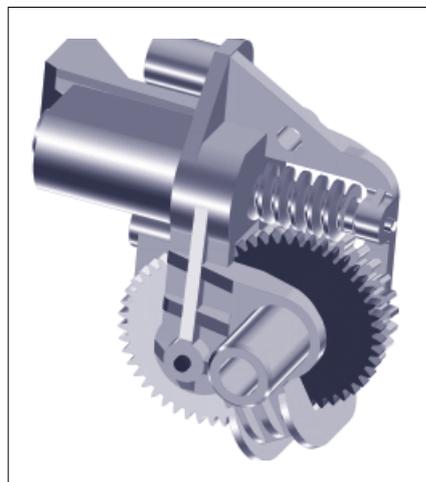
Key figures Components segment			
	Cumulative per end of quarter 1/1 - 30/6/2004		
Mio. CHF	2004	2003	+/- %
New Orders	66.5	74.9	-11.3%
- Plastics Technology	56.3	57.1	-1.4%
- Infocom-Joint Venture	10.2	17.8	-42.9%
Net Sales	71.4	80.2	-11.0%
- Plastics Technology	61.4	59.6	3.0%
- Infocom-Joint Venture	10.1	20.6	-51.3%
EBITA	-5.2	1.4	-471.4%

Outlook

The Plastics Technology division is expected to break even in the second half of 2004. The loss for the full year should therefore not increase.

The anticipated contribution margins from the medical technology order should compensate the up-front costs incurred in the first half.

In the other plants, the change programs that have been initiated are expected to result in an improvement in earnings.



An example of today's global component business:
Engineering performed in Switzerland, USA, Italy and the Netherlands,
prototyping done in Italy, Denmark and the Netherlands,
ready for high volume production in China.

Notes to the Financial statements

1. Accounting policies

The un-audited half-year financial statements 2004 have been prepared in accordance with International Accounting Standard (IAS) 34 based on the same accounting policies as the annual report 2003.

2. Change in scope of consolidation

On April 1, 2004, the 50% stake in the BaldaMikron joint venture has been sold to Germany's Balda Group for EUR 20 million. The net gain on this sale amounted to CHF 15.3 million. During the consolidated period of the first three months of 2004, the contribution to the Mikron Group was as follows: Sales CHF 10.0 million and an EBITA of CHF 0.5 million. The figures for the first half-year in 2003 amounted to Sales CHF 20.5 million and an EBITA of CHF 2.9 million. The proceeds of this transaction will mainly be used to reduce the financial debt of the group.

3. Business seasonality

The activities of the Group are not subject to a material seasonality.

4. Litigation settlement

Based on a mutual amicable agreement which was reached in April 2004, the provision for legal cases was reduced by CHF 0.4 million.

5. Segmental data

Details on the performance of the segments can be found on pages 3 and 4.

6. Events after the balance-sheet date

6.1 Sale of the Axxicon Mould Technology division

As per July 14, 2004 the Axxicon Mould Technology division has been sold - with the exception of the French entity - for EUR 27.5 million. The financial impact of this transaction settled in July is not reflected in the half-year financial statements. The net loss on sale amounted to CHF 0.1 million.

The entities disposed of contributed sales of CHF 41.0 million and an EBITA of CHF 5.0 million during the first half year 2004 and sales of CHF 29.1 million and an EBITA of CHF 3.6 million during the first half year 2003, respectively.

6.2 Measures started at Axxicon Moulds Caen SA

The production site in Caen did not form part of the sold bundle of entities. Already in July 2004, a comprehensive list of measures has been started which will result in one-off costs of approximately CHF 2 million. The measures aim to re-establish the operating performance.

Financial statement

Consolidated balance-sheet		
CHF 1'000	30.06.2004	31.12.2003
Cash and cash equivalents	59'821	67'590
Total other current assets	159'222	159'894
Total current assets	219'043	227'484
Total fixed, intangible and deferred tax assets	185'242	208'057
Total assets	404'285	435'541
Total current liabilities	120'177	136'203
Total non-current liabilities	66'984	90'346
Total liabilities	187'161	226'549
Total equity	217'124	208'992
Total equity and liability	404'285	435'541

Consolidated income statement first half-year 2004/2003		
CHF 1'000, except for per share information	2004	2003
Net sales	210'026	217'948
Change in work in process / capitalised own production	2'015	5'667
Total material cost and operating expenses	-202'617	-232'787
Depreciation fixed assets	-10'929	-12'837
Impairment fixed assets	0	-2'028
Net gain on sale of 50% in BaldaMikron Joint-Venture	15'298	0
Earnings before interest, taxes and amortisation (EBITA)	13'793	-24'037
in % of net sales	6.6%	-11.0%
Goodwill amortization	-386	-3'062
Goodwill impairment	0	-73'000
Earnings before interest and taxes (EBIT)	13'407	-100'099
Interest expenses and other financial income - net	-2'530	-4'193
Debt forgiveness	0	220'529
Earnings before taxes	10'877	116'237
Income taxes	-2'757	-4'635
Net earnings first half-year	8'120	111'602
Earnings per share - basic	0.50	37.20
Earnings per share - diluted	0.49	36.07

Consolidated cash-flow statement first half year 2004/2003		
CHF 1'000	2004	2003
Cash-flow from operating activities	-9'051	-89
Cash-flow from investing activities	24'382	-11'562
Cash-flow from financing activities	-23'126	24'035
Exchange rate differences on cash and cash equivalents	26	-48
Change in cash and cash equivalents	-7'769	12'336

Consolidated Statement of changes in equity first half year 2004/2003		
CHF 1'000	2004	2003
Total equity as of 1 January	208'992	7'741
Net earnings first half-year	8'120	111'602
Increase share capital and paid-in surplus	0	100'092
Change in treasury shares	-38	0
Translation adjustments	50	-3'039
Total equity as of 30 June	217'124	216'396

The accompanying notes form an integral part of the financial statements