Semiannual Report 2008

Shareholder's letter of 31 July 2008

MIKRON Technology Group

HALF YEAR 2008

Dear Shareholders,

A rapid development is taking place in the automotive industry that is not only strongly driven by global price increases on the energy markets, but also by growing concerns about the high production of pollutants. This development is occurring in modern motor engineering and can mainly be observed in Europe. In this area, Mikron offers support primarily to the automotive supply industry by providing suitable production solutions.

Aside from the traditional automotive segment, Mikron has also for some time been establishing itself very successfully in the medical technology industry and increasingly in the precision machinery industry as well. New machining and assembly solutions from Mikron that have been developed in recent years are playing an important role here.

With a good order backlog, the conditions for the coming six-month period are met in order for net sales to continue to surpass last year's level. The targeted clear improvement in operating profit (EBIT) and the Group's net earnings for financial year 2008 are thus within reach.

At this point, we would like to thank you, our Shareholders, for your trust in us.

Kind regards,

Johann N. Schneider-Ammann
Chairman of the Board

Dr Eduard Rikli
CEO Mikron Group

Order and sales volume at a good level
Profits further improved

The Mikron Group, a specialist in the production of machining and assembly systems, achieved an order intake of CHF 137.0 million (-22.2%) and net sales of CHF 144.5 million (+18.2%) in the first half of 2008. Taking account of the unusually high order volume in the previous year, both of these figures fulfilled expectations. The operating profit (EBIT) of CHF 5.2 million (+30.0%) and Group net earnings of CHF 4.3 million (+48.3%) developed positively and were both higher than in the previous year. For the entire financial year 2008, the targeted improvement on the previous year's results is within reach.

Mikron still ranks as one of the world's leading providers of customer-specific machining and assembly systems. An important driver of Mikron's business is the continuous development of modern fuel injection systems by the automotive supply industry. Furthermore, Mikron's production solutions are in high demand in numerous sectors with highvolume requirements and strict demands concerning precision and reliability – for instance in the medical technology and pharmaceutical industries and in the writing instrument and consumer goods industries.

In recent months, the economic environment has noticeably changed due to the influence of the ongoing crisis on the financial markets. In Mikron's environment, potential effects are not yet being strongly felt. From time to time, a more reserved approach to investments is noticeable among clients.

Order intake expectations fulfilled
The order intake of CHF 137.0 million was at a good level and fulfilled expectations. The decrease of -22.2% is of little relevance, as a large proportion of the entire annual order volume arrived cumulatively in the same period last year. Both the Machining Technology and the Assembly Technology divisions recorded a good mixture of orders across the market segments they serve. Orders with future potential – some from new market segments – were received from major international customers in the precision engineering and electrical engineering sectors.

Key figures

Mikron Group, 1.1.–30.6., CHF million

	2008	2007	+/-
Order intake Production Equipment	**137.0**	**176.0**	**-22.2%**
- Machining Technology	75.7	78.6	-3.7%
- Assembly Technology	59.5	97.4	-38.9%
Net sales Production Equipment	**144.5**	**122.3**	**18.2%**
- Machining Technology	81.1	63.7	27.3%
- Assembly Technology	61.9	58.6	5.6%
Stock of orders Production Equipment	**112.5**	**127.7**	**-11.9%**
- Machining Technology	55.1	52.3	5.4%
- Assembly Technology	57.2	75.5	-24.2%
Earnings (EBIT)	**5.2**	**4.0**	**30.0%**
- Production Equipment	7.5	5.4	38.9%
- Corporate	-2.3	-1.4	-64.3%
Net earnings	**4.3**	**2.9**	**48.3%**
Number of employees	**1,137**	**1,008**	**12.8%**
- Production Equipment	1,122	987	13.7%
- Corporate	15	21	-28.6%

Further increase in net sales

The sales volume was also at a good level and corresponded to expectations. At CHF 144.5 million (+18.2%), the value clearly exceeded that of the previous year and reflected the overall high capacity utilization.

Positive development of results

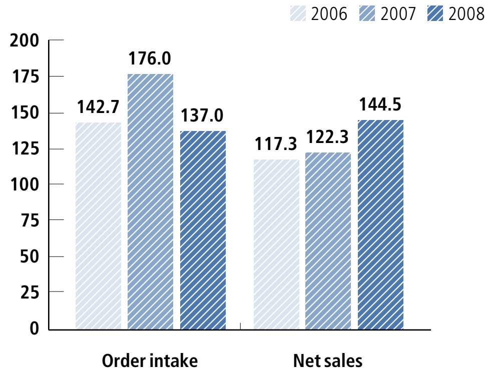
Operating profit (EBIT) at CHF 5.2 million (+30.0%) and Group net earnings at CHF 4.3 million (+48.3%) were improved. Development was thus positive, although current margins have not yet fulfilled internal expectations. The as yet insufficient order backlog of the two companies acquired last year, Namco (Switzerland) and Integral Systems (Singapore), led to a CHF 1.8 million decrease in operating profit (EBIT). However, it must be stated that, despite these teething problems, both companies match Mikron very well and display future potential at diverse levels.

Outlook

The Mikron Group is starting the second half of the year in a confident frame of mind and with a strong order backlog. Order and sales volumes are expected to match those achieved in the first half of the year. To ensure customer's satisfaction, prompt processing of the high order backlog is top priority. In addition, further efforts are planned to improve the order backlog of the two companies acquired last year. Assuming no further worsening of the general economic conditions, the Mikron Group expects to achieve a clear improvement in operating profit (EBIT) compared with the previous year for financial year 2008.

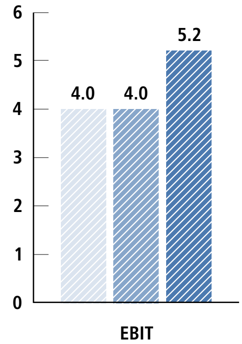
Volumes

Mikron Group, 1.1.-30.6., CHF million



EBIT

Mikron Group, 1.1.-30.6., CHF million



CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS 2008

Consolidated Income Statement

CHF 1'000, except for per share information	1.1.-30.6.2008		1.1.-30.6.2007	
Net sales	**144'462**		**122'261**	
Change work in process/finished goods	2'070		1'241	
Capitalized own production	830		1'505	
Operating output	**147'362**	100.0%	**125'007**	100.0%
Material costs and subcontractors	-63'814		-51'222	
Personnel expenses	-58'339		-51'036	
Other operating expenses (net)	-14'629		-13'688	
Depreciation and amortization	-5'417		-5'039	
Earnings before interest and taxes (EBIT)	**5'163**	3.5%	**4'022**	3.2%
Financial result (net)	346		-838	
Earnings before taxes	**5'510**	3.7%	**3'184**	2.5%
Income taxes	-1'173		-479	
Net Earnings from continued operations	**4'337**	2.9%	**2'705**	2.2%
Net Earnings from discontinued operations	**0**	0.0%	**150**	0.1%
Net Earnings	**4'337**	2.9%	**2'855**	2.3%
Net Earnings per share continued business – basic/diluted	0.26		0.16	

Consolidated Balance Sheet

CHF 1'000	30.6.2008		31.12.2007	
Cash and cash equivalents	20'880		36'525	
Current financial assets	5'122		10'000	
Receivables and prepaid expenses	49'260		52'918	
Net assets from customer projects and inventories	94'721		78'050	
Total current assets	**169'982**	57.0%	**177'493**	57.7%
Tangible assets	66'351		69'009	
Intangible assets	23'928		21'808	
Investment properties	31'350		31'350	
Other non-current assets	6'760		7'777	
Total non-current assets	**128'389**	43.0%	**129'943**	42.3%
Total Assets	**298'372**	100.0%	**307'436**	100.0%
Short-term financial liabilities	2'614		1'551	
Current liabilities and accrued expenses	51'264		55'083	
Net liabilities from customer projects	17'818		26'820	
Short-term provisions	3'806		4'091	
Total current liabilities	**75'502**		**87'545**	
Long-term financial liabilities	916		1'328	
Long-term provisions	2'041		2'484	
Other long-term liabilities	8'397		8'491	
Total long-term liabilities	**11'354**		**12'303**	
Total Liabilities	**86'856**	29.1%	**99'848**	32.5%
Total Shareholder's equity	**211'515**	70.9%	**207'588**	67.5%
Total Liabilities and Shareholder's equity	**298'372**	100.0%	**307'436**	100.0%

Consolidated Statement of Shareholder's Equity

CHF 1'000	1.1.-30.6.2008	1.1.-30.6.2007
Balance 31.12.	**207'588**	**200'017**
Net earnings	4'337	2'855
Change in treasury shares	233	-110
Translation adjustments	-643	139
Balance 30.06.	**211'515**	**202'901**

Consolidated Statement of Cash Flow

CHF 1'000	1.1.-30.6.2008	1.1.-30.6.2007
Net Earnings from continued operations	4'337	2'705
Non-cash items	3'729	3'481
Changes in net working capital	-23'975	1'626
Cash flow from operating activities	**-15'909**	**7'812**
Investments in tangible assets (net)	-3'263	-2'477
Investments in intangible assets (net)	-2'094	-3'176
nvestments in investment property	-199	-155
Investments in financial assets	5'000	-31
Cash flow from investing activities	**-556**	**-5'837**
Repayment of finance lease liabilities	-502	-592
Other cash flow from financing activities	1'426	329
Cash flow from financing activities	**924**	**-263**
Effect of exchange rate changes on cash	**-104**	**1**
Net cash flow from continued operations	**-15'645**	**1'712**
Net cash flow from discontinued operations	**0**	**0**
Increase / decrease of cash and cash equivalents	**-15'645**	**1'712**

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

NOTES TO THE CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS 2008

1. Commentary on the consolidated semiannual report

After starting 2008 with a very high order backlog, in the first six months the Mikron Group increased net sales by 18.2% to CHF 144.5 million against the same period last year. New orders worth CHF 137.0 million ensured that the order book remained very strong as of 30 June 2008.

Operating output rose by 17.8%. At 56.7%, added value lay beneath the previous year's level. The reduction in margins can be attributed to higher material costs and additional expenses for a few individual customer projects.

As a result of the increased employee headcount, personnel costs rose by 14.3% against the previous year. As of 30 June 2008, Mikron employed 1,137 people, 76 of whom have a fixed-term contract. Thanks to these additional employees who joined the company in 2007, we were able to ensure timely processing of customer projects and orders.

Operating profit (EBIT) was CHF 5.2 million. The 30.0% increase compared to the previous year was lower than planned, as the two newly acquired companies (see section 3) generated a loss of CHF 1.8 million due to low capacity utilization. Without this loss, the Production Equipment segment's operating profit would have increased from CHF 5.4 million to CHF 9.2 million. The increase in expenditure by Corporate was associated with the implementation of the IT strategy approved last year and other Group projects that were processed during the first half of the year.

At CHF 0.3 million, the financial result was positive and comprised interest income and currency gains. In the previous year, currency losses impacted the financial result by CHF 1.0 million.

No deferred tax assets were recognized for the losses incurred by the newly acquired companies. As a result, the tax rate of 21% as of 30 June 2008 was above expectations.

At CHF 4.3 million, the Group's net earnings after tax increased by 48.3%.

The clear rise in operating output led to an equally clear increase of CHF 24.0 million in net working capital. This resulted in a negative cash flow from operating activities of CHF 15.9 million in the first six months. At CHF 5.6 million, investments were on a par with depreciation. Within the scope of several ongoing investment projects, commitments were entered into that will lead to higher outflow of funds in the second half of the year. Term deposits worth CHF 5.0 million expired, which were not reinvested.

As of 30 June 2008, the share capital consisted of 16,712,744 registered shares as in the previous year. On increased shareholders' equity, the equity ratio rose to 70.9%.

2. Accounting principles

The unaudited consolidated semiannual financial statements for the period from 1 January 2008 to 30 June 2008 have been prepared in accordance with IAS 34 as issued by the International Accounting Standards Board (IASB). The accounting policies disclosed in the Annual Report 2007 have been applied consistently. The new or amended IFRS standards and interpretations which came into effect as of 1 January 2008, as listed in the table on page 7, have no effect on shareholders' equity or the net earnings.

3. Scope of consolidation

The semiannual financial statements include Mikron Holding AG, Biel and all Swiss and foreign subsidiaries which the parent company, directly or indirectly, controls either by holding more than 50% of the voting rights or by some other form of control.

On 1 July 2007, Mikron Holding AG acquired 100% of the shares of Namco SA in Caslano (Switzerland) and on 1 September 2007 100% of the shares of Integral Systems

Pte Ltd in Singapore. These two companies were therefore not included in the comparison period for the income statement and the cash flow statement.

4. Business seasonality

The activities of the Mikron Group are not subject to significant seasonality.

5. Information by business segments

The activities of the Mikron Group focus on the segment Production Equipment. Details of the course of business in this segment can be found on pages 2 and 3 of this report.

6. Critical accounting estimates and assumptions

The preparation of the consolidated semiannual financial statements in accordance with the entity's accounting policies requires estimates and assumptions. This entails the risk that a significant adjustment of the reported assets and liabilities may become necessary within the next period.

Critical estimates and assumptions have been made for construction contracts, employee benefits, deferred income tax assets, goodwill and provisions.

7. Events after the balance sheet date

There are no significant events after the balance sheet date.

Impact of new or amended IFRS and interpretations

		Effective date	Application Mikron	Impact
IFRIC 12	Service Consessions	January 1, 2008	2008	*
IFRIC 13	Customer loyalty programmes	July 1, 2008	2008	*
IFRIC 14	The limit on a defined asset, minimum funding requirements and their interaction	January 1, 2008	2008	**
IAS 1 (amended)	Puttable Financial Instuments and Obligations Arising on Liquidation	January 1, 2009	2009	*
IAS 1 (revised)	Presentation of financial statements	January 1, 2009	2009	**
IAS 23 (revised)	Borrowing Costs	January 1, 2009	2009	*
IAS 27 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2009	2009	*
IAS 27 (revised)	Consolidated and Separate Financial Statements	July 1, 2009	2010	*
IAS 32 (amended)	Puttable Financial Instuments and Obligations Arising on Liquidation	January 1, 2009	2009	*
IFRS 1 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2009	2009	*
IFRS 2 (amended)	Vesting Conditions and Cancellations	January 1, 2009	2009	*
IFRS 3 (revised)	Business Combinations	July 1, 2009	2010	*
IFRS 8	Operating Segments	January 1, 2009	2009	**
Annual Improvements	Improvements to IFRS	January 1, 2009	2009	*

* No impact expected on consolidated financial statements
** Changes to disclosures in consolidated financial statements expected
*** The effects on consolidated financial statements cannot yet be predicted with sufficient certainty

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