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# MILACRON INC

## FORM 10-K
(Annual Report)

Filed 03/25/08 for the Period Ending 12/31/07

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|---|---|
| Address | 2090 FLORENCE AVENUE<br>PO BOX 63716<br>CINCINNATI, OH 45206 |
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the Fiscal Year Ended December 31, 2007**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the Transition Period From to**

**Commission File Number: 1-8485**

# MILACRON INC.

*(Exact name of registrant as specified in its charter)*

| **DELAWARE** | **31-1062125** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **2090 Florence Avenue Cincinnati, Ohio** | **45206** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**(513) 487-5000**

**(Registrant's telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $.01 par value per share | [New York Stock Exchange, Inc.] |

**Securities registered pursuant to Section 12(g) of the Act:**
**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☐ (Do not check if a smaller reporting company) | Smaller reporting Company ☑ |
|---|---|---|---|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of June 30, 2007, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $43.2 million based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

| Class | Outstanding at March 12, 2008 |
|---|---|

| Common Stock, $.01 par value per share | 5,493,223 shares |
| --- | --- |

**DOCUMENTS INCORPORATED BY REFERENCE**

| Document | Parts Into Which Incorporated |
| --- | --- |
| Proxy Statement for the Annual Meeting of Shareholders to be held May 8, 2008 | Part III |

**MILACRON INC.**
**2007 FORM 10-K**

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## PART I

### Item 1. *Business*

### General

Milacron is a major solutions provider to the plastics-processing industries and a leading supplier of premium fluids to the metalworking industries. We deliver advanced technology and superior aftermarket service and support and we are committed to the success of our customers worldwide. We operate four business segments:

- Machinery technologies — North America
- Machinery technologies — Europe
- Mold technologies
- Industrial fluids

Our first three segments represented 85% of consolidated sales in 2007 and serve plastics processors through a broad range of technologically advanced products, services and support used in state-of-the-art plastics processing operations. Our plastics technologies segments manufacture and sell machines and turnkey systems as well as related mold tooling and components, MRO (maintenance, repair and operating) supplies, and value-added services and support for injection molding, extrusion and blow molding — methods that account for over 90% of all plastic part production. Major global markets for our plastics technologies include packaging, building materials, automotive, consumer goods, housewares, medical and electronics.

Our industrial fluids segment represented 15% of consolidated sales in 2007 and sells fluids with advanced formulations meeting many stringent performance, health and safety requirements that are used in a wide variety of metalworking applications. Our industrial fluids segment formulates, manufactures and sells coolants, lubricants, process cleaners and corrosion inhibitors and provides related value-added services to a variety of metalworking industries. Major global markets for our industrial fluids include automotive, industrial components and machinery, aerospace, appliances, oil and primary metals and off-road equipment.

### History

Starting in the 1860s as a screw and tap machine shop in downtown Cincinnati, the company was first incorporated in 1884. As a successor to that business, Milacron was most recently incorporated in Delaware in 1983. Known throughout most of our history as a leading machine tool maker serving metalworking industries, in the late 1990s we divested this legacy business and subsequently also divested our metalcutting tool and grinding wheel businesses in order to focus exclusively on plastics technologies and industrial fluids.

In the 1990s, Milacron, like many other U.S. companies, benefited from a strong, growing economy. Our plastics technologies sales were approaching $1 billion with good profitability. At the end of the decade, however, the U.S. manufacturing sector fell into its most severe and prolonged downturn since the 1930s. The plastics processing portion of the manufacturing sector was very severely impacted and to this day has not fully recovered. Shipments of injection molding machines in North America fell from a $1.2 billion 12-month moving total in 2000 to under $700 million by the end of 2001. It has stayed at very low levels ever since, experiencing only a partial recovery in 2004 and 2005 (Source: The Society of Plastics Industry).

In 2007, all of Milacron's businesses in North America, including industrial fluids, continued to be negatively impacted by high oil and resin prices, by the shakeout among auto part molders servicing the U.S. Big Three car manufacturers and by the slowdown in residential home building. Despite a series of responsive actions, including a number of plant closings, head-count reductions and other measures resulting in annual cost-savings, severely depressed sales volumes led to a consolidated loss from continuing operations in 2007. Also as a result of the slow down in North American and the emergence of other economies in the world, we have focused on expanding our presence outside of our traditional markets. In 2007, we saw significant sales growth outside of North America, Canada and Western Europe.

In 2007, Ohio Plastics, LLC, purchased 57.5% of Milacron's Series B Preferred Stock triggering a "change in ownership" for U.S. Federal income taxes which limits the amount of pre-change net operating loss carryforwards that we can utilize per year. As a result, we recorded a $63 million charge to the tax provision in 2007 to establish full deferred tax valuation allowances against our U.S. deferred tax assets. The decline in the North America economy, the deferred tax valuation allowance charge, restructuring charges of $12.5 million, pension plan curtailment costs of $1.9 million and $1.9 million of other costs related to the change in preferred stock ownership drove a consolidated net loss in 2007 of $87.1 million, or $19.25 per share.

**Manufacturing Efficiency and Cost Structure**

We are committed to better serving our customers and improving our financial performance through continuous cost reduction, greater working capital efficiency, increased manufacturing productivity and enhanced product quality.

Our focus is on reducing our overall costs and improving our operational efficiency through strategic global sourcing and manufacturing. In North America and Western Europe, we have been exiting the manufacture of low-cost, commodity parts and concentrating on making critical, high-tech components that add value and give us a competitive advantage. We are also consolidating our own manufacturing capacity and making our facilities more efficient. In 2007, we closed or sold two manufacturing plants in North America and one in Western Europe, while eliminating the need for manufacturing and administrative positions and reducing our overall cost structure. Thanks to these and other recently completed restructuring measures, we realized incremental savings from operations of $12 million in 2007 and we expect up to $8 million of additional savings in 2008.

In Asia, Eastern Europe and other faster-growing markets, we continue to expand our sales and manufacturing presence. And on a global basis, we are seeking new suppliers who offer greater flexibility, lower cost and higher quality, while consolidating existing supplier relationships and making other improvements to our supply chain.

**Product Research and Development**

We design and manufacture innovative, value-added products to reinforce our leading global positions and achieve sales growth. We continually invest in research and development to improve the performance of our existing products, to bring new products to market and to remain at the technological forefront of the plastics processing and metalworking fluids industries. To these ends, we invested $19.3 million, or 2.4% of sales, in R&D in 2007 compared to $20.5 million, or 2.5% of sales, in 2006.

**Patents**

Milacron holds a number of patents pertaining to both plastics technologies and industrial fluids, none of which are material to their respective business segments.

**Website**

We maintain an Internet website at www.milacron.com. Our site provides company, product and service information, as well as investor information, including our annual report on Form 10-K and other filings on Forms 10-Q and 8-K and any amendments thereto, our latest earnings and news releases, stock information, investor presentations and conference call access and replays. Information filed with the Securities and Exchange Commission (the "SEC") is made available as soon as reasonably practicable after it is filed. The information contained on our website is not incorporated by reference in this report.

**Employees**

Milacron's average employment level from continuing operations was approximately 3,350 in 2007. Of these, approximately half were outside the U.S. As of year-end 2007, our employment was about 3,300.

## Segment Information

Segment and geographic information for the years ended December 31, 2007 and 2006 is included in the notes to Milacron's Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

## Plastics Technologies

*Products and Services.* We believe Milacron is the world's broadest-line supplier of machinery, mold bases and related tooling and supplies to process plastics. Our extensive applications engineering expertise and comprehensive aftermarket service and support further differentiate us from our competitors. With combined 2007 sales of $684 million, our plastics technologies businesses are organized in three segments:

### Machinery technologies — North America

- Injection molding systems, parts and services supplied from North America, India and China
- Blow molding systems, parts, molds and services supplied from North America
- Extrusion systems, parts and services supplied from North America

### Machinery technologies — Europe

- Injection molding systems, parts and services supplied from Europe
- Blow molding systems, parts, molds and services supplied from Europe

### Mold technologies

- Injection mold bases, related components/tooling and services worldwide
- MRO — maintenance, repair and operating supplies worldwide

Milacron strives to be a "one-stop" supplier of complete end-to-end plastics processing solutions. We offer full lines of advanced injection molding, blow molding and extrusion systems, aftermarket replacement parts, and specialty auxiliary equipment for plastics processing. Milacron is a manufacturer of mold bases and related tooling and components for injection mold making and injection molders, and we make complete molds for blow molding. We are also a supplier of aftermarket MRO items for plastics processing and mold making, and we provide retrofit and rebuild services for older equipment manufactured by Milacron and others.

Injection molding is a very versatile process used to make a wide variety of plastic products, ranging from auto parts and electronic devices to consumer goods, medical equipment and containers. We believe Milacron is the largest supplier of injection molding machinery to the North American market and the third largest worldwide. We are a recognized technology leader in all-electric injection molding and in co-injection, multi-component-material-color, high-tonnage, and low-pressure foam/gas-assisted injection molding, offering systems that significantly reduce the customer's cost per part. Our patented PC-based control technology for plastics molding machines assures high-quality part production and brings the power of the Internet and improved communications to the shop floor.

In blow molding, we believe Milacron is the number-one supplier of systems to produce HDPE (high density polyethylene) containers, as well as one of the world's largest producers of industrial blow molding equipment to make hollow or semi-hollow products such as automotive components, toys, furniture, luggage and storage and shipping containers. In addition to providing turnkey, state-of-the-art systems, we are an integrated supplier of molds and related tooling for blow molding.

Our high-output, twin-screw extruders are North American market leaders for producing a wide variety of PVC (polyvinyl chloride) and plastic composite products, such as siding, decking, fencing and pipe, used in commercial and home construction markets. Smaller models of our single-screw extruders serve such end markets as plastics film and medical tubing. We also supply a leading line of new and rebuilt high-performance screws and barrels, which are the productivity and value components in the extrusion business, for all makes and models of

extruders. We continued to make good progress in 2007 in reintroducing our advanced extrusion systems and technologies to markets outside North America.

For North American injection mold makers and injection molders, Milacron is the leading supplier of durable mold bases, mold base components, ejector pins, nozzles, screw tips and MRO supplies. We are the number-three supplier of mold bases, components and MRO supplies in Europe and on a global basis. Independent mold makers are our largest customer category. We provide the widest range of standard and special mold tooling and the latest advances in mold technologies such as quick-change molds, hot runner systems and stack molds to reduce cycle times, increase output and improve productivity. Offering high-quality MRO products at competitive prices, we strive to become an extension of our customers' businesses by meeting their day-to-day needs for small tools, gauges, temperature regulators, lubricants, safety supplies and thousands of other items.

We leverage our size and geographic presence to provide rapid, comprehensive, high-quality service and support to our customers worldwide. Through our integrated service and supply network, we offer 24/7 technical support and repair services. Our customers have access to repair and maintenance services onsite or via the Internet as well as next-day parts availability on a global basis.

*Markets.* One of the largest industries in the world, plastics processing is a major contributor to the vitality of industrialized economies and to the continuing growth of developing areas. Plastic part production has grown steadily for over half a century, as plastics and plastic composites continue to replace traditional materials such as metal, wood, paper and glass. Plastics have increasingly become the material of choice in many, if not most, manufactured goods.

Advancements in material development and in processing equipment capabilities continue to make plastic products more functional and less expensive, thus spurring secular growth. Thanks to superior strength-to-weight ratios, plastics are increasingly used in transportation-related applications. Additionally, consumer demand for safer, more convenient products continues to drive general demand for plastic products.

Milacron competes in a global market, estimated to be $13 billion on an annualized basis, for plastics equipment and supplies. Our product mix generally parallels the major segments of this market. About two-thirds of the market consists of capital equipment, which is highly sensitive to general economic cycles and capital spending patterns. In addition, demand is often shaped by other factors such as fluctuations in resin pricing and availability, oil and other energy costs, the impact of interest rates on new housing starts and auto sales, the introduction of new products or models, and consumer confidence and spending. Changes in currency exchange rates may also affect our customers' businesses and, in turn, the demand for processing equipment. To reduce our dependency on capital goods cycles, we continue to look for ways to expand our durable and consumable product offerings as well as our aftermarket services on a global basis.

Although not always understood by those outside the industry, plastics generally are more environmentally friendly and energy conserving than comparable products made out of metal, wood, paper or glass. In addition, many polymer suppliers, machinery makers and processors are actively developing and improving methods of recycling plastics. As a member of the trade association, The Society of the Plastics Industry, Milacron continues to work with other leading companies to make plastics a part of the solution to the challenges of energy and environmental conservation.

*Geographic Sales.* About 55% of our plastics technologies products and services in 2007 were sold to customers in North America. European sales made up about 28% of the total, with the remainder coming from Asia and the rest of the world.

*Distribution.* Milacron maintains sales, marketing and customer service facilities in major cities and regions across North America, Europe and Asia. We also sell through large networks of distributors and/or sales and service offices in all major countries.

We sell our plastics machinery and systems through a combination of direct sales force and independent agents who are spread geographically throughout our key markets. We sell our mold bases, supplies and components through a direct distribution network in North America and Europe, through a large network of joint venture sales

and service offices in Asia, over the Internet and via telemarketing. We market our MRO supplies through both printed and electronic catalogs as well as over the Internet.

*Customers.* Our plastics technologies customers are involved in making a wide range of everyday products from food and beverage containers to refrigerator liners; from electronic and medical components to digital cameras and razors; from milk bottles to wood-fiber composite plastic decking. Key end markets in order of 2007 sales were packaging, automotive, building materials, consumer goods, appliances and housewares, custom molders, electrical and electronics, industrial machinery and components and medical.

*Production Facilities.* For our three plastics technologies segments, Milacron maintains the following principal production facilities:

| Facility Location | Principal Products |
| --- | --- |
| Ahmedabad, India | Injection molding machines |
| Batavia, Ohio* | Injection molding machines<br>Blow molding machines<br>Extrusion systems |
| Greenville, Michigan* | Mold bases |
| Jiangyin, China* | Injection molding machines |
| Lewistown, Pennsylvania | Mold components |
| Madison Heights, Michigan | Hot runner systems |
| Magenta, Italy* | Blow molding machines |
| Malterdingen, Germany | Injection molding machines |
| McPherson, Kansas* | Extrusion screws and barrels |
| Mechelen, Belgium | Mold components |
| Mississauga, Canada* | Extrusion screws |
| Mt. Orab, Ohio | Plastics machinery parts |
| Policka, Czech Republic* | Blow molding machines |
| Tecumseh, Michigan* | Molds for blow molding |
| Windsor, Canada | Mold bases |
| Youngwood, Pennsylvania | Mold bases and components |

* Leased

The above facilities provide approximately 1.8 million square feet of manufacturing, warehousing and office space. All facilities are in good repair and are considered suitable for the purposes for which they are used. The level of utilization of the facilities in relation to their practical capacities varies but, in all instances, is sufficient to justify their continued operation.

The following owned facilities were pledged as collateral to secure our obligations under the indenture governing our 11 $^{1}/_{2}$% Senior Secured Notes due 2011 and the financing agreement governing our $105 million asset based revolving credit facility: (i) Lewistown, Pennsylvania, (ii) Youngwood, Pennsylvania, (iii) Mt. Orab, Ohio and (iv) Madison Heights, Michigan.

*Competition.* The markets for plastics technologies are global, highly competitive and include principally North American, European and Asian competitors. We believe Milacron has the number-one position in the North American market and that we are one of the largest suppliers worldwide. A few of our competitors are larger than we are, most are smaller, and only a few compete in more than one product category. Principal competitive factors in the plastics technologies industry are product features, technology, performance, reliability, quality, delivery, price and customer service.

**Industrial Fluids**

*Products and Services.* With 2007 sales of $124 million, our industrial fluids segment provides metalworking industries worldwide with a wide variety of coolants, lubricants, forming fluids, process cleaners and corrosion inhibitors used in the shaping of metal products. Customers count on our extensive knowledge of chemistry and metalworking applications to maximize their productivity.

Coolants are required in the vast majority of metalworking operations, including cutting, grinding, stamping and forming, to achieve desired part quality and output through higher metal-removal rates and longer tool life. Our family of premium fluids offers superior performance while meeting the demands of today's toughest metalworking operations. We enhance our customers' competitiveness by prolonging tool life, reducing coolant usage, and improving metal-removal and metalforming productivity. For over half a century, our specialty has been synthetic (water-based) and semi-synthetic fluids, which provide excellent lubricity and are generally more environmentally friendly than traditional mineral oil-based products. In recent years, we have developed advanced "green" fluids, made from renewable oils and synthetic esters, which match or exceed the performance characteristics of mineral oil-based fluids, but with improved health and safety features and environmental advantages.

We add value for our customers by helping them maintain the safety and effectiveness of their fluids and by offering them our expertise in fluid/operation synergies to optimize their metalworking processes. Fluid optimization can provide our customers with significant productivity gains and cost savings.

Traditionally, our strength has been in the area of metalcutting and grinding, but we also blend and sell stamping and metalforming fluids, process cleaners, corrosion inhibitors and other specialty products for metalworking, all of which represent good growth opportunities for us.

*Markets.* Key markets for our industrial fluids include the whole spectrum of metalworking industries: from automotive, aircraft and machinery makers and job shops to manufacturers of appliances, agricultural equipment and consumer and sporting goods. Milacron fluids are also used in the production of glass and mirrors and in high-tech processes such as silicon wafer slicing and polishing.

The markets in which our industrial fluids compete total $2.5 billion on an annualized, global basis. Over one-third of the market consists of metalcutting and grinding fluids, with metalforming fluids and process cleaners each accounting for about one-quarter of the market. Demand for our fluids is generally directly proportional to levels of industrial production, although we specifically target higher-growth areas such as machining and forming exotic alloys and aluminum. Factors affecting our customers' production rates and ultimately the demand for our fluids include auto and machinery sales, consumer spending and confidence, interest rates, energy prices and currency exchange rates.

When it comes to industrial fluids, Milacron places very high importance on employee safety and environmental protection. In a proactive approach to continually improve the health and environmental effects of metalworking fluids, we work both locally and internationally with suppliers, customers and regulatory authorities, and we support and participate in research and educational programs regarding metalworking fluids.

*Geographic Sales.* About 48% of our 2007 industrial fluid sales were made to customers in North America, while another 44% were to European customers. The remaining sales were to customers in Asia and the rest of the world.

*Distribution.* Milacron's industrial fluids are sold primarily through industrial distributors, with some direct sales, as well as through printed catalogs. We produce most of what we sell, and most of what we make is sold under our own brand names. In addition, some of our fluids are sold under brand names of other companies through their own market channels.

*Customers.* Our metalworking fluids are involved in making all kinds of products: from automotive power train components to aluminum soft drink cans, from air conditioners and glass mirrors to bearings, golf clubs and a wide variety of industrial components.

Markets for our industrial fluids in order of importance based on 2007 sales were automotive, industrial components, industrial machinery, job shops, aerospace, appliances and housewares, oil and primary metals, off-

road equipment, consumer goods, and electrical and electronics. The largest customer category, automotive, accounted for 35% of fluid sales in 2007.

*Production Facilities.* For our industrial fluids segment, Milacron maintains the following principal production facilities:

| Facility Location | Products |
|---|---|
| Cincinnati, Ohio | Metalworking fluids |
| Livonia, Michigan | Process cleaners, corrosion inhibitors, specialty products |
| Sturgis, Michigan | Metalforming fluids |
| Ulsan, South Korea | Metalworking fluids |
| Vlaardingen, The Netherlands | Metalworking fluids |

The above facilities provide approximately 220,000 square feet of manufacturing, warehousing and office space. All facilities are in good repair and are considered suitable for the purposes for which they are used. The level of utilization of the facilities in relation to their practical capacities varies but, in all instances, is sufficient to justify their continued operation.

The following owned facilities were pledged as collateral to secure our obligations under the indenture governing our 11 1/2% Senior Secured Notes due 2011 and the financing agreement governing our $105 million asset based revolving credit facility: (i) Cincinnati, Ohio, (ii) Sturgis, Michigan and (iii) Livonia, Michigan.

*Competition.* We believe Milacron holds a leadership position in world markets for synthetic metalworking fluids. Our competitors range from large petrochemical companies to smaller companies specializing in similar fluids. Principal competitive factors in this business include market coverage, product performance, delivery, price and customer service.

**Executive Officers of the Registrant**

The following information is included in accordance with the provisions for Part III, Item 10:

| Name and Age | Position | Positions Held During Last Five Years |
|---|---|---|
| Ronald D. Brown (54) | Chairman, President and Chief Executive Officer | Elected Chairman, President and Chief Executive Officer in 2001. Has served as a Director since 1999. |
| Ross A. Anderson (51) | Senior Vice President — Finance and Chief Financial Officer | Elected Senior Vice President — Finance and Chief Financial Officer in 2006. Prior thereto was Vice President — Finance and CFO from 2005, Vice President and General Manager for North American Plastics Injection Machinery from 2004 to 2005 and Corporate Controller from 2002 to 2004. |
| Hugh C. O'Donnell (56) | Senior Vice President, General Counsel and Secretary | Elected Senior Vice President in 2004 and elected Vice President, General Counsel and Secretary in 1999. |
| David E. Lawrence (57) | President — Global Mold Technologies | Elected President of Global Mold Technologies business in 2004. Prior thereto was General Manager, Global Mold Technologies from 2003 to 2004 and General Manager North America of D-M-E, a Milacron subsidiary, from 1999 to 2003. |
| Robert C. McKee (56) | President — Global Industrial Fluids | Elected President of Global Industrial Fluids business in 2004. Prior thereto was General Manager, Global Industrial Fluids from 2002. |
| M. Bradley Baker (42) | Vice President — Human Resources | Elected Vice President of Human Resources in 2004. Prior thereto was Director, Global Human Resources from 2002 to 2004. |
| John C. Francy (43) | Vice President and Treasurer | Elected Vice President in 2004 and Treasurer in 2001. |
| Danny L. Gamez (45) | Controller | Elected Controller in 2005. Prior thereto was employed by subsidiaries of SPX Corporation from 2001 to 2005, most recently as Chief Financial Officer of SPX Cooling Technologies GmbH. |

Notes:

The parenthetical figure below the name of each individual indicates his age at most recent birthday prior to December 31, 2007.

There are no family relationships among the executive officers of the Registrant.

Officers of the company are elected each year by the Board of Directors.

## Item 1A. *Risk Factors*

The following discussion of "risk factors" identifies the most significant risk factors that may adversely affect our business, operations, financial position or future financial performance. These risk factors could cause our future financial performance to differ from those in our forward-looking statements and from our historical trends. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the Consolidated Financial Statements and related notes included in this Form 10-K. The following discussion of risks is not all inclusive but is designed to highlight what we believe are important factors to consider when evaluating our expectations.

As a "smaller reporting company", we are not required to provide any disclosures under Item 1A. In providing these risk factors, we do not represent, and no inference should be drawn, that the disclosures so provided comply with the requirements of Item 1A that would apply were we subject to them.

### Risks Relating to Our Liquidity and Our Indebtedness

***The ability to service our debt and meet pension funding requirements depends upon generating cash from operating activities and obtaining new sources of financing.***

During 2007, our operating activities provided nearly $10 million of cash with no pension funding requirements. Generating positive operating cash flows in the future is dependent upon a number of factors including our ability to realize anticipated cost savings and operating improvements and to grow our sales, particularly in our North America injection molding machine business. A recession in the U.S. could significantly reduce demand for our products. We have implemented significant cost saving initiatives in 2007 and in prior years that will favorably affect our operating cash flows and we expect to reduce our fixed cost structure further in 2008. Pension funding requirements for 2008 are approximately $30 million to $35 million and may need to be funded in part with debt.

In March 2008, certain of our European subsidiaries entered into a new five-year asset-based revolving credit program for up to €27 million in aggregate financing. See the note to the Consolidated Financial Statements captioned "Subsequent Events" for more information regarding this new credit program.

If we need to fund interest payments on our 11 1/2% Senior Secured Notes in part with the proceeds of borrowings under our asset based facilities and if we need to pursue alternative sources of liquidity to service our debt and pay our expenses, it is possible that we would not be able to sell assets, refinance debt or raise equity on commercially acceptable terms or at all, which could cause us to default on our obligations under our indebtedness. Our inability to generate sufficient cash flow or draw sufficient amounts under our asset based credit facility to satisfy our debt obligations and pay our other expenses, or our failure to comply with the covenants governing our indebtedness, could cause us to default on our obligations and would have a material adverse effect on our business, financial condition and results of operations.

***Our substantial level of indebtedness may adversely affect our financial condition, limit our ability to grow and compete and prevent us from fulfilling our obligations under our indebtedness.***

As of December 31, 2007, we had approximately $261 million in total indebtedness. In addition, we and certain of our non-U.S. subsidiaries had guaranteed $4.7 million of off-balance sheet obligations related to customer financings. As of December 31, 2007, we had approximately $77 million of borrowing-based availability under our asset based facility of which approximately $34 million was available to be borrowed.

Our substantial indebtedness could have important consequences. For example, it could:

- require us to dedicate a substantial portion or even all of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;
- increase the amount of interest expense that we have to pay because some of our borrowings are at variable rates of interest, which, if increased, will result in higher interest payments;
- increase our vulnerability to existing and future adverse economic and industry conditions if we incur further indebtedness; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds or dispose of assets.

Our asset based facility is subject to the borrowing base limitation, including an excess availability reserve. Failure to achieve compliance with covenants contained in any of our debt agreements could result in a loss of funding availability or a default under the related agreement, and could lead to acceleration of the related debt and acceleration of debt under the other agreements. If we were unable to meet our expenses, pension funding requirements and debt obligations, we would need to refinance all or a portion of our indebtedness, sell assets or raise equity.

***Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial leverage.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the agreements governing our indebtedness do not fully prohibit us or our subsidiaries from doing so. If new debt is added to our subsidiaries' current debt levels, the related risks that we and they now face could intensify. In March 2008, certain of our European subsidiaries entered into a new five-year asset-based revolving credit program for up to €27 million in aggregate financing. See the note to the Consolidated Financial Statements captioned "Subsequent Events" for more information regarding this new credit program.

***Restrictions and covenants in debt agreements limit our ability to take certain actions.***

The indenture governing the 11 1/2% Senior Secured Notes and the credit agreement for our asset based credit facility contain a number of significant restrictions and covenants that limit our ability and our subsidiaries' ability to, among other things:

- borrow money;
- use assets as security in other borrowings or transactions;
- pay dividends on capital stock or purchase capital stock;
- sell assets;
- enter into certain transactions with affiliates; and
- make certain investments or acquisitions.

We are currently restricted by the terms of the indenture from paying cash dividends on our common stock as well as our Series B Preferred Stock.

***Failure to comply with the terms of one of our debt instruments could result in an event of default that would result in the acceleration of that instrument as well as all or most of our other indebtedness.***

Breaching any of our covenants, conditions or restrictions or the failure to comply with our obligations after the lapse of any applicable grace periods could result in a loss of funding availability or a default under the applicable debt instruments, including the credit agreement for our asset based facility. If there were an event of default, holders of such defaulted debt could cause all amounts borrowed under these instruments to be due and

payable immediately. It is possible that our assets or cash flow or that of our subsidiaries would not be sufficient to fully repay borrowings under the outstanding debt instruments, either upon maturity or if accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our indebtedness under our asset based facility, the lenders under the facility could proceed against the collateral securing that indebtedness. In that event, any proceeds received upon a realization of such collateral would be applied first to amounts due under the asset based facility before any proceeds would be available to make payments on the 11 1/2% Senior Secured Notes. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our or our subsidiaries' other debt instruments, including the 11 1/2% Senior Secured Notes.

***Our principal U.S. defined benefit pension plan is underfunded, which will require us to make cash contributions to the plan for the next several years, which, in turn, will reduce the cash available for our business, and adverse capital market or interest rate conditions may increase our net pension liability.***

Contributions required in 2008 and beyond will be based on the provisions of the Pension Protection Act of 2006, (the Act) which became effective on January 1, 2008. The funding provisions of the Act have the effect of increasing future contributions in relation to the amounts that would have been required under the legislation that the Act replaced. The amount of future contributions will be dependent on, among other things, the funded status of the plan and on the interest rates required to be used for funding purposes. Contributions required for 2008 are estimated to be $30 million to $35 million with approximately $20 million due in September. Contributions for 2009 are estimated to be $15 million to $20 million. However, contributions for 2010 and beyond cannot be reasonably quantified at this time.

There is also a risk that the Pension Benefit Guaranty Corporation (the PBGC) may conclude that its risk with respect to our defined benefit plan may become unreasonably high if the plan continues to operate, if we are unable to satisfy our funding requirement or if the plan becomes unable to pay benefits. In such circumstances, the PBGC could terminate the plan and take control of its assets. In such event, we may be required to make an immediate payment to the PBGC of all or a substantial portion of the underfunding as calculated under PBGC assumptions, including a low discount rate. If such payment is not made, the PBGC could place liens on a material portion of our assets which could adversely affect our financial condition and results of operations. In addition, failure to fund the pension plan as required by law (or incurring certain liens in connection with a failure to fund or seeking a waiver from funding obligations) would be a breach of the terms of our debt agreements and therefore a default. If such default is not cured or waived, our indebtedness could be accelerated, which would have a material adverse effect on our liquidity and financial position. Finally, funding the pension plan might require the sale of significant business assets, which would adversely affect our ability to generate cash in the future. In addition, such sales of assets would generally require lender and, possibly, bondholder consent and it is possible that such consent would not be granted.

***"Ownership changes" for U.S. federal income tax purposes will cause utilization of our pre-change tax loss carryforwards and other tax attributes to be substantially delayed, which could increase income tax expense and decrease available cash in future years.***

The sale of a portion of our convertible preferred stock on October 2, 2007 triggered an "ownership change" for U.S. federal income tax purposes. As a consequence of the ownership change, the timing of our utilization of pre-change U.S. tax loss carryforwards and other tax attributes will be limited in the future. The amount of the annual limitation is expected to be approximately $5.7 million. The limitation has the potential to significantly increase tax expense and increase the amounts payable for income taxes in future years and thereby limit the amount of cash available to service our indebtedness and for use in our operations.

**Risks Relating to Our Business**

***Many of our customers are in cyclical industries that have historically experienced significant downturns, which resulted in substantially reduced demand for our products.***

The success of our business depends on the profitability of our customers' business. Many of our customers are in businesses that are highly cyclical in nature and sensitive to changes in general economic conditions, such as the automotive, building materials, electronics and consumer durables industries. Their demand for our products and

services changes as a result of general economic conditions (including increases in their cost structures and demand for their products), interest rates and other factors beyond our control. The performance of our business is directly related to the production levels of our customers. As an example, in 2006 and 2007, the automotive industry experienced a significant slowdown and closures of operating facilities, which has adversely affected the sale of our plastics machinery — particularly injection molding machines — and metalworking fluids. Declines in economic conditions in the industries served by our customers may continue to have a negative effect on our business and ability to increase operating cash flows.

***We operate in highly competitive industries, many of which are currently subject to intense price competition, and if we are unable to compete successfully our results of operations could fail to improve or could deteriorate.***

Many of the industries in which we operate are highly competitive. The markets for plastics machinery and related products are highly competitive and include a number of North American, European and Asian competitors. Principal competitive factors in the plastics machinery industry are price, product features, technology, performance, reliability, quality, delivery and customer service. We also face many competitors in the industrial fluids segment of our business. Principal competitive factors in our industrial fluids segment include price, market coverage, technology, performance, delivery and customer service.

***Further increases in our cost structure could have an adverse effect on our operating results and cash flows.***

Our costs are subject to fluctuations, particularly for raw materials and purchased components used in our business, including the cost of labor and steel and the cost of oil and chemicals used in the production of metalworking fluids. Our success is dependent, in part upon our ability to manage these fluctuations through pricing actions, costs savings projects and global sourcing actions. While we have responded by further reducing our cost structure and increasing the prices we charge our customers, these measures may not always be sufficient to offset the effects of the cost increases we experience.

***Our significant international operations depend to a great extent on the economy of the European and Asian markets and subject us to risks such as unfavorable political, regulatory, labor and tax conditions.***

We are a global business with a significant portion of our operations and sales outside the U.S. Our financial targets depend in part on achieving significant growth in developing regions, including the Eastern European and Asian markets. Our results could be negatively impacted if expected growth in these regions is not realized. In some cases, these markets include countries with economies in various stages of development or structural reform, some of which are subject to rapid fluctuations in terms of political and economic stability, consumer prices, employment levels, gross domestic product, interest and foreign exchange rates. To the extent such fluctuations have an effect on the ability of our consumers to pay for our products, the growth of our products in such markets could be impacted negatively. Our success will depend in part on our ability to manage through these uncertainties.

Our overall success as a global business depends, in part, upon our ability to successfully manage in differing and unpredictable legal, regulatory, economic, social and political conditions. We may not be able to continue to succeed in developing and implementing policies and strategies that will be effective in each foreign market where we do business. Any of the foregoing factors may have an adverse effect on our ability to generate cash flow and grow our business.

***We are subject to litigation that could have an adverse effect upon our business, financial condition, results of operations or reputation.***

These suits and proceedings concern issues including product liability, patent infringement, environmental matters and personal injury matters, some of which seek substantial dollar amounts. In certain suits, multiple plaintiffs allege personal injury involving products, supplied by us. We are vigorously defending these claims and, based on current information, believe we have recorded appropriate reserves in addition to excess carrier insurance coverage and indemnity claims against third parties. Were we to have significant adverse judgments or determine as

the cases progress that significant additional reserves should be recorded, our future operating results and financial condition, particularly our liquidity, could be adversely affected.

***If our common stock is delisted, it may lack a market.***

On September 18, 2007, we were informed by the New York Stock Exchange (NYSE) that the company had fallen below the NYSE's continued listing standard related to average market capitalization. This standard requires that a company with stockholders' equity of less than $75 million maintain total market capitalization of not less than $75 million over a thirty trading-day period. Under NYSE guidelines, we must return to compliance within 18 months following receipt of notification. In December 2007, we submitted to the NYSE a detailed plan to remedy the non-compliance through improved operating performance and other actions. While we believe the remediation will be successful, there can be no assurance that we will be able to return to compliance with the NYSE's guidelines. If we are unsuccessful, it is possible that our stock will be delisted by the NYSE. Were this to happen, the market for our common stock could become more limited and it is possible that the per-share price would drop.

***The interests of our principal shareholders may conflict with those of other shareholders.***

Our Series B Preferred Stock is convertible into 5.7 million common shares which represents 51.0% of our as-converted common equity as of March 12, 2008. As of that date, Ohio Plastics, LLC, an affiliate of Bayside Capital, Inc. (Bayside) owned 57.5% of the Series B Preferred Stock representing 29.3% of our as-converted common equity. Pursuant to the provisions of the certificate of designation of the Series B Preferred Stock, the holders thereof have elected 7 of the 13 members of our board of directors, all of whom are employees of Bayside or its parent, H.I.G Capital. By virtue of its stock ownership, Bayside has the power to significantly influence our affairs and to influence, if not decide, the outcome of matters required to be submitted to shareholders for approval, including amendments of our charter and bylaws. See the note to the Consolidated Financial Statements captioned "Shareholders' Equity" for more information regarding our Series B Preferred Stock.

## Item 1B. *Unresolved Staff Comments*

Not applicable.

## Item 2. *Properties*

We lease our corporate headquarters building from an unaffiliated third party. This building is located in Cincinnati, Ohio.

The remaining information required by Item 2 is included in Part I of this Form 10-K.

## Item 3. *Legal Proceedings*

Various lawsuits arising during the normal course of business are pending against us and our consolidated subsidiaries. In certain such lawsuits, some of which seek substantial dollar amounts, multiple plaintiffs allege personal injury involving products supplied by us. We are vigorously defending these claims and, based on current information, believe we have recorded appropriate reserves in addition to our excess carrier insurance coverage and indemnity claims against third parties. The projected availability under our asset based credit facility is currently expected to be adequate to cover the company's cash needs under these claims, assuming satisfaction or waiver of the conditions to borrowing thereunder (see Liquidity and Sources of Capital for further information regarding those conditions to borrowing as well as the company's dependence on its asset based credit facility for liquidity). It is possible that our ultimate liability could substantially exceed our current reserves, but the amount of any such excess cannot reasonably be determined at this time. Were we to have significant adverse judgments or determine as the cases progress that significant additional reserves should be recorded, our future operating results and financial condition, particularly our liquidity, could be adversely affected.

**Item 4.** ***Submission of Matters to a Vote of Security Holders***

(a) A special meeting of shareholders of Milacron Inc. was held November 27, 2007

(b) The shareholders voted on the following matters:

**Proposal and Vote Tabulation**

| | Votes For | Votes Against | Abstain | Non-Votes |
|---|---|---|---|---|
| Amendment to the Redemption Provision of the Series B Preferred Stock | 8,524,487 | 125,113 | 9,428 | — |
| Amendment to include Ohio Plastics, LLC and Certain other persons as "Initial Investors" for purposes of the Series B Preferred Stock | 8,374,286 | 273,981 | 10,761 | — |

## PART II

**Item 5.** ***Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common shares are listed on the New York Stock Exchange under the symbol "MZ". Such shares are also traded on the Cincinnati Stock Exchange, Boston Stock Exchange, Pacific Stock Exchange, Philadelphia Stock Exchange and Midwest Stock Exchange. As of March 12, 2008, there were approximately 3,528 holders of record of our common shares. Our 4% Cumulative Preferred Stock and 6% Series B Convertible Preferred Stock are not actively traded. As of March 12, 2008, there were 62 holders of record of our 4% Cumulative Preferred Stock and there were 6 holders of our 6% Series B Convertible Preferred Stock.

On September 18, 2007, we were informed by the New York Stock Exchange (NYSE) that the Company fell below the NYSE's continued listing standard relating to average market capitalization. This standard requires that a company with stockholders' equity of less than seventy-five million dollars maintain total market capitalization of not less than seventy-five million dollars over a thirty trading-day period. Under the NYSE guidelines, we must return to compliance within 18 months following receipt of the notification. We have notified the NYSE that we intend to remedy the non-compliance. Our common stock remains listed on the New York Stock Exchange.

The following table shows the price range of the common shares for 2006 and 2007, as reported by the New York Stock Exchange, adjusted for the effects of a one-for-ten reverse stock split of the company's common stock which is more fully discussed in the notes to the Consolidated Financial Statements captioned "Shareholders' Equity."

***Common Stock Price Range***

| | High | Low |
|---|---|---|
| 2006, quarter ended | | |
| March 31 | $17.60 | $12.60 |
| June 30 | 16.40 | 10.00 |
| September 30 | 11.50 | 8.30 |
| December 31 | 10.50 | 6.20 |
| 2007, quarter ended | | |
| March 31 | $ 9.80 | $ 5.80 |
| June 30 | 9.56 | 5.50 |
| September 30 | 9.05 | 5.73 |
| December 31 | 8.30 | 2.70 |

No dividends were paid in 2007 or 2006 on our common shares. The indenture governing our 11 1/2% Senior Secured Notes due 2011 and the credit agreement governing our asset based lending facility (both discussed

elsewhere in this Form 10-K) contain restrictions prohibiting the payment of cash dividends on our common stock. The terms of our 4% Cumulative Preferred Stock and our Series B Preferred Stock require that accrued and unpaid dividends on such stock be paid prior to any dividend or distribution on, or repurchase of, our common stock. As of March 10, 2008, there were no unpaid dividends outstanding on the 4% Cumulative Preferred Stock and there were $27.00 per share of accrued and unpaid dividends outstanding on the Series B Preferred Stock.

The following table summarizes stock repurchases and reacquisitions for the quarter ended December 31, 2007.

| | (a) | (b) | (c) | (d) |
|---|---|---|---|---|
| **Period** | **Total Number of Shares (or Units) Purchased** | **Average Price Paid per Share (or Unit)** | **Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(1)** | **Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(1)** |
| October 1 — October 31, 2007 | 49,775(2) | $ 6.97 | — | — |
| November 1 — November 30, 2007 | — | — | — | — |
| December 1 — December 31, 2007 | 84,200(3) | 8.46 | — | — |
| Total | 133,975 | 7.90 | — | — |

(1) As of December 31, 2007, there were no publicly announced plans or programs to repurchase stock.

(2) Represents restricted shares cancelled to cover withholding taxes due at vesting.

(3) Represents restricted shares forfeited by the grantee due to termination of employment.

Information on equity compensation plans is presented under Item 12 of this Form 10-K.

## Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

### Executive Summary

#### *Company Overview*

Milacron is a leading global provider of equipment, supplies, services and complete end-to-end solutions to the plastics processing industries. We are also a leading global supplier of premium industrial fluids to the metalworking industries. First incorporated in 1884 and headquartered in Cincinnati, Ohio, we employ about 3,300 people and operate major manufacturing facilities in North America, Europe and Asia, while maintaining sales and services offices in over one hundred countries around the world. Milacron's top priority is to support our customers with the most advanced technology and the most comprehensive, reliable service in our industry.

We operate in four business segments. The first three, machinery technologies-North America, machinery technologies-Europe and mold technologies, serve the plastics processing industries. Our fourth segment, industrial fluids, serves the metalworking sector. Both of our machinery technologies segments provide leading-edge capital equipment, related tooling and replacement parts for the three most common methods of processing plastics: injection molding, blow molding and extrusion. Our mold technologies segment supplies mold bases, mold components, hot runner systems and numerous other components for injection molding, as well as MRO (maintenance, repair and operating) supplies for all plastics processing operations. Our industrial fluids segment develops and sells premium fluids for metalworking applications such as machining, grinding, forming and process cleaning. In all our businesses, we focus on leading-edge technology with superior aftermarket service and support.

We entered the plastics machinery business with the introduction of our first line of injection molding machines in the late 1960s. By the mid 1980s, we had become the number-one U.S. producer of plastics machinery. Our major customers are producers of automobiles, packaging, building materials, consumer goods, electrical products, appliances and housewares, industrial components and machinery, and medical devices.

Milacron pioneered the development and introduction of synthetic (water-based) industrial fluids in the late 1940s. Our largest customer for fluids is the automotive industry, followed by makers of industrial components and machinery, aircraft, appliances and housewares, and energy extraction.

### *Plastics Markets — Background and Recent History*

Since the end of World War II, plastics and plastic composites have increasingly replaced traditional materials such as metal, wood, glass and paper throughout manufacturing. Since 1970, global consumption of plastics resins has grown at a compounded annual rate of 6%, compared to 2% for steel and 3% for aluminum (Sources: BASF AG, Association of Plastics Manufacturers in Europe, International Iron & Steel Institute, U.S. Geological Survey).

Plastic part production, like industrial production in general, has historically shown sustained growth. In every year from 1980 to 2000, plastic part production in the U.S. increased over the prior year, averaging 7% compounded annual growth (Source: U.S. Federal Reserve Board). Growth in plastics consumption and production has generally created increasing demand for our plastics machinery and related supplies. Between 1980 and 2000, our sales of plastics equipment and supplies in North America grew at 8% compounded annually excluding acquisitions (11% including acquisitions).

In the 1990s, Milacron, like many other U.S. companies, benefited from a strong, growing economy. Our plastics technologies sales were approaching $1 billion with good profitability. At the end of the decade, however, the U.S. manufacturing sector fell into its most severe and prolonged downturn since the 1930s. The plastics processing portion of the manufacturing sector was very severely impacted and to this day has not recovered. Shipments of injection molding machines in North America fell from a $1.2 billion 12-month moving total in 2000 to under $700 million by the end of 2001. It has stayed at very low levels ever since, experiencing only a partial recovery in 2004 and 2005 (Source: The Society of Plastics Industry).

In 2007, all of Milacron's businesses in North America, including industrial fluids, continued to be negatively impacted by high oil and resin prices, by the shakeout among auto part molders serving the U.S. Big Three car manufacturers and by the slowdown in residential home building. Despite a series of responsive actions, including a number of plant closings, headcount reductions and other measures, severely depressed sales volumes led to a consolidated loss from continuing operations in 2007. Also, as a result of the slow down in North America and the emergence of other economies in the world, we have focused on expanding our presence outside of our traditional markets. In 2007, we saw significant growth outside of North America, Canada and Western Europe.

### *Industrial Fluids — Recent History*

During the severe manufacturing recession of 2000-2003, overall demand for our metalworking fluids declined only by 10%, as our largest customer group, automakers, maintained high levels of production both in North America and worldwide. Profitability in the fluids business, although impacted, held up fairly well throughout this period, with operating earnings in the range of 13% to 15% of sales. In 2004 and 2005, sales of our metalworking fluids grew modestly, but profitability in this segment declined due to significant increases in product liability insurance and related expenses, as well as higher material costs and pension expense. In 2006 and 2007, we were able to improve profitability on minimal sales growth.

### *Consolidated 2007 Results*

Sales and new orders in 2007 were down slightly compared to 2006, reflecting continued weakness in the U.S. automotive manufacturing sector and housing markets, offset in part by our growth in European, Asian and other emerging markets. Our net loss for the year was $87.1 million, which included $12.5 million in restructuring charges, $1.9 million in costs related to a change in preferred stock ownership and $1.9 million in pension plan curtailment cost, in all cases, with no tax benefit. Our net loss also included a $63.0 million provision for income taxes for deferred tax valuation allowances related to the change in preferred stock ownership. This compared to a net loss in 2006 of $39.7 million, which included $17.4 million in restructuring charges and $1.8 million in refinancing costs, in both cases, with no tax benefit.

***Opportunities and Challenges***

As we enter 2008, energy and various other material prices remain at record high levels and in North America, the economy continues to suffer from the U.S. auto part and housing sectors. For our part, we will continue to develop new and better products and services, especially in the aftermarket sectors of our businesses. We will also strengthen our performance and customer focus in our home markets of North America and western Europe, while expanding our presence outside the United States, Canada and western Europe. Overall for 2008, we are projecting continued growth outside of North America and improved profitability, which should be helped by the benefits from the restructuring measures taken in 2007 and those expected to be taken in 2008.

***Presence Outside the U.S.***

For 2007, markets outside the U.S. represented the following percentages of our consolidated sales: Europe 30%; Canada and Mexico 7%; Asia 9%; and the rest of the world 6%. As a result of this geographic mix, foreign currency exchange rate fluctuations affect the translation of our sales and earnings, as well as consolidated shareholders' equity. During 2007, the weighted-average exchange rate of the euro was stronger in relation to the U.S. dollar than in 2006. As a result, Milacron experienced favorable currency translation effects on new orders and sales of approximately $29 million each and on operating earnings of approximately $1.6 million.

During 2007, the euro strengthened against the U.S. dollar by approximately 9% which caused the majority of a $1.6 million favorable foreign currency translation adjustment to consolidated shareholders' deficit.

If the euro should weaken against the dollar in future periods, we could experience a negative effect in translating our European new orders, sales and earnings when compared to historical results.

***Significant Accounting Policies and Judgments***

The Consolidated Financial Statements discussed herein have been prepared in accordance with U.S. generally accepted accounting principles, which require us to make estimates and assumptions that affect the amounts that are included therein. The following is a summary of certain accounting policies, estimates and judgmental matters that we believe are significant to our reported financial position and results of operations. Additional accounting policies are described in the note to the Consolidated Financial Statements captioned "Summary of Significant Accounting Policies" (presented in Item 8 of this Form 10-K) which should be read in connection with the discussion that follows. We regularly review our estimates and judgments and the assumptions regarding future events and economic conditions that serve as their basis. While we believe that the estimates used in the preparation of the Consolidated Financial Statements are reasonable in the circumstances, the recorded amounts could vary under different conditions or assumptions.

***Deferred Tax Assets and Valuation Allowances***

At December 31, 2006, we had significant deferred tax assets related to U.S. and non-U.S. net operating loss and tax credit carryforwards and related to charges that have been deducted for financial reporting purposes but which are not yet deductible for income tax purposes. These charges included the write-down of goodwill and a charge to equity related to unrecognized retirement benefit plan losses. At December 31, 2006, we had provided valuation allowances against all net deferred tax assets except $63 million in the U.S. that were offset by qualified tax planning strategies and $8 million of non-U.S. assets to be realized through future income expectations and tax planning strategies. Valuation allowances serve to reduce the recorded deferred tax assets to amounts reasonably expected to be realized in the future. The establishment of valuation allowances and their subsequent adjustment requires a significant amount of judgment because expectations as to the realization of deferred tax assets — particularly those assets related to net operating loss carryforwards — are generally contingent on the generation of taxable income, the reversal of deferred tax liabilities in the future and the availability of qualified tax planning strategies. Tax planning strategies represent prudent and feasible actions that management would take to create taxable income to keep a tax attribute from expiring during the carryforward period. Determinations of the amounts related to tax planning strategies assume hypothetical transactions, some of which involve the disposal of substantial business assets, and certain variables which are judgmental and subjective. In determining the need for valuation allowances, we considered our short-term and long-range internal operating plans, which were based

on the current economic conditions in the markets and countries in which we operate, and the effect of potential economic changes on our various operations.

At December 31, 2007, we had non-U.S. net operating loss carryforwards — principally in the Netherlands, Germany, Italy and Belgium — totaling $197 million and related deferred tax assets of $50 million. Valuation allowances totaling $37 million had been provided with respect to these assets. We believe that it is more likely than not that portions of the net operating loss carryforwards in these jurisdictions will be utilized. However, there is currently insufficient positive evidence in some non-U.S. jurisdictions — primarily Germany, Italy and Belgium — to conclude that no valuation allowances are required.

At December 31, 2007, we had a U.S. federal net operating loss carryforward of $174 million, which will expire between 2023 and 2028. Deferred tax assets related to this loss carryforward, as well as to our federal tax credit carryforward ($16 million) and additional state and local loss carryforwards ($7 million), totaled $84 million. Additional deferred tax assets totaling approximately $72 million had also been provided for book deductions not currently deductible for tax purposes, including the writedown of goodwill, postretirement health care benefit costs and accrued pension liabilities. The deductions for financial reporting purposes are expected to be realized for income tax purposes in future periods, at which time they will have the effect of decreasing taxable income or increasing the net operating loss carryforward. The latter will have the effect of extending the ultimate expiration of the net operating loss carryforward beyond 2028. However, our ability to utilize U.S. federal net operating loss carryforwards and other tax assets is limited as described below.

The sale of 287,500 shares of Series B Preferred Stock on October 2, 2007 caused an “ownership change” as defined by the Internal Revenue Code and regulations that will have the effect of substantially delaying the timing of the utilization of certain of the U.S. loss carryforwards and other tax attributes. The company has calculated the amount of the annual limitation to be approximately $5.7 million. The $5.7 million limitation applies to each year and is cumulative for years in which the limitation is not fully utilized. The limitation at the end of 2007 was approximately $1.4 million of available pre-change net operating losses with no limitations on deductibility.

As discussed above, at December 31, 2006 and through the third quarter of 2007, we relied on qualified tax planning strategies to conclude that valuation allowances were not required with respect to a portion of our U.S. deferred tax assets. However, because of the limitation imposed by the U.S. Internal Revenue Code due to the “change in ownership”, we concluded that we are no longer able to rely on qualified tax planning strategies. As a result, we recorded a charge to the provision for income taxes of $63 million in the fourth quarter of 2007 to provide the required valuation allowances. Therefore, at December 31, 2007, U.S. deferred tax assets net of deferred tax liabilities totaling $156 million were fully offset by valuation allowances of the same amount. We will continue to evaluate the extent to which valuation allowances are required on a quarterly basis. However, the reversal of the valuation allowance is not expected to occur until we achieve sustained profitability.

***Accounts Receivable, Inventory and Warranty Reserves***

Our internal accounting policies require that each of our operations maintain appropriate reserves for uncollectible receivables, inventory obsolescence and warranty costs in accordance with U.S. generally accepted accounting principles. Because of the diversity of our customers and product lines, the specific procedures used to calculate these reserves vary by location but in all cases must conform to company guidelines. Reserves are required to be reviewed and adjusted as necessary on a quarterly basis.

Allowances for doubtful accounts are generally established using specific percentages of the gross receivable amounts based on their age as of a particular balance sheet date. Because of the product line and customer diversity noted above, each business unit is required to base the percentages it applies to its aged receivables on its unique history of collection experience. The percentages used are reviewed for continued reasonableness on a quarterly basis. The amounts calculated through this process are then adjusted for known credit risks and collection problems. Write-offs of accounts receivable for our operations have averaged $2.9 million in the last two years. While we believe that our reserves for doubtful accounts are reasonable in the circumstances, adverse changes in general economic conditions or in the financial condition of our major customers could result in the need for additional reserves in the future.

Reserves for inventory obsolescence are generally calculated by applying specific percentages to inventory carrying values based on the level of usage and sales in recent years. As is the case for allowances for doubtful accounts, each business unit selects the percentages it applies based on its unique history of inventory usage and obsolescence experience and forecasted usage. The preliminary calculations are then adjusted based on current economic trends, expected product line changes, changes in customer requirements and other factors. In 2007, our operations recorded new inventory obsolescence reserves totaling $2.0 million and utilized $4.4 million of such reserves in connection with the disposal of obsolete inventory and the sale of manufacturing facilities. We believe that our reserves are appropriate in light of our historical results and our assumptions regarding the future. However, adverse economic changes or changes in customer requirements could necessitate the recording of additional reserves through charges to earnings in the future.

Our warranty reserves are of two types — "normal" and "extraordinary." Normal warranty reserves are intended to cover routine costs associated with the repair or replacement of products sold in the ordinary course of business during the warranty period. These reserves are accrued using a percentage-of-sales approach based on the ratio of actual warranty costs over a representative number of years to sales revenues from products sold with warranties over the same period. The percentages are required to be reviewed and adjusted as necessary at least annually. Extraordinary warranty reserves are intended to cover major problems related to a single machine or customer order or to problems related to a large number of machines or other type of product. These reserves are intended to cover the estimated costs of resolving the problems based on all relevant facts and circumstances. In recent years, costs related to extraordinary warranty problems have not been significant. In 2007, our operations accrued warranty reserves totaling $3.8 million and incurred warranty-related costs totaling $3.0 million. While we believe that our warranty reserves are adequate in the circumstances, unforeseen problems related to unexpired warranty obligations could result in a requirement for additional reserves in the future.

***Impairment of Goodwill and Long-Lived Assets***

We test goodwill for impairment based on the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), using probability-weighted cash flows discounted at market interest rates. SFAS No. 142 requires that goodwill be tested for impairment annually or whenever certain indicators of impairment are present.

SFAS No. 142 requires that the first phase of testing goodwill for impairment be based on a business unit's "fair value," which is generally best determined through market prices. Due to the absence of market prices for our businesses and as permitted by SFAS No. 142, we have elected to base our testing on discounted cash flows as discussed above. Although the discount rates and other input variables may differ, the model we use in this process is the same model we would use to evaluate the fair value of acquisition candidates and the fairness of offers to purchase businesses that we are considering for divestiture. The cash flows we use are derived from the annual long-range planning process that we complete in the third quarter of each year. In this process, each business unit is required to develop reasonable sales, earnings and cash flow forecasts for the next three years based on current and forecasted economic conditions. Each business unit's plan is reviewed by corporate management and the entire plan is reviewed with our board of directors. For purposes of testing for impairment, the cash flow forecasts are adjusted as needed to reflect information that becomes available concerning changes in business levels, general economic trends and other factors. The discount rates are obtained from an outside source based on the Standard Industrial Classification codes in which our businesses operate. These discount rates are then judgmentally adjusted for "plan risk" (the risk that a business will fail to achieve its forecasted results), "country risk" (the risk that economic or political instability in the non-U.S. countries in which we operate will cause a business unit's projections to be inaccurate) and other factors. Finally, a growth factor beyond the three-year period for which cash flows are planned is selected based on expectations of future economic conditions. Virtually all of the assumptions used are susceptible to change due to global and regional economic conditions as well as competitive factors in the industries in which we operate. In recent years, many of our cash flow forecasts have not been achieved, particularly in the market for capital equipment in the plastics processing industry. Unanticipated changes in discount rates from one year to the next can also have a significant effect on the results of the calculations. While we believe the estimates and assumptions we use are reasonable in the circumstances, various economic factors could cause the results of our testing to vary significantly.

While we recorded goodwill impairment charges in 2002 and 2003, our annual reviews as of October 1, 2004 through October 1, 2007 did not result in additional charges.

We review the carrying values of our long-lived assets other than goodwill annually under the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." These reviews are conducted by comparing the estimates of undiscounted future cash flows that are included in our long-range internal operating plans to the carrying values of the related assets. To be conservative, no growth in operating cash flows beyond the third year is currently assumed. Under this methodology, impairment would be deemed to exist if the carrying values exceeded the expected future cash flow amounts. In 2007, we reviewed the aggregate carrying values of selected groups of our long-lived assets. The assets included in these reviews consisted principally of property, plant and equipment and, where applicable, intangible assets other than goodwill. Based on these reviews, it was determined that the maximum period of time to recover the carrying values of the tested groups of assets through undiscounted cash flows is approximately 3 years and that the weighted-average recovery period is approximately 7% of the remaining average lives of the assets. Based on the results of the reviews, no impairment charges were recorded in 2007.

***Self-Insurance Reserves***

Through our wholly-owned insurance subsidiary, Milacron Assurance Ltd. (MAL), we are primarily self-insured for many types of risks, including general liability, product liability, environmental claims and workers' compensation for certain U.S. employees. MAL, which is incorporated in Bermuda and is subject to the insurance laws and regulations of that jurisdiction, establishes reserves commensurate with known or estimated exposures under the policies it issues to us. Exposure for general and product liability claims is supplemented by reinsurance coverage in some cases and by excess liability coverage in all policy years. Workers' compensation claims in excess of certain limits are insured with commercial carriers. At December 31, 2007, MAL and the company had reserves for known claims and incurred but not reported claims under all coverages totaling approximately $17.3 million and expected recoveries from excess carriers and other third parties of $1.0 million. Expected recoveries represent the excess of total reserves for known exposures and incurred but not reported claims over the limits on the policies MAL issues to us. These amounts are classified as assets because unless other payment arrangements are negotiated, we (as the insured party) expect that we would first pay any indemnity claims and expenses in excess of MAL's limits and then pursue reimbursement from the excess carriers. Of the $17.3 million in reserves at December 31, 2007, $14.9 million is included in long-term accrued liabilities in the Consolidated Balance Sheet at that date. The remaining $2.4 million is included in accrued and other current liabilities. The expected recoveries from excess carriers and other third parties are included in other current assets.

MAL's reserves are established based on known claims, including those arising from litigation, and our best estimates of the ultimate liabilities thereunder (after consideration of excess carriers' liabilities and claims against third parties) and on estimates of the cost of incurred but not reported claims. For certain types of exposures, MAL and the company utilize actuarially calculated estimates prepared by outside consultants to ensure the adequacy of the reserves. Reserves are reviewed and adjusted at least quarterly based on all evidence available as of the respective balance sheet dates or as further information becomes available or circumstances change. While the ultimate amount of MAL's exposure to claims is dependent on future events that cannot be predicted with certainty, we believe that the recorded reserves are appropriate based on current information. It is possible that our ultimate liability could substantially exceed our recorded reserves as of December 31, 2007, but the amount of any such excess cannot be reasonably determined at this time. Were we to have significant adverse judgments or determine, as cases progress, that significant additional reserves should be recorded, our future operating results, financial condition and liquidity could be adversely affected.

***Pensions***

We maintain defined benefit and defined contribution pension plans that provide retirement benefits to substantially all U.S. employees and certain non-U.S. employees. The most significant of these plans is the principal defined benefit plan for certain U.S. employees and retirees (the U.S. Plan), which is a funded plan with $394.0 million in assets. Two other non-U.S. defined benefit plans are also funded with a combined $4.4 million in assets.

Excluding expense related to supplemental early retirement benefits and plan curtailment costs, pension expense for the U.S. Plan was $11.2 million for 2007 and $12.8 million in 2006. Pension expense for the U.S. Plan for 2008 is expected to be approximately $2.5 million. The reduction is due to the freezing of benefits under the U.S. Plan as of December 31, 2007, the effects of which will be partially offset by a reduction in the estimated long-term rate of return on plan assets assumption. Employees whose benefits were frozen under the U.S. Plan are now eligible for benefits under our U.S defined contribution retirement plan (the Retirement Savings Plan) and costs for this plan are expected to increase by approximately $4 million in 2008 compared to 2007. Expense for the defined benefit plan for 2009 and beyond is dependent on a number of factors, including returns on plan assets and changes in the plan's discount rate, and therefore cannot be predicted with certainty at this time. The following paragraphs discuss the significant factors that affect the amount of recorded pension income or expense and the reasons for the change in costs identified above.

A significant factor in determining the amount of expense to be recorded for the funded U.S. Plan is the expected long-term rate of return on assets assumption. In 2006 and 2007, we used a rate of return of 8.75% and in our 2008 projections we have lowered the rate to 8.50%. We develop the long-term rate of return assumption based on the current mix of investments included in the plan's assets and on the historical returns on those types of investments, judgmentally adjusted to reflect current expectations of future returns. In evaluating future returns on equity securities, the existing portfolio is stratified to separately consider, among other things, large and small capitalization investments, as well as international securities. The change from the 8.75% rate of return assumption to the lower 8.50% rate will have the effect of increasing the amount of pension expense that would otherwise be recorded in 2008 by approximately $1.0 million.

In determining the amount of pension expense to be recognized, the expected long-term rate of return is applied to a calculated value of plan assets that recognizes changes in fair value over a three-year period. This practice is intended to reduce year-to-year volatility in recorded pension expense but it can have the effect of delaying the recognition of differences between actual returns on assets and expected returns based on the long-term rate-of-return assumption. At December 31, 2007, the market value of the U.S. Plan's assets was $394 million whereas the calculated value of these assets was $387 million. The difference between these amounts is not significant because aggregate actual returns on plan assets in recent years have generally approximated the applicable expected long-term rate of return assumptions in use. If significant asset-related losses are incurred in 2008, it will have the effect of increasing the amount of pension expense to be recognized in future years beginning in 2009.

In addition to the expected rate of return on plan assets, recorded pension expense includes the effects of interest on the plan's liabilities to participants. In 2007 and prior years, pension expense also included the effect of service cost or the cost of benefits earned during the year. In 2008 and future years, the U.S. Plan will not incur service costs due to the freezing of plan benefits. These amounts are determined actuarially based on current discount rates and assumptions regarding matters such as future salary increases and mortality. Differences in actual experience in relation to these assumptions are generally not recognized immediately but rather are deferred together with asset-related gains or losses. When the combined cumulative asset-related and liability-related gains or losses exceed the greater of 10% of total liabilities or the calculated value of plan assets, the excess is amortized and included in pension expense. At December 31, 2002, the discount rate used to value the liabilities of the U.S. Plan was 7.25%. The discount rate was 6.00% at December 31, 2006 and at December 31, 2007 as modeled by the plan's actuary. The effect of the lower discount rate and the significant variances in relation to the long-term rate of return assumption that occurred in 2001 and 2002 have resulted in cumulative losses in excess of the 10% corridor. Pension expense for the U.S. plan for 2006 and 2007 includes approximately $10 million each year for the amortization of previously unrecognized losses. Expense for amortization of previously unrecognized losses is expected to be approximately $7 million in 2008 with the decrease from 2007 being due principally to the effect of freezing benefits under the U.S. Plan.

Additional changes in the key assumptions discussed above would affect the amount of pension expense expected to be recorded for years subsequent to 2008. Specifically, a one-quarter percent increase in the rate of return on plan assets assumption would have the effect of decreasing pension expense by approximately $1.0 million. A comparable decrease in the rate of return on plan assets would have the opposite effect. In addition, a one-quarter percent increase in the discount rate would decrease expense by approximately $1.5 million.

Conversely, a one-quarter percent decrease in the discount rate would have the effect of increasing pension expense by $1.4 million.

At December 31, 2006, we adopted the recognition and disclosure provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS No. 158) which requires that we recognize the underfunded status of defined benefit postretirement plans as liabilities in our Consolidated Balance Sheet. For all of our defined benefit plans, adoption of the standard had the effect of increasing current liabilities by $4.0 million, increasing noncurrent liabilities by $16.9 million, decreasing other noncurrent assets by $2.4 million and increasing shareholders' deficit by $23.3 million, in all cases in relation to the amounts that would have otherwise been reported. The current liability relates to plans that are unfunded and represents projected benefit payments by these plans, funded by the company, for the next twelve months. The U.S. Plan is funded and has assets sufficient to pay projected benefits for the next twelve months and therefore, no current liability has been recorded for this plan.

## Results of Operations

In an effort to help readers better understand the composition of our operating results, certain of the discussions that follow include references to restructuring costs. Those discussions should be read in connection with the Consolidated Financial Statements and notes thereto that are included herein in Item 8.

### *Basis of Presentation*

As discussed more fully in the note to the Consolidated Financial Statements captioned "Summary of Significant Accounting Policies — Changes in Methods of Accounting," in 2007 we adopted Statement of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes".

### *Pension Expense and Pension Funding*

Excluding supplemental retirement benefits and plan curtailment costs, we recorded pension expense related to the funded defined benefit pension plan for certain U.S. employees and retirees of $11.2 million in 2007 compared to $12.8 million in 2006. The lower pension expense has favorably affected margins, selling expense and earnings. Pension expense for this plan in 2008 is expected to decrease to approximately $2.5 million, primarily due to the freezing of benefits offset in part by lower expected long-term rates of return on plan assets. Also partially offsetting the expense reduction in 2008 will be approximately $4 million of additional costs for our Retirement Savings Plan for employees affected by the freezing of benefits in the defined benefit pension plan.

We contributed $32.1 million to the funded defined benefit pension plan for certain U.S. employees and retirees in 2006 but were not required to make contributions in 2007. Contributions required in 2008 and beyond are based upon the provisions of the Pension Protection Act of 2006, which became effective on January 1, 2008. Funding requirements for 2008 are estimated to be between $30 million and $35 million with approximately $20 million being due in September and for 2009 contributions are estimated to be between $15 million and $20 million. Funding requirements for 2010 and beyond cannot be precisely estimated at this time.

## 2007 Compared to 2006

### *New Orders and Sales*

Consolidated new orders were $826 million in 2007, a decrease of $3 million, in relation to new orders of $829 million in 2006. Consolidated sales were $808 million in 2007, a decrease of $12 million, or approximately 1%, compared to 2006. Our North American machinery businesses and mold components business drove the declines. New orders and sales both benefited from approximately $29 million of favorable foreign currency translation effects.

Export orders were $92 million in 2007 compared to $94 million in 2006. Export sales decreased $7 million to $86 million, as sales of injection molding systems decreased $12 million, offset in part by a $5 million increase in sales of extrusion systems. Export sales to Canada decreased $13 million and sales to Mexico decreased $6 million.

Sales of all segments to non-U.S. markets were $422 million, or 52% of sales, in 2007 compared to $375 million, or 46% of sales, in 2006.

The backlog of unfilled orders was $129 million at December 31, 2007 compared to $106 million at December 31, 2006. The increase was in our machinery technology businesses with approximately $5 million of the increase being related to favorable foreign currency translation effects.

***Margins, Costs and Expenses***

The consolidated manufacturing margin was 20.2% in 2007 and benefitted from recent cost reduction and global sourcing efforts, a full year's effect of pricing actions taken in 2006 and a more favorable mix of products sold as our overall sales declined. Insurance costs in margin were 0.4% of sales in 2007 compared to 1.2% in 2006. The consolidated manufacturing margin was 18.5% in 2006 and included higher than normal inventory write-downs and raw material and purchased product costs that outpaced pricing actions. Raw material and purchased product costs stabilized somewhat in 2007 but continued to increase throughout the year. In 2007, margins included $.2 million of restructuring costs compared to $.5 million in 2006.

Total selling and administrative expense increased to $145 million in 2007 compared to $140 million in 2006, primarily related to the effect of foreign currency translation. Selling expense increased by $6 million compared to 2006 due to higher direct sales costs for commissions and discounts, offset in part by lower costs for trade shows. Selling and administrative expense increased from 17.1% of sales in 2006 to 17.9% in 2007.

Interest expense net of interest income was $31.4 million in 2007 compared to $30.0 million in 2006. In 2007, the interest expense increase was related to higher average levels of short-term borrowings. In 2006, an interest rate swap had the effect of decreasing interest expense by $.3 million. We capitalized $.7 million of interest in 2007 and in 2006.

***Restructuring Costs***

During the last two years, we have initiated numerous restructuring initiatives for the purpose of reducing our cost structure and improving operating efficiency. These actions and certain other actions that we initiated prior to 2006 are described in detail in the note to the Consolidated Financial Statements captioned "Restructuring Costs" that are presented in Item 8 of this Form 10-K. In total, these actions resulted in restructuring costs of $12.5 million in 2007 and $17.4 million in 2006. The net cash costs were $4.2 million in 2007 and $7.9 million in 2006.

The costs and related cash effects of the actions initiated in 2006 and 2007 as well as certain other actions that were initiated in 2001 through 2004 are summarized in the table that follows.

**Restructuring Actions**

| | Year Initiated | Restructuring Costs 2007 | Restructuring Costs 2006 | Cash Costs 2007 | Cash Costs 2006 |
|---|---|---|---|---|---|
| | | (In millions) | | | |
| **Machinery technologies — North America** | | | | | |
| Additional machinery technologies — North America reductions | 2007 | $ 2.6 | $ — | $ .2 | $ — |
| U.S. plastics headcount reductions | 2006 | 1.0 | 1.5 | .2 | — |
| Blow molding machinery and mold making relocations | 2002 | — | .6 | — | (1.6) |
| Other | | — | .1 | — | .1 |
| | | 3.6 | 2.2 | .4 | (1.5) |
| **Machinery technologies — Europe** | | | | | |
| Reorganization of Germany injection molding machinery facility | 2006 | $ 1.1 | $ 6.5 | $ 2.4 | $ 5.2 |
| Consolidation of European sales offices | 2005 | 2.0 | 1.8 | 1.8 | 1.7 |
| | | 3.1 | 8.3 | 4.2 | 6.9 |
| **Mold technologies** | | | | | |
| Sale of Fulda plant | 2007 | $ 3.1 | $ — | $(2.4) | $ — |
| Sale of MRO sales offices | 2007 | .2 | — | (.3) | — |
| Reorganization of North American operations | 2006 | 1.1 | 1.6 | .5 | .2 |
| Further downsize Fulda plant | 2006 | — | 1.8 | — | 1.3 |
| Consolidation of European operations | 2005 | 1.1 | 1.8 | 1.6 | .3 |
| Downsize Fulda plant | 2004 | — | (.1) | — | — |
| European sales reorganization | 2003 & 2004 | — | .3 | — | .4 |
| Other | | .1 | — | — | .2 |
| | | 5.6 | 5.4 | (.6) | 2.4 |
| **Industrial fluids and corporate** | | | | | |
| Corporate headcount reductions | 2007 | $ .1 | $ — | $ — | $ — |
| Liquidation of Japan sales office (corporate expenses) | 2006 | — | 1.3 | — | — |
| Germany and U.K. fluids blending plant closures | 2005 | .1 | .2 | .2 | .1 |
| | | .2 | 1.5 | .2 | .1 |
| | | **$12.5** | **$17.4** | **$ 4.2** | **$ 7.9** |

The non-cash restructuring costs incurred in 2006 and 2007 consist principally of $4.3 million of supplemental early retirement benefits that will be paid by our defined benefit pension plan for certain U.S. employees, $.8 million to adjust inventories related to discontinued product lines to expected realizable values and $2.6 million to adjust the carrying values of facilities, production equipment and other assets to be disposed of to expected realizable values.

***Change in Preferred Stock Ownership Costs***

In 2007, we charged $1.9 million to expense related to the purchase of all of the Series B Preferred Stock held by Glencore Finance AG, amounting to 57.5% of the outstanding Series B Preferred Stock, by Ohio Plastics, LLC,

an affiliate of Bayside Capital, Inc. This sale, which is more fully discussed in the note to the Consolidated Financial Statements captioned "Income Taxes," triggered an "ownership change" for U.S. federal income tax purposes.

The $1.9 million of expense was primarily related to the early vesting of certain shares of restricted stock granted to non-officer employees and to legal and other consulting costs arising from the transaction.

The ownership change for income tax purposes limits our ability to utilize pre-change net operating loss carryforwards. Therefore, we are unable to rely on tax planning strategies and we recorded an additional $63.0 million charge to the provision for income taxes to record valuation allowances related to deferred tax assets previously covered by tax planning strategies.

***Pension Plan Curtailment Costs***

As of December 31, 2007, we froze the benefits payable under the U.S. defined benefit pension plan for certain employees and retirees. Related to freezing the plan, we charged $1.9 million to expense to write-off prior service costs associated with previous plan amendments. These service costs were being amortized to expense over the remaining service life of the plan's active participants.

***Results By Segment***

The following sections discuss the operating results of our business segments which are presented in tabular form in Part II, Item 8 of this Form 10-K. Segment operating earnings and losses as discussed below do not include restructuring costs, change in preferred stock ownership costs or pension plan curtailment costs.

*Machinery technologies — North America* — The machinery technologies — North America segment had 2007 new orders of $378 million and sales of $367 million compared to 2006 new orders and sales of $411 million and $402 million, respectively. New orders and sales in the North American market for injection molding machines were stable throughout 2007, but declined from 2006 levels as the North American market was affected by the ongoing consolidation in the U.S. automotive supplier market, especially suppliers to the Detroit Three. This consolidation is depressing new machine demand and flushing used equipment into the marketplace, which is putting pressure on total sales as well as on pricing. Sales of injection molding machines were down $58 million, or 24.0%, compared to 2006. This sales decline was offset in part by higher sales of extrusion systems, up $9 million or 12.9%, compared to 2006, and by higher sales in our India injection molding unit, up $12 million or 46.3%, while sales of blow molding systems were relatively flat with last year. Increased extrusion system sales were driven by higher export sales primarily to Mexico, Europe and Asia. Operating earnings for the segment were $10.8 million in 2007, a decrease of $6.3 million from prior year. Lower sales volumes placed significant downward pressure on operating earnings, but the decline was offset in part by cost savings actions taken in 2007. In 2007, the segment's restructuring costs were $3.6 million compared to $2.2 million in 2006. In 2007 and 2006, restructuring costs were primarily associated with temporary early retirement programs.

*Machinery technologies — Europe* — In 2007, the machinery technologies - Europe segment had new orders of $188 million compared to new orders of $154 million in 2006 and had sales of $181 million compared to sales of $153 million in 2006. Foreign currency translation increased new orders and sales by $15 million each compared to last year. Sales of injection molding machines were up $22 million and sales of blow molding systems were up $13 million compared to last year. The segment's operating earnings were $3.3 million in 2007 compared to a prior year operating loss of $4.9 million. Operating results benefited from higher sales volumes and savings from our restructuring actions. Restructuring charges were $3.1 million in 2007 and $8.3 million in 2006. In both years, restructuring charges included costs related to the reorganization of the German injection molding machinery facility and to the second phase of a sales office consolidation in Europe.

*Mold technologies* — The mold technologies segment's new orders were $148 million in 2007 and $158 million in 2006. Sales declined $11 million from $159 million in 2006 to $148 million in 2007. Sales in Europe increased $6 million, while sales in North America were down $11 million. The declines in North America were primarily related to the automotive and related tool and die and mold making sectors. Foreign currency translation increased new orders and sales by $5 million in the year. Operating earnings decreased to $1.9 million in 2007 compared to $3.0 million in 2006, due primarily to the impact of lower sales volumes, offset in part by savings

related to restructuring actions taken in 2007 and prior years. Lower insurance costs for 2007 also favorably affected operating earnings by $2.7 million compared to last year. In 2007, the segment had restructuring expense of $5.6 million, primarily related to the consolidation and sale of manufacturing facilities, including a $3.1 million charge for the sale of our Fulda, Germany manufacturing facility. In 2006, the segment had restructuring expense of $5.4 million related principally to reorganization of North American operations, the further downsizing at the Fulda plant and the consolidation of European operations.

*Industrial Fluids* — The industrial fluids segment had new orders and sales of $124 million each in 2007 compared to $117 million each in 2006. Orders and sales increased $7 million in Europe. Growth in Europe and Asia was offset by a slight decline in North America. Foreign currency translation provided $5 million of the growth in 2007, for both new orders and sales. Segment operating profit increased $5.8 million to $16.6 million in 2007. Compared to 2006, results for 2007 benefited from $3.9 million of lower insurance costs for product liability and the full effect of pricing increases taken to offset last year's expense increases in energy, transportation and material costs — especially for chemicals and steel for drums. Restructuring costs were $.1 million in 2007 and $.2 million in 2006.

***Loss From Continuing Operations Before Income Taxes***

In 2007, our pretax loss from continuing operations was $26.6 million compared to a loss of $37.2 million in 2006. The loss for 2007 decreased $10.6 million primarily due to improved manufacturing margins. Restructuring costs decreased $4.9 million for the year, but 2007 included additional charges related to the change in preferred stock ownership and to the pension plan curtailment. In 2006, the loss included a $1.8 million refinancing charge.

***Income Taxes***

In 2007, we recorded a net income tax expense of $61.7 million compared to an expense of $2.6 million in 2006. As was previously discussed (see Significant Accounting Policies and Judgments — Deferred Tax Assets and Valuation Allowances), we were unable to record tax benefits with respect to our losses in the U.S. and certain other jurisdictions in 2007. Additionally, included in the net $61.7 million is a charge of $63.0 million related to recording valuation allowances due to the discontinuance of the use of tax planning strategies. The writedown was associated with an "ownership change" for U.S. federal income tax purposes related to Ohio Plastics, LLC's purchase of 57.5% of the outstanding Series B Preferred Stock.

In 2006, we recorded a net income tax expense of $2.6 million. Our U.S. operations recorded a net tax benefit of $2.4 million, comprised of a decrease in valuation allowances of $4.0 million and a net reduction of tax carryback claims by $1.6 million. Our non-U.S. operations recorded income tax expense of $5.0 million for 2006, consisting of $4.0 million related to profitable non-U.S. operations and a $.9 million reduction in our deferred tax assets in Holland relating to an income tax rate reduction. Tax benefits in jurisdictions relating to non-profitable operations were fully offset by valuation allowances. In the aggregate, the mix of losses with no tax benefits and the expenses incurred in profitable jurisdictions resulted in a tax expense of $2.6 million on a pre-tax loss of $37.2 million.

***Loss From Continuing Operations***

Including restructuring costs and the previously discussed tax expense, our loss from continuing operations in 2007 was $88.3 million or $19.48 per share. In 2006, we had a loss from continuing operations of $39.8 million, or $10.17 per share. The loss per common share amounts in 2007 and in 2006 include the effect of preferred stock dividends and the amortization effect of a Series B Preferred Stock beneficial conversion feature. See the note to the Consolidated Financial Statements captioned "Shareholders' Equity" for more information regarding the Series B Preferred Stock beneficial conversion feature.

***Discontinued Operations***

In 2007, discontinued operations provided income of $1.2 million compared to income of $.1 million in 2006. The income in both years related to reserve adjustments related to prior year divestitures.

*Net Loss*

Including all of the previously discussed matters, our net loss for 2007 was $87.1 million, or $19.25 per share. In 2006 our net loss was $39.7 million, or $10.15 per share. The per-share amounts for both years include the effects of preferred stock dividends and the effects of the Series B Preferred Stock beneficial conversion feature.

**Market Risk**

***Foreign Currency Exchange Rate Risk***

We use foreign currency forward exchange contracts to hedge our exposure to adverse changes in foreign currency exchange rates related to firm or anticipated commitments arising from international transactions. We do not hold or issue derivative instruments for trading purposes. Forward contracts totaled $5.7 million at December 31, 2007 and $.6 million at December 31, 2006. The annual potential loss from a hypothetical 10% adverse change in foreign currency rates on our foreign exchange contracts at December 31, 2007 would not have materially affected our consolidated financial position, results of operations or cash flows.

***Interest Rate Risk***

At December 31, 2007, we had fixed rate debt of $229 million, including $225 million face amount of 11 $^{1}/_{2}$ % Senior Secured Notes due 2011, and floating rate debt of $32 million. At December 31, 2006, we had fixed rate debt of $230 million, including the 11 $^{1}/_{2}$ % Senior Secured Notes due 2011, and floating rate debt of $31 million. As a result of these factors, a portion of annual interest expense fluctuates based on changes in short-term borrowing rates. However, the potential annual loss on floating rate debt from a hypothetical 10% increase in interest rates would not have been significant at either of the aforementioned dates.

On July 30, 2004, we entered into a $50 million (notional amount) interest rate swap that effectively converted a portion of our fixed-rate interest debt into a floating-rate obligation. The swap was terminated on December 14, 2006 in connection with our entering into a new asset based lending facility. The interest rate swap had the effect of decreasing interest expense in 2006 by $.3 million. Changes in the fair value of the swap were reported as non-cash increases or decreases in interest expense.

**Off-Balance Sheet Arrangements**

***Sales of Accounts Receivable***

One of our non-U.S. subsidiaries has a factoring agreement with a third party financial institution under which it is able to sell without recourse up to €10.0 million ($14.4 million) of accounts receivable. At December 31, 2007 and December 31, 2006, the gross amount of accounts receivable that had been sold under this arrangement totaled $10.6 million and $9.0 million, respectively. Financing fees related to the arrangement are not material. In March 2008, this factoring agreement was replaced as part of a new asset-based revolving credit program through Lloyds TSB Group plc for certain of our operations in Europe. See Liquidity and Sources of Capital for more information regarding the new credit program.

***Sales of Notes and Guarantees***

Certain of our U.S. operations sell with recourse notes from customers for the purchase of plastics processing machinery. In certain other cases, we guarantee the repayment of all or a portion of notes payable from our customers to third party lenders. These arrangements are entered into for the purpose of facilitating sales of machinery. In the event a customer fails to repay a note, we generally regain title to the machinery. At December 31, 2007 and December 31, 2006, our maximum exposure under these U.S. guarantees, as well as guarantees by certain of our non-U.S. subsidiaries, totaled $4.7 million and $5.9 million, respectively. Losses related to sales of notes and guarantees have not been material in the past.

### Contractual Obligations

Our contractual obligations for 2008 and beyond are shown as of December 31, 2007 in the table that follows.

| | Total | 2008 | 2009 - 2010 | 2011 - 2012 | Beyond 2012 |
|---|---|---|---|---|---|
| | | | (In millions) | | |
| **Contractual Obligations** | | | | | |
| Asset-based facility borrowings due 2011 | $ 24.4 | $24.4 | $ — | $ — | $ — |
| 11 1 / 2 % Senior Secured Notes due 2011 | 225.0 | — | — | 225.0 | — |
| Interest on 11 1 / 2 % Senior Secured Notes due 2011 | 91.4 | 25.9 | 51.8 | 13.7 | — |
| Other long-term debt | .8 | .6 | .2 | — | — |
| Capital lease obligations | 11.2 | 1.6 | 3.5 | 3.0 | 3.1 |
| Operating leases | 25.7 | 11.6 | 9.6 | 2.4 | 2.1 |
| Purchase obligations(a) | — | — | — | — | — |
| Other long-term liabilities | | | | | |
| Pension plan contributions | (b) | (b) | (b) | (b) | (b) |
| Unfunded pension benefits(c)(d) | 94.5 | 3.1 | 6.1 | 6.2 | 79.1 |
| Postretirement medical benefits(d) | 4.9 | .3 | .5 | .5 | 3.6 |
| Total | $477.9 | $67.5 | $71.7 | $250.8 | $ 87.9 |

(a) We did not have any significant purchase obligations as of December 31, 2007.

(b) The contribution required for our defined benefit pension plan for certain U.S. employees and retirees for 2008 is estimated to be between $30 million and $35 million with approximately $20 million due in September. Required contributions are estimated to be between $15 million and $20 million for 2009. Contributions will also be required in 2010 and beyond but cannot be reasonably estimated at this time due to the number of variable factors which impact the calculations.

(c) Represents liabilities related to unfunded pension plans in the U.S. and Germany.

(d) The amounts presented for unfunded pension benefits and other postretirement benefits reserves are estimates based on current assumptions and expectations. Actual annual payments related to these obligations can be expected to differ from the amounts shown.

The above table excludes the contingent liabilities of up to $4.7 million related to the loan guarantees that are discussed above.

### Liquidity and Sources of Capital

At December 31, 2007, we had cash and cash equivalents of $40.8 million, an increase of $2.3 million from December 31, 2006. Substantially all of the cash was held in foreign accounts in support of our operations outside of North America. Were any of the non-U.S. cash to be repatriated, it could result in withholding taxes in foreign jurisdictions and could have U.S. income tax consequences.

Operating activities provided $10 million of cash in 2007 due principally to improved working capital levels as higher advance billings and deposits and higher trade payables outpaced growth in inventory levels. Operating activities in 2007 also included the recovery of a receivable related to a prior liability claim. Operating activities used $19 million of cash in 2006 due principally to a $30 million voluntary contribution to the funded defined benefit pension plan for certain U.S. employees and retirees, partially offset by the liquidation of assets for non-qualified retirement plans. The usage of cash was also due in part to a reduction in liabilities and an increase in inventories that resulted from higher order levels.

Investing activities used $9 million of cash in 2007 including $10 million for capital expenditures, offset in part by proceeds from the sale of equipment. The proceeds on the sale of idled manufacturing facilities were approximately $3 million and are included in operating activities as a reduction of restructuring cash flows.

Capital expenditures in 2007 included approximately $2 million related to the implementation of an Enterprise Resource Planning (ERP) system, a major portion of which was placed into service January 1, 2008. Investing activities used $11 million of cash in 2006, including $14 million for capital expenditures which was partially offset by $3 million from the sale of an idle plant facility and other surplus assets. Capital expenditures in 2006 included approximately $9 million related to the implementation of the ERP system.

Financing activities used $1 million of cash in 2007 due principally to the repayment of long-term debt, offset in part by additional short-term borrowings. Financing activities provided $19 million of cash in 2006 due principally to increases in net short-term borrowings.

Our current ratio was 1.6 at December 31, 2007 compared to 1.7 at December 31, 2006.

On December 19, 2006, we entered into a new five year asset based revolving credit facility for which General Electric Capital Corporation acts as administrative agent, collateral agent and a lender. The new asset based facility replaced a $75 million asset based facility that was terminated by us. The termination of the previous facility was concurrent with, and contingent upon, the effectiveness of the new facility. The new facility provides increased liquidity and better terms than the previous facility with up to $105 million of borrowing availability and no financial maintenance covenants as long as we comply with certain minimum availability thresholds, as described below. In addition to terminating our previous asset based facility, we also terminated an interest rate swap that was entered into on July 30, 2004.

The security underlying the new asset based facility is substantially the same as that granted in connection with the previous facility. The borrowings under the asset based facility are secured by a first priority security interest, subject to permitted liens, in, among other things, U.S. and Canadian accounts receivable, cash and cash equivalents, inventory and, in the U.S., certain related rights under contracts, licenses and other general intangibles, subject to certain exceptions. The asset based facility is also secured by a second priority security interest on the assets that secure the 11 1/2% Senior Secured Notes due 2011 on a first priority basis.

The availability of loans under our asset based facility is generally limited to a borrowing base equal to specified percentages of eligible U.S. and Canadian accounts receivable and U.S. inventory as well as permitted overadvances and is subject to other conditions to borrowing and limitations, including an excess availability reserve (the minimum required availability) of $10 million and other reserve requirements. The facility has a stated maturity of December 19, 2011.

The terms of our asset based facility impose a daily cash “sweep” on cash received in our U.S. bank accounts from collections of our accounts receivable. This daily cash “sweep” is automatically applied to pay down any outstanding borrowings under our asset based facility. The terms of our asset based facility also provide for the administrative agent, at its option and at any time, to impose a daily cash “sweep” on cash received in our Canadian bank accounts from collections of our accounts receivable. Since the cash we receive from collection of receivables is subject to the automatic “sweep” to repay the borrowings under the asset based facility on a daily basis, we rely on borrowings under it as our primary source of cash for use in our North American operations. Our liquidity could be materially affected if we have no additional availability or are unable to satisfy the borrowing conditions, including, among other things, conditions related to the continued accuracy of our representations and warranties and the absence of any unmatured or matured defaults (including under financial covenants) or any material adverse change in the company’s business or financial condition.

Our asset based facility contains customary conditions precedent to any borrowings, as well as customary covenants, including, but not limited to, maintenance of unused availability under the borrowing base based on reserves (including the excess availability reserve and other reserves) established by the administrative agent. Our asset based facility requires us to maintain a $10 million excess availability reserve and contains a limit on annual capital expenditures and a springing financial covenant requiring us to maintain a minimum fixed charge coverage ratio, to be tested quarterly, in the event that excess availability is less than $5 million.

Based on the assets included in the borrowing base as of December 31, 2007, including a $10 million over-advance facility, but without giving effect to reserves, outstanding borrowings and issuances of letters of credit (in all cases, as discussed below), we had approximately $77 million of borrowing-based availability, subject to the customary ability of the administrative agent for the lenders to reduce advance rates, impose or change collateral

value limitations, establish reserves and declare certain collateral ineligible from time to time in its reasonable credit judgment, any of which could reduce our borrowing availability at any time. At December 31, 2007, $32 million of the asset based facility was utilized, including borrowings of $24 million and letters of credit of $8 million. Under the terms of the facility, our additional borrowing capacity based on the assets included in the borrowing base at December 31, 2007 was approximately $34 million after taking into account the minimum availability and existing reserve requirements.

Failure to meet or exceed the covenants of the asset based facility would constitute an event of default under the facility, which would permit the lenders to accelerate indebtedness owed thereunder (if such indebtedness remained unpaid) and terminate their commitments to lend. The acceleration of the indebtedness under the asset based facility would also create a cross-default under our 11 1/2% Senior Secured Notes due 2011 if the principal amount of indebtedness accelerated, together with the principal amount of any other such indebtedness under which there had been a payment default or the maturity had been so accelerated, aggregated $15 million or more. Such cross-default would permit the trustee under the indenture governing the 11 1/2% Senior Secured Notes due 2011 or the holders of at least 25% in principal amount of the then outstanding notes to declare the notes to be due and payable immediately. Events of default under the asset based facility and the 11 1/2% Senior Secured Notes due 2011 in addition to those described above, including, without limitation, the failure to make required payments in respect of such indebtedness in a timely manner, may result in the acceleration of indebtedness owed under these instruments. The acceleration of obligations under our outstanding indebtedness would have a material adverse effect on our business, financial condition and results of operations.

At December 31, 2007, we had other lines of credit with various U.S. and non-U.S. banks totaling approximately $33 million, of which approximately $12 million was available under certain circumstances.

In March 2008, certain of our operations in Europe signed a five-year, asset based revolving credit program through Lloyds TSB Group plc to provide as much as €27 million of aggregate financing for working capital purposes. This new asset based lending program will allow us to replace shorter-term credit commitments while providing incremental financing for our global working capital needs, including meeting our pension funding obligations. Because of the substantial inter-company indebtedness created by our U.S. refinancing of European bonds in 2004, we will be able to apply the proceeds to these obligations in a tax-efficient manner The credit program consists of two parts: (i) asset-secured loans to our subsidiaries in Germany, Holland and Belgium and (ii) an accounts receivable factoring facility between our German operations and Lloyds TSB Commerce Finance. Based upon current asset levels, total borrowing and factoring capacity under the new program, when fully operational, is expected to exceed €20 million. Principal terms of the program have been filed with the Securities and Exchange Commission.

Our debt and credit are rated by Standard & Poors (S&P) and Moody's Investors Service (Moody's). On December 20, 2007, Moody's lowered the rating on our $225 million of Senior Secured Notes due 2011 and our "corporate family" to Caa2 and affirmed a negative outlook. On June 7, 2007, S&P affirmed its rating on our corporate credit at CCC+ and affirmed its outlook as developing. However, S&P lowered its rating on Senior Secured Notes to CCC-.

None of our debt instruments include ratings triggers that would accelerate maturity or increase interest rates in the event of a ratings downgrade. Accordingly, any potential ratings downgrades would have no significant short-term effect, although they could potentially affect the types and cost of credit facilities and debt instruments available to us in the future.

Before funding our U.S. defined benefit pension plan, we expect to generate positive cash flow from operations during 2008. However, operating cash flows may or may not be sufficient to meet the U.S. defined benefit plan funding requirements. We believe that our current cash position, cash flow from operations and available credit lines, including our asset based revolving credit facilities, will be sufficient to meet our capital expenditure and benefit plan requirements for 2008.

**Cautionary Statement**

We wish to caution readers about all of the forward-looking statements in the "Management's Discussion and Analysis" section and elsewhere. These include all statements that speak about the future or are based on our

interpretation of factors that might affect our businesses. We believe the following important factors, among others, and the risk factors described earlier in this document could affect our actual results in 2008 and beyond and cause them to differ materially from those expressed in any of our forward-looking statements:

- fluctuations in market valuations of pension plan assets or changes in interest rates that could result in increased pension expense and reduced shareholders' equity and require us to make significant cash contributions in the future;
- our ability to comply with financial and other covenants contained in the agreements governing our indebtedness, including our senior secured notes and asset based credit facility;
- our ability to remediate or otherwise mitigate any material weakness in internal control over financial reporting or significant deficiencies that may be identified;
- global and regional economic conditions, consumer spending, capital spending levels and industrial production, particularly in segments related to the level of automotive production and spending in the plastics and construction industries;
- fluctuations in currency exchange rates of U.S. and foreign countries, including countries in Europe and Asia where we have several principal manufacturing facilities and where many of our customers, competitors and suppliers are based;
- fluctuations in interest rates which affect the cost of borrowing;
- production and pricing levels of important raw materials, including plastic resins, which are a key material used by purchasers of our plastics technologies products, as well as steel, oil and chemicals;
- lower than anticipated levels of plant utilization resulting in production inefficiencies and higher costs, whether related to the delay of new product introductions, improved production processes or equipment, or labor relations issues;
- customer acceptance of new products introduced during 2007 and products expected to be introduced in 2008;
- any major disruption in production at key customer or supplier facilities or at our facilities;
- disruptions in global or regional commerce due to wars, to social, civil or political unrest in the non-U.S. countries in which we operate and to acts of terrorism, continued threats of terrorism and military, political and economic responses (including heightened security measures) to terrorism;
- alterations in trade conditions in and between the U.S. and non-U.S. countries where we do business, including export duties, import controls, quotas and other trade barriers;
- changes in tax, environmental and other laws and regulations in the U.S. and non-U.S. countries where we do business;
- litigation, claims or assessments, including but not limited to claims or problems related to product liability, warranty or environmental issues;
- our ability to satisfy our pension funding obligations for 2008 and beyond when they become due; and
- our ability to successfully complete the implementation of our new Enterprise Resource Planning (ERP) system without significant business interruption.

**Item 7A.** ***Quantitative and Qualitative Disclosures About Market Risk***

Not applicable.

**Item 8.** ***Financial Statements***

Beginning on page 33 and continuing through page 87 are the Consolidated Financial Statements with applicable notes and the related Report of Independent Registered Public Accounting Firm.

**MILACRON INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**
**Years ended December 31, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| | (In millions, except per-share amounts) | |
| Sales | $ 807.9 | $ 820.1 |
| Cost of products sold | 644.9 | 668.2 |
| Cost of products sold related to restructuring | .2 | .5 |
| Total cost of products sold | 645.1 | 668.7 |
| Manufacturing margins | 162.8 | 151.4 |
| Other costs and expenses | | |
| Selling and administrative | 144.6 | 140.2 |
| Restructuring costs | 12.3 | 16.9 |
| Change in preferred stock ownership costs | 1.9 | — |
| Pension plan curtailment cost | 1.9 | — |
| Refinancing costs | — | 1.8 |
| Other (income) expense-net | (2.7) | (.3) |
| Total other costs and expenses | 158.0 | 158.6 |
| Operating earnings (loss) | 4.8 | (7.2) |
| Interest | | |
| Income | .9 | 1.0 |
| Expense | (32.3) | (31.0) |
| Interest-net | (31.4) | (30.0) |
| **Loss from continuing operations before income taxes** | **(26.6)** | **(37.2)** |
| Provision for income taxes | 61.7 | 2.6 |
| **Loss from continuing operations** | **(88.3)** | **(39.8)** |
| Discontinued operations net of income taxes | 1.2 | .1 |
| **Net loss** | **$ (87.1)** | **$ (39.7)** |
| **Loss applicable to common shareholders** | **$ (96.4)** | **$ (49.1)** |
| **Earnings (loss) per common share — basic and diluted** | | |
| **Continuing operations** | **$(19.48)** | **$(10.17)** |
| **Discontinued operations** | **.23** | **.02** |
| **Net loss** | **$(19.25)** | **$(10.15)** |

See notes to consolidated financial statements.

**MILACRON INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**
**December 31, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| | (In millions, except par value) | |
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 40.8 | $ 38.5 |
| Notes and accounts receivable, less allowances of $7.8 in 2007 and $7.3 in 2006 | 114.6 | 114.5 |
| Inventories | | |
| Raw materials | 8.2 | 7.6 |
| Work-in-process and finished parts | 96.0 | 88.4 |
| Finished products | 75.5 | 74.7 |
| Total inventories | 179.7 | 170.7 |
| Other current assets | 34.9 | 41.9 |
| Total current assets | 370.0 | 365.6 |
| Property, plant and equipment — net | 106.4 | 114.3 |
| Goodwill | 90.5 | 87.3 |
| Other noncurrent assets | 36.0 | 83.3 |
| **Total assets** | **$ 602.9** | **$ 650.5** |
| **LIABILITIES AND SHAREHOLDERS' DEFICIT** | | |
| Current liabilities | | |
| Short-term borrowings | $ 26.9 | $ 25.5 |
| Long-term debt and capital lease obligations due within one year | 2.1 | 2.2 |
| Trade accounts payable | 92.1 | 77.8 |
| Advance billings and deposits | 29.4 | 24.4 |
| Accrued and other current liabilities | 76.6 | 82.6 |
| Total current liabilities | 227.1 | 212.5 |
| Long-term accrued liabilities | 193.3 | 226.5 |
| Long-term debt | 231.9 | 232.8 |
| **Total liabilities** | **652.3** | **671.8** |
| Commitments and contingencies | — | — |
| Shareholders' deficit | | |
| 4% Cumulative Preferred shares | 6.0 | 6.0 |
| 6% Series B Convertible Preferred Stock, $.01 par value (outstanding: .5 in both 2007 and 2006) | 119.2 | 116.1 |
| Common shares, $.01 par value (outstanding: 5.5 in 2007 and 5.2 in 2006) | .1 | .1 |
| Capital in excess of par value | 355.9 | 351.5 |
| Contingent warrants | .2 | .5 |
| Accumulated deficit | (478.3) | (381.9) |
| Accumulated other comprehensive loss | (52.5) | (113.6) |
| **Total shareholders' deficit** | **(49.4)** | **(21.3)** |
| **Total liabilities and shareholders' deficit** | **$ 602.9** | **$ 650.5** |

See notes to consolidated financial statements.

**MILACRON INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**AND SHAREHOLDERS' DEFICIT**
**Years ended December 31, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| 4% Cumulative Preferred shares | | |
| Balance at beginning and end of period | $ 6.0 | $ 6.0 |
| 6% Series B Convertible Preferred Stock | | |
| Balance at beginning of period | 116.1 | 112.9 |
| Beneficial conversion feature | 3.1 | 3.2 |
| Balance at end of period | 119.2 | 116.1 |
| Common shares | | |
| Balance at beginning of period | 351.6 | 348.5 |
| Restricted stock expense | 2.5 | 1.1 |
| Issuance of previously unissued shares | 1.9 | .8 |
| Transfer of restricted stock liability balances to equity in connection with adoption of a new accounting standard | — | 1.3 |
| Effect of change in method of accounting for restricted stock forfeitures | — | (.1) |
| Balance at end of period | 356.0 | 351.6 |
| Contingent warrants | | |
| Balance at beginning of period | .5 | .5 |
| Exercise of contingent warrants | (.3) | — |
| Balance at end of period | .2 | .5 |
| Accumulated deficit | | |
| Balance at beginning of period | (381.9) | (332.8) |
| Net loss for the period | (87.1) | (39.7) |
| Dividends declared or accrued | | |
| 4% Cumulative Preferred shares | (.2) | (.2) |
| 6% Series B Convertible Preferred Stock | (6.0) | (6.0) |
| Beneficial conversion feature related to 6% Series B Convertible Preferred Stock | (3.1) | (3.2) |
| Balance at end of period | (478.3) | (381.9) |
| Accumulated other comprehensive income (loss) | | |
| Balance at beginning of period | (113.6) | (140.2) |
| Foreign currency translation adjustments | 15.9 | 17.7 |
| Postretirement benefit plan adjustments | | |
| Amortization of unrecognized prior service cost | (1.6) | — |
| Pension plan curtailment cost | 1.9 | — |
| Amortization of net unrecognized losses | 10.5 | — |
| Pension plan curtailment gain | 27.9 | — |
| Postretirement health care plan amendment | 3.8 | — |
| Actuarial gain arising in the period not included in net periodic postretirement benefit costs | 2.7 | — |
| Minimum pension liability adjustment | — | 32.2 |
| Adjustment related to the adoption of a new accounting standard | — | (23.3) |
| Balance at end of period | (52.5) | (113.6) |
| Total shareholders' deficit | $ (49.4) | $ (21.3) |
| Net loss for the period | $ (87.1) | $ (39.7) |
| Change in accumulated other comprehensive income (loss) | 61.1 | 49.9 |
| Total comprehensive income (loss) | $ (26.0) | $ 10.2 |

See notes to consolidated financial statements.

## MILACRON INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**Years ended December 31, 2007 and 2006**

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| **Increase (decrease) in cash and cash equivalents** | | |
| **Operating activities cash flows** | | |
| Net loss | $(87.1) | $(39.7) |
| Operating activities providing (using) cash | | |
| Discontinued operations net of income taxes | (1.2) | (.1) |
| Depreciation and amortization | 16.1 | 16.8 |
| Restructuring costs | 10.2 | 8.2 |
| Refinancing costs | — | 1.8 |
| Deferred income taxes | 58.8 | .8 |
| Working capital changes | | |
| Notes and accounts receivable | 3.7 | 7.9 |
| Inventories | (4.4) | (4.5) |
| Other current assets | (3.7) | 2.1 |
| Trade accounts payable | 11.7 | (1.7) |
| Other current liabilities | (13.3) | (2.0) |
| Decrease in other noncurrent assets | 7.6 | 15.7 |
| Increase (decrease) in long-term accrued liabilities | 7.8 | (25.9) |
| Other-net | 3.4 | 1.4 |
| Net cash provided (used) by operating activities | 9.6 | (19.2) |
| **Investing activities cash flows** | | |
| Capital expenditures | (9.6) | (13.8) |
| Net disposals of property, plant and equipment | .3 | 2.9 |
| Net cash used by investing activities | (9.3) | (10.9) |
| **Financing activities cash flows** | | |
| Repayments of long-term debt | (1.6) | (1.6) |
| Increase in short-term borrowings | 1.0 | 21.2 |
| Dividends paid | (.2) | (.2) |
| Net cash provided (used) by financing activities | (.8) | 19.4 |
| **Effect of exchange rate fluctuations on cash and cash equivalents** | **2.8** | **3.5** |
| **Increase (decrease) in cash and cash equivalents** | **2.3** | **(7.2)** |
| Cash and cash equivalents at beginning of year | 38.5 | 45.7 |
| **Cash and cash equivalents at end of year** | **$ 40.8** | **$ 38.5** |

See notes to consolidated financial statements.

## Summary of Significant Accounting Policies

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### *Consolidation*

The Consolidated Financial Statements include the accounts of the company and its subsidiaries. All significant intercompany transactions are eliminated.

### *Foreign Currency Translation*

Assets and liabilities of the company's non-U.S. operations are translated into U.S. dollars at period-end exchange rates. Net exchange gains or losses resulting from such translation are excluded from net earnings and accumulated in other comprehensive income (loss) of shareholders' equity. Income and expense accounts are translated at weighted-average exchange rates for the period. Gains and losses from foreign currency transactions are included in other expense-net in the Consolidated Statements of Operations. Such amounts were expense of less than $.1 million in 2007 and expense of $.2 million in 2006.

### *Revenue Recognition*

The company recognizes revenue when products are shipped to unaffiliated customers, legal title has passed, the sales price is fixed and determinable, all significant contractual obligations have been satisfied and the collectibility of the sales price is reasonably assured. The company incurs costs for shipping and handling in connection with sales to customers. The company generally recognizes the shipping and handling costs as a component of costs of goods sold.

Contracts for the sale of plastics processing machinery typically include customer acceptance provisions, which are satisfied prior to shipment or at the customer's facility. Revenue is recognized when all significant acceptance provisions have been satisfied, the machinery has been delivered and all applicable revenue recognition criteria have been satisfied. Installation is typically not included in the sale price of plastics processing machinery. To the extent that it is, it is generally of a perfunctory nature and reserves for any related costs are provided at the time revenue is recognized.

The company offers volume discounts and rebates to certain customers, usually distributors, of its metalworking fluids business. Discounts offered to distributors are based on the number of gallons included in a particular order.

Appropriate allowances for returns, which are not significant, and post-sale warranty costs (see Summary of Significant Accounting Policies — Warranty Reserves) are made at the time revenue is recognized. The company continually evaluates the creditworthiness of its customers and enters into sales contracts only when collection of the sales price is reasonably assured. For sales of plastics processing machinery, customers are generally required to make substantial down-payments prior to shipment which helps to ensure collection of the full price.

### *Advertising Costs*

Advertising costs are charged to expense as incurred. Excluding amounts related to participation in trade shows, advertising costs totaled $5.6 million in 2007 and $5.4 million in 2006.

***Income Taxes***

The company provides deferred income taxes for cumulative temporary differences between the financial reporting basis and income tax basis of its assets and liabilities. Provisions are made for all currently payable federal and state and local income taxes at applicable tax rates. Provisions are also made for any additional taxes on anticipated distributions from non-U.S. subsidiaries.

***Earnings Per Common Share***

Basic earnings per common share data are based on the weighted-average number of common shares outstanding during the respective periods. When required under U.S. generally accepted accounting principles, diluted earnings per common share data are based on the weighted-average number of common shares outstanding adjusted to include the effects of certain restricted shares, the conversion of the Series B Preferred Stock and the contingent warrants.

For all periods presented, loss per common share data reflect the effects of a one-for-ten reverse stock split that became effective on May 16, 2007 (see Shareholders' Equity).

***Cash and Cash Equivalents***

The company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

***Inventory Valuation***

Inventories are stated at the lower of cost or market, including provisions for obsolescence commensurate with known or estimated exposures. The principal methods of determining costs are average or standard costs, which approximate first-in, first-out (FIFO).

***Property, Plant and Equipment***

Property, plant and equipment, including amounts related to capital leases, are stated at cost or, for assets acquired through business combinations, at fair value at the dates of the respective acquisitions. For financial reporting purposes, depreciation is generally determined on the straight-line method using estimated useful lives of the assets. Depreciation expense was $15.4 million in 2007 and $15.7 million in 2006.

The ranges of depreciation lives that are used for most assets are as follows:

| Asset | Range of Depreciation Life |
|---|---|
| Buildings (new) | 25 — 45 years |
| Buildings (used) | 20 — 30 years |
| Land improvements | 10 — 20 years |
| Building components | 5 — 45 years |
| Factory machinery | 6 — 12 years |
| Vehicles | 3 — 6 years |
| Office furniture and fixtures | 5 — 10 years |
| Computers | 3 — 5 years |
| Personal computers | 3 years |

Property, plant and equipment that are idle and held for sale are valued at the lower of historical cost less accumulated depreciation or fair value less cost to sell. Carrying costs through the expected disposal dates of such

assets are accrued at the time expected losses are recognized. For assets expected to be sold at a gain, carrying costs are charged to expense as incurred.

***Goodwill***

Goodwill, which represents the excess of acquisition cost over the fair value of net assets acquired in business combinations, is reviewed annually for impairment. The company has elected to conduct its annual impairment reviews as of October 1 of each year and base its assessments of possible impairment on the discounted present value of the operating cash flows of its various reporting units. The company has identified eight reporting units for purposes of testing goodwill for impairment.

***Long-Lived Assets***

The company evaluates its long-lived assets, including certain intangible assets, for impairment annually or when facts and circumstances suggest that the carrying amounts of these assets might not be recoverable.

***Warranty Reserves***

The company maintains warranty reserves intended to cover future costs associated with its warranty obligations. These reserves are based on estimates of the amounts of those costs. Warranty costs are of two types - normal and extraordinary. Normal warranty costs represent repair costs incurred in the ordinary course of business and reserves are generally calculated using a percentage of sales approach based on past experience. Extraordinary warranty costs are unique major problems associated with a single machine, customer order or a set of problems related to a large number of machines or other type of product. Extraordinary warranty reserves are estimated based on specific facts and circumstances. The company's policy is to adjust its warranty reserves quarterly.

***Self-Insurance Reserves***

Through its wholly owned insurance subsidiary, Milacron Assurance Ltd. (MAL), the company is primarily self-insured for many types of risks, including general liability, product liability, environmental claims and workers' compensation for certain domestic employees. MAL, which is fully consolidated in the Consolidated Financial Statements and subject to the insurance laws and regulations of Bermuda, establishes reserves for known or estimated exposures under the policies it issues to the company. MAL's exposure for general and product liability claims is limited by reinsurance coverage in some cases and by excess liability coverage in all policy years. Workers' compensation claims in excess of certain limits are insured with commercial carriers.

MAL's reserves are established based on known claims, including those arising from litigation, and estimates of the ultimate exposures thereunder (after consideration of expected recoveries from excess liability carriers and claims against third parties) and on estimates of the cost of incurred but not reported claims. Expected recoveries represent the excess of total reserves for known exposures and incurred but not reported claims over the limits on the policies MAL issues to the company. For certain types of exposures, MAL and the company utilize actuarially calculated estimates prepared by outside consultants to ensure the adequacy of the reserves. Reserves are reviewed and adjusted at least quarterly based on all available information as of the respective balance sheet dates or as further information becomes available or circumstances change. MAL's reserves are included in accrued and other current liabilities and long-term accrued liabilities in the Consolidated Balance Sheets. Expected recoveries from excess carriers are included in other current assets and other noncurrent assets, and represent the excess of total reserves for known exposures and incurred but not reported claims over the limits on the policies MAL issues to the company. These amounts are classified as assets because unless other payment arrangements are negotiated, the company (as the insured party) expects that it would first pay any indemnity claims and expenses in excess of MAL's limits and then pursue reimbursement from the excess carriers.

***Retirement Benefit Plans***

The company maintains various defined benefit and defined contribution pension plans covering substantially all U.S. employees and certain non-U.S. employees. For defined benefit plans, pension benefits are based primarily on length of service and compensation. The company's policy is to fund the plans in accordance with applicable laws and regulations. The company also sponsors a defined benefit postretirement health care plan under which such benefits are provided to certain U.S. employees.

The benefit obligations related to defined benefit pension plans and the postretirement health care plan are actuarially measured as of January 1 of each year. The amounts so determined are then progressed to year end based on known or expected changes. The assets of the funded defined benefit pension plans, including the defined pension plan for certain U.S. employees and retirees, are valued as of December 31 of each year.

***Derivative Financial Instruments***

The company enters into foreign currency forward exchange contracts, which are a type of derivative financial instrument, on an ongoing basis commensurate with known or expected exposures. The purpose of this practice is to minimize the potentially adverse effects of foreign currency exchange rate fluctuations on the company's operating results. These contracts are typically designated as cash flow hedges with any gains or losses resulting from changes in their fair value being recorded as a component of other comprehensive loss pending completion of the transactions being hedged.

On December 14, 2006, the company terminated an interest rate swap that it had entered into on July 30, 2004. The interest rate swap, a form of derivative financial instrument, was entered into for the purpose of achieving a better balance between fixed-rate and floating-rate debt. The amounts paid or received under this arrangement were recorded as adjustments of interest expense. Changes in the fair value of the arrangement were also applied as adjustments of interest expense.

The company does not currently hold other types of derivative financial instruments and does not engage in speculation.

***Changes in Methods of Accounting***

Effective January 1, 2007, the company adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN No. 48). This interpretation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance regarding the derecognition of tax benefits, their classification in the statement of financial position and accounting for possible interest and penalties. Additionally, a new disclosure framework for uncertain tax positions is required beginning in 2007.

The adoption of FIN No. 48 resulted in a de minimis cumulative effect adjustment to opening accumulated deficit and accrued income taxes. The cumulative adjustment also resulted in a decrease in deferred tax assets and valuation allowances in the amount of $.7 million. The gross amount of uncertain tax benefits at adoption amounted to $2.8 million which increased by a net $17.4 in 2007 resulting in a balance of $20.2 million at December 31, 2007. Consistent with past practice, interest and penalties are classified as income tax expense as accrued. However, the amounts are immaterial in the periods presented primarily due to net operating loss carryforwards reflected as deferred tax assets.

Resolution of controversies related to uncertain tax benefits are contingent on reaching satisfactory settlement agreements with the relevant taxing authorities. In 2007, the company reached a favorable settlement with a non-U.S. taxing jurisdiction related to $1.5 million of uncertain tax benefits and recorded the related benefit. The resolution of the issues underlying uncertain tax benefits may cause a decrease or increase in the company's

effective tax rate. The company's tax returns are open under the respective statutes of limitations in most of the jurisdictions in which the company has major operations for periods generally beginning with the 2003 tax year.

Effective January 1, 2006, the company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), "Share-Based Payment," (SFAS No. 123R) using the modified prospective transition method. Accordingly, amounts for prior periods were not restated. The company had previously accounted for stock options and restricted stock awards under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and the related interpretations.

Prior to the adoption of SFAS No. 123R, no compensation expense related to stock options was recognized in earnings because all of the options granted under the company's 1997 and 2004 Long-Term Incentive Plans and a predecessor plan had exercise prices equal to the fair market value of the underlying common shares at the respective grant dates. Under the provisions of SFAS No. 123R, expense related to stock options must be recognized in an entity's primary financial statements over the vesting period or periods based on their fair value (as defined in the standard) as of the grant date. The conversion of $30.0 million of then-outstanding notes into 1.5 million common shares on April 15, 2004 resulted in a change in control under the provisions of the 1997 Long-Term Incentive Plan which triggered the vesting of all outstanding stock options. Since that date, only 1,400 additional stock options have been granted of which 1,050 were not fully vested as of January 1, 2006. The company began to include the expense related to these stock options in the Consolidated Statements of Operations in 2006 but the effect of doing so is de minimis based on their grant date fair value of $27.20 per share.

Under the provisions of SFAS No. 123R, the company continues to recognize expense related to restricted (unvested) stock and deferred shares over the respective vesting periods. The provisions of these awards and activity for 2007 are presented in the note captioned "Share-Based Compensation". Prior to 2006, the company had accounted for forfeitures of these awards as they occurred. However, SFAS No. 123R requires that estimates of future forfeitures be made as of the grant dates and revised as necessary over the vesting periods. Accordingly, the company made estimates of future forfeitures for those awards outstanding as of January 1, 2006. The effect was to reduce the cumulative expense recognized to date by approximately $.1 million. This amount is included as income in other expense-net in the Consolidated Statement of Operations for 2006 (rather than being reported as the cumulative effect of a change in method of accounting) based on its immateriality.

As was customary under the prior rules, the company previously classified the offsets to the expense recognized for restricted stock and deferred shares as liabilities in the Consolidated Balance Sheets. The recorded liabilities were then transferred to shareholders' equity when the awards vested. In connection with the adoption of SFAS No. 123R, liability balances as of December 31, 2005 totaling $1.3 million were reclassified to capital in excess of par value in shareholders' equity as of January 1, 2006.

Excluding the adjustment for forfeitures, the adoption of SFAS No. 123R had the effect of increasing the company's 2006 loss before income taxes and net loss by less than $.1 million. Including the adjustment for forfeitures, the effect on the respective loss amounts was a de minimis decrease. In both cases, there was no effect on the applicable loss per common share amounts.

Effective December 31, 2006, the company adopted the recognition and related disclosure provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," (SFAS No. 158). As required, the adoption was on a prospective transition method and prior periods were not restated. This standard amends Statements of Financial Accounting Standards No. 87, 88, 106 and 132(R). The standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position. The adoption of SFAS No. 158 increased shareholders' deficit by $23.3 million and increased liabilities by $20.9 million, in both cases in relation to the amounts that would otherwise have been reported at December 31, 2006 under previous requirements. See the note captioned "Retirement Benefit Plans" for additional information regarding the company's postretirement benefit plans.

SFAS No. 158 includes a second provision that is effective as of December 31, 2008. The measurement date provision of the standard requires an employer to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position and prohibits retrospective application. Because the company currently measures plan assets and benefit obligations as of its year end, this provision will not affect the company's financial position or results of operation.

***Recently Issued Pronouncements***

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," (SFAS No. 157). SFAS No. 157 is effective for fiscal years and interim periods that begin after November 15, 2007 on a prospective basis. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principals and expands disclosure about fair value. The effects of adopting this standard are still being determined.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," (SFAS No. 159). SFAS No. 159 is elective for fiscal years that begin after November 15, 2007 on a prospective basis. SFAS No. 159 allows companies to measure certain financial assets and financial liabilities at fair market value and to report changes in the fair market value in earnings. The company does not intend to elect fair value reporting for its financial assets and financial liabilities in the near future.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements," (SFAS No. 160). SFAS No. 160 is effective for fiscal years and interim periods beginning after December 15, 2008 on a prospective basis. The effects of adopting this standard are not expected to have a material effect on the company's financial statements. SFAS No. 160 requires that entities provide sufficient disclosures that clearly identify and distinguish between interests of the parent and interests of noncontrolling owners. SFAS No. 160 also changes the deconsolidation and acquisition accounting for noncontrolling interests.

**Discontinued Operations**

The components of the line captioned "Discontinued operations net of income taxes" in the Consolidated Statements of Operations for 2007 and 2006 are presented in the table that follows. In both years, the amounts presented represent adjustments of previously recorded reserves for post-sale exposures based on more current information.

***Gain (Loss) on Divestiture of Discontinued Operations***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Sale of Valenite | $ .5 | $ .9 |
| Sale of Widia and Werkö | — | — |
| Sale of round metalcutting tools business | .3 | (.3) |
| Sale of grinding wheels business | .2 | (.2) |
| Adjustments of reserves for the 1998 divestiture of the machine tools segment | .2 | (.3) |
| Net gain on divestitures | $1.2 | $ .1 |

**Restructuring Costs**

In November 2002, the company announced restructuring initiatives intended to improve operating efficiency and customer service. One of these actions involved the transfer of all manufacturing of container blow molding machines and structural foam systems from the plant in Manchester, Michigan to the company's more modern and efficient facility near Cincinnati, Ohio. The mold making operation has also been moved to a smaller location near Manchester. These operations are included in the machinery technologies — North America segment. The relocations, which involved the elimination of 40 positions, resulted in restructuring costs of $14.3 million, including $.6 million in 2006. The amount for 2006 includes a charge to further reduce the carrying value of the Manchester facility based on a revised estimate of its fair value. The remainder of the expense for 2006 relates to costs to complete the move of the mold making operation and carrying costs for the Manchester facility pending its sale. The facility was subsequently sold in the third quarter of 2006 for proceeds that approximated its adjusted carrying value. Of the total cost of $14.3 million, $1.5 million relates to employee severance costs, $7.0 million to facility exit costs (including adjustments to the carrying values of the Manchester building and other assets that were disposed of), $1.9 million to inventory adjustments related to product lines discontinued in connection with the relocation and $3.9 million to other move-related costs, including employee, inventory and machinery and equipment relocation. Net of $1.8 million of proceeds from the sale of the Manchester facility, the net cash cost of the relocations was $4.6 million. The non-cash cost of $9.7 million relates principally to adjustments related to inventories of discontinued product lines and assets disposed of as a result of the plant closure.

In 2004, the company initiated headcount reductions in its European mold base and components business. These reductions represented a continuation of actions initiated in 2003 and employment level reductions in Germany and were undertaken due to continued slow economic conditions in Europe. The company incurred additional costs for these actions in 2006 related principally to the resolution of legal issues related to earlier terminations.

In the fourth quarter of 2005 the company also initiated the closure of a small metalworking fluids blending operation in Germany. The closure resulted in expense of $.3 million, including $.1 million in 2006. The cash cost in 2006 was $.1 million and an additional $.1 million was spent in 2007. In the fourth quarter of 2006, the company initiated the closure of a second fluids blending facility located in the United Kingdom at a cost of $.2 million. In 2006, $.1 million of the total cost was charged to expense and an additional $.1 million was expensed in 2007. The cash cost will be approximately $.2 million, of which $.1 million was spent in 2007.

In the fourth quarter of 2005, the company announced that it planned to further reduce its cost structure by consolidating certain operations in both North America and Europe. One such action — the reorganization of the European sales offices of the machinery technologies — Europe segment — was initiated in 2005 and was continued in 2006 and 2007. Expense related to this action totaled $.3 million in 2005 and an additional $1.7 million was charged to expense in 2006. Expense of $2.0 million was recorded in 2007 to substantially complete the consolidation. The amount for 2007 includes $1.3 million related to the sale of two additional sales subsidiaries and the closure of a third. The cost reduction measures announced in 2005 and implemented in 2006 also included the overall reorganization of European operations of the mold technologies segment, including product line rationalization and the streamlining of marketing and administrative functions. Expense related to these actions totaled $1.8 million in 2006 and $1.1 million in 2007. The net cash costs related to the sales office and mold base and components reorganizations are expected to be approximately $5.3 million. Of this amount, $1.9 million was spent in 2006 and an additional $3.4 million was spent in 2007. Severance and other termination benefits represent approximately one quarter of both the total expense and cash cost of these initiatives.

In the first quarter of 2006, the company initiated a plan to reduce the cost structure of its injection molding machine manufacturing facility in Malterdingen, Germany. The business has been restructured based on a rationalized global product portfolio, thereby eliminating complexity and reducing the overall cost structure. The restructuring resulted in 82 headcount reductions, including approximately 70 that occurred in 2006. The cost of the restructuring was $7.6 million, all of which relates to severance and other termination benefits. Of this

amount, $6.5 million was charged to expense in 2006 and an additional $1.1 million was expensed in 2007. The cash cost — all of which relates to termination benefits — was also $7.6 million. A total of $5.2 million was spent in 2006 and the remaining $2.4 million was spent in 2007.

In the second quarter of 2006, the company initiated a plan to reorganize and further downsize its special mold base machining facility in Fulda, Germany at a cost of $1.8 million, all of which was charged to expense in 2006, including $1.3 million for benefits related to the termination of 21 employees. The cash cost of the plant reorganization was $1.3 million, all of which was spent in 2006. As discussed further below, the Fulda facility was subsequently sold in the fourth quarter of 2007.

In the third quarter of 2006, the company initiated a reorganization of the mold technologies segment's operations in North America. In one action, the company initiated the elimination of most of the manufacturing activities at the segment's facility in Charlevoix, Michigan and the outsourcing of a majority of the mold components the facility produces. The cost of this action — which resulted in the elimination of 51 positions — was $1.8 million, substantially all of which was recorded in 2006. The total cost includes $.3 million for severance and other termination benefits and $1.5 million to adjust the carrying values of assets to be disposed of to reflect fair value. After deducting expected proceeds from sales of these assets, the cash cost is expected to be approximately $.6 million. In another action, the company initiated the downsizing of the administrative workforce at the segment's North American headquarters in Madison Heights, Michigan in 2006. This action resulted in the elimination of 13 positions at a cost of $.1 million, all of which related to termination benefits. In order to further reduce headcount, the company offered special early retirement benefits to certain employees early in 2007 which resulted in expense of $.2 million. In the third quarter of 2007, the company initiated the closure of the mold base manufacturing facility in Melrose Park, Illinois and the transfer of its production to other mold technologies facilities in North America. Expense related to the closure was $.6 million which is net of a gain of $.5 million on the sale of the facility. The gross expense of $1.1 million related principally to severance and other termination benefits and the relocation of equipment. The net cash cost will be $.1 million, most of which was recorded in 2007.

In the third quarter of 2006, the company completed the liquidation of a sales branch in Japan which resulted in a non-cash charge of $1.3 million, a large portion of which related to the recognition of prior periods' foreign currency translation adjustments and other deconsolidation effects.

In the fourth quarter of 2006, the company initiated a program to reduce headcount at its principal North American plastics machinery facility — principally in the injection molding machinery business — by offering supplemental early retirement benefits to eligible employees. A total of 34 employees accepted the offer in 2006 which resulted in a non-cash charge of $1.5 million. The offer of supplemental benefits was extended to additional groups of employees in the second quarter of 2007 which resulted in incremental expense related to 11 employees of $.9 million. The supplemental retirement benefits will be paid by the funded defined benefit pension plan for certain U.S. employees and retirees. In the third quarter of 2007, the company continued the headcount reduction program at its principal manufacturing facility by outsourcing certain functions at a cost of $.1 million for employee termination benefits.

In the first quarter of 2007, the operating assets of two European sales offices of the company's MRO (maintenance, repair and operating supplies) business were sold which resulted in expense of $.2 million. This business is included in the mold technologies segment. The cash proceeds were $.5 million and the cash costs related to the sales were $.2 million.

In the fourth quarter of 2007, the company completed the sale of its special mold base facility in Fulda, Germany that resulted in 50 headcount reductions. The restructuring activity resulted in expense of $3.1 million in 2007, which mostly related to the loss on the sale of the fixed assets and inventory. The sale will result in net cash proceeds of $2.2 million, most of which was recorded in 2007.

In the fourth quarter of 2007, the company initiated a program to reduce headcount at several of its North American facilities by offering supplemental early retirement benefits to eligible employees. At the plastics

machinery operation, principally the injection molding machinery business, the program resulted in 40 headcount reductions at a cost of $2.3 million, all of which was recorded in 2007. The total cash cost is expected to be $.7 million, with $.2 million being recorded in 2007 and the remainder in 2008. At the Corporate facility, the program resulted in 3 additional headcount reductions. The total cost amounted to $.1 million, all recorded in 2007, with no cash cost. At the mold making operation in Tecumseh, Michigan, the program resulted in 7 headcount reductions at a cost of $.3 million, all of which was recorded in 2007. There was no cash cost in 2007, as it will all be incurred in 2008 and beyond.

Additional restructuring actions are expected to be implemented in 2008. In total, the actions initiated in 2005 through 2008 are expected to result in restructuring charges of approximately $31 million and cash costs of approximately $13 million spread from 2006 through 2008.

The table that follows summarizes the costs of the various restructuring actions that are described above.

***Restructuring Costs***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Relocation of blow molding machinery and mold manufacturing | $ — | $ .6 |
| Additional European mold base reductions | — | .3 |
| Closure of metalworking fluids operations | .1 | .2 |
| Consolidation of European injection molding sales offices | 2.0 | 1.7 |
| Consolidation of European mold component operations | 1.1 | 1.8 |
| Reorganization of Germany injection molding machinery facility | 1.1 | 6.5 |
| Downsizing of Germany mold technologies facility | — | 1.8 |
| Reorganization of North America mold components operations | 1.1 | 1.6 |
| Liquidation of Japan sales office | — | 1.3 |
| U.S. plastics machinery headcount reductions | 1.0 | 1.5 |
| Sale of MRO sales offices | .2 | — |
| Sale of Germany mold technologies facility in 2007 | 3.1 | — |
| Additional machinery technologies — North America reductions | 2.6 | — |
| Other | .2 | .1 |
| Total restructuring costs | $12.5 | $17.4 |

The following table presents the components of the line captioned "Restructuring costs" in the Consolidated Statements of Operations for the years 2007 and 2006.

***Restructuring Costs***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Accruals for restructuring costs | | |
| Termination benefits | $ 3.3 | $ 8.4 |
| Facility exit costs | .4 | 1.6 |
| Total accruals | 3.7 | 10.0 |
| Supplemental retirement benefits | 2.8 | 1.5 |
| Adjustment of assets to realizable values and gains and losses on disposal | 3.7 | 1.9 |
| Other restructuring costs | | |
| Costs charged to expense as incurred | | |
| Inventory adjustments related to product line discontinuation | .2 | .5 |
| Inventory and machinery relocation | .6 | .2 |
| Severance and facility exist costs | 1.2 | 3.3 |
| Other | .7 | .2 |
| Reserve adjustments | (.4) | (.2) |
| Total restructuring costs | $12.5 | $17.4 |

The amounts on the line captioned "Inventory adjustments related to product line discontinuation" are included in cost of products sold in the Consolidated Statements of Operations.

As presented in the above table, the costs under the line captioned "Costs charged to expense as incurred" do not meet the conditions for accrual under U.S. generally accepted accounting principles upon announcement of the restructuring event and are therefore expensed when the related contractual liabilities are incurred. Accordingly, no reserves related to these costs were established.

The status of the reserves for the initiatives discussed above is summarized in the following tables.

***Restructuring Reserves***

| | 2007 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Usage and Other | Ending Balance |
| | (In millions) | | | |
| Restructuring costs | | | | |
| Termination benefits | $ 3.1 | $ 3.3 | $ (4.8) | $ 1.6 |
| Facility exit costs | .8 | .4 | (.9) | .3 |
| Total reserves | $ 3.9 | $ 3.7 | $ (5.7) | $ 1.9 |

| | 2006 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Usage and Other | Ending Balance |
| | (In millions) | | | |
| Restructuring costs | | | | |
| Termination benefits | $ 1.1 | $ 8.4 | $ (6.4) | $ 3.1 |
| Facility exit costs | .3 | 1.6 | (1.1) | .8 |
| Total reserves | $ 1.4 | $ 10.0 | $ (7.5) | $ 3.9 |

Approximately $1.0 million of the $1.9 million of restructuring reserves remaining at December 31, 2007 is expected to be utilized in the first half of 2008. A large portion of the remaining $.9 million represents supplemental retirement benefits for certain employees in Belgium that will be paid at a rate of approximately $.1 million per year for the next several years.

**Change in Preferred Stock Ownership Costs**

During 2007, the company charged to expense $1.9 million of costs associated with the October 2, 2007 purchase of all of the Series B Preferred Stock held by Glencore Finance AG, amounting to 57.5% of the outstanding Series B Preferred Stock, by Ohio Plastics, LLC, an affiliate of Bayside Capital, Inc. The $1.9 million of costs were primarily for the early vesting of certain shares of restricted stock granted to non-officer employees and legal and other consulting costs arising from the transaction. The sale, which is more fully discussed in the note to the Consolidated Financial Statements captioned "Income Taxes," triggered an "ownership change" for U.S. federal income tax purposes. The ownership change for income tax purposes will further limit the company's ability to utilize pre-change net operating loss carryforwards and the company recorded a $63.0 million charge to the provision for income taxes to record valuation allowances related to deferred tax assets previously covered by tax planning strategies.

**Pension Plan Curtailment Costs**

As discussed further below, as of December 31, 2007 the company froze the benefits payable under the U.S. defined benefit plan for certain employees and retirees. Related to freezing the plan, the company charged $1.9 million to expense to write-off unamortized prior service costs associated with previous plan amendments. These costs were being amortized to expense over the remaining service life of the plan's active participants.

**Research and Development**

Charges to operations for research and development activities are summarized below.

***Research and Development***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Research and development | $19.3 | $20.5 |

**Retirement Benefit Plans**

The company maintains various defined benefit plans and a defined benefit postretirement health care plan. Currently, only the defined benefit pension plan for certain U.S. employees and retirees (the U.S. Plan) carries a significant value of plan assets. Two other non-U.S. plans are also funded (see Summary of Significant Accounting Policies — Retirement Benefit Plans).

In the fourth quarter of 2007, the company amended the U.S. Plan to freeze benefits under it as of December 31, 2007. Beginning in 2008, retirement benefits for the affected employees will be provided through an existing defined contribution plan. As a result of the amendment, the company recorded a non-cash curtailment charge of $1.9 million in the fourth quarter of 2007 to write off unamortized prior service cost. The amendment decreased the plan's projected benefit obligation as of December 31, 2007 by $27.9 million and decreased the amount of unrecognized losses included in accumulated other comprehensive loss by a like amount.

On December 31, 2006, the company adopted the recognition and disclosure provisions of SFAS No. 158 (see Summary of Significant Accounting Policies - Changes in Methods of Accounting). SFAS No. 158 required the company to recognize the funded status of its retirement benefit plans in its December 31, 2006 Consolidated Balance Sheet with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax. The

adjustment to accumulated other comprehensive income (loss) at adoption represents the net unrecognized losses and unrecognized prior service costs or credits, all of which were previously netted against the plans' funded status in the company's statement of financial position pursuant to the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" (SFAS No. 87). These amounts are being recognized as components of net periodic benefit costs pursuant to the company's historical accounting policies for amortizing such amounts. Further, gains and losses that arise in subsequent periods and are not immediately recognized in net periodic benefit costs in the same periods are being recognized as components of accumulated other comprehensive income (loss). Those amounts will be subsequently recognized as components of net periodic benefit costs on the same basis as the amounts recognized in accumulated other comprehensive income (loss) at the adoption of SFAS No. 158.

The following table presents the incremental effects of applying SFAS No. 158 on the company's Consolidated Balance Sheet at December 31, 2006 for all defined benefit retirement plans. The adoption of SFAS No. 158 had no effect on the company's Consolidated Statement of Operations for the year ended December 31, 2006, or for any prior period, and it did not affect the company's operating results in 2007. Had the company not been required to adopt SFAS No. 158, it would have recognized additional minimum liabilities pursuant to the provisions of SFAS No. 87. The effect of recognizing the additional minimum liabilities are included in the table below in the column captioned "Before Application of SFAS No. 158."

***Incremental Effects of Applying SFAS No. 158***

| | Before Application of SFAS No. 158 | Adoption Adjustments | After Application of SFAS No. 158 |
|---|---|---|---|
| | | (In millions) | |
| Intangible pension assets | $ 2.4 | $ (2.4) | $ — |
| Other noncurrent assets | 85.7 | (2.4) | 83.3 |
| **Total Assets** | **652.9** | **(2.4)** | **650.5** |
| Current liability for retirement benefits | — | 4.0 | 4.0 |
| Accrued and other current liabilities | 78.6 | 4.0 | 82.6 |
| **Total current liabilities** | **208.5** | **4.0** | **212.5** |
| Long-term liability for retirement benefits | 160.2 | 16.9 | 177.1 |
| Long-term accrued liabilities | 209.6 | 16.9 | 226.5 |
| **Total liabilities** | **650.9** | **20.9** | **671.8** |
| Minimum pension liability adjustment | (132.3) | 132.3 | — |
| Defined benefit plan unrecognized net prior service costs and net loss | — | (155.6) | (155.6) |
| Accumulated other comprehensive loss | (90.3) | (23.3) | (113.6) |
| **Total shareholders' equity (deficit)** | **$ 2.0** | **$ (23.3)** | **$ (21.3)** |

The following table presents the amounts included in accumulated other comprehensive loss related to defined benefit pension plans at December 31, 2007 and December 31, 2006 that have not yet been recognized in net periodic pension expense. The U.S. Plan represented $115.2 million and $155.7 million of the total gross amounts for December 31, 2007 and December 31, 2006, respectively.

***Components of Accumulated Other Comprehensive Loss***

| | December 31, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Gross | Net of Tax | Gross | Net of Tax |
| | (In millions) | | | |
| Unrecognized losses | $126.0 | $74.6 | $167.9 | $116.5 |
| Unrecognized prior service costs | .1 | .1 | 2.4 | 2.4 |
| Total | $126.1 | $74.7 | $170.3 | $118.9 |

The following table presents the amounts included in other comprehensive income at December 31, 2007 that are expected to be recognized in net periodic pension expense during 2008. The U.S. Plan represents $7.1 million of the amounts included in other comprehensive income at December 31, 2007 that are expected to be recognized in net periodic pension expense during 2008.

***2008 Projected Amortization to be Included in Net Periodic Pension Cost***

| | Gross | Net of Tax |
|---|---|---|
| | (In millions) | |
| Amortization of unrecognized losses | $ 7.7 | $ 7.7 |
| Amortization of unrecognized prior service costs | .1 | .1 |
| Total | $ 7.8 | $ 7.8 |

Pension cost for all defined benefit plans is summarized in the following table. For both years presented, the table includes amounts for plans for certain employees and retirees in the U.S. and Germany. Pension expense for the U.S. Plan was $15.9 million in 2007, including $4.7 million of supplemental retirement benefits and pension plan curtailment cost, and was $14.3 million in 2006, including $1.5 million of supplemental retirement benefits.

***Pension Expense***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Service cost (benefits earned during the period) | $ 4.8 | $ 4.9 |
| Interest cost on projected benefit obligation | 34.0 | 33.5 |
| Expected return on plan assets | (34.3) | (32.7) |
| Supplemental retirement benefits | 2.8 | 1.5 |
| Pension plan curtailment cost | 1.9 | — |
| Amortization of unrecognized prior service cost | .4 | .5 |
| Amortization of unrecognized losses | 10.7 | 11.1 |
| Pension expense | $ 20.3 | $ 18.8 |

The following table summarizes changes in the projected benefit obligation for all defined benefit plans. The projected benefit obligation for the U.S. Plan was $488.2 million at December 31, 2007 and $521.5 million at December 31, 2006.

***Projected Benefit Obligation***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Balance at beginning of year | $(575.2) | $(576.6) |
| Service cost | (4.8) | (4.9) |
| Interest cost | (34.0) | (33.5) |
| Supplemental retirement benefits | (2.8) | (1.5) |
| Curtailment of U.S. pension plan | 27.9 | — |
| Benefits paid | 42.6 | 36.1 |
| Actuarial gain (loss) | 2.5 | (9.0) |
| Changes in discount rates | — | 16.1 |
| Foreign currency translation adjustments | (1.7) | (1.9) |
| Balance at end of year | $(545.5) | $(575.2) |

The following table summarizes the changes in plan assets for the funded plans. Plan assets for the U.S. Plan were $394.0 million at December 31, 2007 and $402.6 million at December 31, 2006.

***Plan Assets***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Balance at beginning of year | $403.0 | $362.6 |
| Actual investment gain | 38.9 | 45.1 |
| Benefits and expenses paid | (43.5) | (36.8) |
| Contributions | — | 32.1 |
| Balance at end of year | $398.4 | $403.0 |

The weighted allocations of plan assets for the U.S. Plan at December 31, 2007 and 2006 are shown in the following table.

***Allocation of Plan Assets***

| | 2007 | 2006 |
|---|---|---|
| Equity securities | 74% | 74% |
| Debt securities | 22 | 21 |
| Alternative investments | 4 | — |
| Cash and cash equivalents | — | 5 |
| | 100% | 100% |

At December 31, 2007 and 2006, common shares of the company represented .1% and 1%, respectively of the funded U.S. Plan's equity securities. These common shares had a market value of $.3 million at December 31, 2007 and $2.4 million at December 31, 2006.

At December 31, 2007, the company's target allocation percentages for plan assets were approximately 60% to 65% equity securities and 35% to 40% debt and alternative investments. The targets may be adjusted periodically to reflect current market conditions and trends as well as inflation levels, interest rates and the trend thereof, and economic and monetary policy. The objective underlying this allocation is to achieve a long-term rate of return of inflation plus 7%. Under the current policy, the investment in equity securities may not be less than 35% or more than 80% of total assets, investments in fixed income securities may not be less than 15% or more than 65% of total assets and investments in alternative investments may not be more than 25% of total assets.

The expected long-term rate of return on plan assets for purposes of determining pension expense was 8.75% in 2006 and 2007. The company will use an 8.50% rate in 2008. The expected rate of return is developed based on the target allocation of investments and on the historical returns on these investments judgmentally adjusted to reflect current expectations of future returns and value-added expectations based on historical experience of the plan's investment managers. In evaluating future returns on equity securities, the existing portfolio is stratified to separately consider large and small capitalization investments as well as international and other types of securities. The decrease in the expected long-term rate of return in 2008 will reduce the return on plan assets component of pension expense by approximately $1.0 million compared to 2007.

The company made cash contributions to the funded U.S. plan of $32.1 million in 2006 and contributions were not required in 2007. The company currently expects that the 2008 contribution will be between $30 million and $35 million, with approximately $20 million being due in September, in both cases based upon the provisions of the Pension Protection Act of 2006 which became effective on January 1, 2008. Funding requirements for 2009 are estimated to be between $15 million and $20 million. Funding requirements for years beyond 2009 cannot be precisely estimated at this time.

The following table sets forth the funded status of all defined pension benefit plans at year-end 2007 and 2006.

***Funded Status at Year-End***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Accumulated benefit obligation | $(540.1) | $(539.8) |
| Projected benefit obligation | $(545.5) | $(575.2) |
| Plan assets at fair value | 398.4 | 403.0 |
| Deficiency of plan assets in relation to projected benefit obligation | (147.1) | (172.2) |
| Unrecognized net loss | 126.0 | 167.9 |
| Unrecognized prior service cost | .1 | 2.4 |
| Accrued pension cost | $ (21.0) | $ (1.9) |

The presentation of the amounts included in the previous table in the Consolidated Balance Sheets at December 31, 2007 and December 31, 2006 is reflected in the following table. Accrued pension cost is included in accrued and other current liabilities and long-term accrued liabilities.

***Balance Sheet Presentation***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Current accrued pension cost | $ (3.2) | $ (3.0) |
| Noncurrent accrued pension cost | (143.9) | (169.2) |
| Accumulated other comprehensive loss(a) | 126.1 | 170.3 |
| | $ (21.0) | $ (1.9) |

(a) Represents the pretax amount of an after-tax charge to accumulated other comprehensive loss of $74.7 million in 2007 and $118.9 million in 2006.

The following table presents the weighted-average actuarial assumptions used to determine pension income or expense for all defined benefit plans in 2007 and 2006, except as noted.

***Actuarial Assumptions***

| | 2007 | 2006 |
|---|---|---|
| Discount rate for all plans | 5.95% | 5.70% |
| Discount rate for the U.S. Plan | 6.00% | 5.75% |
| Expected long-term rate of return on plan assets | 8.75% | 8.75% |
| Rate of increase in future compensation levels | 3.59% | 3.51% |

The following table presents the weighted-average actuarial assumptions used to determine the projected benefit obligation for all defined benefit plans at December 31, 2007 and December 31, 2006. The change in the rate of increase in future compensation levels is related to the freezing of benefits in the U.S. Plan, which had been lower than the weighted-average in 2006.

***Actuarial Assumptions***

| | 2007 | 2006 |
|---|---|---|
| Discount rate | 5.97% | 5.95% |
| Rate of increase in future compensation levels | 4.69% | 3.55% |

The following table presents future estimated benefit payments, including the effects of future service, under all defined benefit plans as of December 31, 2007.

***Pension Benefit Payments***

| | (In millions) |
|---|---|
| 2008 | $ 39.4 |
| 2009 | 38.8 |
| 2010 | 38.6 |
| 2011 | 38.3 |
| 2012 | 38.5 |
| 2013-2017 | 199.1 |

The company also maintains a Retirement Savings Plan which is a defined contribution 401(k) plan. Participation in this plan is available to certain U.S. employees. Costs for this plan were $1.7 million in both 2007 and 2006. Expense for this plan will increase by approximately $4 million in 2008 as a result of the previously discussed freezing of benefits under the defined benefit pension plan for certain U.S. employees and retirees.

In addition to pension benefits, the company also provides varying levels of postretirement health care benefits to certain U.S. employees and retirees. Substantially all such employees are covered by the company's principal plan, under which benefits are provided to employees who retire from active service after having attained age 55 and ten years of service. The plan is contributory in nature. For employees retiring prior to 1980, contributions are based on varying percentages of the current per-contract cost of benefits, with the company funding any excess over these amounts. However, the company's contributions for this group of retirees were significantly reduced beginning in 2006 as a result of the plan amendment that is discussed below. For employees retiring after 1979, the dollar amount of the company's current and future contributions is frozen. Effective January 1, 2007, the company replaced its self-funded medical plan for post-age 65 retirees with a fully insured Medical Advantage Private Fee For Service Plan (PFFS Plan). Effective January 1, 2008, the PFFS Plan was amended to include prescription drug coverage and except for pre-1980 retirees, the company eliminated its contributions for post-age 65 retiree coverage and recorded a $3.8 million reduction to the accumulated postretirement benefit obligation.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was enacted. Among other things, the Act created a new federal prescription drug coverage program called Medicare Part D. Medicare Part D became available to eligible participants beginning January 1, 2006 and is being provided by employers and third-party insurance plans that meet certain qualifying criteria. In response to the Act, the plan was amended effective January 1, 2006 to move prescription drug coverage for retirees who are eligible for Medicare from the self-funded company plan to third-party insurers who offer a qualifying Medicare Part D plan. The change resulted in cash savings to the company in excess of $1.0 million in both 2006 and 2007. The reduction in the plan's accumulated postretirement benefit obligation was $14.5 million and amortization of this amount, as well as other factors, resulted in postretirement health care income of $2.0 million in 2007 and $1.9 million in 2006.

The following table presents the components of the company's postretirement health care cost under the principal U.S. plan, including the effect of the 2006 plan amendment that is discussed above.

***Postretirement Health Care Cost (Income)***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Service cost (benefits earned during the period) | $ .1 | $ .1 |
| Interest cost on accumulated postretirement benefit obligation | .4 | .4 |
| Amortization of effect of plan amendment | (2.1) | (2.1) |
| Amortization of unrecognized gains | (.4) | (.3) |
| Postretirement health care cost (income) | $(2.0) | $(1.9) |

The following table summarizes changes in the accumulated postretirement benefit obligation for the principal U.S. plan, including the effect of the 2008 plan amendment that is discussed above.

***Accumulated Postretirement Benefit Obligation***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Balance at beginning of year | $(7.0) | $(7.7) |
| Service cost | (.1) | (.1) |
| Interest cost | (.4) | (.4) |
| Participant contributions | (1.5) | (1.9) |
| Benefits paid | 2.8 | 2.6 |
| Actuarial gain (loss) | (.3) | .3 |
| Effect of plan amendment | 3.8 | — |
| Change in discount rate | — | .2 |
| Balance at end of year | $(2.7) | $(7.0) |

The following table presents the amounts included in accumulated other comprehensive loss related to post-retirement health care benefits at December 31, 2007 and at December 31, 2006 that have not yet been recognized in net periodic benefit costs.

***Components of Accumulated Other Comprehensive Loss***

| | December 31, 2007 | | December 31, 2006 | |
|---|---|---|---|---|
| | Gross | Net of Tax | Gross | Net of Tax |
| | (In millions) | | | |
| Unrecognized net gain | $ (3.0) | $ (3.0) | $ (3.7) | $ (3.7) |
| Unamortized effects of plan amendments | (14.2) | (14.2) | (12.5) | (12.5) |
| Total | $(17.2) | $(17.2) | $(16.2) | $(16.2) |

The following table presents the amounts included in accumulated other comprehensive loss at December 31, 2007 that are expected to be recognized in net periodic pension costs during 2008.

***2008 Projected Amortization to be Included in Net Periodic Benefit Cost***

| | Gross | Net of Tax |
|---|---|---|
| | (In millions) | |
| Amortization of unrecognized gain | $ (.3) | $ (.3) |
| Amortization of effects of plan amendments | (2.8) | (2.8) |
| Total | $(3.1) | $(3.1) |

The following table presents the components of the company's liability for postretirement health care benefits under the principal U.S. plan.

***Accrued Postretirement Health Care Benefits***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Accumulated postretirement benefit obligation | | |
| Retirees | $ (.7) | $ (3.7) |
| Fully eligible active participants | (.6) | (1.1) |
| Other active participants | (1.4) | (2.2) |
| | (2.7) | (7.0) |
| Unamortized effects of plan amendments | (14.2) | (12.5) |
| Unrecognized net gain | (3.0) | (3.7) |
| Accrued postretirement health care benefits | $(19.9) | $(23.2) |

The following table presents the discount rates used to calculate the accumulated postretirement benefit obligation at December 31, 2007 and December 31, 2006 and the rates used to calculate postretirement health care cost for the years then ended.

***Actuarial Assumptions***

| | 2007 | 2006 |
|---|---|---|
| Accumulated postretirement benefit obligation | 6.00% | 6.00% |
| Postretirement health care cost | 6.00% | 5.75% |

Because the dollar amount of the company's contributions for all participants is frozen, changes in health care costs will have no effect on the accumulated postretirement benefit obligation or the total cost of the plan.

The following table presents estimated future payments of postretirement health care benefits as of December 31, 2007. The amounts presented therein are net of participant contributions.

***Postretirement Health Care Benefits***

| | (In millions) |
|---|---|
| 2008 | $ .2 |
| 2009 | .2 |
| 2010 | .2 |
| 2011 | .3 |
| 2012 | .3 |
| 2013-2017 | 1.5 |

**Income Taxes**

At December 31, 2007, the company had non-U.S. net operating loss carryforwards — principally in The Netherlands, Germany, Italy and Belgium — totaling $197 million, of which $76 million will expire between 2008 and 2023. The remaining $121 million have no expiration dates. Deferred tax assets related to the non-U.S. loss carryforwards totaled $50 million at December 31, 2007 and valuation allowances totaling $37 million had been provided with respect to these assets as of that date. The company believes that it is more likely than not that portions of the net operating loss carryforwards in these jurisdictions will be utilized. However, there is currently

insufficient positive evidence in some non-U.S. jurisdictions — primarily Germany, Italy and Belgium — to conclude that no valuation allowances are required.

At December 31, 2007, the company had a U.S. federal net operating loss carryforward of $174 million, which will expire between 2023 and 2028. Deferred tax assets related to this loss carryforward, as well as to federal tax credit carryforwards ($16 million) and additional state and local loss carryforwards ($7 million), totaled $84 million. Additional deferred tax assets totaling approximately $72 million had also been provided for book deductions not currently deductible for tax purposes including the writedown of goodwill, postretirement health care costs and accrued pension liabilities. At December 31, 2007, all net U.S. deferred tax assets were fully offset by valuation allowances totaling $156 million.

Of the federal tax credit carryforwards, $5 million expire between 2008 and 2019 and $11 million have no expiration dates. Approximately 74% of the state and local loss carryforwards will expire by 2012 and the remainder will expire by 2028. The deductions for financial reporting purposes that are discussed above are expected to be realized for income tax purposes in future periods, at which time they will have the effect of decreasing taxable income or increasing the net operating loss carryforward. The latter will have the effect of extending the ultimate expiration of the net operating loss carryforward beyond 2028. However, the company's ability to utilize its U.S. federal net operating loss carryforwards and other tax attributes is limited as discussed below.

The sale of 287,500 shares of Series B Preferred Stock on October 2, 2007 (see Change in Preferred Stock Ownership Costs) resulted in an "ownership change" that had the effect of limiting the company's utilization of pre-change net operating loss carryforwards and tax credits. The amount of the annual limitation is expected to be approximately $5.7 million. The allowable limitation will be cumulative for years in which it is not fully utilized. At December 31, 2007 the limitation amounts to approximately $1.4 million of available pre-change net operating losses with no limitations on deductibility.

Beginning in 2003 and through the third quarter of 2007, the company relied on the availability of qualified tax planning strategies to conclude that valuation allowances were not required with respect to a portion of its U.S. deferred tax assets. Prior to 2003, no valuation allowances had been recorded in the U.S. Tax planning strategies represent prudent and feasible actions a company would take to create taxable income to keep a tax attribute from expiring during the carryforward period. Determinations of the amounts of tax planning strategies assumed hypothetical transactions, some of which involve the disposal of significant business assets, and certain variables are judgmental in nature. At December 31, 2006 and September 30, 2007, valuation allowances had not been recorded with respect to $63 million of U.S. deferred tax assets based on qualified tax planning strategies. However, because of the limitation imposed by the U.S. Internal Revenue Code related to post ownership-change utilization of pre-change net operating losses and other carryforwards, the company has concluded that it is no longer able to rely on qualified tax planning strategies. As a result, the company recorded a charge to the provision for income taxes of $63 million in the fourth quarter of 2007 to provide the required valuation allowances.

As of December 31, 2007, U.S. deferred tax assets net of deferred tax liabilities totaled $156 million and U.S. valuation allowances also totaled $156 million. At December 31, 2006, U.S. deferred tax assets, net of deferred tax liabilities totaled $178 million and U.S. valuation allowances totaled $115 million. The $22 million decrease in deferred tax assets in relation to December 31, 2006 is due primarily to a reduction in benefit plan liabilities resulting from freezing the company's defined benefit pension plan for certain U.S. employees and retirees and establishing deferred tax liabilities for planned repatriations of non-U.S. earnings. Non-U.S. deferred tax assets decreased by $19 million in 2007 while valuation allowances decreased by $24 million, in both cases due in part to a third quarter tax rate reduction in Germany that became effective January 1, 2008. Due to a lack of positive evidence as to the probable utilization of deferred tax assets and as required by Statement of Financial Accounting Standards No. 109, the company was unable to record tax benefits with respect to its losses in the U.S. and certain other jurisdictions in 2007. However, tax benefits of $5.5 million were recorded as a result of the completion of a technical analysis related to the deductibility of interest expense in a non-U.S. jurisdiction and a $1.5 million

favorable tax settlement in a non-U.S. jurisdiction. Including the $63 million charge to record additional valuation allowances, these factors resulted in a 2007 provision for income taxes of $61.7 million.

In 2006, the company recorded a net income tax expense of $2.6 million. The company's U.S. operations recorded a net tax benefit of $2.4 million, comprised of a decrease in valuation allowances of $4.0 million and a net reduction of tax carryback claims of $1.6 million. The company's non-U.S. operations recorded income tax expense of $5.0 million for 2006, consisting of $4.0 million related to profitable non-U.S. operations and a $.9 million reduction in the company's deferred tax assets in Holland relating to an income tax rate reduction. Tax benefits in jurisdictions relating to non-profitable operations were fully offset by valuation allowances. In the aggregate, the mix of losses with no tax benefits and the expenses incurred in profitable jurisdictions resulted in a tax expense of $2.6 million on a pre-tax loss of $37.2 million.

Effective January 1, 2007, the company adopted FIN No. 48. This interpretation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance regarding the derecognition of tax benefits, their classification in the statement of financial position and accounting for possible interest and penalties. Additionally, a new disclosure framework for uncertain tax positions is required beginning in 2007.

The adoption of FIN No. 48 resulted in a de minimis cumulative effect adjustment to opening accumulated deficit and accrued income taxes. The cumulative adjustment also resulted in a decrease in deferred tax assets and valuation allowances in the amount of $.7 million. The gross amount of uncertain tax benefits at adoption amounted to $2.8 million which increased by a net $17.4 million in 2007 resulting in a balance of $20.2 million at December 31, 2007 (see table below) that if recognized would have a favorable impact on our tax provision of $.9 million.

***Reconciliation of Unrecognized Tax Benefits***

| | 2007<br>(In millions) |
|---|---|
| Balance as of January 1, 2007 | $ 2.8 |
| Increases related to prior year tax positions | — |
| Decreases related to prior year tax positions | (.9) |
| Increases related to current year tax positions | 19.7 |
| Decreases related to settlements with taxing authorities | (1.4) |
| Decreases related to lapsing of statute of limitations | — |
| Balance as of December 31, 2007 | $ 20.2 |

The company's tax returns are open under the respective statutes of limitations in most of the jurisdictions in which the company has major operations for periods generally beginning with the 2003 tax year. Resolution of controversies related to uncertain tax benefits is contingent on reaching satisfactory settlement agreements with the relevant taxing authorities. We expect resolution of certain issues during 2008 related to positions in a non-U.S. jurisdiction amounting to $2.9 million. However, we do not expect that change to have a significant impact on our financial position or results of operations.

Consistent with past practice, interest and penalties are classified as income tax expense as accrued. However, the amounts are immaterial in the periods presented primarily due to net operating loss carryforwards reflected as deferred tax assets.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the company's deferred tax assets and liabilities as of year-end 2007 and 2006 are as follows:

***Components of Deferred Tax Assets and Liabilities***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Deferred tax assets | | |
| Net operating loss carryforwards | $ 118.4 | $ 135.8 |
| Tax credit carryforwards | 17.9 | 17.4 |
| Accrued postretirement health care benefits | 1.2 | 2.9 |
| Inventories, due principally to obsolescence reserves and additional costs inventoried for tax purposes | 4.1 | 2.7 |
| Accrued employee benefits other than pensions and retiree health care benefits | 1.4 | 2.1 |
| Accrued pension cost | 12.2 | 11.4 |
| Accrued warranty cost | 1.1 | 1.2 |
| Accrued taxes | 1.2 | 1.2 |
| Accounts receivable, due principally to allowances for doubtful accounts | .8 | .9 |
| Goodwill | 17.3 | 24.3 |
| Deferred pension costs | 34.4 | 41.0 |
| Accrued liabilities and other | 12.4 | 17.8 |
| Total deferred tax assets | 222.4 | 258.7 |
| Less valuation allowances | (192.2) | (175.7) |
| Deferred tax assets net of valuation allowances | 30.2 | 83.0 |
| Deferred tax liabilities | | |
| Property, plant and equipment, due principally to differences in depreciation methods | 6.3 | 9.1 |
| Undistributed non-U.S. earnings | 10.5 | — |
| Inventories | — | 2.6 |
| Total deferred tax liabilities | 16.8 | 11.7 |
| Net deferred tax assets | $ 13.4 | $ 71.3 |

Summarized in the following tables are the company's earnings from continuing operations before income taxes, its provision for income taxes, the components of the provision for deferred income taxes and a reconciliation of the U.S. statutory rate to the tax provision rate.

***Loss Before Income Taxes***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| United States | $(35.5) | $(31.1) |
| Non-U.S. | 8.9 | (6.1) |
| | $(26.6) | $(37.2) |

As presented in the above table, U.S. losses for 2007 include $5.3 million of restructuring costs while non-U.S. losses include $7.2 million of such costs. U.S. losses for 2006 include $5.3 million of restructuring costs while non-U.S. earnings include $12.1 million of such costs.

***Provision (Benefit) for Income Taxes***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Current provision (benefit) | | |
| United States | $ (.4) | $(1.3) |
| State and local | .3 | .2 |
| Non-U.S. | 3.0 | 2.9 |
| | 2.9 | 1.8 |
| Deferred provision (benefit) | | |
| United States | 63.4 | (1.3) |
| Non-U.S. | (4.6) | 2.1 |
| | 58.8 | .8 |
| | $61.7 | $ 2.6 |

***Components of the Provision (Benefit) for Deferred Income Taxes***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Change in valuation allowances | $16.5 | $ 7.1 |
| Change in deferred taxes related to operating loss and tax credit carryforwards | 16.9 | (27.1) |
| Depreciation and amortization | 4.2 | 7.6 |
| Inventories and accounts receivable | (3.9) | (1.1) |
| Accrued pension and other employee costs | 6.5 | 6.8 |
| Other | 18.6 | 7.5 |
| | $58.8 | $ .8 |

***Reconciliation of the U.S. Statutory Rate to the Tax Provision Rate***

| | 2007 | 2006 |
|---|---|---|
| U.S. statutory tax rate | (35.0)% | (35.0)% |
| Increase (decrease) resulting from | | |
| Effect of changes in valuation allowances | 259.3 | 31.1 |
| Benefit plan expenses | 20.5 | — |
| Effects of tax law changes | (34.1) | — |
| Favorable resolution of a statutory tax deduction | (5.7) | — |
| Adjustment of tax reserves | (1.5) | (2.8) |
| Statutory tax rate changes | — | 2.5 |
| State and local income taxes, net of federal benefit | 4.6 | .6 |
| Foreign dividends | 25.5 | 12.9 |
| Other | (1.6) | (2.5) |
| | 232.0% | 6.8% |

At December 31, 2007, the company had U.S. net operating loss carryforwards of approximately $174 million that expire pursuant to the IRC carryforward regulations in 2023 through 2028, including $53 million that will expire due to the change in ownership limitations. In addition, certain of the company's non-U.S. subsidiaries had net operating loss carryforwards aggregating approximately $197 million, a significant portion of which have no expiration date.

Undistributed earnings of foreign subsidiaries are primarily intended to be indefinitely reinvested. Reinvested earnings aggregated $49 million at the end of 2007, however, the company expects to repatriate approximately $30 million during 2008 and, accordingly, $10 million in deferred income taxes have been recorded with respect to this amount at December 31, 2007.

Income taxes of $3.5 million were paid in 2007. The company received net tax refunds of $.5 million in 2006.

## Loss Per Common Share

The following tables present the calculation of loss applicable to common shareholders and a reconciliation of the shares used to calculate basic and diluted loss per common share.

***Loss Applicable to Common Shareholders***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Net loss | $(87.1) | $(39.7) |
| Dividends on preferred shares(a) | (6.2) | (6.2) |
| Beneficial conversion feature related to Series B Preferred Stock(b) | (3.1) | (3.2) |
| Loss applicable to common shareholders | $(96.4) | $(49.1) |

(a) In both 2007 and 2006, $6.0 million of dividends were accrued but unpaid on the Series B Preferred Stock.

(b) Represents a beneficial conversion feature arising from the fact that holders of the Series B Preferred Stock are able to acquire common shares of the company at an effective conversion price that is less than their fair value on March 12, 2004 (see Shareholders' Equity).

***Reconciliation of Shares***

| | 2007 | 2006 |
|---|---|---|
| | (In thousands) | |
| Weighted-average common shares outstanding | 5,008 | 4,833 |
| Effect of dilutive convertible Series B Preferred Stock, contingent warrants, stock options and restricted shares | — | — |
| Weighted-average common shares assuming dilution | 5,008 | 4,833 |

For all years, the common shares into which the Series B Preferred Stock is convertible are excluded from weighted-average common shares assuming dilution because their inclusion would result in a smaller loss per common share. The effects of potentially dilutive restricted shares and the shares related to the contingent warrants are also excluded for the same reason. Had all of these shares been included, weighted-average shares assuming dilution would have been 10,839 thousand in 2007 and 10,651 thousand in 2006.

## Receivables

One of the company's non-U.S. subsidiaries maintains a factoring agreement with a third party financial institution under which it is able to sell without recourse up to €10.0 million ($14.4 million) of accounts receivable.

At December 31, 2007 and December 31, 2006, the gross amounts of accounts receivable that had been sold under this arrangement were $10.6 million and $9.0 million, respectively. In March 2008, this factoring agreement was replaced as part of a new asset-based revolving credit program through Lloyds TSB Group plc for certain of the company's operations in Europe (see "Subsequent Event").

The company also periodically sells with recourse notes receivable arising from customer purchases of plastics processing machinery and, in a limited number of cases, guarantees the repayment of all or a portion of notes payable by its customers to third party lenders. At December 31, 2007 and December 31, 2006, the company's maximum exposure under these arrangements totaled $4.7 million and $5.9 million, respectively. In the event a customer were to fail to repay a note, the company would generally regain title to the machinery for later resale as used equipment. Costs related to sales of notes receivable and guarantees have not been material in the past.

### Inventories

As presented in the Consolidated Balance Sheets, inventories are net of reserves for obsolescence of $26.5 million and $27.3 million in 2007 and 2006, respectively.

### Goodwill and Other Intangible Assets

The carrying value of goodwill totaled $90.5 million and $87.3 million at December 31, 2007 and December 31, 2006, respectively. The company's other intangible assets, all of which are subject to amortization, are included in other noncurrent assets in the Consolidated Balance Sheets and totaled $1.2 million at December 31, 2007 and $1.6 million at December 31, 2006. Amortization expense related to these assets was $.7 million in 2007 and $1.1 million in 2006.

Changes in goodwill during the years ended December 31, 2007 and December 31, 2006 are presented in the following table.

***Changes in Goodwill***

| | 2007 | | | | |
|---|---|---|---|---|---|
| | Machinery Technologies North America | Machinery Technologies Europe | Mold Technologies | Industrial Fluids | Total |
| | (In millions) | | | | |
| Balance at beginning of year | $ 17.8 | $ .7 | $ 58.6 | $ 10.2 | $87.3 |
| Capital contribution to subsidiary | .3 | — | — | — | .3 |
| Divestitures of European sales offices | — | (.8) | — | — | (.8) |
| Foreign currency translation adjustments | .4 | .1 | 3.2 | — | 3.7 |
| Balance at end of year | $ 18.5 | $ — | $ 61.8 | $ 10.2 | $90.5 |

| | 2006 | | | | |
|---|---|---|---|---|---|
| | Machinery Technologies North America | Machinery Technologies Europe | Mold Technologies | Industrial Fluids | Total |
| | (In millions) | | | | |
| Balance at beginning of year | $ 17.8 | $ .7 | $ 55.0 | $ 10.2 | $83.7 |
| Foreign currency translation adjustments | — | — | 3.6 | — | 3.6 |
| Balance at end of year | $ 17.8 | $ .7 | $ 58.6 | $ 10.2 | $87.3 |

## Property, Plant and Equipment

The components of property, plant and equipment, including amounts related to capital leases, are shown in the following table.

***Property, Plant and Equipment-Net***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Land | $ 8.9 | $ 8.8 |
| Buildings | 121.6 | 121.5 |
| Machinery and equipment | 217.0 | 219.6 |
| | 347.5 | 349.9 |
| Less accumulated depreciation | (241.1) | (235.6) |
| | $ 106.4 | $ 114.3 |

## Other Assets

The components of other current assets and other noncurrent assets are shown in the tables that follow.

***Other Current Assets***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Deferred income taxes net of valuation allowances | $12.8 | $24.4 |
| Recoverable from excess liability carriers | 1.0 | 3.2 |
| Prepaid expenses and other | 21.1 | 14.3 |
| | $34.9 | $41.9 |

***Other Noncurrent Assets***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Deferred income taxes net of valuation allowances | $17.4 | $58.6 |
| Recoverable from excess liability carriers | — | 4.2 |
| Intangible assets other than goodwill | 1.2 | 1.6 |
| Other | 17.4 | 18.9 |
| | $36.0 | $83.3 |

**Liabilities**

The components of accrued and other current liabilities are shown in the following table.

***Accrued and Other Current Liabilities***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Accrued salaries, wages and other compensation | $21.0 | $21.1 |
| Taxes payable other than income taxes | 5.2 | 7.4 |
| Accrued and deferred income taxes | 12.8 | 5.3 |
| Accrued insurance and self-insurance reserves | 7.2 | 15.0 |
| Accrued interest | 3.4 | 3.7 |
| Other accrued expenses | 27.0 | 30.1 |
| | $76.6 | $82.6 |

The following table summarizes changes in the company’s warranty reserves. These reserves are included in accrued and other current liabilities in the Consolidated Balance Sheets.

***Warranty Reserves***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Balance at beginning of year | $ 5.6 | $ 5.6 |
| Accruals | 3.8 | 3.3 |
| Payments | (3.0) | (2.7) |
| Warranty expirations | (.4) | (.6) |
| Divestitures of European sales offices | (.3) | — |
| Foreign currency translation adjustments | .2 | — |
| Balance at end of year | $ 5.9 | $ 5.6 |

The components of long-term accrued liabilities are shown in the following table.

***Long-Term Accrued Liabilities***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Accrued pensions and other compensation | $147.0 | $172.4 |
| Accrued postretirement health care benefits | 2.1 | 6.8 |
| Self-insurance reserves(a) | 14.9 | 19.7 |
| Accrued and deferred income taxes | 6.3 | 9.4 |
| Reserves related to prior years' divestitures of discontinued operations | 3.2 | 4.1 |
| Accrued dividends on 6% Series B Convertible Preferred Stock | 12.0 | 6.0 |
| Other | 7.8 | 8.1 |
| | $193.3 | $226.5 |

(a) As presented in the above table, self-insurance reserves exclude expected recoveries from excess liability carriers and other third parties of $1.0 million in 2007 and $7.4 in 2006. These amounts are included in other current assets and other noncurrent assets in the Consolidated Balance Sheets. Expected recoveries represent the excess of total reserves for known exposures and estimates of incurred but not reported claims over the limits on the policies the company's wholly-owned insurance subsidiary issues to it. These amounts are classified as assets because, unless other payment arrangements are negotiated, the company (as the insured party) expects that it would first pay any indemnity claims and expenses in excess of the insurance subsidiary's limits and then pursue reimbursement by the excess carriers.

**Short-Term Borrowings**

The components of short-term borrowings are shown in the table that follows.

***Short-Term Borrowings***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Asset based credit facility due 2011 | $24.4 | $23.2 |
| Borrowings under other lines of credit | 2.5 | 2.3 |
| | $26.9 | $25.5 |

On December 19, 2006, the company entered into a new five year asset based revolving credit facility for which General Electric Capital Corporation acts as administrative agent, collateral agent and a lender. The new asset based facility replaced a $75 million asset based facility for which JPMorgan Chase Bank served as administrative and collateral agent. The termination of the previous facility was concurrent with, and contingent upon, the effectiveness of the new facility. The new facility provides increased liquidity and better terms than the previous facility with up to $105 million of borrowing availability and no performance covenants as long as the company complies with certain minimum availability thresholds as described below. Substantially concurrent with the termination of the previous facility, the company also terminated an interest rate swap that had been entered into on July 30, 2004 (see Long-Term Debt).

Borrowings under the asset based facility are secured by a first priority security interest, subject to permitted liens, in, among other things, U.S. and Canadian accounts receivable, cash and cash equivalents, inventories and, in the U.S., certain related rights under contracts, licenses and other general intangibles, subject to certain exceptions.

The asset based facility is also secured by a second priority security interest in the assets that secure the 11 1/2 % Senior Secured Notes due 2011 (see Long-Term Debt) on a first priority basis.

The availability of loans under the asset based facility is generally limited to a borrowing base equal to specified percentages of eligible U.S. and Canadian accounts receivable and U.S. inventory as well as permitted overadvances and is subject to other conditions to borrowing and limitations, including an excess availability reserve (the minimum required availability) of $10 million and other reserve requirements.

Pursuant to the terms of the asset based facility, the cash the company receives from collection of receivables is subject to an automatic “sweep” to repay any outstanding borrowings under the facility on a daily basis. As a result, the company relies on borrowings under the asset based facility as the primary source of cash for use in its North American operations. The availability of borrowings under the asset based facility is subject to the borrowing base limitation and excess availability and other reserves, which may be adjusted from time to time by the administrative agent at its discretion, and the satisfaction of certain conditions to borrowing, including, among other things, conditions related to the continued accuracy of the company’s representations and warranties and the absence of any unmatured or matured defaults (including under financial covenants) or any material adverse change in the company’s business or financial condition.

The asset based facility contains customary covenants, including, but not limited to, maintenance of unused availability under the borrowing base based on reserves, including the excess availability reserve, established by the administrative agent. In addition to the excess availability reserve, the asset based facility contains a limit on annual capital expenditures and a springing financial covenant requiring the company to maintain a minimum fixed charge coverage ratio, to be tested quarterly, in the event that excess availability is less than $5 million.

Failure to meet or exceed the covenants of the asset based facility would constitute an event of default under the facility, which would permit the lenders to accelerate indebtedness owed thereunder (if such indebtedness remained unpaid) and terminate their commitments to lend. The acceleration of the indebtedness under the asset based facility would also create a cross-default under the company’s 11 1/2 % Senior Secured Notes due 2011 if the principal amount of indebtedness accelerated, together with the principal amount of any other such indebtedness under which there had been a payment default or the maturity had been so accelerated, aggregated $15 million or more. Such cross-default would permit the trustee under the indenture governing the 11 1/2 % Senior Secured Notes due 2011 or the holders of at least 25% in principal amount of the then outstanding notes to declare the notes to be due and payable immediately. Events of default under the asset based facility and the 11 1/2 % Senior Secured Notes due 2011 in addition to those described above, including, without limitation, the failure to make required payments in respect of such indebtedness in a timely manner, may result in the acceleration of indebtedness owed under these instruments. The acceleration of obligations under the company’s outstanding indebtedness would have a material adverse effect on its business, financial condition and results of operations.

At December 31, 2007, $32 million of the asset based facility was utilized, including borrowings of $24 million and letters of credit of $8 million. Under the terms of the facility, the company’s additional borrowing capacity based on the assets included in the borrowing base at December 31, 2007 was approximately $34 million after taking into account then-outstanding letters of credit and the minimum availability and other existing reserve requirements. The effective interest rate for borrowings under the facility at December 31, 2007 was 7.2%.

At December 31, 2007, the company had other lines of credit with various U.S. and non-U.S. banks totaling approximately $33 million. These credit facilities support the discounting of receivables, letters of credit, guarantees and leases in addition to providing borrowings under varying terms. Approximately $12 million was available to the company under these lines under certain circumstances.

In March 2008, certain of the company’s operations in Europe signed a five-year, asset based revolving credit program through Lloyds TSB Group plc to provide as much as €27 million of aggregate financing for working capital purposes. This new asset based lending program will allow the company to replace shorter-term credit commitments while providing incremental financing for our global working capital needs, including meeting its

pension funding obligations. Because of the substantial inter-company indebtedness created by the U.S. refinancing of European bonds in 2004, the company will be able to apply the proceeds to these obligations in a tax-efficient manner The credit program consists of two parts: (i) asset-secured loans to the company's subsidiaries in Germany, Holland and Belgium and (ii) an accounts receivable factoring facility between the company's German operations and Lloyds TSB Commerce Finance. Based upon current asset levels, total borrowing and factoring capacity under the new program, when fully operational, is expected to exceed €20 million. Principal terms of the program have been filed with the Securities and Exchange Commission.

**Long-Term Debt**

The components of long-term debt are shown in the following table.

***Long-Term Debt***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| 11 1/2% Senior Secured Notes due 2011 | $221.9 | $221.2 |
| Capital lease obligations | 11.2 | 12.3 |
| Other | .9 | 1.5 |
| | 234.0 | 235.0 |
| Less current maturities | (2.1) | (2.2) |
| | $231.9 | $232.8 |

Initially, the 11 1/2% Senior Secured Notes due 2011 were jointly and severally guaranteed on a senior secured basis by substantially all of the company's U.S. and Canadian subsidiaries and on a senior unsecured basis by Milacron Capital Holdings B.V., a Dutch subsidiary. As of December 31, 2007, Milacron Capital Holdings B.V. was a guarantor of these notes, although it had been released as a guarantor as of December 31, 2006. The notes and guarantees are secured by a first priority security interest in certain of the company's U.S. and Canadian assets other than those securing the asset based facility on a first priority basis as well as the capital stock of certain subsidiaries and a second priority security interest in all of the assets securing the company's asset based credit facility on a first priority basis.

Subject to a number of important limitations, exceptions and qualifications, the indenture governing the 11 1/2% Senior Secured Notes due 2011 contains covenants that limit the ability of the company and its restricted subsidiaries to incur additional indebtedness, create liens, engage in sale and leaseback transactions, pay dividends or make other equity distributions, purchase or redeem capital stock, make investments, sell assets, engage in transactions with affiliates and effect a consolidation or merger.

As presented in the preceding table, the value of the 11 1/2% Senior Secured Notes due 2011 is net of the unamortized portion of a $5.1 million discount at issuance. As a result of the discount, the effective interest rate for financial reporting purposes is approximately 12%.

Based on recent trade prices, the fair value of the 11 1/2% Senior Secured Notes due 2011 was approximately $168.8 million as of February 29, 2008. The carrying amount of the company's other long-term debt approximates fair value.

On July 30, 2004, the company entered into a $50 million (notional amount) interest rate swap that effectively converted a portion of fixed-rate debt into a floating-rate obligation. The swap, which was terminated December 14, 2006, was intended to achieve a better balance between fixed-rate and floating-rate debt. The floating-rate was based on six-month LIBOR set in arrears. The interest rate swap had the effect of decreasing interest expense for 2006 by $.3 million. The cash cost to exit the interest rate swap was $.4 million.

Certain of the company's long-term debt obligations contain various restrictions and financial covenants, including those described above. The 11 1/2% Senior Secured Notes due 2011 and the asset based credit facility are secured as described above. Except for obligations under capital leases and as discussed above, no indebtedness is secured.

Interest expense was $33.0 million in 2007 and $31.7 million in 2006. Of the total amounts, interest capitalized was $.7 million in both 2007 and 2006.

Total interest paid, net of amounts capitalized, was $29.6 million in 2007 and $28.6 million in 2006.

Maturities of long-term debt excluding capital leases for the five years after 2007 are shown in the following table.

***Maturities of Long-Term Debt***

| | (In millions) |
|---|---|
| 2008 | $ .6 |
| 2009 | .1 |
| 2010 | .1 |
| 2011 | 225.0 |
| 2012 | — |

The company leases two manufacturing facilities under capital leases. The cost of the assets related to these leases of $31.1 million at December 31, 2007 and $30.0 million at December 31, 2006 is included in property, plant and equipment — net in the Consolidated Balance Sheets. The net book value of the assets was $15.1 million at December 31, 2007 and $15.0 million at December 31, 2006. Amortization of these assets is included in depreciation expense and interest on lease obligations is included in interest expense. In October of 2006, the company refinanced the capital lease of the Magenta, Italy facility to extend the maturity from 2009 to 2014. Future minimum payments for capital leases during the next five years and in the aggregate thereafter are shown in the following table.

***Capital Lease Payments***

| | (In millions) |
|---|---|
| 2008 | $ 2.2 |
| 2009 | 2.2 |
| 2010 | 2.2 |
| 2011 | 2.2 |
| 2012 | 1.2 |
| 2013 and after | 3.3 |
| Total capital lease payments | 13.3 |
| Less interest component(a) | (2.1) |
| Capital lease obligations | $ 11.2 |

(a) Includes $.6 million applicable to 2008.

The company also leases certain equipment and facilities under operating leases, some of which include varying renewal and purchase options. Future minimum rental payments applicable to noncancellable operating leases during the next five years and in the aggregate thereafter are shown in the following table.

***Rental Payments***

| | (In millions) |
|---|---|
| 2008 | $ 11.6 |
| 2009 | 6.5 |
| 2010 | 3.1 |
| 2011 | 1.5 |
| 2012 | .9 |
| After 2012 | 2.1 |

Rent expense was $14.6 million in 2007 and in 2006.

**Shareholders' Equity**

On May 2, 2007, the company's shareholders approved a one-for-ten reverse stock split of the company's common stock and 4% Cumulative Preferred Stock, a decrease in the number of authorized shares of common stock and adjustments to certain provisions in the company's restated certificate of incorporation related to the 4% Cumulative Preferred Stock to account for the effects of the reverse stock split, in all cases as proposed by the company's board of directors. The proposal's objective was (i) to comply with minimum share price standards for the listing of common stock on the New York Stock Exchanges (NYSE) to avoid the delisting of the company's common stock from the NYSE and (ii) to maintain the same relative voting power among the company's classes of voting stock after giving effect to the reverse stock split. Except as otherwise noted, the Consolidated Financial Statements and notes thereto reflect the effects of the reverse stock split which became effective on May 16, 2007.

The reverse stock split was applicable to all 4% Cumulative Preferred Stock and all common shares, including the common shares into which the Series B Preferred Stock is convertible and the common shares subject to the outstanding contingent warrants. The reverse stock split maintains the relative voting power among the various classes of voting stock. The shareholders also approved a reduction in the number of shares of common stock that the company is authorized to issue from 165 million shares to 30 million shares. After giving effect to the reverse stock split, the company had approximately 5.5 million common shares outstanding at December 31, 2007.

Shareholders who were otherwise entitled to receive fractional shares of common stock following the reverse stock split received a cash payment in lieu of such fractional shares. Cancellations of fractional shares were de minimis in the aggregate as was the amount of cash required. Fractional shares of 4% Cumulative Preferred Stock were issued in connection with the reverse stock split.

The par value of each share of the company's common stock remained at $.01 per share and the par value of each share of the company's 4% Cumulative Preferred Stock remained at $100.00.

At December 31, 2007 and December 31, 2006, the company had outstanding 500,000 shares of Series B Preferred Stock having a par value of $.01 per share and a liquidation preference of $200 per share. The Series B Preferred Stock has a cash dividend rate of 6% per year. Dividends may also be paid in additional shares of Series B Preferred Stock at a rate of 8% per year if the company is prohibited by the terms of its certificate of incorporation or its financing agreements from paying dividends in cash. The company is currently precluded from paying cash dividends under the indenture governing its 11 1/2% Senior Secured Notes due 2011 (see Short-Term Borrowings and Long-Term Debt). In 2006 and 2007, no dividends were declared with respect to the Series B Preferred Stock and consequently, dividends were accrued at the contractual (face) rate of 6% per annum. At December 31, 2007 and December 31, 2006, accrued and unpaid dividends totaled $12.0 million and $6.0 million, respectively. Accrued

and unpaid dividends on the Series B Preferred Stock must be paid prior to any dividend or distribution with respect to common stock and at the time of the redemption of any Series B Preferred Stock, or on the mandatory conversion date of June 10, 2011. On the mandatory conversion date, accrued dividends may be paid in either cash or in additional common shares at $17.50 per common share.

On November 27, 2007, the shareholders approved a proposal by the company's board of directors that limits the circumstances in which the Series B Preferred Stock holders could demand a cash redemption following a change in control of the company as defined in the Series B Preferred Stock Certificate of Designation. This means that the Series B Preferred Stock is no longer a "disqualified stock" according to the definition in the indenture for the company's 11 1/2% Senior Secured Notes due 2011 and gives the board of directors, under certain circumstances, the flexibility to declare pay-in-kind dividends on Series B Preferred Stock.

When initially issued and before giving effect of the reverse stock split, the 500,000 shares of Series B Preferred Stock were convertible into 50.0 million common shares of the company at a conversion price of $2.00 per common share. However, the conversion price was reset to $1.75 per share effective June 30, 2005 because a test based on the company's financial performance for 2004 was not satisfied. The test required the company to achieve EBITDA, as defined in the Series B Preferred Stock Certificate of Designation, of at least $50 million in 2004. As a result of the reset, the 500,000 shares of Series B Preferred Stock became convertible into approximately 57.1 million common shares. After giving effect of the reverse stock split, the Series B Preferred Stock is now convertible into 5.7 million common shares. As discussed further below, this amount has the potential to increase significantly in the future. Portions of the Series B Preferred Stock may be redeemed at the company's option beginning in 2008 at an initial price of $224 per share that decreases to $216 per share by 2010. To the extent not previously converted to common shares at the option of the holders or redeemed at the option of the company, the Series B Preferred Stock must be converted to common shares on June 10, 2011. In the event of the liquidation of the company, the Series B Preferred Stock ranks junior to the company's 4% Cumulative Preferred Stock.

Except as otherwise required by law or by the company's certificate of incorporation or expressly provided for in the certification of designation governing the Series B Preferred Stock, the holders of record of shares of the Series B Preferred Stock have full voting rights and powers, and are entitled to vote on all matters put to a vote or consent of the company's shareholders, voting together with the holders of the company's common stock and its 4% Cumulative Preferred Stock as a single class, with each holder of shares of Series B Preferred Stock having the number of votes equal to the number of shares of common stock into which such shares of Series B Preferred Stock could be converted as of the record date for the vote or consent which is being taken. As of March 12, 2008, the outstanding Series B Preferred Stock represented approximately 50.3% of the voting power of the company's outstanding equity securities and 51.0% of the company's fully diluted common stock on an as-converted basis. In addition, holders of Series B Preferred Stock have special voting and approval rights, including the right to elect the number of directors to the company's board proportionate to the percentage of the company's fully diluted common stock represented by the Series B Preferred Stock on an as-converted basis, rounded up to the nearest whole number (up to a maximum equal to two-thirds of the total number of our directors, less one). As of March 12, 2008, the holders of the Series B Preferred Stock had elected 7 of the 13 members of the board of directors.

On October 2, 2007, Ohio Plastics, LLC, an affiliate of Bayside Capital Inc., purchased Glencore Finance AG's 287,500 shares of Series B Preferred Stock which represents 57.5% of the Series B Preferred Stock, 28.9% of the voting power of the company's outstanding equity securities and 29.3% of the company's fully diluted common stock on an as-converted basis, in each case as of March 12, 2008 (see Change in Preferred Stock Ownership Costs).

Neither the Series B Preferred Stock nor the common shares into which the Series B Preferred Stock can be converted are currently registered for active trading in financial markets. However, any holder of the Series B Preferred Stock can demand registration of all or a portion of its shares or the underlying common stock. Once notice is given, the company is required to promptly prepare and file a registration statement with the SEC. In the event of a demand for registration, the company has the right, but not the obligation, to select and use an underwriter and must pay all expenses incurred in the registration process other than underwriting or brokerage fees and

commissions. If the company unilaterally elects to register and sell additional common shares, it must notify the holders of the Series B Preferred Stock. In such circumstances, the holders of the Series B Preferred Stock have the right to include their shares or any common shares into which their Series B Preferred Stock was previously converted in the same registration.

The Series B Preferred Stock is currently convertible into 5.7 million common shares. However, this amount has the potential to increase significantly if the company elects to declare pay-in-kind dividends in the future. The payment of accrued dividends in common shares on the mandatory conversion date of June 10, 2011 would also have the effect of increasing the aggregate percentage ownership interest of the holders of the Series B Preferred Stock.

The Series B Preferred Stock includes a beneficial conversion feature because it allows the holders to acquire common shares of the company at an effective conversion price that is less than their fair value per common share (before giving effect of the reverse stock split) of $2.40 on March 12, 2004. The beneficial conversion feature was initially valued at $15.9 million in 2004 based on an effective conversion price of approximately $2.08 per common share for 50.0 million shares, in both cases before giving effect to the reverse stock split. However, the reset of the conversion price from $2.00 per common share to $1.75 had the effect of lowering the effective conversion price to approximately $1.82 per common share for 57.1 million shares, in both cases before giving effect to the reverse stock split. This change resulted in an increase in the value of the beneficial conversion feature from $15.9 million to $33.1 million. The original value of the beneficial conversion feature was included in the carrying value of the Series B Preferred Stock in 2004 and applied as a direct increase in accumulated deficit. Based on the provisions of Emerging Issues Task Force Issue 00-27, the $17.2 million increase is being recorded in a similar manner between 2006 and the mandatory conversion date of the Series B Preferred Stock in the second quarter of 2011. In 2007 and in 2006, $3.1 million and $3.2 million, respectively, of the increase were recorded. The changes in the recorded value of the beneficial conversion feature in 2004, 2006 and 2007 were added to the net loss amounts for those years in calculating the applicable loss per common share amounts.

In 2004, the company issued to holders of the Series B Preferred Stock contingent warrants to purchase an aggregate of 100,000 of its common stock for $.10 per share, in both cases after giving effect of the reverse stock split. The contingent warrants became exercisable in 2006 because a 2005 consolidated cash flow covenant specified in the Contingent Warrant Agreement was not achieved. On October 23, 2007, Glencore Finance AG exercised warrants for 57,500 common shares. The remaining contingent warrants will be exercisable until March 15, 2011. The contingent warrants were originally valued at $.5 million based on an independent appraisal of their value that was completed in 2004. Of this amount, $.3 million was included in the carrying value of the common shares issued to Glencore Finance AG in 2007. The remaining $.2 million carrying value will be included in the value of the shares issued in connection with exercises of additional contingent warrants.

In addition to the Series B Preferred Stock, at December 31, 2007 and December 31, 2006, the company had outstanding 6,000 shares (after giving effect to the reverse stock split) of 4% Cumulative Preferred Stock (the 4% Preferred Stock) having a par value of $100 per share. Except as otherwise required by law or the company's certificate of incorporation, the holders of the 4% Preferred Stock vote together with the holders of shares of the common stock and the holders of Series B Preferred Stock as a single class, and separately with holders of shares of 4% Preferred Stock having 24 votes per share. Holders of the 4% Preferred Stock are entitled to receive quarterly dividends in cash out of the net assets legally available for the payment of dividends at a rate of $40 per year. Dividends are cumulative, and they must be paid prior to the purchase or redemption of any 4% Preferred Stock, any Series B Preferred Stock or any common stock. Dividends must also be paid prior to any distribution in respect of the common stock or the Series B Preferred Stock. In addition, dividends or distributions on common stock may not be made unless "consolidated net current assets," and "consolidated net tangible assets," in both cases as defined in the company's certificate of incorporation, exceed certain amounts per share of 4% Preferred Stock. In the event of any liquidation, dissolution or winding up of the company, the holders of the 4% Preferred Stock are entitled to receive out of the assets available for distribution to shareholders an amount equal to $1,050 per share if the action is

voluntary and $1,000 per share if it is not voluntary, in each case in addition to an amount equal to all accrued dividends in arrears at the date of the distribution, before any distributions of assets shall be made to the holders of Series B Preferred Stock or common stock. The holders of the Series B Preferred Stock and the common stock would be entitled to share in any assets then remaining to the exclusion of the holders of 4% Preferred Stock.

The 4% Preferred stock may be redeemed, under certain conditions, at the company's election, by resolution of the board of directors, for a redemption price of $1,050 per share plus all accrued and unpaid dividends to the date of redemption. At meetings of shareholders of the company, each shareholder of 4% Preferred Stock is entitled to 24 votes for each share of 4% Preferred Stock held except that in the event that a default in dividends on the 4% Preferred Stock is deemed to have occurred, the holders of the 4% Preferred Stock, voting separately as a class, have the right at each shareholders' meeting thereafter (at which 35% of the 4% Preferred Stock is represented) to elect one-third of the members of the board of directors to be elected at that meeting. A default in preferred dividends would be deemed to have occurred if at any time dividends accrued or in arrears on the 4% Preferred Stock amounts to $40 per share or more.

During 2007, 446,215 previously unissued common shares were issued in connection with incentive compensation plans and contributions to employee benefit plans. A total of 235,526 restricted shares were cancelled during 2007, of which 14,840 were added to the treasury share balance. After giving effect to reissuances of 465 treasury shares during 2007, the treasury share balance at December 31, 2007 was 17,251 shares.

During 2006, 227,288 previously unissued common shares were issued in connection with incentive compensation plans and contributions to employee benefit plans. A total of 7,063 restricted shares were cancelled during 2006, of which 2,263 were added to the treasury share balance. After giving effect to reissuances of 470 treasury shares during 2006, the treasury share balance at December 31, 2006 was 2,876 shares.

Preferred and common shares at par value at December 31, 2007 and December 31, 2006 are shown in the table that follows.

***Shareholders' Equity — Preferred and Common Shares***

| | 2007 | 2006 |
|---|---|---|
| | (In millions, except per- share amounts) | |
| 4% Cumulative Preferred shares $100 par value authorized 60,000 shares at December 31, 2007 and at December 31, 2006, issued and outstanding 6,000 shares at December 31, 2007 and at December 31, 2006 | $ .6 | $ .6 |
| 6% Series B Convertible Preferred Stock authorized, issued and outstanding, 500,000 shares at $.01 par value | — | — |
| Common shares, $.01 par value authorized 30,000,000 shares at December 31, 2007 and 165,000,000 shares at December 31, 2006, issued and outstanding, 2007: 5,486,210 shares, 2006: 5,231,944 shares | .1 | .1 |

As presented in the previous table, common shares outstanding are net of treasury shares of 17,251 in 2007 and 2,876 in 2006.

Changes in common shares outstanding for the years 2007 and 2006 are shown in the table that follows.

***Changes in Common Shares Outstanding***

| | 2007 | 2006 |
|---|---|---|
| Outstanding at beginning of year | 5,231,944 | 5,011,249 |
| Net restricted stock activity | 70,413 | 143,859 |
| Fractional shares cancelled | (1,562) | — |
| Exercise of contingent warrants | 57,500 | — |
| Common shares issued for benefit programs | 127,450 | 76,366 |
| Reissuance of treasury shares for employee benefit and incentive programs | 465 | 470 |
| Outstanding at end of year | 5,486,210 | 5,231,944 |

In both 2007 and 2006, dividends accrued with respect to the Series B Preferred Stock were $12.00 per share, none of which were paid. Dividends accrued and payable on the Series B Preferred Stock were $12.0 million at December 31, 2007. In 2007 and 2006, dividends of $4.00 per share were declared and paid with respect to the 4% Cumulative Preferred Stock.

The company has authorized 10 million serial preference shares with $.01 par value. In 1999, 300,000 serial preference shares were designated as Series A Participating Cumulative Preferred Shares in connection with the stockholder rights plan discussed below. No serial preference shares had been issued as of December 31, 2007. On June 9, 2004, 900,000 serial preference shares were designated as 6.0% Series B Convertible Preferred Stock. As discussed above, 500,000 shares of Series B Preferred Stock were issued on June 10, 2004. As of December 31, 2007, no other serial preference shares have been designated or issued by the company.

The company has a stockholder rights plan which provides for the issuance of one nonvoting preferred stock right for each common share issued as of February 5, 1999 or issued subsequent thereto. Each right, if activated, will entitle the holder to purchase 1 / 1000 of a share of Series A Participating Cumulative Preferred Stock at an initial exercise price of $70.00. Each 1 / 1000 of a preferred share will be entitled to participate in dividends and vote on an equivalent basis with one whole common share. Initially, the rights are not exercisable. The rights will become exercisable if any person or group acquires, or makes a tender offer for, more than 15% of the company’s outstanding common shares. In the event that any party should acquire or obtain the right to acquire more than 15% of the company’s common shares, the rights entitle all other shareholders to purchase the preferred shares at a substantial discount. In addition, if a merger occurs with any potential acquirer owning more than 15% of the common shares outstanding, holders of rights other than the potential acquirer will be able to purchase the acquirer’s common stock at a substantial discount. On March 11, 2004, the company amended its stockholder rights plan to exempt the acquisition by Glencore Finance AG and Mizuho International plc of securities issued by the company in connection with the financing arrangements entered into on March 12, 2004 from triggering the rights under the plan. On June 9, 2004, the company further amended its stockholder rights plan to reflect the decrease in par value of the Series A Participating Cumulative Preferred Stock from $1.00 per share to $.01 per share as approved by the company’s shareholders. The rights plan expires in February 2009.

**Comprehensive Income (Loss)**

Total comprehensive income or (loss) represents the net change in shareholders’ equity during a period from sources other than transactions with shareholders and, as such, includes net earnings or loss for the period. The components of total comprehensive loss are shown in the table that follows.

***Comprehensive Income (Loss)***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Net loss | $(87.1) | $(39.7) |
| Foreign currency translation adjustments | 15.9 | 17.7 |
| Postretirement benefit plan adjustments(a) | | |
| Amortization of unrecognized prior service cost | (1.6) | — |
| Pension plan curtailment cost | 1.9 | — |
| Amortization of net unrecognized losses | 10.5 | — |
| Pension plan curtailment gain | 27.9 | — |
| Postretirement health care plan amendment | 3.8 | — |
| Actuarial gain arising in the period not included in net periodic postretirement benefit costs | 2.7 | — |
| Minimum pension liability adjustment | — | 32.2 |
| Total comprehensive income (loss) | $(26.0) | $ 10.2 |

(a) In all years presented, includes no income tax expense or benefit.

The components of accumulated other comprehensive loss are shown in the following table.

***Accumulated Other Comprehensive Loss***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Foreign currency translation adjustments | $ 6.6 | $ (9.3) |
| Defined benefit plans: | | |
| Net unamortized prior service costs | 14.1 | 10.0 |
| Unamortized net loss(a) | (73.2) | (114.3) |
| | $(52.5) | $(113.6) |

(a) In both 2007 and 2006, the amount presented is net of a U.S. tax benefit of $51.4 million that was recorded in 2002.

**Contingencies**

The company is involved in remedial investigations and actions at various locations, including former plant facilities, and offsite disposal sites where the company and other companies have been designated as potentially responsible parties. The company accrues remediation costs, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accruals for estimated losses from environmental remediation obligations are generally recognized no later than the completion of a remediation feasibility study. The accruals are adjusted as further information becomes available or circumstances change. Environmental costs have not been material in the past.

Various lawsuits arising during the normal course of business are pending against the company and its consolidated subsidiaries. In certain such lawsuits, some of which seek substantial dollar amounts, multiple plaintiffs allege personal injury involving products, supplied by the company. The company is vigorously defending these claims and, based on current information, believes it has recorded appropriate reserves in addition to its excess carrier insurance coverage and indemnity claims against third parties. The projected availability under the

company's asset based credit facility is currently expected to be adequate to cover the company's cash needs under these claims, assuming satisfaction or waiver of the conditions to borrowing thereunder (see Short-Term Borrowings for further information regarding those conditions to borrowing as well as the company's dependence on its asset based credit facility for liquidity). It is possible that the company's ultimate liability could substantially exceed its current reserves, but the amount of any such excess cannot reasonably be determined at this time. Were the company to have significant adverse judgments or determine as the cases progress that significant additional reserves should be recorded, the company's future operating results and financial condition, particularly its liquidity, could be adversely affected.

**Foreign Exchange Contracts**

Forward exchange contracts totaled $5.7 million at December 31, 2007 and $.6 million at December 31, 2006. These contracts, which generally mature in periods of six months or less, require the company and its subsidiaries to exchange currencies on the maturity dates at exchange rates agreed upon at inception.

**Share-Based Compensation**

The 2004 Long-Term Incentive Plan (the 2004 Plan) permits the company to grant awards of its common shares in the form of non-qualified stock options, incentive stock options, performance shares, restricted shares and deferred shares. The 2004 Plan also provides for the granting of appreciation rights, either in tandem with stock options or free-standing. Awards under the 2004 Plan may also include "management objectives," the attainment of which governs the extent to which the related awards vest or become exercisable. Two predecessor plans, the 1997 Long-Term Incentive Plan (the 1997 Plan) and the 1994 Long-Term Incentive Plan (the 1994 Plan), also permit the granting of non-qualified stock options, incentive stock options and restricted stock.

Under the 2004 Plan, the 1997 Plan and the 1994 Plan, non-qualified and incentive stock options are granted at market value as of the respective dates, vest in increments over four or five year periods, and expire not more than ten years from the date of the award.

The table that follows summarizes stock options outstanding and stock option activity for the year ended December 31, 2007.

***Stock Options***

| | 2007 | | |
|---|---|---|---|
| | Contractual Shares | Weighted-Average Exercise Price | Weighted-Average Term(a) |
| Outstanding at December 31, 2006 | 274,790 | $ 182.70 | 1.7 |
| Cancellations | (106,008) | 167.12 | — |
| Forfeitures | (5,817) | 201.20 | 2.3 |
| Outstanding at December 31, 2007 | 162,965 | 192.17 | 1.7 |
| Exercisable at December 31, 2007 | 162,615 | 192.49 | 1.7 |

(a) In years

As of December 31, 2007, the exercise prices of all outstanding stock options were in excess of the market value of the company's common shares at that date and the stock options therefore had no intrinsic value.

During 2004, 1,400 stock options having an exercise price of $43.00 per share and a weighted-average fair valued $27.20 per share were granted. No stock options have subsequently been granted. Beginning in 2006, the

company is recognizing expense related to these stock options (which is de minimis) in its primary financial statements rather than disclosing it on a pro forma basis. All other stock options outstanding during 2007 became fully vested as of April 15, 2004 and therefore no expense is being recognized.

The fair value of the 1,400 stock options granted in 2004 was determined using the Black-Scholes option pricing model using the following assumptions: expected volatility — 74%; risk free rate of return — 4.00%; and life — 5 years. Due to restrictions imposed by the company's financing arrangements, no dividend yield was assumed.

Under the 2004 Plan, grants of restricted stock may include specific financial targets or objectives, the attainment of which governs the extent to which the shares ultimately vest. The 2004 Plan, the 1997 Plan and the 1994 Plan also permit the granting of other restricted stock awards, the vesting of which depends solely on continuous service with the company. Both types of grants of restricted stock have two or three year vesting periods. During the vesting period, restricted stock awards entitle the holder to all rights of a holder of common shares, including dividend and voting rights. Unvested shares are restricted as to disposition and are subject to forfeiture under certain circumstances, including termination of employment.

The 2004 Plan also provides for the granting of deferred shares to non-employee directors. These grants are similar to restricted stock as described above except that share certificates are not issued at the grant date. Rather, certificates are issued at the end of the three year vesting period or upon a director's voluntary retirement from the board after having served for at least six full years or having attained the mandatory retirement age of 72. Deferred shares may also be settled in cash at the director's discretion based on the fair value of the underlying shares at the vesting date.

In addition to grants of deferred shares to non-employee directors, the 2004 Plan permits the granting of awards denominated in shares of common stock to employees. As is the case for deferred shares granted to non-employee directors, share certificates are not issued at the grant date. Such awards may be settled through the issuance of share certificates at the vesting date or in cash based on the fair value of the underlying common shares at the vesting date. Similar to grants of restricted stock, deferred share grants to employees may include "management objectives," the attainment of which governs the extent to which the related awards vest. The first employee grants under the provisions of the 2004 Plan were made in 2005. However similar awards were made in prior years.

Summaries of activity for restricted stock and deferred shares are presented in the tables that follow.

***Restricted Stock and Deferred Shares***

| | 2007 | |
|---|---|---|
| | Shares | Weighted Average Grant Date Fair Value(a) |
| Balance at December 31, 2006 | 226,255 | $ 20.35 |
| Granted | 179,707 | 8.54 |
| Vested | (167,378) | 16.40 |
| Forfeited | (71,794) | 11.68 |
| Balance at December 31, 2007 | 166,790 | 15.33 |

***Restricted Stock and Deferred Shares Subject to Financial Targets***

| | 2007 | |
|---|---|---|
| | **Shares** | **Weighted Average Grant Date Fair Value(a)** |
| Balance at December 31, 2006 | 214,250 | $ 36.01 |
| Granted | 212,800 | 8.60 |
| Vested | (13,025) | 23.76 |
| Forfeited | (184,750) | 32.65 |
| Balance at December 31, 2007 | 229,275 | 13.98 |

(a) Grant date fair values represent the closing price of the company's common shares on the New York Stock Exchange on the respective grant dates.

The company's long-term incentive plans provide for the immediate vesting of the restricted stock granted thereunder when a "change in control" (as defined in the plan documents) occurs. The sale of shares of Series B Preferred Stock on October 2, 2007 (see Change in Preferred Stock Ownership Costs) triggered a change in control. The company's executive officers voluntarily waived the vesting of their shares but the vesting of 146,616 shares granted to other employees resulted in a pretax charge to earnings of $1.1 million.

At December 31, 2007, there was a total of $1.5 million of unrecognized compensation cost related to restricted stock and deferred shares. This amount is expected to be recognized over a weighted-average period of 1.8 years, including approximately $1.0 million in 2008. The weighted-average grant date fair value of all restricted stock and deferred shares was $8.57 in 2007 and $14.43 in 2006. The fair value of restricted stock and deferred shares that vested was $1.3 million in 2007 and $.2 million in 2006. The amount for 2007 includes $1.1 million related to the shares that vested due to the change in control.

The total cost charged to expense for share-based compensation was $2.6 million in 2007 and $1.2 million in 2006. The amount for 2007 includes the charge of $1.1 million related to the early vesting of 146,616 shares that is discussed above. No tax benefits were recognized in the Consolidated Statements of Operations in any year because any changes in the related deferred tax assets were fully offset by changes in valuation allowances.

On May 2, 2007, the company's shareholders approved a one-for-ten reverse split of common shares (see Shareholders' Equity). The reverse split became effective on May 16, 2007. Based on a comparison of the fair values of outstanding stock options and restricted and deferred shares before and after the reverse split, no incremental compensation cost was recognized at the effective date and none is being recognized prospectively.

**Organization**

The company has four business segments: machinery technologies — North America, machinery technologies — Europe, mold technologies and industrial fluids.

The company's segments conform to its internal management reporting structure and are based on the nature of the products they produce and the principal markets they serve. The machinery technologies — North America segment produces and procures injection molding machines and extrusion and blow molding systems for distribution primarily in North America at the company's principal plastics machinery plant located near Cincinnati, Ohio. The segment also sells specialty and peripheral equipment for plastics processing as well as replacement parts for its machinery products. The machinery technologies — North America segment also includes our operations in India and China. The machinery technologies — Europe segment manufactures injection molding machines and blow molding systems for distribution in Europe and Asia at its principal manufacturing plants located in Germany and Italy. The mold technologies segment — which has its major operations in North America and Europe —

produces and procures mold bases and components for injection molding and distributes maintenance, repair and operating supplies for all types to plastics processors. The industrial fluids segment is also international in scope with major blending facilities in the U.S., The Netherlands and South Korea and manufactures and sells coolants, lubricants, corrosion inhibitors and cleaning fluids used in metalworking.

The markets for all four segments tend to be cyclical in nature, especially in the two machinery segments where demand is heavily influenced by consumer confidence and spending levels, interest rates and general capital spending patterns, particularly in the automotive, packaging and construction industries. The markets for the mold technologies and industrial fluids are somewhat less cyclical and are influenced by industrial capacity utilization and consumer spending.

Financial data for the past two years for the company's business segments are shown in the following tables. The accounting policies followed by the segments are identical to those used in the preparation of the company's Consolidated Financial Statements. The effects of intersegment transactions, which are not significant in amount, have been eliminated. The company incurs costs and expenses and holds certain assets at the corporate level which relate to its business as a whole. Certain of these amounts have been allocated to the company's business segments by various methods, largely on the basis of usage. Management believes that all such allocations are reasonable.

***Total Sales by Segment***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Plastics technologies | | |
| Machinery technologies-North America | $367.0 | $402.4 |
| Machinery technologies-Europe | 180.5 | 153.4 |
| Mold technologies | 148.2 | 158.8 |
| Eliminations | (11.8) | (12.0) |
| Total plastics technologies | 683.9 | 702.6 |
| Industrial fluids | 124.0 | 117.5 |
| Total sales | $807.9 | $820.1 |

***Customer Sales by Segment***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Plastics technologies | | |
| Machinery technologies-North America | $363.2 | $400.6 |
| Machinery technologies-Europe | 172.5 | 143.2 |
| Mold technologies | 148.2 | 158.8 |
| Total plastics technologies | 683.9 | 702.6 |
| Industrial fluids | 124.0 | 117.5 |
| Total sales | $807.9 | $820.1 |

***Operating Information by Segment***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Operating profit (loss) | | |
| Plastics technologies | | |
| Machinery technologies-North America | $ 10.8 | $ 17.1 |
| Machinery technologies-Europe | 3.3 | (4.9) |
| Mold technologies | 1.9 | 3.0 |
| Total plastics technologies | 16.0 | 15.2 |
| Industrial fluids | 16.6 | 10.8 |
| Restructuring costs(a) | (12.5) | (17.4) |
| Change in preferred stock ownership costs | (1.9) | — |
| Pension plan curtailment cost | (1.9) | — |
| Refinancing costs | — | (1.8) |
| Corporate expenses | (13.2) | (13.6) |
| Other unallocated income (expenses) | 1.7 | (.4) |
| Operating earnings (loss) | 4.8 | (7.2) |
| Interest expense-net | (31.4) | (30.0) |
| Loss before income taxes | $ (26.6) | $ (37.2) |
| Segment assets(b) | | |
| Plastics technologies | | |
| Machinery technologies-North America | $196.8 | $200.4 |
| Machinery technologies-Europe | 115.8 | 100.2 |
| Mold technologies | 128.1 | 136.4 |
| Other | .2 | .4 |
| Total plastics technologies | 440.9 | 437.4 |
| Industrial fluids | 47.8 | 47.3 |
| Cash and cash equivalents | 40.8 | 38.5 |
| Deferred income taxes | 30.2 | 83.0 |
| Unallocated corporate and other(c) | 43.2 | 44.3 |
| Total assets | $602.9 | $650.5 |
| Capital expenditures | | |
| Plastics technologies | | |
| Machinery technologies-North America | $ 4.6 | $ 6.6 |
| Machinery technologies-Europe | .8 | 2.6 |
| Mold technologies | 1.6 | 2.4 |
| Total plastics technologies | 7.0 | 11.6 |
| Industrial fluids | 1.9 | 1.5 |
| Unallocated corporate | .7 | .7 |
| Total capital expenditures | $ 9.6 | $ 13.8 |
| Depreciation and amortization | | |
| Plastics technologies | | |
| Machinery technologies-North America | $ 5.8 | $ 6.1 |
| Machinery technologies-Europe | 4.0 | 3.8 |
| Mold technologies | 4.5 | 5.2 |
| Total plastics technologies | 14.3 | 15.1 |
| Industrial fluids | 1.6 | 1.5 |
| Unallocated corporate | .2 | .2 |
| Total depreciation and amortization | $ 16.1 | $ 16.8 |

(a) In 2007, $3.6 million relates to machinery technologies — North America, $3.1 million to machinery technologies — Europe, $5.6 million to mold technologies, $.1 million to industrial fluids and $.1 million to corporate expenses. In 2006, $2.2 million relates to machinery technologies — North America, $8.3 million to machinery technologies — Europe, $5.4 million to mold technologies, $.2 million to industrial fluids and $1.3 million to corporate expenses.

(b) Segment assets consist principally of accounts receivable, inventories, goodwill and property, plant and equipment which are considered controllable assets for management reporting purposes.

(c) Consists principally of corporate assets, nonconsolidated investments, certain intangible assets, expected recoveries from excess insurance carriers, prepaid expenses and deferred charges.

***Geographic Information***

| | 2007 | 2006 |
|---|---|---|
| | (In millions) | |
| Sales(a) | | |
| United States | $442.9 | $504.5 |
| Non-U.S. operations | | |
| Germany | 130.0 | 113.0 |
| Other Western Europe | 145.6 | 126.1 |
| Asia | 55.6 | 43.2 |
| Other | 33.8 | 33.3 |
| Total sales | $807.9 | $820.1 |
| Noncurrent assets | | |
| United States | $ 60.2 | $ 70.6 |
| Non-U.S. operations | | |
| Germany | 28.4 | 35.5 |
| Other Western Europe | 20.8 | 19.0 |
| Asia | 9.2 | 7.5 |
| Other | 1.1 | 1.2 |
| | 119.7 | 133.8 |
| Investments and advances not consolidated | 4.1 | 3.6 |
| Goodwill | 90.5 | 87.3 |
| Other intangible assets | 1.2 | 1.6 |
| Deferred income taxes net of valuation allowances | 17.4 | 58.6 |
| Total noncurrent assets | $232.9 | $284.9 |

(a) Sales are attributed to specific countries or geographic areas based on the origin of the shipment.

Sales of U.S. operations include export sales of $86.4 million in 2007 and $92.9 million in 2006.

Total sales of the company's U.S. and non-U.S. operations to unaffiliated customers outside the U.S. were $421.8 million in 2007 and $374.5 million in 2006.

**Subsequent Event**

On March 12, 2008, certain European subsidiaries of the company entered into a five-year, asset-based revolving credit program pursuant to which up to €27 millionin aggregate financing is made available to such subsidiaries by Lloyds TSB Bank plc and its affiliates. The new credit program consists of two parts: asset-based revolving loan facilities provided to certain subsidiaries of the company organized in Germany, Holland and Belgium and an accounts receivable factoring facility involving the company's principal German operating subsidiary. Based upon asset levels as of March 12, 2008, total borrowing and factoring capacity under the new program, when fully operational, is expected to exceed €20 million butwill likely be less than the full €27 million limit Proceeds of the credit program may be used solely for working capital purposes of the borrowers and their affiliates. The company anticipates that the incremental working capital capacity provided by the new credit program will help meet U.S. pension funding obligations in 2008.

The obligations of each borrower under the asset-based loan component of the credit program are guaranteed by each other borrower and by certain other subsidiaries of the company organized in Germany and Holland. Borrowings under the asset-based loan portion of the new credit program are secured by the accounts receivable (other than accounts receivable of the German borrower, which are sold pursuant to the factoring component of the new credit program) and certain bank accounts and inventory of the borrowers, by a mortgage on certain real property in Germany and by pledges of shares in each of the borrowers by their respective parent entities.

Under the accounts receivable factoring portion of the new credit program, the company's principal German operating subsidiary sells all of its eligible accounts receivable, together with related security and ancillary rights, to Lloyds TSB Commercial Finance Limited. Accounts receivable are sold pursuant to this factoring facility at a customary discount rate.

The new credit program contains customary covenants, including but not limited to an obligation to maintain a 1 to 1 fixed charge coverage ratio and covenants relating to debt turn and dilution rates with respect to the accounts receivable. The German borrower must maintain a certain minimum tangible net worth. The borrowers are permitted to transfer up to $25 million of the funds initially made available under the credit program to their U.S. affiliates, provided that no termination event has occurred. Further transfers of any funds to U.S. affiliates, regardless of source, are permitted subject to certain restrictions.

**Condensed Consolidating Financial Information**

The 11 1/2% Senior Secured Notes due 2011 are jointly, severally, fully and unconditionally guaranteed by the company's U.S. and Canadian restricted subsidiaries. Following are unaudited condensed consolidating financial statements of the company, including the guarantors. *This information is provided pursuant to Rule 3-10 of Regulation S-X in lieu of separate financial statements of each subsidiary guaranteeing the Senior Secured Notes.* The following condensed consolidating financial statements present the balance sheet, statement of operations and cash flows of (i) Milacron Inc. (in each case, reflecting investments in its consolidated subsidiaries under the equity method of accounting), (ii) the guarantor subsidiaries of Milacron Inc., (iii) the nonguarantor subsidiaries of Milacron Inc., and (iv) the eliminations necessary to arrive at the information for the company on a consolidated basis. The condensed consolidating financial statements should be read in conjunction with the accompanying consolidated condensed financial statements of the company.

Milacron Capital Holdings B.V. had been a guarantor for most of 2006, but was released in December 2006 in conjunction with the terms of the new asset based lending facility with General Electric Capital Corporation. In 2007, Milacron Capital Holdings B.V. once again became a guarantor of the Senior Notes. Milacron Capital Holdings B.V. is reflected in the accompanying condensed consolidating financial statements as a guarantor as of and for the period ended December 31, 2007 and for each of the respective comparative financial statements.

### Condensed Consolidating Statement of Operations

| | Year Ended December 31, 2007 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations & Other | Milacron Inc. |
| | | | (In millions) | | |
| Sales | $ — | $ 476.9 | $ 354.6 | $ (23.6) | $ 807.9 |
| Cost of products sold | 9.7 | 396.0 | 262.8 | (23.6) | 644.9 |
| Cost of products sold related to restructuring | — | — | .2 | — | .2 |
| Total cost of products sold | 9.7 | 396.0 | 263.0 | (23.6) | 645.1 |
| Manufacturing margins | (9.7) | 80.9 | 91.6 | — | 162.8 |
| Other costs and expenses | | | | | |
| Selling and administrative | 23.7 | 53.3 | 67.6 | — | 144.6 |
| Restructuring costs | .7 | 4.6 | 7.0 | — | 12.3 |
| Change in preferred stock ownership costs | 1.9 | — | — | — | 1.9 |
| Pension curtailment costs | 1.9 | — | — | — | 1.9 |
| Other expense — net | (.4) | (2.7) | .4 | — | (2.7) |
| Total other costs and expenses | 27.8 | 55.2 | 75.0 | — | 158.0 |
| Operating earnings (loss) | (37.5) | 27.5 | 16.6 | — | 4.8 |
| Other non-operating expense (income) | | | | | |
| Intercompany management fees | (12.9) | 12.9 | — | — | — |
| Intercompany interest | (48.5) | 50.4 | (1.9) | — | — |
| Equity in (earnings) losses of subsidiaries | 61.2 | (20.0) | — | (41.2) | — |
| Other intercompany transactions | (.2) | .4 | (.2) | — | — |
| Total other non-operating expense (income) | (.4) | 43.7 | (2.1) | (41.2) | — |
| **Earnings (loss) from continuing operations before interest and income taxes** | **(37.1)** | **(18.0)** | **18.7** | **41.2** | **4.8** |
| Interest expense — net | (32.0) | 1.0 | (.4) | — | (31.4) |
| **Earnings (loss) from continuing operations before income taxes** | **(69.1)** | **(17.0)** | **18.3** | **41.2** | **(26.6)** |
| Provision (benefit) for income taxes | 19.2 | 44.8 | (2.3) | — | 61.7 |
| **Earnings (loss) from continuing operations** | **(88.3)** | **(61.8)** | **20.6** | **41.2** | **(88.3)** |
| Discontinued operations net of income taxes | 1.2 | — | — | — | 1.2 |
| **Net earnings (loss)** | **$(87.1)** | **$ (61.8)** | **$ 20.6** | **$ 41.2** | **$ (87.1)** |

### Condensed Consolidating Statement of Operations

| | Year Ended December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations & Other | Milacron Inc. |
| | | | (In millions) | | |
| Sales | $ — | $ 537.8 | $ 303.9 | $ (21.6) | $ 820.1 |
| Cost of products sold | 8.5 | 435.1 | 246.2 | (21.6) | 668.2 |
| Cost of products sold related to restructuring | — | — | .5 | — | .5 |
| Total cost of products sold | 8.5 | 435.1 | 246.7 | (21.6) | 668.7 |
| Manufacturing margins | (8.5) | 102.7 | 57.2 | — | 151.4 |
| Other costs and expenses | | | | | |
| Selling and administrative | 26.5 | 55.0 | 58.7 | — | 140.2 |
| Restructuring costs | .2 | 5.1 | 11.6 | — | 16.9 |
| Refinancing costs | 1.8 | — | — | — | 1.8 |
| Other expense — net | (.6) | — | .3 | — | (.3) |
| Total other costs and expenses | 27.9 | 60.1 | 70.6 | — | 158.6 |
| Operating earnings (loss) | (36.4) | 42.6 | (13.4) | — | (7.2) |
| Other non-operating expense (income) | | | | | |
| Intercompany management fees | (12.6) | 12.6 | — | — | — |
| Intercompany interest | (53.6) | 55.8 | (2.2) | — | — |
| Equity in (earnings) losses of subsidiaries | 44.5 | (.9) | — | (43.6) | — |
| Other intercompany transactions | (3.2) | 15.3 | (12.1) | — | — |
| Total other non-operating expense (income) | (24.9) | 82.8 | (14.3) | (43.6) | — |
| **Earnings (loss) from continuing operations before interest and income taxes** | **(11.5)** | **(40.2)** | **.9** | **43.6** | **(7.2)** |
| Interest expense — net | (30.7) | 1.0 | (.3) | — | (30.0) |
| **Earnings (loss) from continuing operations before income taxes** | **(42.2)** | **(39.2)** | **.6** | **43.6** | **(37.2)** |
| Provision (benefit) for income taxes | (2.4) | 1.1 | 3.9 | — | 2.6 |
| **Earnings (loss) from continuing operations** | **(39.8)** | **(40.3)** | **(3.3)** | **43.6** | **(39.8)** |
| Discontinued operations net of income taxes | | | | | |
| Net gain on divestitures | .1 | — | — | — | .1 |
| **Net earnings (loss)** | **$(39.7)** | **$ (40.3)** | **$ (3.3)** | **$ 43.6** | **$ (39.7)** |

### Condensed Consolidating Balance Sheet

| | December 31, 2007 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations & Other | Milacron Inc. |
| | (In millions) | | | | |
| **ASSETS** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | $ .3 | $ 5.8 | $ 34.7 | $ — | $ 40.8 |
| Notes and accounts receivable (excluding intercompany receivables) | .2 | 51.0 | 63.4 | — | 114.6 |
| Inventories | — | 103.5 | 76.2 | — | 179.7 |
| Other current assets | 14.8 | 5.2 | 14.9 | — | 39.4 |
| Intercompany receivables (payables) | (324.4) | 200.5 | 126.2 | (2.3) | — |
| Total current assets | (309.1) | 366.0 | 315.4 | (2.3) | 370.0 |
| Property, plant and equipment — net | .8 | 50.4 | 55.2 | — | 106.4 |
| Goodwill | — | 54.1 | 36.4 | — | 90.5 |
| Investment in subsidiaries | 247.5 | 224.4 | (15.8) | (456.1) | — |
| Intercompany advances - net | 441.3 | (468.4) | 27.1 | — | — |
| Other noncurrent assets | 6.8 | 8.6 | 20.6 | — | 36.0 |
| **Total assets** | **$ 387.3** | **$ 235.1** | **$ 438.9** | **$ (458.4)** | **$ 602.9** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)** | | | | | |
| Current liabilities | | | | | |
| Short-term borrowings | $ 24.4 | $ — | $ 2.5 | $ — | $ 26.9 |
| Long-term debt and capital lease obligations due within one year | 1.2 | — | .9 | — | 2.1 |
| Trade accounts payable | 6.1 | 39.8 | 46.2 | — | 92.1 |
| Advance billings and deposits | — | 15.1 | 14.3 | — | 29.4 |
| Accrued and other current liabilities | 32.9 | 10.9 | 32.8 | — | 76.6 |
| Total current liabilities | 64.6 | 65.8 | 96.7 | — | 227.1 |
| Long-term accrued liabilities | 145.4 | 2.9 | 45.0 | — | 193.3 |
| Long-term debt | 226.7 | — | 5.2 | — | 231.9 |
| **Total liabilities** | **436.7** | **68.7** | **146.9** | **—** | **652.3** |
| Commitments and contingencies | — | — | — | — | — |
| Shareholders' equity (deficit) | | | | | |
| 4% Cumulative Preferred shares | 6.0 | — | — | — | 6.0 |
| 6% Series B Convertible Preferred Stock | 119.2 | — | — | — | 119.2 |
| Common shares, $.01 par value | .1 | 25.4 | 13.2 | (38.6) | .1 |
| Capital in excess of par value | 355.9 | 429.0 | 82.3 | (511.3) | 355.9 |
| Contingent warrants | .2 | — | — | — | .2 |
| Reinvested earnings (accumulated deficit) | (478.3) | (276.9) | 162.5 | 114.4 | (478.3) |
| Accumulated other comprehensive income (loss) | (52.5) | (11.1) | 34.0 | (22.9) | (52.5) |
| **Total shareholders' equity (deficit)** | **(49.4)** | **166.4** | **292.0** | **(458.4)** | **(49.4)** |
| **Total liabilities and shareholders' equity (deficit)** | **$ 387.3** | **$ 235.1** | **$ 438.9** | **$ (458.4)** | **$ 602.9** |

### Condensed Consolidating Balance Sheet

| | December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations & Other | Milacron Inc. |
| | | | (In millions) | | |
| **ASSETS** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | $ (.7) | $ 4.2 | $ 35.0 | $ — | $ 38.5 |
| Notes and accounts receivable (excluding intercompany receivables) | .4 | 63.5 | 50.6 | — | 114.5 |
| Inventories | — | 105.3 | 65.4 | — | 170.7 |
| Other current assets | 11.3 | 11.1 | 19.5 | — | 41.9 |
| Intercompany receivables (payables) | (333.3) | 221.1 | 114.5 | (2.3) | — |
| Total current assets | (322.3) | 405.2 | 285.0 | (2.3) | 365.6 |
| Property, plant and equipment — net | 1.1 | 53.1 | 60.1 | — | 114.3 |
| Goodwill | — | 53.1 | 34.2 | — | 87.3 |
| Investment in subsidiaries | 216.7 | 223.1 | (15.8) | (424.0) | — |
| Intercompany advances — net | 514.6 | (547.6) | 33.0 | — | — |
| Other noncurrent assets | 22.0 | 42.3 | 19.0 | — | 83.3 |
| **Total assets** | **$ 432.1** | **$ 229.2** | **$ 415.5** | **$ (426.3)** | **$ 650.5** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)** | | | | | |
| Current liabilities | | | | | |
| Short-term borrowings | $ 23.2 | $ — | $ 2.3 | $ — | $ 25.5 |
| Long-term debt and capital lease obligations due within one year | 1.2 | — | 1.0 | — | 2.2 |
| Trade accounts payable | 5.5 | 37.2 | 35.1 | — | 77.8 |
| Advance billings and deposits | — | 17.7 | 6.7 | — | 24.4 |
| Accrued and other current liabilities | 22.6 | 20.4 | 39.6 | — | 82.6 |
| Total current liabilities | 52.5 | 75.3 | 84.7 | — | 212.5 |
| Long-term accrued liabilities | 173.7 | 4.1 | 48.7 | — | 226.5 |
| Long-term debt | 227.2 | — | 5.6 | — | 232.8 |
| **Total liabilities** | **453.4** | **79.4** | **139.0** | **—** | **671.8** |
| Commitments and contingencies | — | — | — | — | — |
| Shareholders' equity (deficit) | | | | | |
| 4% Cumulative Preferred shares | 6.0 | — | — | — | 6.0 |
| 6% Series B Convertible Preferred Stock | 116.1 | — | — | — | 116.1 |
| Common shares, $.01 par value | .1 | 25.4 | 13.2 | (38.6) | .1 |
| Capital in excess of par value | 351.5 | 316.4 | 80.3 | (396.7) | 351.5 |
| Contingent warrants | .5 | — | — | — | .5 |
| Reinvested earnings (accumulated deficit) | (381.9) | (174.8) | 163.8 | 11.0 | (381.9) |
| Accumulated other comprehensive income (loss) | (113.6) | (17.2) | 19.2 | (2.0) | (113.6) |
| **Total shareholders' equity (deficit)** | **(21.3)** | **149.8** | **276.5** | **(426.3)** | **(21.3)** |
| **Total liabilities and shareholders' equity (deficit)** | **$ 432.1** | **$ 229.2** | **$ 415.5** | **$ (426.3)** | **$ 650.5** |

### Condensed Consolidating Statement of Cash Flows

| | Year Ended December 31, 2007 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations & Other | Milacron Inc. |
| | (In millions) | | | | |
| **Increase (decrease) in cash and cash equivalents** | | | | | |
| **Operating activities cash flows** | | | | | |
| Net earnings (loss) | $(87.1) | $ (61.8) | $ 20.6 | $ 41.2 | $ (87.1) |
| Operating activities providing (using) cash | | | | | |
| Net gain on divestiture | (1.2) | — | — | — | (1.2) |
| Depreciation and amortization | .2 | 8.6 | 7.3 | — | 16.1 |
| Restructuring costs | .1 | 3.8 | 6.3 | — | 10.2 |
| Equity in (earnings) losses of subsidiaries | 80.0 | 1.7 | — | (81.7) | — |
| Distributions from equity subsidiaries | — | (18.8) | (21.7) | 40.5 | — |
| Deferred income taxes | 19.6 | 43.7 | (4.5) | — | 58.8 |
| Working capital changes | | | | | |
| Notes and accounts receivable | .2 | 13.0 | (9.5) | — | 3.7 |
| Inventories | — | 2.1 | (6.5) | — | (4.4) |
| Other current assets | .4 | (1.0) | (3.1) | — | (3.7) |
| Trade accounts payable | .6 | 2.5 | 8.6 | — | 11.7 |
| Other current liabilities | .4 | (20.8) | 7.1 | — | (13.3) |
| Decrease (increase) in other noncurrent assets | 2.8 | (.1) | 4.9 | — | 7.6 |
| Increase (decrease) in long-term accrued liabilities | 11.9 | (.2) | (3.9) | — | 7.8 |
| Other — net | 3.0 | (2.0) | 2.4 | — | 3.4 |
| Net cash provided (used) by operating activities | 30.9 | (29.3) | 8.0 | — | 9.6 |
| **Investing activities cash flows** | | | | | |
| Capital expenditures | — | (5.6) | (4.0) | — | (9.6) |
| Net disposals of plant, property and equipment | — | .1 | .2 | — | .3 |
| Net cash used by investing activities | — | (5.5) | (3.8) | — | (9.3) |
| **Financing activities cash flows** | | | | | |
| Repayments of long-term debt | (.5) | — | (1.1) | — | (1.6) |
| Increase (decrease) in short-term borrowings | 1.2 | — | (.2) | — | 1.0 |
| Dividends paid | (.2) | — | — | — | (.2) |
| Net cash provided (used) by financing activities | .5 | — | (1.3) | — | (.8) |
| Intercompany receivables and payables | (8.9) | 23.0 | (14.1) | — | — |
| Intercompany advances | (21.5) | 13.0 | 8.5 | — | — |
| Effect of exchange rate fluctuations on cash and cash equivalents | — | .4 | 2.4 | — | 2.8 |
| **(Increase) decrease in cash and cash equivalents** | **1.0** | **1.6** | **(.3)** | **—** | **2.3** |
| Cash and cash equivalents at beginning of year | (.7) | 4.2 | 35.0 | — | 38.5 |
| **Cash and cash equivalents at end of year** | **$ .3** | **$ 5.8** | **$ 34.7** | **$ —** | **$ 40.8** |

### Condensed Consolidating Statement of Cash Flows

| | Year Ended December 31, 2006 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations & Other | Milacron Inc. |
| | | | (In millions) | | |
| **Increase (decrease) in cash and cash equivalents** | | | | | |
| **Operating activities cash flows** | | | | | |
| Net earnings (loss) | $(39.7) | $ (40.3) | $ (3.3) | $ 43.6 | $ (39.7) |
| Operating activities providing (using) cash | | | | | |
| Net gain on divestiture | (.1) | — | — | — | (.1) |
| Depreciation and amortization | .2 | 10.0 | 6.6 | — | 16.8 |
| Refinancing costs | 1.8 | — | — | — | 1.8 |
| Restructuring costs | .2 | 4.6 | 3.4 | — | 8.2 |
| Equity in (earnings) losses of subsidiaries | 80.4 | 6.0 | — | (86.4) | — |
| Distributions from equity subsidiaries | — | (35.9) | (6.9) | 42.8 | — |
| Deferred income taxes | (1.3) | — | 2.1 | — | .8 |
| Working capital changes | | | | | |
| Notes and accounts receivable | .2 | 1.4 | 6.3 | — | 7.9 |
| Inventories | (.2) | (5.7) | 1.4 | — | (4.5) |
| Other current assets | 1.9 | (.6) | .8 | — | 2.1 |
| Trade accounts payable | (.6) | (3.4) | 2.3 | — | (1.7) |
| Other current liabilities | (9.9) | 6.8 | 1.1 | — | (2.0) |
| Decrease (increase) in other noncurrent assets | 15.5 | .3 | (.1) | — | 15.7 |
| Decrease in long-term accrued liabilities | (24.0) | (.1) | (1.8) | — | (25.9) |
| Other — net | 1.8 | (.2) | (.2) | — | 1.4 |
| Net cash provided (used) by operating activities | 26.2 | (57.1) | 11.7 | — | (19.2) |
| **Investing activities cash flows** | | | | | |
| Capital expenditures | — | (9.1) | (4.7) | — | (13.8) |
| Net disposals of plant, property and equipment | — | 2.1 | .8 | — | 2.9 |
| Net cash used by investing activities | — | (7.0) | (3.9) | — | (10.9) |
| **Financing activities cash flows** | | | | | |
| Repayments of long-term debt | (.5) | — | (1.1) | — | (1.6) |
| Increase in short-term borrowings | 21.0 | — | .2 | — | 21.2 |
| Dividends paid | (.2) | — | — | — | (.2) |
| Net cash provided (used) by financing activities | 20.3 | — | (.9) | — | 19.4 |
| Intercompany receivables and payables | (21.4) | 33.9 | (12.5) | — | — |
| Intercompany advances | (25.2) | 23.4 | 1.8 | — | — |
| Effect of exchange rate fluctuations on cash and cash equivalents | — | .2 | 3.3 | — | 3.5 |
| **Decrease in cash and cash equivalents** | **(.1)** | **(6.6)** | **(.5)** | — | **(7.2)** |
| Cash and cash equivalents at beginning of year | (.6) | 10.8 | 35.5 | — | 45.7 |
| **Cash and cash equivalents at end of year** | **$ (.7)** | **$ 4.2** | **$ 35.0** | **$ —** | **$ 38.5** |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Milacron Inc. and Subsidiaries

We have audited the accompanying Consolidated Balance Sheets of Milacron Inc. and Subsidiaries (the Company) as of December 31, 2007 and 2006, and the related Consolidated Statements of Operations, Comprehensive Income (Loss) and Shareholders' Equity (Deficit), and Cash Flows for each of the two years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Milacron Inc. and Subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed under the heading "Changes in Methods of Accounting" in the Summary of Significant Accounting Policies in the notes to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" as of January 1, 2007. The Company adopted the provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" as of December 31, 2006 and adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-based Payment" using the modified prospective method as of January 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 24, 2008 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
March 24, 2008

**Item 9.** ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

**Item 9A.** ***Controls and Procedures***

**Disclosure Controls and Procedures**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the company is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission (SEC). As of the end of the company's fourth quarter, management conducted an evaluation (under the supervision and with the participation of the chief executive officer and the chief financial officer), pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), of the effectiveness of the company's disclosure controls and procedures. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, the company's chief executive officer and chief financial officer have concluded that the company's disclosure controls and procedures were effective as of December 31, 2007.

**Internal Control Over Financial Reporting**

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management (under the supervision and with the participation of the chief executive officer and the chief financial officer) has conducted an evaluation of its internal control over financial reporting as of December 31, 2007 based on the criteria established in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that assessment, management has concluded that the company's internal control over financial reporting was effective as of December 31, 2007.

**Changes in Internal Control Over Financial Reporting**

No change in internal control over financial reporting was made in the fourth quarter of 2007 that materially affected, or is likely to materially affect, the company's internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

Board of Directors
Milacron Inc. and Subsidiaries

We have audited Milacron Inc. and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting including the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Milacron Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of Milacron Inc. and Subsidiaries as of December 31, 2007 and 2006, and the related Consolidated Statements of Operations, Comprehensive Income (Loss) and Shareholders' Equity (Deficit), and Cash Flows for each of the two years in the period ended December 31, 2007 of Milacron Inc. and Subsidiaries and our report dated March 24, 2008 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Cincinnati, Ohio
March 24, 2008

**Item 9B.** ***Other Information***

Not applicable.

## PART III

**Item 10.** ***Directors, Executive Officers and Corporate Governance***

The information required by the first part of Item 10 is (i) incorporated herein by reference to the "Directors and Director Nominees," "Governance of the Company" and "Section 16(a) Beneficial Ownership Reporting Compliance" sections of the company's proxy statement for the annual meeting of shareholders to be held May 8, 2008, (ii) included in Part I "Executive Officers of the Registrant", on page 11 of this Form 10-K and (iii) presented below.

**Audit Committee Financial Literacy and Financial Experts**

The Company's Audit Committee is comprised of Sallie B. Bailey, Charles F.C. Turner and Mark L. Segal, with Mr. Segal serving as Chairperson. All members are independent under applicable Securities and Exchange Commission ("SEC") and New York Stock Exchange ("NYSE") rules. The Board of Directors of the company has determined that Mr. Segal and Mrs. Bailey are "audit committee financial experts" in accordance with SEC rules.

The information required by the second part of Item 10 is incorporated herein by reference to the "Section 16(a) Beneficial Ownership Reporting Compliance" section of the company's proxy statement for the annual meeting of shareholders to be held May 8, 2008.

The information required by the third part of Item 10 is presented below.

**Code of Ethics**

The company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer and principal accounting officer. A copy of the Code of Ethics is available on the company's website, www.milacron.com. A copy can also be obtained by calling the company's world headquarters at 513.487.5000 or by writing to the following address:

Milacron Inc.
Attention: Investor Relations
2090 Florence Avenue
Cincinnati, OH 45206-2425

**Other Corporate Governance Matters**

The company's board of directors has approved Corporate Governance Guidelines and a Business Code of Conduct that conform to NYSE requirements. Copies of these documents are available on the company's website, www.milacron.com. Copies may also be obtained by calling the company's world headquarters at 513.487.5000 or by writing to the following address:

Milacron Inc.
Attention: Investor Relations
2090 Florence Avenue
Cincinnati, OH 45206-2425

Copies of the following documents may also be obtained on the company's website or as described above.

Audit Committee Charter
Personnel and Compensation Committee Charter
Nominating and Corporate Governance Charter
and the related appendix regarding Criteria
for Selecting Board of Directors Candidates

The company filed its 2007 annual CEO certification with the NYSE on June 1, 2007. The certification was unqualified and states that the CEO is not aware of any violation by the company of any of the NYSE corporate governance listing standards. Additionally, the company filed with the SEC as exhibits to our Form 10-K for the year ended December 31, 2007 the CEO and CFO certification required under Section 302 of the Sarbanes-Oxley Act of 2002.

### Item 11. *Executive Compensation*

The following sections of the company's proxy statement for the annual meeting of shareholders to be held May 8, 2008 are incorporated herein by reference: "Executive Compensation" and "Director Compensation".

### Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The "Principal Holders of Voting Securities" section and the "Share Ownership of Directors and Executive Officers" sections of the company's proxy statement for the annual meeting of shareholders to be held May 8, 2008 are incorporated herein by reference.

### Securities Authorized for Issuance Under Equity Compensation Plans

***Equity Compensation Plan Information [Restate]***

| Plan Category | Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights [a] | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights [b] | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column)[a][c] |
|---|---|---|---|
| Equity compensation plans not approved by security holders | — | — | — |
| Equity compensation plans approved by security holders | 162,965 | $ 192.17 | 398,382 |
| Total | 162,965 | $ 192.17 | 398,382 |

### Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The "Procedures for Review of Related Party Transactions" section of the company's proxy statement for the annual meeting of shareholders to be held May 8, 2008 is incorporated herein by reference.

### Item 14. *Principal Accountant Fees and Services*

The following table presents fees for professional services rendered by Ernst & Young LLP, the company's independent auditors, for the years ended December 31, 2007 and 2006.

### Principal Accountant Fees and Services

| | 2007 | 2006 |
|---|---|---|
| Audit Fees(a) | $3,864,000 | $4,185,000 |
| Audit-related fees | — | — |
| Tax fees(b) | 361,000 | 353,000 |
| All other fees | — | — |
| Total | $4,225,000 | $4,538,000 |

(a) For services related to the annual audit of the company's consolidated financial statements (including statutory audits of subsidiaries or affiliates of the company), quarterly reviews of Forms 10-Q, issuance of the attestation on the company's internal controls over financial reporting and issuance of consents.

(b) For services related to tax compliance, tax return preparation and tax planning.

The Audit Committee reviews and approves, prior to the annual audit, the scope, general extent, and fees related to the independent auditors' audit examination. The Committee also reviews the extent of non-audit services provided by the independent auditors in relation to the objectivity and independence needed in the audit. The Committee also pre-approves all non-audit services performed by the independent auditor and fees related thereto (this responsibility may be delegated to the Chairperson when appropriate).

## PART IV

### Item 15. *Exhibits, Financial Statement Schedules*

**Item 15 (a) (1) & (2) — *List of Financial Statements and Financial Statement Schedules.***

The following consolidated financial statements of Milacron Inc. and subsidiaries are included in Item 8:


| | Page |
|---|---|
| Consolidated Statements of Operations — 2007 and 2006 | 33 |
| Consolidated Balance Sheets — 2007 and 2006 | 34 |
| Consolidated Statements of Comprehensive Income (Loss) and Shareholders' Deficit — 2007 and 2006 | 35 |
| Consolidated Statements of Cash Flows — 2007 and 2006 | 36 |
| Notes to Consolidated Financial Statements | 37 |
| Report of Independent Registered Public Accounting Firm | 87 |


The following consolidated financial statement schedule of Milacron Inc. and subsidiaries for the years ended 2007 and 2006 is filed herewith pursuant to Item 15(c):


| | |
|---|---|
| Schedule II — Valuation and Qualifying Accounts and Reserves | 100 |


All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

**Item 15(a) (3) — *List of Exhibits***

Page

2. Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession — not applicable.
3. Articles of Incorporation and By-Laws.

3.1 Restated Certificate of Incorporation of Milacron Inc., as amended November 27, 2007
– Filed herewith

3.2 Certificate of Designation of 6.0% Series B Convertible Preferred Stock of Milacron Inc.
– Incorporated by reference to the company's Form S-8 filed on June 11, 2004

3.3 Amended and restated By-Laws of Milacron Inc.
– Incorporated by reference to the company's Form S-8 filed on June 11, 2004

4. Instruments Defining the Rights of Security Holders, Including Indentures:

4.1 Indenture dated as of May 26, 2004, between Milacron Escrow Corporation, to be merged with and into Milacron Inc., and U.S. Bank National Association, as trustee, relating to the 11 1/2% Senior Secured Notes due 2011
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.2 Supplemental Indenture dated as of June 10, 2004, among Milacron Inc., the Guaranteeing Subsidiaries named therein and U.S. Bank National Association, as trustee, relating to the 11 1/2% Senior Secured Notes due 2011
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.3 Form of 11 1/2% Senior Secured Notes due 2011 (included in Exhibit 4.1)

4.4 Registration Rights Agreement dated as of May 26, 2004, between Milacron Escrow Corporation and Credit Suisse First Boston LLC, as representative of the several purchasers listed therein, relating to the 11 1/2% Senior Secured Notes due 2011
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.5 Joinder to the Registration Rights Agreement dated June 10, 2004 by Milacron Inc. and the Guarantors listed therein
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.6 Security Agreement dated June 10, 2004, made by each of the Grantors listed therein in favor of U.S. Bank National Association
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.7 Security Agreement (Canada) dated June 10, 2004, made by each of the Grantors listed therein in favor of U.S. Bank National Association
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.8 Pledge and Security Agreement dated June 10, 2004, made by each of the Pledgors listed therein in favor of U.S. Bank National Association
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.9 Intercreditor Agreement dated as of June 10, 2004, by and between JPMorgan Chase Bank and U.S. Bank National Association, acknowledged by Milacron Inc. and the subsidiaries of Milacron Inc. listed therein
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.10 Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by D-M-E Company in favor of U.S. Bank National Association (1975 N. 17th Avenue, Melrose Park, Illinois 60160), dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.11 Mortgage made by D-M-E U.S.A. Inc. in favor of U.S. Bank National Association (6328 Ferry Avenue, Charlevoix, Michigan 49720), dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.12 Mortgage made by D-M-E U.S.A. Inc. in favor of U.S. Bank National Association (29215 Stephenson Highway, Madison Heights, Michigan 48071) dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.13 Mortgage made by Oak International, Inc. in favor of U.S. Bank National Association (1160 White Street, Sturgis, Michigan 49091), dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.14 Mortgage made by Milacron Industrial Products, Inc. in favor of U.S. Bank National Association (31003 Industrial Road, Livonia, Michigan 48150), dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.15 Mortgage made by D-M-E U.S.A. Inc. in favor of U.S. Bank National Association (29111 Stephenson Highway, Madison Heights, Michigan 48071), dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.16 Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by D-M-E Company in favor of U.S. Bank National Association (558 Leo Street, Dayton, Ohio 45404) dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.17 Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by Milacron Inc. in favor of U.S. Bank National Association (418 West Main Street, Mount Orab, Ohio 45154) dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.18 Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by Milacron Inc. in favor of U.S. Bank National Association (3000 Disney Street, Cincinnati, Ohio 45209) dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.19 Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by Milacron Inc. in favor of U.S. Bank National Association (3010 Disney Street, Cincinnati, Ohio 45209) dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.20 Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by D-M-E Company in favor of U.S. Bank National Association (977 Loop Road, Lewistown, Pennsylvania) dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

4.21 Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by D-M-E Company in favor of U.S. Bank National Association (70 East Hills Street, Youngwood, Pennsylvania 15697) dated as of June 10, 2004
– Incorporated by reference to the company's Form S-4 filed on June 25, 2004 (Registration No. 333-116899)

9. Voting Trust Agreement — not applicable

10. Material Contracts:

10.1 Milacron Supplemental Pension Plan, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.2 Milacron Supplemental Retirement Plan, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.3 Milacron Supplemental Executive Retirement Plan, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.4 Milacron Supplemental Retirement Plan Amended and Restated Trust Agreement by and between Milacron Inc. Reliance Trust Company
– Incorporated by reference to the company's Form 10-Q for the quarter ended June 30, 2004

10.5 Milacron Supplemental Executive Pension Plan, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.6 Milacron Kunststoffmaschinen Europa GmbH Pension Plan for Senior Managers and Executives
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2004

10.7 Milacron Compensation Deferral Plan, as amended
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1999

10.8 Milacron Compensation Deferral Plan, as amended February 26, 2004
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2003

10.9 Milacron Compensation Deferral Plan Trust Agreement by and between Milacron Inc. And Reliance Trust Company
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1999

10.10 Milacron Inc. Executive Life Insurance Plan
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2004

10.11 Form of Tier I Executive Severance Agreement applicable to R. D. Brown
– Incorporated by reference to the company's Form 10-Q for the quarter ended September 30, 2003

10.12 Form of Tier II Executive Severance Agreement applicable to R. A. Anderson and H. C. O'Donnell
– Incorporated by reference to the company's Form 10-Q for the quarter ended September 30, 2003

10.13 Form of Tier II Executive Severance Agreement applicable to K. Bourdon and R. C. McKee
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2004

10.14 Amendment to Tier 1 Executive Severance Agreement with R. D. Brown and Tier II Executive Severance Agreements with H. C. O'Donnell dated as of February 10, 2004
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2003

10.15 Form of Amendment to Executive Severance Agreement relative to Robert C. McKee
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.16 Form of Amendment to Executive Severance Agreement relative to R. D. Brown, R. A. Anderson and H. C. O'Donnell
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.17 Temporary Enhanced Severance Plan applicable to R. D. Brown, R. P. Lienesch and H. C. O'Donnell
– Incorporated by reference to the company's Form 10-Q for the quarter ended September 30, 2003

10.18 Award Letter re. Temporary Enhanced Severance Plan to R. D. Brown
– Incorporated by reference to the company's Form 10-Q for the quarter ended September 30, 2003

10.19 Award Letter re. Temporary Enhanced Severance Plan to H. C. O'Donnell
– Incorporated by reference to the company's Form 10-Q for the quarter ended September 30, 2003

10.20 Award Letter re. Temporary Enhanced Severance Plan to R. C. McKee
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2004

10.21 Employment Agreement with Karlheinz Bourdon dated March 30, 2005
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2004

10.22 Settlement Agreement between Ferromatik Milacron Maschinenbau GmbH and Karlheinz Bourdon
– Incorporated by reference to the company's Form 10-K for the fiscal Year ended December 31, 2006

10.23 Executive Medical Expense Reimbursement Plan, Amended as of July 29, 2004
– Incorporated by reference to the company's Form 10-Q for the quarter ended September 30, 2004

10.24 Milacron Inc. 2002 Short-Term Incentive Plan, as amended February 21, 2008
– Incorporated by reference to the company's Form 8-K filed on February 27, 2008

10.25 Milacron Inc. 1994 Long-Term Incentive Plan, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.26 Milacron Inc. 1997 Long-Term Incentive Plan, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.27 Milacron Inc. 2004 Long-Term Incentive Plan, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.28 Cash Flow Improvement Award Agreement
– Incorporated by reference to the company's Form 8-K filed on March 3, 2006

10.29 Form of Performance Based Restricted Shares Award Agreement
– Incorporated by reference to the company's Form 8-K filed on February 17, 2005

10.30 Form of Restricted Shares Award Agreement
– Incorporated by reference to the company's Form 8-K filed on February 17, 2005

10.31 Form of Restricted Stock Agreement
– Incorporated by reference to the company's Form 8-K filed on February 23, 2006

10.32 Form of Notice of Award of Deferred Shares for Directors
– Incorporated by reference to the company's Form 8-K filed on February 17, 2005

10.33 Form of Award Amendment Agreement relative to R. D. Brown
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.34 Form of Award Amendment Agreement relative to R. A. Anderson, H. C. O'Donnell and R. C. McKee
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.35 Form of Notice of Amendment of Award relative to D. R. McIlnay
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.36 Form of Notice of Amendment of Award relative to S. B. Bailey Director Fee Agreement
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.37 Form of Notice of Common Stock Credit
– Incorporated by reference to the company's Form 8-K filed on February 23, 2006

10.38 Form of Phantom Share Account Agreement Performance
– Incorporated by reference to the company's Form 8-K filed on February 17, 2005

10.39 Form of Phantom Share Account Agreement
– Incorporated by reference to the company's Form 8-K filed on February 17, 2005

10.40 Form of Phantom Share Account Agreement
– Incorporated by reference to the company's Form 8-K filed on February 23, 2006

10.41 Milacron Inc. Plan for the Deferral of Director's Compensation, as amended
– Incorporated by reference to the company's Form 10-K for the fiscal year

10.42 Form of Special Executive Retention and Severance Agreement relative to R. D. Brown
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.43 Form of Special Executive Retention and Severance Agreement relative to R. A. Anderson, H. C. O'Donnell and R. C. McKee
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.44 Milacron Inc. Director Deferred Compensation Plan, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.45 Milacron Inc. Retirement Plan for Non-Employee Directors, as amended October 1, 2007
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.46 Milacron Retirement Plan for Non-Employee Directors, as amended February 10, 2004
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2003

10.47 Rights Agreement dated as of February 5, 1999, between Milacron Inc. and ChaseMellon Shareholder Services, LLC, as Rights Agent
– Incorporated by reference to the company's Registration Statement on Form 8-A (File

10.48 Amendment No. 1 to Rights Agreement dated as of March 11, 2004 among Milacron Inc. and Mellon Investor Services LLC
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2003

10.49 Amendment No. 2 to Rights Agreement dated as of June 9, 2004 among Milacron Inc. and Mellon Investor Services LLC
– Incorporated by reference to the company's Form S-1 filed on June 25, 2004 (Registration No. 333-116892)

10.50 Amendment No. 3 to Rights Agreement dated as of June 9, 2004 between Milacron Inc. and Mellon Investor Services LLC
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.51 Amendment No. 4 to Rights Agreement dated as of June 9, 2004 between Milacron Inc. and Mellon Investor Services LLC
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.52 Credit Agreement dated as of December 19, 2006 by and among Milacron Inc. and certain subsidiaries as Borrowers, certain subsidiaries as guarantors (or Canadian Borrowing Base Guarantors), the lenders party thereto and General Electric Capital Corporation, as administrative agent for the Lenders
– Incorporated by reference to the company's Form 8-K dated December 19, 2006

10.53 Registration Rights Agreement dated as of March 12, 2004 among Milacron Inc., Glencore Finance AG and Mizuho International plc
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2003

10.54 Note Purchase Agreement dated as of March 12, 2004 among Milacron Inc., Glencore Finance AG and Mizuho International plc
– Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 2003

10.55 Letter Amendment to Note Purchase Agreement dated April 5, 2004 among Milacron Inc., Glencore Finance AG and Mizuho International plc
– Incorporated by reference to the company's Form S-1 filed on June 25, 2004 (Registration No. 333-116892)

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10.56 Letter Amendment to Note Purchase Agreement dated June 7, 2004 among Milacron Inc., Glencore Finance AG and Mizuho International plc
– Incorporated by reference to the company's Form S-1 filed on June 25, 2004 (Registration No. 333-116892)

10.57 Contingent Warrant Agreement dated March 12, 2004 by and among Milacron Inc., Glencore Finance AG and Mizuho International plc
– Incorporated by reference to the company's Form S-1 filed on June 25, 2004 (Registration No. 333-116892)

10.58 Voting Agreement dated as of October 2, 2007 between Milacron Inc. and Glencore Finance AG
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.59 Director Fee Agreement
– Incorporated by reference to the company's Form 8-K filed on October 5, 2007

10.60 Asset Based Finance Agreement dated as of March 12, 2008 among Lloyds TSB Bank Plc, Netherlands Branch and Belgium Branch, Lloyds TSB Commercial Finance Limited, Cimcool Europe B.V., Cimcool Industrial Products B.V., D.-M-E Europe CVBA, Ferromatik Milacron Maschinenbau GmbH, Milacron Kunststoffmaschinen Europa GmbH, Milacron B.V. and Milacron Nederland B.V.
– Incorporated by reference to the company's Form 8-K filed on March 18, 2008

10.61 Loan Agreement dated as of March 12, 2008 between Lloyds TSB Bank Plc and Ferromatik Milacron Maschinenbau GmbH
– Incorporated by reference to the company's Form 8-K filed on March 18, 2008

10.62 Receivables Finance Agreement dated as of March 12, 2008 between Lloyds TSB Bank Plc and Cimcool Europe B.V.
– Incorporated by reference to the company's Form 8-K filed on March 18, 2008

10.63 Receivables Finance Agreement dated as of March 12, 2008 between Lloyds TSB Bank Plc and Cimcool Industrial Products B.V.
– Incorporated by reference to the company's Form 8-K filed on March 18, 2008

10.64 Receivables Finance Agreement dated as of March 12, 2008 between Lloyds TSB Bank Plc and D-M-E Europe CVBA
– Incorporated by reference to the company's Form 8-K filed on March 18, 2008

10.65 Debt Purchase Agreement dated as of March 12, 2008 between Lloyds TSB Commercial Finance Limited and Ferromatik Milacron Maschinenbau GmbH
– Incorporated by reference to the company's Form 8-K filed on March 18, 2008

11. Statement Regarding Computation of Per-Share Earnings

15. Letter Regarding Unaudited Interim Financial Information — not applicable

18. Letter Regarding Change in Accounting Principles — not applicable

19. Report Furnished to Security Holders — not applicable

21. Subsidiaries of the Registrant

22. Published Report Regarding Matters Submitted to Vote of Security Holders — not applicable

23. Consent of Experts and Counsel

24. Power of Attorney — not applicable

31. Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002:

31.1. Certification pursuant to Section 302 of the Sarbanes-Oxley Act

31.2. Certification pursuant to Section 302 of the Sarbanes-Oxley Act

32. Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99. Additional Exhibits — not applicable

Milacron Inc. hereby agrees to furnish to the Securities and Exchange Commission, upon its request, the instruments with respect to long-term debt for securities authorized thereunder which do not exceed 10% of the registrant's total consolidated assets.

**Item 15 (b) — *Index to Certain Exhibits and Financial Statement Schedules Filed Herewith***

| | |
|---|---|
| Exhibit 3.1 | Restated Certificate of Incorporation of Milacron Inc., as amended November 27, 2007 |
| Exhibit 11 | Statement Regarding Computation of Per-Share Earnings |
| Exhibit 21 | Subsidiaries of the Registrant |
| Exhibit 23 | Consent of Experts and Counsel |
| Exhibit 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act |
| Exhibit 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act |
| Exhibit 32 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

**MILACRON INC. AND SUBSIDIARIES**
**SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**
**Years ended 2007 and 2006**

| Col. A | Col. B | Col. C | | Col. D | Col. E |
|---|---|---|---|---|---|
| | | Additions | | | |
| Description | Balance at Beginning of Period | Charged to Cost and Expenses | Other -Describe (a) | Deductions -Describe | Balance at End of Period |
| | | | (In thousands) | | |
| Year ended 2007 | | | | | |
| Allowance for doubtful accounts | $ 7,342 | $ 1,872 | $ 426 | $ (1,889)(b) | $ 7,751 |
| Restructuring and consolidation reserves | $ 3,926 | $ 3,678 | $ 120 | $ (5,437)(b) | $ 1,920 |
| | | | | (367)(c) | |
| Allowance for inventory obsolescence | $ 27,253 | $ 1,955 | $ 1,697 | $ (4,429)(b) | $26,476 |
| Year ended 2006 | | | | | |
| Allowance for doubtful accounts | $ 9,038 | $ 1,628 | $ 538 | $ (3,862)(b) | $ 7,342 |
| Restructuring and consolidation reserves | $ 1,384 | $ 9,934 | $ 181(a) | $ (7,482)(b) | $ 3,926 |
| | | | 121(d) | (212)(c) | |
| Allowance for inventory obsolescence | $ 26,381 | $ 4,650 | $ 1,805 | $ (5,583)(b) | $27,253 |

(a) Represents foreign currency translation adjustments during the year.

(b) Represents amounts charged against the reserves during the year.

(c) Represents reversals of excess reserves.

(d) Represents reclassifications from other accounts and refunds of amounts previously expensed and paid.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MILACRON INC.

By: /s/ RONALD D. BROWN

RONALD D. BROWN;
*Chairman, President and Chief Executive Officer, Director (Chief Executive Officer)*

*By:* /s/ ROSS A. ANDERSON

ROSS A. ANDERSON;
*Senior Vice President — Finance and Chief Financial Officer (Chief Financial Officer)*

*By:* /s/ DANNY L. GAMEZ

DANNY L. GAMEZ;
*Controller*
*(Chief Accounting Officer)*

Date: March 24, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in capacities and on the dates indicated.

/s/ SALLIE B. BAILEY
Sallie B. Bailey; March 24, 2008 *(Director)*

/s/ JOHN P. BOLDUC
John P. Bolduc; March 24, 2008 *(Director)*

/s/ JOHN P. CAPLE
John P. Caple; March 24, 2008 *(Director)*

/s/ JASON T. EGLIT
Jason T. Eglit; March 24, 2008 *(Director)*

/s/ TIFFANY F. KOSCH
Tiffany F. Kosch; March 24, 2008 *(Director)*

/s/ DONALD R. MCLLNAY
Donald R. McIlnay; March 24, 2008 *(Director)*

/s/ SAMI W. MNAYMNEH
Sami W. Mnaymneh; March 24, 2008 *(Director)*

/s/ MATTHEW S. SANFORD
Matthew S. Sanford; March 24, 2008 *(Director)*

/s/ LEWIS J. SCHOENWETTER
Lewis J. Schoenwetter; March 24, 2008 *(Director)*

/s/ MARK L. SEGAL
Mark L. Segal; March 24, 2008 *(Director)*

/s/ CHARLES F.C. TURNER
Charles F.C. Turner; March 24, 2008 *(Director)*

/s/ LARRY D. YOST
Larry D. Yost; March 24, 2008 *(Director)*

**Exhibit 3.1**

# RESTATED CERTIFICATE OF INCORPORATION

**of**

**MILACRON INC.**

Milacron Inc., a corporation organized and existing under the laws of the State of Delaware (originally incorporated under the name Cincinnati Milacron Holdings, Inc. on March 18, 1983), hereby certifies as follows:

FIRST: The name of the corporation (hereinafter referred to as the Company) is Milacron Inc.

SECOND: The address of the Company's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, County of New Castle. The name of the Company's registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Company is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Company shall have authority to issue is 40,060,000, consisting of (1) 60,000 shares of 4% Cumulative Preferred Stock, par value $100 per share (hereinafter referred to as the Preferred Stock), (2) 10,000,000 shares of Serial Preference Stock, par value $.01 per share (hereinafter referred to as the Serial Preference Stock) and (3) 30,000,000 shares of Common Stock, par value $.01 per share (hereinafter referred to as the Common Stock).

The following is a statement of the designation and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, in respect of the Preferred Stock and the Common Stock and the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, in respect of the Serial Preference Stock, which the Board of Directors is herein authorized to fix.

## SECTION A: PROVISIONS RELATING TO PREFERRED STOCK

I. Out of the net assets of the Company legally available for dividends, the holders of Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, dividends in cash at the rate of $40 per annum per share of Preferred Stock, and no more, payable quarterly on the first days of March, June, September and December in each year (the quarterly periods commencing on the first days of such months, respectively, being herein designated as dividend periods), from March 1, 1983, before (subject to the provisions of paragraphs II and V of this Section A) any sum or

sums shall be set aside for or applied to the purchase or redemption of Preferred Stock, and before any dividends shall be declared or paid upon or set apart for, or any other distribution shall be ordered or made in respect of Serial Preference Stock or Common Stock, and before any Serial Preference Stock or Common Stock shall be purchased, redeemed or otherwise acquired by the Company; and such dividends shall be cumulative (whether or not in any dividend period or periods there shall be net assets of the Company legally available for the payment of such dividends), so that if at any time dividends upon all the outstanding Preferred Stock at the rate of $40 per annum per share of Preferred Stock thereof from March 1, 1983, to the end of the then current dividend period shall not have been paid or declared and a sum sufficient for the payment thereof set apart for such payment, then (subject to the provisions of paragraphs II and V of this Section A) the amount of the deficiency shall be fully paid, but without interest, or dividends in such amount declared and a sum sufficient for the payment thereof set apart for such payment, before any sum or sums shall be set aside for or applied to the purchase or redemption of Preferred Stock, and before any dividends shall be declared or paid upon or set apart for, or any other distribution shall be ordered or made in respect of, Serial Preference Stock, or Common Stock, and before any Serial Preference Stock or Common Stock shall be purchased, redeemed, or otherwise acquired by the Company.

II. Out of any remaining net assets of the Company legally available for dividends after or concurrently with making payment of full dividends upon Preferred Stock then outstanding at the rate of $40 per annum per share of Preferred Stock for all past dividend periods, and after or concurrently with making payment of, or declaring and setting apart for payment, full dividends at said rate on all Preferred Stock then outstanding to the end of the then current dividend period, then, and not otherwise, the holders of Serial Preference Stock and Common Stock shall, subject to the provisions hereof, be entitled to receive such dividends as may from time to time be declared by the Board of Directors; provided, however, that if at any time full dividends upon all Preferred Stock then outstanding at the rate of $40 per annum per share of Preferred Stock shall have been paid for all past dividend periods and declared and set apart for payment for the current dividend period, dividends on the Serial Preference Stock and (subject to the provisions of Section B of this Article FOURTH) the Common Stock, payable in the next succeeding dividend period, may be declared by the Board of Directors and, when so declared, may be paid in the next succeeding dividend period, notwithstanding any restriction hereinabove in paragraph I of this Section A or in this paragraph II set forth; and provided further that, so long as any Preferred Stock shall be outstanding, in no event shall any dividends whatsoever, whether in cash, shares or otherwise (other than dividends payable in Serial Preference Stock or Common Stock), be declared or paid upon or set apart for, or any other distribution be ordered to be made in respect of, Serial Preference Stock (other than the 6% Series B Convertible Preferred Stock, the “Series B Stock”) or Common Stock, or any expenditures be made by the Company for the purchase, redemption, retirement or other acquisition of any Serial Preference Stock (other than the Series B Stock) or Common Stock, if at the time such dividend is so declared or such distribution is so ordered or such expenditures are so made:

(1) consolidated net current assets remaining after deducting the amount of such dividend or distribution or expenditure would be less than $1,000 for each share of Preferred Stock outstanding; or

(2) consolidated net tangible assets remaining after deducting the amount of such dividend or distribution or expenditure would be less than $2,000 for each share of Preferred Stock outstanding.

III. The Preferred Stock shall be preferred as to both earnings and assets over the Serial Preference Stock and the Common Stock and, in the event of any voluntary or involuntary liquidation or dissolution or winding up of the Company or any sale of all or substantially all of its assets, the holders of Preferred Stock shall be entitled to receive out of the assets of the Company available for distribution to its shareholders, whether from capital, surplus or earnings, an amount equal to $1,000 per share, if such liquidation, dissolution, winding up or sale be involuntary, and, if voluntary, an amount equal to $1,050 per share, in each case plus an amount equal to all dividends accrued or in arrears thereon to the date of distribution, for every share of their holdings of Preferred Stock, before any distribution of assets shall be made to the holders of Serial Preference Stock or Common Stock, and the holders of Serial Preference Stock and Common Stock shall be entitled, to the exclusion of the holders of Preferred Stock, to share in all the assets of the Company then remaining, in accordance with the provisions of Section B hereof. If upon any such voluntary or involuntary liquidation or dissolution, winding up or sale, the assets thus distributable among the holders of Preferred Stock shall be insufficient to permit the payment to such holders of Preferred Stock of the preferential amounts aforesaid, then the entire assets of the Company to be distributed shall be distributed ratably among the holders of Preferred Stock according to the amounts which they respectively would be entitled to receive if such assets available for distribution as aforesaid were sufficient to permit the payment in full of said sums. No merger or consolidation of the Company with or into another corporation organized under the laws of the State of Delaware or any other state and no merger or consolidation of any such other corporation into the Company, which shall not in fact result in the liquidation of the enterprise and the distribution of assets to shareholders, shall be deemed to be a liquidation, dissolution, or winding up of the Company or sale of aforesaid.

IV. The term “dividends accrued or in arrears” whenever used in this Section A with reference to the Preferred Stock shall be deemed to mean (whether or not in any dividend period or in any part thereof in respect of which such term is used there shall have been net assets of the Company legally available for the payment of such dividends) that amount which shall be equal to dividends in cash at the rate of $40 per annum per share of Preferred Stock from March 1, 1983, to the date as of which dividends accrued or in arrears are or are to be determined for such shares (including an amount equal to the dividend at such rate for the elapsed portion of the current dividend period) less the amount of all dividends paid upon such shares, or deemed to have been paid on such shares in accordance with the provisions of the following sentence. In the event of the issuance of additional Preferred Stock (unless such additional shares have been classified into a new series pursuant to paragraph IX of this Section A), all dividends paid on Preferred Stock outstanding prior to the issuance of such additional Preferred Stock and

all dividends declared and payable to the holders of Preferred Stock of record on any date prior to such additional issue shall be deemed to have been paid on the additional Preferred Stock so issued.

V. The Preferred Stock, or any part thereof, at any time outstanding may be redeemed by the Company at its election expressed by resolution of the Board of Directors, at any time or from time to time, upon not less than 30 days nor more than 60 days previous notice to the holders of record of the Preferred Stock to be redeemed, mailed to the holders of the Preferred Stock to be redeemed, at their respective addresses as the same shall appear on the books of the Company, at the redemption price of $1,050 per share plus all dividends accrued or in arrears thereon to the date fixed in such notice as the date of redemption; provided, however, that less than all Preferred Stock at the time outstanding may be redeemed only after or concurrently with making payment of all dividends accrued or in arrears upon all Preferred Stock then outstanding for all past dividend periods and after or concurrently with making payment of, or declaring and setting apart for payment, full dividends on all Preferred Stock then outstanding (other than the shares to be redeemed) to the end of the then current dividend period. If less than all the outstanding Preferred Stock is to be redeemed, the redemption may be made either by lot or pro rata in such manner as may be determined or prescribed by resolution of the Board of Directors, or may be limited to fractional shares, if any, outstanding. From and after the date fixed in any such notice as the date of redemption (unless default shall be made by the Company in providing monies for the payment of the redemption price pursuant to such notice), or, if the Company shall so elect, from and after a date (hereinafter called the date of deposit and which shall be prior to the date fixed as the date of redemption) on which the Company shall provide monies for the payment of the redemption price by depositing the amount thereof for account of the holders of Preferred Stock entitled thereto with a bank or trust company doing business either in the City of Cincinnati in the State of Ohio or in the Borough of Manhattan in the City and State of New York, and having a capital and surplus of at least $5,000,000 pursuant to notice of such election included in the notice of redemption specifying the date on which such deposit will be made, all dividends on Preferred Stock thereby called for redemption shall cease to accrue and all rights of the holders thereof as shareholders of the Company, except the right to receive the redemption price as herein provided, shall cease and terminate. After the deposit of such amount with such bank and trust company, the respective holders of record of Preferred Stock to be redeemed shall be entitled to receive the redemption price at any time upon the actual delivery to such bank or trust company of certificates for the shares to be redeemed properly stamped from transfer (if required) and duly endorsed in blank or accompanied by proper instruments of assignment and transfer thereof duly endorsed in blank. Any monies so deposited which shall remain unclaimed by the holders of Preferred Stock called for redemption at the end of six years after the redemption date, together with any interest thereon which shall be allowed by the bank or trust company with which the deposit shall have been made, shall be paid by such bank or trust company to the Company.

VI. Subject to the provisions of the By-laws of the Company, as from time to time amended, with respect to the closing of the transfer books or the fixing of a record date for the determination of shareholders entitled to vote, at each meeting of the

shareholders each holder of record of Preferred Stock shall be entitled to 24 votes for each such share of Preferred Stock held by him, each holder of record of Common Stock shall be entitled to one vote for each such share of Common Stock held by him, as provided in Section C, and each holder of record of Serial Preference Stock of each series shall be entitled to the number of votes, if any, as he may be entitled to in accordance with the resolution or resolutions adopted by the Board of Directors in accordance with the provisions of paragraph II of Section B of this Article FOURTH providing for the issuance of such series; provided, however, that anything herein contained to the contrary notwithstanding, the holders of Preferred Stock shall also have the additional rights hereinafter in this paragraph VI set forth, to which additional rights the aforesaid voting rights of the holders of Serial Preference Stock and Common Stock shall be subject. Except as may otherwise be required by law, by this Article FOURTH or by resolutions adopted by the Board of Directors in accordance with the provisions of paragraph II of Section B, the holders of record of Common Stock, Preferred Stock and Serial Preference Stock shall vote together as a single class. If at any time dividends accrued or in arrears upon Preferred Stock then outstanding shall amount to $40 per share or more, a default in preferred dividends, for the purposes of this paragraph VI, shall be deemed to have occurred; and, having so occurred, such default in preferred dividends shall be deemed to exist thereafter until, but only until, all dividends accrued or in arrears on all Preferred Stock then outstanding shall have been paid to the end of the last preceding dividend period and the full dividend thereon to the end of the then current dividend period shall have been paid or declared and a sum sufficient for the payment thereof set apart for such payment. If and whenever a default in preferred dividends shall exist, then at the next annual meeting of shareholders of the Company for the election of directors (unless at the time of such meeting such default in preferred dividends shall no longer exist) and at each other meeting annual or special, for the election of directors, held thereafter and during the existence of such default in preferred dividends, the holders of the outstanding Preferred Stock, voting separately as a class, shall have the right, at each such meeting at which at least 35% of the outstanding Preferred Stock is represented (but not otherwise), to elect one-third of the members of the Board of Directors to be elected, but if the number of directors to be elected when divided by three shall result in a fraction, such fraction shall be disregarded if less than one-half and shall be increased to one if more than one-half. The right to elect one-third of the number of directors to be elected shall be in addition to the right of the holders of the outstanding Preferred Stock to vote with the holders of Serial Preference Stock and Common Stock in the election of the remaining directors of the Company. If, during the existence of a default entitling the holders of Preferred Stock to elect one-third of the directors, any annual meeting of shareholders is not held when and as required by the By-laws of the Company, a special meeting of the shareholders for the purpose of electing directors may be called by the holders of record of at least 10% of the Preferred Stock outstanding. Any director elected by the holders of Preferred Stock, voting as a class pursuant to the aforesaid right, shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term the default in preferred dividends which permitted his election by the holders of Preferred Stock shall cease to exist. If, prior to the end of the term of any director so elected by the holders of Preferred Stock, a vacancy in the office of such director shall occur by reason of the death, resignation,

removal or disability of such director, or for any other cause, such vacancy shall be filled for the unexpired term in the manner provided in the By-laws of the Company.

VII. Anything contained herein or in the By-laws of the Company to the contrary notwithstanding, so long as any Preferred Stock shall be outstanding the Company shall not, without the consent, given by resolution adopted at a meeting duly called for that purpose, or if permitted by law, given in writing, of the holders of at least two-thirds of the Preferred Stock at the time outstanding,

(1) amend, alter or repeal any of the terms and provisions of the outstanding Preferred Stock in any material respect prejudicial to the holders thereof; or

(2) increase the authorized amount of Preferred Stock or authorize any new class of stock having preference over, or being on a parity with, the Preferred Stock as to dividends or assets, or create any obligation or security of the Company directly or indirectly convertible into or exchangeable for shares of any class having preference over, or being on a parity with, the Preferred Stock as to dividends or assets; or

(3) sell or transfer all or substantially all of its assets or merge into or consolidate with any other corporation or merge or consolidate any such other corporation (except a wholly-owned subsidiary) into the Company.

VIII. As used in this Section A:

The term “funded debt” shall mean any debt maturing by its terms more than one year from the date thereof, and shall include all such debt created, assumed or guaranteed by the Company or any subsidiary. If the terms of any debt shall include an option on the part of the Company or the subsidiary to extend (by way of renewal or otherwise) its maturity on any conditions, the maturity shall be deemed to be the last date to which the maturity may be so extended. The term “consolidated funded debt” shall mean the total funded debt of the Company and its subsidiaries.

The term “consolidated net tangible assets” shall mean consolidated tangible assets less (i) consolidated funded debt, (ii) consolidated current liabilities, as hereinafter defined, except such portion thereof, if any, as is included in consolidated funded debt, and (iii) deferred credits and all reserves other than reserves deducted from consolidated tangible assets or reserves included in consolidated current liabilities or reserves representing an appropriation of retained earnings.

The term “consolidated tangible assets” shall mean (i) the fixed assets (namely plant, property, equipment and all other kinds of tangible fixed assets) owned by the Company and its subsidiaries as at December 31, 1944, plus subsequent additions to such fixed assets, in all cases taken at cost to the Company or its subsidiaries and less reserves for depreciation and other proper deductions; (ii) consolidated current assets, as hereinafter defined; and (iii) other investments and receivables and other tangible assets of the Company and its subsidiaries taken at cost less proper reserves, excluding, however, any securities issued by the Company or by any of its subsidiaries. The cost of tangible assets acquired by the Company or any subsidiary after December 31, 1944, for

a consideration other than cash shall be the fair value of such assets as determined by the Board of Directors of the Company. In arriving at consolidated tangible assets, the Company may substitute for the value of any or all fixed assets acquired subsequent to December 31, 1944, calculated in accordance with the foregoing provisions of this paragraph, the fair value thereof as determined by an appraisal by such independent engineer or engineers or other independent expert or experts as the Board of Directors of the Company shall employ for the purpose.

The term “consolidated net current assets” shall mean consolidated current assets, as hereinafter defined, less consolidated current liabilities, as hereinafter defined.

The term “consolidated current assets” shall mean the following assets of the Company and its subsidiaries:

(1) cash and cash items on hand or in transit or on deposit in any solvent bank or trust company;

(2) shares, bonds and other securities or obligations (other than shares, bonds, securities or obligations of the Company or of any subsidiary) which are readily marketable, taken at the market value thereof;

(3) good and collectible notes, trade acceptances, accounts and bills receivable, determined to be properly current in accordance with principles approved by certified or independent public accountants or auditors as hereinafter in this paragraph VIII provided, in each case taken at the face amount thereof, less reserves determined to be sufficient by the Company in accordance with principles approved by said accountants or auditors;

(4) inventories, products in the process of manufacture or treatment, manufactured products, materials and supplies and miscellaneous merchandise, priced as determined by the Company in accordance with principles approved by said accountants or auditors; and

(5) such other assets as may be properly classified as current assets under sound accounting practice, as approved by said accountants or auditors.

In computing consolidated current assets there shall not be included any assets which are pledged or deposited as security for or for the purpose of paying any obligation which is not included in consolidated current liabilities as such term is hereinafter defined, but there shall be included assets of the character aforesaid which are pledged or deposited as security for or for the purpose of paying any obligation included in consolidated current liabilities.

The term “consolidated current liabilities” shall mean the following liabilities of the Company and its subsidiaries:

(1) all indebtedness, secured or unsecured, maturing during the period of twelve months after the date as of which consolidated current liabilities are being

determined, including therein any consolidated funded debt maturing within such period of twelve months, except to the extent that such maturing funded debt is otherwise included pursuant to subsection (4) below;

(2) reserves for taxes payable during the period of twelve months after the date as of which consolidated current liabilities are being determined;

(3) all interest due or accrued, and all dividends declared but not paid;

(4) any amount required to be paid during the period of twelve months after the date as of which consolidated current liabilities are being determined, as a purchase fund or sinking fund with respect to any funded debt, less, however, any funded debt which has been reacquired by the Company or a subsidiary and is held by it, or a purchase fund or sinking fund agent, earmarked for the purpose of meeting the amount so required to be paid on account of such purchase fund or sinking fund, taken at the amount at which the Company or the subsidiary issuing the same is entitled, under the instrument under which such funded debt was issued, to receive credit with respect thereto against such purchase fund or sinking fund obligation; and

(5) such other liabilities as may be properly classified as current liabilities under sound accounting practice, as approved by said accountants or auditors.

The term “subsidiary” shall mean any corporation, association, or business trust, at least a majority of the shares of which at the time outstanding having voting power for the election of a majority of the directors or trustees thereof (except shares having such voting power only upon default in payment of dividends or other defaults) is owned, directly or indirectly, by the Company and/or by one or more other subsidiaries; provided, however, that neither The Factory Power Company, an Ohio corporation, nor any successor thereto nor any subsidiary thereof, shall be deemed to be a subsidiary of the Company for any purpose of this Section A; and provided further that a corporation incorporated under the laws of a jurisdiction other than the United States of any state thereof or the District of Columbia may or may not, as the Company may elect in connection with any determination made pursuant to this paragraph VIII, be deemed to be a subsidiary of the Company for the purposes of such determination.

The term “wholly-owned subsidiary” shall mean any corporation, association or business trust, all the shares of which at the time outstanding (exclusive of directors’ qualifying shares), except shares having a limited participation as to assets, shall be owned, directly or indirectly, by the Company and/or by one or more other wholly-owned subsidiaries.

All determinations of funded debt, consolidated funded debt, consolidated net tangible assets, consolidated tangible assets, consolidated net current assets, consolidated current assets and consolidated current liabilities, and of the status of any corporation, association or business trust as a subsidiary or a wholly-owned subsidiary of the Company, shall be made, in accordance with good accounting practice, by such firm of certified or independent public accountants or auditors as shall regularly examine and

report on the financial statements of the Company for inclusion in its annual report to shareholders or such firm of certified or independent public accountants or auditors as shall be employed by the Board of Directors for the purpose of such determination. In all such determinations, all material intercompany items shall be eliminated and appropriate adjustments shall be made to adjust for and eliminate minority interests in subsidiaries, all as approved by such accountants or auditors. The determinations of such accountants or auditors shall be final and conclusive.

IX. The Board of Directors shall have authority, subject to such limitations as may be stated herein, to adopt amendments to this Certificate of Incorporation, in respect of any unissued or treasury Preferred Stock, to fix or alter the division of such shares into series, the designation and number of shares of each series, the dividend rate, dates of payment of dividends and dates from which they are cumulative, redemption rights and price, liquidation price, sinking fund requirements, conversion rights, and restrictions on issuance of shares of the same series or of any other class or series.

SECTION B. PROVISIONS RELATING TO SERIAL PREFERENCE STOCK

I. The Serial Preference Stock may be issued from time to time in one or more series, the shares of each series to have such designations and powers, preferences and rights, and qualifications, limitations and restrictions thereof, as are stated and expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors as hereafter provided.

II. Authority is hereby expressly granted to the Board of Directors, subject to the provisions of this Article FOURTH, to authorize the issue of one or more series of Serial Preference Stock, and with respect to each such series to fix by resolution or resolutions providing for the issue of such series:

(1) the designation of such series, the number of shares to constitute such series and the stated value thereof if different from the par value thereof;

(2) whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights;

(3) the annual dividend rate, if any, payable on such series expressed in a dollar amount per share, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class or any other series of this class;

(4) whether the shares of such series shall be subject to redemption by the Company, and, if so, the times, prices and other conditions of such redemption;

(5) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such series in, the voluntary or involuntary liquidation, dissolution or winding up of the Company;

(6) whether the shares of such series shall be subject to the operation of a purchase, retirement or sinking fund and, if so, the extent to and manner in which any such purchase, retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(7) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or of any other series of this class and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same;

(8) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Company of, the Common Stock or any other class or any other series of this class;

(9) the conditions or restrictions, if any, upon the creation of indebtedness of the Company or upon the issue of any additional stock, including additional shares of such series or of any other series of this class or of any other class; and

(10) any other powers, preferences or rights, or any qualifications, limitations or restrictions thereof.

III. Except as otherwise provided by such resolution or resolutions, all shares of Serial Preference Stock shall be of equal rank.

IV. No holder of Serial Preference Stock shall have any pre-emptive rights to subscribe to stock obligations, warrants, rights to subscribe to stock or other securities of the Company of any class, whether now or hereafter authorized.

V. Pursuant to the authority conferred upon the Board of Directors of the Company by this Article FOURTH, the Board of Directors created a series of 300,000 shares of Serial Preference Stock designated as Series A Participating Cumulative Preferred Stock (the “Series A Preferred Stock”) by filing a Certificate of Designation of the Company with the Secretary of State of the State of Delaware on February 5, 1999, as amended and restated by filing an Amended and Restated Certificate of Designation of the Company with the Secretary of State of the State of Delaware on June 9, 2004, and the voting powers, designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions of the Series A Preferred Stock are set forth in Appendix A hereto and are incorporated herein by reference.

VI. Pursuant to the authority conferred upon the Board of Directors of the Company by this Article FOURTH, the Board of Directors created a series of 900,000 shares of Serial Preference Stock designated as 6.0% Series B Convertible Preferred Stock (the “Series B Preferred Stock”) by filing a Certificate of Designation of the Company with the Secretary of State of the State of Delaware on June 9, 2004, as amended pursuant to Section 242 of the General Corporation Law of the State of Delaware by filing a Certificate of Amendment of Restated Certificate of Incorporation

of the Company with the Secretary of State of the State of Delaware on November 27, 2007, and the voting powers, designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions of the Series B Preferred Stock are set forth in Appendix B hereto and are incorporated herein by reference.

SECTION C: PROVISIONS RELATING TO COMMON STOCK

I. The holders of record of Common Stock shall be entitled to one vote per share for all purposes.

II. Subject to the provisions of law and the respective preferences of the Preferred Stock and the Serial Preferred Stock, dividends may be paid on the Common Stock of the Company at such time and in such amounts as the Board of Directors may deem advisable.

III. The Board of Directors of the Company is authorized to effect the elimination of shares of its Common Stock purchased or otherwise reacquired by the Company from the authorized capital stock or number of shares of the Company in the manner provided for in the General Corporation Law of Delaware.

IV. No holder of Common Stock shall have any pre-emptive right to subscribe to stock, obligations, warrants, rights to subscribe to stock or other securities of any class, whether now or hereafter authorized.

SECTION D. GENERAL

Subject to the provisions of law and the foregoing provisions of this Certificate of Incorporation, the Company may issue shares of its Preferred Stock and Serial Preference Stock or Common Stock, from time to time, for such consideration (not less than the par value or stated value thereof) as may be fixed by the Board of Directors, which is expressly authorized to fix the same in its absolute and uncontrolled discretion, subject as aforesaid. Shares so issued, for which the consideration has been paid or delivered to the Company, shall be deemed fully paid stock, and shall not be liable to any further call or assessments thereon, and the holders of such shares shall not be liable for any further payments in respect of such shares.

FIFTH: Except for any action which may be taken solely upon the vote or consent of holders of the Preferred Stock no action required to be taken or which may be taken at any annual or special meeting of the shareholders of the Company may be taken by written consent without a meeting, except that any such action may be taken without prior notice and without a vote, if consent in writing, setting forth the action so taken, shall be signed by all the shareholders of the Company who would be entitled to notice of a meeting of the shareholders held for such purpose.

SIXTH: The Board of Directors shall have the power to amend, alter or repeal the By-laws of the Company.

SEVENTH: (a) The directors shall be divided into three classes, each of which shall be composed, as nearly as may be, of one-third of the directors. The term of office of the directors of the first class is to expire at the annual meeting to be held during the calendar year 1984, the term of office of the directors of the second class is to expire at the annual meeting to be held during the calendar year 1985 and the term of office of the directors of the third class is to expire at the annual meeting to be held during the calendar year 1986. At each annual meeting, commencing with the annual meeting to be held during the calendar year 1984, each of the successors to the directors of the class whose term shall have expired that year shall be elected for a term running until the third annual meeting next succeeding his election and until his successors shall have been duly elected and shall have qualified, except that, upon the filing of any vacancy in the Board of Directors occurring other than by expiration of term of office, a successor shall be elected for the unexpired term. The Board of Directors may determine the class or classes to which directors shall be elected when there is a total number of directors in excess of a number divisible by three. A decrease in the number of directors shall not deprive any director of his office as such before the expiration of his term, but shall become effective until as and when the term or terms of office for directors of the class or classes affected thereby shall expire or a vacancy or vacancies in such class or classes shall occur.

(b) The provisions of this Article SEVENTH may not be amended, altered or repealed unless such amendment, alteration or repeal, as the case may be, shall have been approved by the affirmative vote of the holders of not less than two-thirds of the total voting power of the outstanding stock of the Company entitled to vote thereon.

EIGHTH: Election of directors of the Company need not be by ballot unless and to the extent that the By-laws of the Company shall so provide.

NINTH: Whenever a compromise or arrangement is proposed between the Company and its creditors or any class of them and/or between the Company and its shareholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Company or of any shareholder thereof or on the application of any receiver or receivers appointed for this Company under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Company under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the shareholders or class of shareholders of this Company, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the shareholders or class of shareholders of the Company, as the case may be, agree to any compromise or arrangement and to any reorganization of the Company as the consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all shareholders or class of shareholders, of the Company, as the case may be, and also on the Company.

TENTH: The Company reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and any other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon shareholders, directors or any other person whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article TENTH.

ELEVENTH: (a) To the fullest extent that the General Corporation Law of the State of Delaware as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the liability of directors, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. No amendment to or repeal of this Article shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

(b) In addition to any requirements of law and any other provisions herein or in the terms of any class or series of capital stock having a preference over the common stock of the Corporation as to dividends or upon liquidation (and not withstanding that a lesser percentage may be specified by law), the affirmative vote of the holders of 2/3 or more of the voting power of the then outstanding voting stock of the Corporation, voting together as a single class, shall be required to amend, alter or repeal any provision of this Article.

This Restated Certificate of Incorporation, which only restates and integrates and does not further amend the provisions of the restated certificate of incorporation of the Company as amended, was duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. There is no discrepancy between the provisions of the restated certificate of incorporation of the Company as amended and the provisions of this Restated Certificate of Incorporation.

IN WITNESS WHEREOF, the Company has caused this certificate to be signed by its duly authorized officer, this ___ day of March, 2008.

Milacron Inc.

By ______________________________

Name:

Title:

Appendix A

AMENDED AND RESTATED CERTIFICATE OF THE VOTING POWERS,
DESIGNATIONS, PREFERENCES AND RELATIVE
PARTICIPATING, OPTIONAL AND OTHER SPECIAL
RIGHTS AND QUALIFICATIONS, LIMITATIONS
OR RESTRICTIONS OF SERIES A
PARTICIPATING CUMULATIVE
PREFERRED STOCK OF
MILACRON INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

Milacron Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Company"), in accordance with the provisions of Sections 103 and 151(g) thereof, DOES HEREBY CERTIFY:

1. That by resolution of the Board of Directors of the Company dated February 5, 1999, and by a Certificate of Designations filed in the office of the Secretary of State of the State of Delaware on February 5, 1999, the Company authorized a series of 300,000 shares of Serial Preference Stock of the Company designated as Series A Participating Preferred Stock (the "Series A Preferred Stock") and established the voting powers, preferences and relative, participating, optional and other special rights of the Series A Preferred and the qualifications, limitations or restrictions thereof.

2. As of the date hereof no shares of Series A Preferred Stock are outstanding and no shares of Series A Preferred Stock have been issued.

3. That pursuant to the authority conferred on the Board of Directors of the Company by its Restated Certificate of Incorporation and the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, the Board of Directors on June 9, 2004 adopted the following resolution amending the voting powers, preferences and relative, participating, optional and other special rights of the Series A Preferred Stock and the qualifications, limitations or restrictions thereof.

RESOLVED, that pursuant to the authority conferred upon the Board of Directors of the Company and the Restated Certificate of Incorporation and by the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, the voting powers, preferences and relative, participating, optional and other special rights of the Series A Participating Cumulative Preferred Stock of the Company, and the qualifications, limitations or restrictions thereof be, and the same hereby are, amended in their entirety as follows:

SECTION 1. Designation and Number of Shares. The shares of such series shall be designated as "Series A Participating Cumulative Preferred Stock" (the "Series A Preferred Stock"). The number of shares initially constituting the Series A

Preferred Stock shall be 300,000; provided, however, that, if more than a total of 300,000 shares of Series A Preferred Stock shall be issuable upon the exercise of Rights (the "Rights") issued pursuant to the Rights Agreement dated as of February 5, 1999, between the Company and Mellon Investor Services LLC (formerly known as ChaseMellon Shareholder Services, L.L.C.), a New Jersey limited liability company, as Rights Agent (as such agreement may be amended from time to time, the "Rights Agreement"), the Board of Directors of the Company, pursuant to Section 151(g) of the General Corporation Law of the State of Delaware, shall direct by resolution or resolutions that a certificate be properly executed, acknowledged, filed and recorded, in accordance with the provisions of Section 103 thereof, providing for the total number of shares of Series A Preferred Stock authorized to be issued to be increased (to the extent that the Restated Certificate of Incorporation then permits) to the largest number of whole shares (rounded up to the nearest whole number) issuable upon exercise of such Rights.

SECTION 2. Dividends or Distributions. (a) Subject to the prior and superior rights of the holders of shares of the 4% Cumulative Preferred Stock of the Company (the "Preferred Stock"), any other series of Serial Preference Stock or any other class of capital stock of the Company ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of the Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Company legally available therefor, (1) quarterly dividends payable in cash on the last day of each fiscal quarter in each year, or such other dates as the Board of Directors of the Company shall approve (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or a fraction of a share of Series A Preferred Stock, in the amount of $.01 per whole share (rounded to the nearest cent) less the amount of all cash dividends declared on the Series A Preferred Stock pursuant to the following clause (2) since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock (the total of which shall not, in any event, be less than zero) and (2) dividends payable in cash on the payment date for each cash dividend declared on the Common Stock in an amount per whole share (rounded to the nearest cent) equal to the Formula Number (as hereinafter defined) then in effect times the cash dividends then to be paid on each share of Common Stock. In addition, if the Company shall pay any dividend or make any distribution on the Common Stock payable in assets, securities or other forms of noncash consideration (other than dividends or distributions solely in shares of Common Stock), then, in each such case, the Company shall simultaneously pay or make on each outstanding whole share of Series A Preferred Stock a dividend or distribution in like kind equal to the Formula Number then in effect times such dividend or distribution on each share of the Common Stock. As used herein, the "Formula Number" shall be 1,000; provided, however, that, if at any time after February 5, 1999, the Company shall (i) declare or pay any dividend on the Common Stock payable in shares of Common Stock or make any distribution on the Common Stock in shares of Common Stock, (ii) subdivide (by a stock split or otherwise) the outstanding shares of Common Stock into a larger number of shares of Common Stock or (iii) combine (by a reverse stock split or otherwise) the outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then in each such event the Formula Number shall be adjusted to a number determined by multiplying the Formula Number in effect immediately prior to such event by a fraction, the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that are outstanding immediately prior to such event (and rounding the result to the nearest whole number); and provided further that, if at any time after February 5, 1999, the Company shall issue any shares of its capital stock in a merger, reclassification, or change of the outstanding shares of Common Stock, then in each such event the Formula Number shall be appropriately adjusted to reflect such merger, reclassification or change so that each share of Preferred Stock continues to be the economic equivalent of a Formula Number of shares of Common Stock prior to such merger, reclassification or change.

(b) The Company shall declare a dividend or distribution on the Series A Preferred Stock as provided in Section 2(a) immediately prior to or at the same time it declares a dividend or distribution on the Common Stock (other than a dividend or distribution solely in shares of Common Stock); provided , however , that, in the event no dividend or distribution (other than a dividend or distribution in shares of Common Stock) shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $.01 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a dividend or distribution declared thereon, which record date shall be the same as the record date for any corresponding dividend or distribution on the Common Stock.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from and after the Quarterly Dividend Payment Date next preceding the date of original issue of such shares of Series A Preferred Stock; provided , however , that dividends on such shares which are originally issued after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and on or prior to the next succeeding Quarterly Dividend Payment Date shall begin to accrue and be cumulative from and after such Quarterly Dividend Payment Date. Notwithstanding the foregoing, dividends on shares of Series A Preferred Stock which are originally issued prior to the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend on the first Quarterly Dividend Payment Date shall be calculated as if cumulative from and after the last day of the fiscal quarter next preceding the date of original issuance of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

(d) So long as any shares of the Series A Preferred Stock are outstanding, no dividends or other distributions shall be declared, paid or distributed, or set aside for

payment or distribution, on the Common Stock unless, in each case, the dividend required by this Section 2 to be declared on the Series A Preferred Stock shall have been declared.

(e) The holders of the shares of Series A Preferred Stock shall not be entitled to receive any dividends or other distributions except as provided herein.

SECTION 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Each holder of Series A Preferred Stock shall be entitled to a number of votes equal to the Formula Number then in effect, for each share of Series A Preferred Stock held of record on each matter on which holders of the Common Stock or stockholders generally are entitled to vote, multiplied by the maximum number of votes per share which any holder of the Common Stock or stockholders generally then have with respect to such matter (assuming any holding period or other requirement to vote a greater number of shares is satisfied).

(b) Except as otherwise provided herein or by applicable law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class for the election of directors of the Company and on all other matters submitted to a vote of stockholders of the Company.

(c) If, at the time of any annual meeting of stockholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series A Preferred Stock are in default, the number of directors constituting the Board of Directors of the Company shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Company, the holders of record of the Series A Preferred Stock, voting separately as a class to the exclusion of the holders of Common Stock, shall be entitled at said meeting of stockholders (and at each subsequent annual meeting of stockholders), unless all dividends in arrears have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Company, the holders of any Series A Preferred Stock being entitled to cast a number of votes per share of Series A Preferred Stock equal to the Formula Number. Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, without cause, only by the affirmative vote of the holders of the shares of Series A Preferred Stock at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of the Series A Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two. The

voting rights granted by this Section 3(c) shall be in addition to any other voting rights granted to the holders of the Series A Preferred Stock in this Section 3.

(d) Except as provided herein, in Section 11 or by applicable law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for authorizing or taking any corporate action.

SECTION 4. Certain Restrictions. (a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock; provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

SECTION 5. Liquidation Rights. Upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, no distribution shall be made (1) to the holders of shares of Common Stock or any other shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount equal to the accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (x) $.01 per whole share or (y) an aggregate amount per share equal to the Formula Number then in effect times the aggregate amount to be distributed per share to holders of Common Stock or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

SECTION 6. Consolidation, Merger, Etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then in any such case the then outstanding shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share equal to the Formula Number then in effect times the aggregate amount of stock, securities, cash or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is exchanged or changed. In the event both this Section 6 and Section 2 appear to apply to a transaction, this Section 6 will control.

SECTION 7. No Redemption; No Sinking Fund. (a) The shares of Series A Preferred Stock shall not be subject to redemption by the Company or at the option of any holder of Series A Preferred Stock; provided , however , that the Company may purchase or otherwise acquire outstanding shares of Series A Preferred Stock in the open market or by offer to any holder or holders of shares of Series A Preferred Stock.

(b) The shares of Series A Preferred Stock shall not be subject to or entitled to the operation of a retirement or sinking fund.

SECTION 8. Ranking. The Series A Preferred Stock shall rank junior to the Preferred Stock and to all other series of Serial Preference Stock of the Company with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, unless, in the case of a series of Serial Preference Stock, the Board of Directors shall specifically determine otherwise in fixing the powers, preferences and relative, participating, optional and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof.

SECTION 9. Fractional Shares. The Series A Preferred Stock shall be issuable upon exercise of the Rights issued pursuant to the Rights Agreement in whole shares or in any fraction of a share that is one one-thousandth (1/1,000) of a share or any integral multiple of such fraction which shall entitle the holder, in proportion to such

holder's fractional shares, to receive dividends, exercise voting rights, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock. In lieu of fractional shares, the Company, prior to the first issuance of a share or a fraction of a share of Series A Preferred Stock, may elect (a) to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-thousandth (1/1,000) of a share or any integral multiple thereof or (b) to issue depository receipts evidencing such authorized fraction of a share of Series A Preferred Stock pursuant to an appropriate agreement between the Company and a depository selected by the Company; provided that such agreement shall provide that the holders of such depository receipts shall have all the rights, privileges and preferences to which they are entitled as holders of the Series A Preferred Stock.

SECTION 10. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancelation become authorized but unissued shares of Serial Preference Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors pursuant to the provisions of Article FOURTH of the Restated Certificate of Incorporation.

SECTION 11. Amendment. None of the powers, preferences and relative, participating, optional and other special rights of the Series A Preferred Stock as provided herein or in the Restated Certificate of Incorporation shall be amended in any manner which would alter or change the powers, preferences, rights or privileges of the holders of Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of Series A Preferred Stock, voting as a separate class; provided, however, that no such amendment approved by the holders of at least 66-2/3% of the outstanding shares of Series A Preferred Stock shall be deemed to apply to the powers, preferences, rights or privileges of any holder of shares of Series A Preferred Stock originally issued upon exercise of the Rights after the time of such approval without the approval of such holder.

Appendix B

**CERTIFICATE OF DESIGNATION OF VOTING POWERS,
DESIGNATION, PREFERENCES
AND RELATIVE, PARTICIPATING, OPTIONAL AND
OTHER SPECIAL RIGHTS,
AND QUALIFICATIONS, LIMITATIONS
AND RESTRICTIONS**

**OF**

**6.0% SERIES B CONVERTIBLE PREFERRED STOCK**

**OF**

**MILACRON INC.**

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Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

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Milacron Inc., a Delaware corporation (the " Company "), certifies that pursuant to the authority contained in Article FOURTH of its Restated Certificate of Incorporation, as amended (the " Certificate of Incorporation "), and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company (the " Board ") at a meeting duly called and held on June 9, 2004, duly approved and adopted the following resolution, which resolution remains in full force and effect on the date hereof:

RESOLVED, that, pursuant to the authority vested in the Board in accordance with the provisions of the Certificate of Incorporation, a series of Serial Preference Stock (as defined in the Certificate of Incorporation) is hereby created and that the designation and number of shares thereof and the voting powers, preferences and relative, participating, optional and other special rights of such series, and qualifications, limitations and restrictions thereof are as follows:

1. Designation and Number of Shares. The shares of such series shall be designated as "6.0% Series B Convertible Preferred Stock" (the " Series B Preferred Stock "). The authorized number of shares of Series B Preferred Stock shall be nine hundred thousand (900,000). The Company shall be permitted to issue fractional shares of Series B Preferred Stock that shall entitle the holder thereof, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series B Preferred Stock.

2. Ranking. The Series B Preferred Stock shall, with respect to dividend distributions and distributions upon the liquidation, winding-up or dissolution of the Company, rank (i) senior to the Common Stock and to any and all other classes and series of capital stock of the Company (other than the Existing Preferred Stock) the terms of which do not expressly provide that it ranks senior to or on a parity with the Series B Preferred Stock as to dividend distributions and distributions upon the liquidation, winding-up or dissolution of the Company (collectively referred to with the Common Stock as " Junior Securities "); (ii) on a parity with any additional shares of Series B Preferred Stock issued by the Company in the future, and any other class or series of capital stock issued by the Company and approved by the holders of the Series B Preferred Stock as required by Sections 10(vii) and 10(viii) hereof the terms of which expressly provide that such class or series will rank on a parity with the Series B Preferred Stock as to dividend distributions and distributions upon the liquidation, winding-up or dissolution of the Company (collectively referred to as " Parity Securities "); and (iii) junior to the Existing Preferred Stock and to any other class or series of capital stock issued by the Company and approved by the holders of the Series B Preferred Stock as required by Sections 10(vii) and 10(viii) hereof the terms of which expressly provide that such class or series will rank senior to the Series B Preferred Stock as to dividend distributions and distributions upon the liquidation, winding-up or dissolution of the Company (collectively referred to with the Existing Preferred Stock as " Senior Securities ").

3. Dividends.

(i) The holders of shares of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board out of assets of the Company legally available therefor, cumulative dividends accruing at the rate per annum of $12.00 per share, payable quarterly in arrears on the first days of March, June, September and December in each year, commencing on the first day of September, 2004 (each a " Dividend Payment Date " and each such quarterly period being a " Dividend Period "); *provided* , that (a) if any such Dividend Payment Date is not a Business Day, such payment shall be made on the next succeeding Business Day and (b) accumulated and unpaid dividends for any prior Dividend Period may be paid at any time. Except as provided in Sections 3(ii) and 5(iii) hereof, dividends will be payable in cash.

(ii) If the Company is prohibited on any Dividend Payment Date by the terms of the Certificate of Incorporation or its Financing Agreements from paying dividends in cash, the Company, if not prohibited by the Certificate of Incorporation, may elect, when, as and if declared by the Board out of assets of the Company legally available therefor, to pay dividends through the issuance of additional shares of Series B Preferred Stock at a rate per annum of $16.00 per share. The number of additional shares of Series B Preferred Stock that are issued to holders of Series B Preferred Stock will be the number obtained by dividing (a) the total dollar amount of cumulative dividends due and payable on the applicable Dividend Payment Date by (b) the Liquidation Preference; *provided* , that the Company shall not be required to issue fractional shares of Series B Preferred Stock, but in lieu thereof may, if not restricted by the Certificate of Incorporation or its Financing Agreements, elect to pay in cash the portion of any

dividend payable in shares of Series B Preferred Stock that would otherwise require the issuance of a fractional share.

(iii) Dividends on the Series B Preferred Stock shall accrue whether or not the Company has earnings or profits, whether or not there are funds legally available for the payment of such dividends and whether or not dividends are declared. Dividends will accumulate to the extent they are not paid on the Dividend Payment Date for the Dividend Period to which they relate.

(iv) No dividend whatsoever shall be declared or paid upon, or any sum set apart for the payment of dividends upon, any outstanding share of the Series B Preferred Stock with respect to any Dividend Period unless all dividends for all preceding Dividend Periods have been declared and paid upon, or declared and a sufficient sum set apart for the payment of such dividends upon, all outstanding shares of Series B Preferred Stock. Unless full cumulative dividends on all outstanding shares of Series B Preferred Stock for all past Dividend Periods shall have been declared and paid, or declared and a sufficient sum for the payment thereof set apart, then: (a) no dividend (other than a dividend payable solely in shares of any Junior Securities) shall be declared or paid upon, or any sum set apart for the payment of dividends upon, any shares of Junior Securities or Parity Securities, except dividends paid ratably on the Series B Preferred Stock and all such Parity Securities on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; (b) no other distribution shall be declared or made upon, or any sum set apart for the payment of any distribution upon, any shares of Junior Securities, other than a distribution consisting solely of Junior Securities; (c) no shares of Junior Securities shall be purchased, redeemed or otherwise acquired or retired for value (excluding an exchange for shares of Junior Securities) by the Company or any of its subsidiaries; and (d) no monies shall be paid into or set apart or made available for a sinking or other like fund for the purchase, redemption or other acquisition or retirement for value of any shares of Junior Securities by the Company or any of its subsidiaries. Other than dividends which may, at the option of the Company, be declared (and in such case only if, and to the extent that, any such dividends are declared) pursuant to Section 4(xiv) hereof, holders of the Series B Preferred Stock will not be entitled to any dividends, whether payable in cash, property or stock, in excess of the full cumulative dividends as herein described.

(v) Accrued but unpaid dividends shall not bear interest.

4. Conversion Rights.

(i) A holder of shares of Series B Preferred Stock may convert such shares at any time, unless previously redeemed, at the option of the holder thereof, into shares of Common Stock. For the purposes of conversion, each share of Series B Preferred Stock shall be valued at an amount equal to its Liquidation Preference, which amount shall be divided by the Conversion Price in effect on the applicable Conversion Date (as defined in Section 4(ii) hereof) to determine the number of shares of Common Stock issuable upon conversion. The right to convert shares of Series B Preferred Stock called for redemption pursuant to Section 7 hereof shall terminate at the close of business

on the Business Day preceding the Applicable Redemption Date and shall be lost if not exercised prior to that time, unless the Company shall default in payment of the Applicable Redemption Price. Immediately upon conversion, any shares of converted Series B Preferred Stock shall automatically become and be restored to the status of authorized but unissued Series B Preferred Stock, the rights of the holder of any shares of converted Series B Preferred Stock shall cease and the person(s) entitled to receive the Common Stock upon the conversion of such shares of Series B Preferred Stock shall be treated for all purposes as having become the owners of such Common Stock.

(ii) To convert Series B Preferred Stock, a holder must (a) surrender the certificate or certificates evidencing the shares of Series B Preferred Stock to be converted, duly endorsed in a form satisfactory to the Company, at the office of the Company or the Transfer Agent, (b) notify the Company at such office that such holder elects to convert Series B Preferred Stock and the number of shares such holder wishes to convert, (c) state in writing the name or names in which such holder wishes the certificate or certificates for shares of Common Stock to be issued, and (d) pay any transfer or similar tax, if required. In the event that a holder fails to notify the Company of the number of shares of Series B Preferred Stock which such holder wishes to convert, such holder shall be deemed to have elected to convert all shares represented by the certificate or certificates surrendered for conversion. The date on which the holder satisfies all the requirements in the first section of this Section 4(ii) is the " Conversion Date ." As soon as practical after the applicable Conversion Date, the Company shall deliver a certificate for the number of shares of Common Stock issuable upon the conversion, and a new certificate representing the unconverted portion, if any, of the shares of Series B Preferred Stock represented by the certificate or certificates surrendered for conversion. The person in whose name the Common Stock certificate is registered shall be treated as the stockholder of record on and after the applicable Conversion Date. No payment or adjustment will be made for accrued and unpaid dividends on converted shares of Series B Preferred Stock or for dividends on any Common Stock issued upon such conversion. The holder of record of a share of Series B Preferred Stock at the close of business on a record date with respect to the payment of dividends on the Series B Preferred Stock will be entitled to receive such dividends with respect to such share of Series B Preferred Stock on the corresponding Dividend Payment Date, notwithstanding the conversion of such share after such record date and prior to such Dividend Payment Date. No payment or adjustment will be made upon conversion of shares of Series B Preferred Stock for dividends with respect to the Common Stock issued upon such conversion. If a holder of Series B Preferred Stock converts more than one share at a time, the number of full shares of Common Stock issuable upon conversion shall be based on the total conversion value of all shares of Series B Preferred Stock converted. If the last day on which Series B Preferred Stock may be converted is not a Business Day, Series B Preferred Stock may be surrendered for conversion on the next succeeding Business Day.

(iii) The Company shall not be required to issue any fractional shares of Common Stock upon conversion of Series B Preferred Stock, but in lieu thereof may elect to pay a cash adjustment based upon the closing price of the Common Stock on the Business Day prior to the Conversion Date.

(iv) If a holder converts shares of Series B Preferred Stock, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the conversion. However, the holder shall pay any such tax that is due because the shares are issued in a name other than the holder's name.

(v) The Company has reserved and shall continue to reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit the conversion of the Series B Preferred Stock in full. All shares of Common Stock that may be issued upon conversion of Series B Preferred Stock shall be fully paid and nonassessable.

(vi) In case the Company shall pay or make a dividend or other distribution on any class of capital stock of the Company in Common Stock, other than any regularly scheduled dividend on any other preferred stock which does not trigger any anti-dilution provisions in any other security, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator of which shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for determination of the holders entitled to such dividends and distributions. For the purposes of this Section 4(vi), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(vii) In case the Company shall issue rights, options or warrants to all holders of its Common Stock (other than pursuant to the Rights Offering) entitling them to subscribe for, purchase or acquire shares of Common Stock at a price per share less than the current market price per share (determined as provided in Section 4(xi) hereof) of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants, the Conversion Price in effect at the opening of business on the day following the date fixed for such determination shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock which the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription, purchase or acquisition would purchase at such current market price and the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription, purchase or acquisition, such reduction to become effective immediately after the opening of business on the day following the date fixed for determination of the holders entitled to such rights, options or warrants. However, upon the expiration of any right, option or warrant to purchase Common Stock, the issuance of which resulted in an adjustment in the Conversion Price pursuant to this

Section 4(vii), if any such right, option or warrant shall expire and shall not have been exercised, the Conversion Price shall be recomputed immediately upon such expiration and effective immediately upon such expiration shall be increased to the price it would have been (but reflecting any other adjustments to the Conversion Price made pursuant to the provisions of this Section 4 after the issuance of such rights, options or warrants) had the adjustment of the Conversion Price made upon the issuance of such rights, options or warrants been made on the basis of offering for subscription or purchase only that number of shares of Common Stock actually purchased upon the exercise of such rights, options or warrants. No further adjustment shall be made upon exercise of any right, option or warrant if any adjustment shall be made upon the issuance of such security. For the purposes of this Section 4(vii), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company. The Company will not issue any rights, options or warrants in respect of shares of Common Stock held in the treasury of the Company.

(viii) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be reduced, and, conversely, in case the outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be increased, to equal the product of the Conversion Price in effect on such date and a fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such subdivision or combination, as the case may be, and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such subdivision or combination, as the case may be. Such reduction or increase, as the case may be, shall become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(ix) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock (a) evidences of its indebtedness or (b) shares of any class of capital stock, cash or other assets (including securities, but excluding (x) any rights, options or warrants referred to in Section 4(vii) hereof, (y) any dividends or distributions referred to in Sections 4(vi) or 4(viii) hereof, and (z) cash dividends paid from the Company's retained earnings), then, in each case, the Conversion Price in effect at the opening of business on the day following the date fixed for the determination of holders of Common Stock entitled to receive such distribution shall be adjusted by multiplying such Conversion Price by a fraction of which the numerator shall be the current market price per share (determined as provided in Section 4(xi) hereof) of the Common Stock on such date of determination (or, if earlier, on the date on which the Common Stock goes "ex-dividend" in respect of such distribution) less the then fair market value as determined by the Board (whose determination shall be conclusive and shall be described in a statement filed with the Transfer Agent) of the portion of the capital stock, cash or other assets or evidences of indebtedness so distributed (and for which an adjustment to the Conversion Price has not previously been made pursuant to the terms of this Section

4) applicable to one share of Common Stock, and the denominator shall be such current market price per share of the Common Stock, such adjustment to become effective immediately after the opening of business on the day following the date of determination of the holders entitled to such distribution.

(x) The reclassification or change of Common Stock into securities, including securities other than Common Stock (other than any reclassification upon a consolidation or merger to which Section 4(xviii) hereof shall apply) shall be deemed to involve (a) a distribution of such securities other than Common Stock to all holders of Common Stock (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of holders of Common Stock entitled to receive such distribution" within the meaning of Section 4(ix) hereof), and (b) a subdivision or combination, as the case may be, of the number of shares of Common Stock outstanding immediately prior to such reclassification into the number of Common Shares outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision becomes effective" or "the day upon which such combination becomes effective," as the case may be, and "the day upon which such subdivision or combination becomes effective" within the meaning of Section 4(viii) hereof).

(xi) For the purpose of any computation under Sections 4(vii) or 4(ix) above, the current market price per share of Common Stock on any day shall be deemed to be the average of the Closing Prices of the Common Stock for the 20 consecutive Trading Days ending the day before the day in question; *provided* , that, in the case of Section 4(ix), if the period between the date of the public announcement of the dividend or distribution and the date for the determination of holders of Common Stock entitled to receive such dividend or distribution (or, if earlier, the date on which the Common Stock goes "ex-dividend" in respect of such dividend or distribution) shall be less than 20 Trading Days, the period shall be such lesser number of Trading Days but, in any event, not less than five Trading Days.

(xii) No adjustment in the Conversion Price need be made until all cumulative adjustments amount to 1% or more of the Conversion Price as last adjusted. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 4 shall be made to the nearest 1/10,000th of a cent or to the nearest 1/10,000th of a share, as the case may be.

(xiii) For purposes of this Section 4, "Common Stock" includes any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which is not subject to redemption by the Company. However, subject to the provisions of Section 4(xviii) below, shares issuable on conversion of shares of Series B Preferred Stock shall include only shares of the class designated as Common Stock on the Issuance Date or shares of any class or classes resulting from any reclassification thereof and which have no preferences in respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and which are not subject to redemption by

the Company; *provided,* that, if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

(xiv) No adjustment in the Conversion Price shall reduce the Conversion Price below the then par value of the Common Stock. No adjustment in the Conversion Price need be made under Section 4(vi), 4(vii) and 4(ix) above if the Company issues or distributes to each holder of Series B Preferred Stock the shares of Common Stock, evidences of indebtedness, assets, rights, options or warrants referred to in those Sections which each holder would have been entitled to receive had Series B Preferred Stock been converted into Common Stock prior to the happening of such event or the record date with respect thereto.

(xv) Whenever the Conversion Price is adjusted, the Company shall promptly mail to holders of Series B Preferred Stock, first class, postage prepaid, a notice of the adjustment. The Company shall file with the Transfer Agent a certificate from the Company's independent public accountants briefly stating the facts requiring the adjustment and the manner of computing it. Subject to Section 4(xvi) hereof, the certificate shall be conclusive evidence that the adjustment is correct.

(xvi) The Company from time to time may reduce the Conversion Price if it considers such reductions to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights will not be taxable to the holders of Common Stock by any amount, but in no event may the Conversion Price be less than the par value of a share of Common Stock. Whenever the Conversion Price is reduced, the Company shall mail to holders of Series B Preferred Stock a notice of the reduction. The Company shall mail, first class, postage prepaid, the notice at least 15 days before the date the reduced Conversion Price takes effect. The notice shall state the reduced Conversion Price and the period it will be in effect. A reduction of the Conversion Price does not change or adjust the Conversion Price otherwise in effect for purposes of Sections 4(vi), 4(vii), 4(viii) and 4(ix) hereof.

(xvii) If:

(a) the Company takes any action which would require an adjustment in the Conversion Price pursuant to Sections 4(vi), 4(vii), 4(viii) or 4 (ix) hereof;

(b) the Company consolidates or merges with, or transfers all or substantially all of its assets to, another Person, and stockholders of the Company must approve the transaction; or

(c) there is a liquidation, winding-up or dissolution of the Company;

the Company shall mail to holders of the Series B Preferred Stock, first class, postage prepaid, a notice stating the proposed record or effective date, as the case may be. The Company shall mail

the notice at least 10 days before such date. However, failure to mail the notice or any defect in it shall not affect the validity of any transaction referred to in clause (a), (b) or (c) of this Section 4(xvii).

(xviii) In the case of any consolidation of the Company or the merger of the Company with or into any other Person or the sale or transfer of all or substantially all the assets of the Company pursuant to which the Common Stock is converted into other securities, cash or assets, upon consummation of such transaction, any share of Series B Preferred Stock then remaining outstanding shall automatically become convertible into the kind and amount of securities, cash or other assets receivable upon the consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock into which such share of Series B Preferred Stock might have been converted immediately prior to such consolidation, merger, transfer or sale (assuming such holder of Common Stock failed to exercise any rights of election and received per share the kind and amount of consideration receivable per share by a plurality of non-electing shares). Appropriate adjustment (as determined by the Board) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of Series B Preferred Stock, to the end that the provisions set forth herein (including provisions with respect to changes in and other adjustment of the Conversion Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any shares of stock or other securities or property thereafter deliverable upon the conversion of Series B Preferred Stock. If this Section 4(xviii) applies, Sections 4(vi), 4(viii) and 4(x) hereof do not apply.

(xix) The initial Conversion Price shall be subject to a one-time adjustment to $1.75 effective immediately after the open of business on June 30, 2005 if and only if the Consolidated Cash Flow for the fiscal year ending December 31, 2004 is less than $50,000,000. If such one-time adjustment is required to be made, and any other adjustments to the Conversion Price have been made pursuant to this Section 4 prior to such one-time adjustment, in order to effectuate such one-time adjustment the Conversion Price in effect immediately prior to such one-time adjustment shall be reduced by multiplying such Conversion Price by a fraction the numerator of which shall be 1.75 and the denominator of which shall be 2.00 effective immediately after the open of business on June 30, 2005 and no other adjustment shall be required pursuant to this Section 4(xix).

(xx) In any case in which this Section 4 shall require that an adjustment as a result of any event becomes effective from and after a record date, the Company may elect to defer until after the occurrence of such event the issuance to the holder of any shares of Series B Preferred Stock converted after such record date and before the occurrence of such event of the additional shares of Common Stock issuable upon such conversion over and above the shares issuable on the basis of the Conversion Price in effect immediately prior to adjustment; *provided* , *however* , that if such event shall not have occurred and authorization of such event shall be rescinded by the Company, the Conversion Price shall be recomputed immediately upon such rescission to the price that would have been in effect had such event not been authorized, *provided,* that such rescission is permitted by and effective under applicable laws.

5. Mandatory Conversion.

(i) Each share of Series B Preferred Stock not previously converted will automatically convert into shares of Common Stock on June 10, 2011 or, if a Conversion Date Deferral has occurred in accordance with Section 5(iv) hereof, the New Conversion Date (as defined in Section 5 (iv) hereof) (either June 10, 2011 or the New Conversion Date, as applicable, the " Mandatory Conversion Date "). For the purposes of such conversion, each share of Series B Preferred Stock shall be valued at an amount equal to its Liquidation Preference, which amount shall be divided by the Conversion Price in effect on the Mandatory Conversion Date to determine the number of shares of Common Stock issuable upon conversion of such share of Series B Preference Stock, *provided* , that the Company shall not be required to issue any fractional shares of Common Stock, but in lieu thereof may elect to pay a cash adjustment based upon the Closing Price of the Common Stock on the Business Day prior to the Mandatory Conversion Date. Immediately upon such automatic conversion, each share of Series B Preferred Stock so converted shall automatically become and be restored to the status of authorized but unissued Series B Preferred Stock, dividends on each share of Series B Preferred Stock not previously converted shall cease to accumulate, the rights of the holders of all Series B Preferred Stock shall cease and the persons entitled to receive Common Stock upon such automatic conversion of Series B Preferred Stock shall be treated for all purposes as being the owners of such Common Stock.

(ii) On the Mandatory Conversion Date, each holder of shares of Series B Preferred Stock shall be entitled to receive, in addition to the number of shares of Common Stock determined pursuant to Section 5(i) hereof, an amount equal to accrued and unpaid dividends, if any, on such holder's shares of Series B Preferred Stock.

(iii) If the Company is prohibited on the Mandatory Conversion Date by the terms of the Certificate of Incorporation or its Financing Agreements from paying accrued and unpaid dividends pursuant to Section 5(ii) hereof in cash, the Company may, if not otherwise prohibited by the Certificate of Incorporation, pay such accrued and unpaid dividends with shares of Common Stock. The number of shares of Common Stock to be issued in payment for such accrued and unpaid dividends will be the number obtained by dividing (x) the total dollar amount of dividends being paid with Common Stock by (y) the Conversion Price in effect on the Mandatory Conversion Date.

(iv) If the Board determines that there are not assets legally available for, or the Certificate of Incorporation otherwise prohibits, the payment of dividends in either cash or Common Stock in respect of all accrued and unpaid dividends on the Series B Preferred Stock on June 10, 2011, then the Mandatory Conversion Date shall not occur on such date but shall be deferred (a " Conversion Date Deferral ") and the Company shall provide prompt notice of such Conversion Date Deferral to each holder of shares of Series B Preferred Stock. Subsequent to any Conversion Date Deferral, promptly after any determination by the Board that there are assets legally available for the payment in either cash or Common Stock of all accrued and unpaid dividends and that such payment is not otherwise prohibited by the Certificate of Incorporation, the Board shall declare a new conversion date (the " New Conversion Date "). Upon such declaration, the Company

shall provide notice of the New Conversion Date to each holder of shares of Series B Preferred Stock at least 30 days but not more than 60 days before the New Conversion Date. The New Conversion Date shall be the first Dividend Payment Date that is at least 30 days after the delivery of such notice. Notwithstanding any Conversion Date Deferral, dividends on the Series B Preferred Stock shall continue to accrue until the Mandatory Conversion Date.

(v) The Company shall make such arrangements as it deems appropriate for the issuance of certificates, if any, representing shares of Common Stock and for any payment of cash for accrued and unpaid dividends, if any, or cash in lieu of fractional shares of Common Stock, if any, in exchange for and contingent upon the surrender of certificates representing the shares of Series B Preferred Stock (if such shares are held in certificated form); *provided* , that the Company shall give the holders of Series B Preferred Stock such notice of any such actions as the Company deems appropriate and upon such surrender such holders of Series B Preferred Stock shall be entitled to receive certificates, if any, representing shares of Common Stock and any payment of cash for accrued and unpaid dividends, if any, or cash in lieu of fractional shares of Common Stock, if any. Amounts payable in cash in respect of the shares of Series B Preferred Stock shall not bear interest.

(vi) The Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the mandatory conversion. However, the holders shall pay any tax that is due because the shares are issued in a name other than the holder's name.

6. Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company and after payment is made to the holders of the Existing Preferred Stock and any other Senior Securities, each holder of shares of the Series B Preferred Stock will be entitled to payment out of the assets of the Company available for distribution of an amount equal to the Liquidation Preference per share of Series B Preferred Stock held by such holder, plus an amount equal to accrued and unpaid dividends, if any, to the date fixed for liquidation, dissolution or winding-up (including an amount equal to a prorated dividend for the period from the last Dividend Payment Date to the date fixed for liquidation, dissolution or winding up), before any distribution is made on any Junior Securities. After payment in full of the Liquidation Preference and all accrued dividends, if any, to which holders of Series B Preferred Stock are entitled, such holders will not be entitled to any further participation in any distribution of assets of the Company. If, upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the amounts payable with respect to the Series B Preferred Stock and all other Parity Securities are not paid in full, the holders of the Series B Preferred Stock and the Parity Securities will share equally and ratably in any distribution of assets of the Company in proportion to the full liquidation preference and accumulated and unpaid dividends, if any, to which each is entitled. However, neither the voluntary sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property or assets of the Company nor the consolidation or merger of the Company with or into one or more Persons will be deemed to be a voluntary or involuntary liquidation, dissolution or

winding-up of the Company unless such sale, conveyance, exchange or transfer shall be in connection with a liquidation, dissolution or winding-up of the business of the Company.

7. Optional Redemption.

(i) Other than pursuant to Section 8 hereof, the Series B Preferred Stock may not be redeemed at the option of the Company before June 10, 2008. During any period set forth in the table below, a number of shares of Series B Preferred Stock equal to the Applicable Redemption Amount (as defined in Section 7(ii) hereof) for such period may be redeemed for cash at the option of the Company at the redemption price per share for such period set forth in the table below, together with an amount equal to accumulated and unpaid dividends, if any, to the date of redemption (the " Applicable Redemption Price "), upon not less than 30 nor more than 60 days' prior written notice.

| Period | Redemption Price |
| --- | --- |
| June 10, 2008 through June 9, 2009 | $224.00 |
| June 10, 2009 through June 9, 2010 | $220.00 |
| June 10, 2010 and thereafter | $216.00 |

To the extent that the right of the Company to redeem Series B Preferred Stock is not exercised with respect to any number of shares during any of the periods set forth in the table above, such right shall not carry over into subsequent periods.

(ii) " Applicable Redemption Amount " means with respect to any period set forth in the table set forth in Section 7(i) hereof, the number of shares equal to 25% of the total number of shares, rounded up to the nearest whole number, of Series B Preferred Stock outstanding at the beginning of such period less the number of shares of Series B Preferred Stock converted pursuant to Section 4 hereof during the portion of such period elapsing prior to the then Applicable Redemption Record Date (as defined in Section 7(iv) hereof) during such period.

(iii) The shares to be redeemed shall be selected *pro rata* .

(iv) Notice of any redemption shall be sent by or on behalf of the Company not less than 30 nor more than 60 days prior to the date specified for redemption in such notice (the " Applicable Redemption Date ") by public announcement and first class mail, postage prepaid, to all holders of record of the Series B Preferred Stock on the date 60 days prior to the Applicable Redemption Date (the " Applicable Redemption Record Date ") at their last addresses as they shall appear on the books of the Company; *provided* , *however* , that no failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of

any shares of Series B Preferred Stock except as to the holder to whom the Company has failed to give notice or except as to the holder to whom notice was defective. In addition to any information required by law or by the applicable rules of any exchange upon which the Series B Preferred Stock may be listed or admitted to trading, such notice shall state: (a) that such redemption is being made pursuant to the optional redemption provisions hereof; (b) the Applicable Redemption Date; (c) the Applicable Redemption Price; (d) the number of shares of Series B Preferred Stock to be redeemed and the number of shares held by such holder to be redeemed; (e) the place or places where certificates for such shares are to be surrendered for payment of the Applicable Redemption Price, including any procedures applicable to redemptions to be accomplished through book-entry transfers; and (f) that dividends on the shares to be redeemed will cease to accumulate on the Applicable Redemption Date. Upon the mailing of any such notice of redemption, the Company shall become obligated to redeem at the time of redemption specified thereon all shares called for redemption.

(v) If notice has been mailed in accordance with Section 7(iv) hereof and provided that on or before the Applicable Redemption Date specified in such notice, all funds necessary for such redemption shall have been set aside by the Company, separate and apart from its other funds in trust for the *pro rata* benefit of the holders of the shares so called for redemption, so as to be, and to continue to be available therefor, then, from and after the Applicable Redemption Date, unless the Company defaults in the payment of the Applicable Redemption Price, dividends on the shares of the Series B Preferred Stock so called for redemption shall cease to accumulate, and said shares shall no longer be deemed to be outstanding and shall not have the status of shares of Series B Preferred Stock, and all rights of the holders thereof as stockholders of the Company (except the right to receive from the Company the Applicable Redemption Price) shall cease. Upon surrender, in accordance with said notice, of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Company shall so require and the notice shall so state), such shares shall be redeemed by the Company at the Applicable Redemption Price. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed shares without cost to the holder thereof.

(vi) Any deposit of funds in trust with a bank or trust company for the purpose of redeeming Series B Preferred Stock pursuant to this Section 7 shall be irrevocable except that:

(a) the Company shall be entitled to receive from such bank or trust company the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(b) any balance of monies so deposited by the Company and unclaimed by the holders of the Series B Preferred Stock entitled thereto at the expiration of one year from the applicable Redemption Date shall be repaid, together with any interest or other earnings earned thereon, to the Company, and after any such repayment, the holders of the shares entitled to the funds so repaid to the

Company shall look only to the Company for payment without interest or other earnings.

(vii) No Series B Preferred Stock may be redeemed except with funds legally available for such purpose.

8. Rights Offering Call Provision.

(i) Up to 150,000 shares of the Series B Preferred Stock may be redeemed for cash, with the proceeds of the Rights Offering, at the option of the Company, on or before the date that is 270 days after the Issuance Date, at a redemption price of $210.00 per share, together with an amount equal to accumulated and unpaid dividends, if any, to the date of redemption (the " Rights Offering Call Price ") upon not less than 5 nor more than 30 days' prior written notice.

(ii) The shares to be redeemed shall be selected *pro rata* .

(iii) Notice of any redemption shall be sent by or on behalf of the Company not less than 5 nor more than 30 days prior to the date specified for redemption in such notice (the " Rights Offering Call Date "), by first class mail, postage prepaid, to all holders of record of the Series B Preferred Stock at their last addresses as they shall appear on the books of the Company; *provided* , *however* , that no failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series B Preferred Stock except as to the holder to whom the Company has failed to give notice or except as to the holder to whom notice was defective. In addition to any information required by law or by the applicable rules of any exchange upon which the Series B Preferred Stock may be listed or admitted to trading, such notice shall state: (a) that such redemption is being made pursuant to the optional redemption provisions hereof; (b) the Rights Offering Call Date; (c) the Rights Offering Call Price; (d) the number of shares of Series B Preferred Stock to be redeemed and the number of shares held by such holder to be redeemed; (e) the place or places where certificates for such shares are to be surrendered for payment of the Rights Offering Call Price, including any procedures applicable to redemptions to be accomplished through book-entry transfers; and (f) that dividends on the shares to be redeemed will cease to accumulate on the Rights Offering Call Date. Upon the mailing of any such notice of redemption, the Company shall become obligated to redeem at the time of redemption specified thereon all shares called for redemption.

(iv) If notice has been mailed in accordance with Section 8(iii) hereof and provided that on or before the Rights Offering Call Date specified in such notice, all funds necessary for such redemption shall have been set aside by the Company, separate and apart from its other funds in trust for the *pro rata* benefit of the holders of the shares so called for redemption, so as to be, and to continue to be, available therefor, then, from and after the Rights Offering Call Date, unless the Company defaults in the payment of the Rights Offering Call Price, dividends on the shares of the Series B Preferred Stock so called for redemption shall cease to accumulate, and said shares shall no longer be deemed to be outstanding and shall not have the status of shares of Series B Preferred

Stock, and all rights of the holders thereof as stockholders of the Company (except the right to receive from the Company the Rights Offering Call Price) shall cease. Upon surrender, in accordance with said notice, of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Company shall so require and the notice shall so state), such shares shall be redeemed by the Company at the Rights Offering Call Price. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed shares without cost to the holder thereof.

(v) Any deposit of funds in trust with a bank or trust company for the purpose of redeeming Series B Preferred Stock pursuant to this Section 8 shall be irrevocable except that:

(a) the Company shall be entitled to receive from such bank or trust company the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any shares redeemed shall have no claim to such interest or other earnings; and

(b) any balance of monies so deposited by the Company and unclaimed by the holders of the Series B Preferred Stock entitled thereto at the expiration of three months from the Rights Offering Call Date shall be repaid, together with any interest or other earnings earned thereon, to the Company, and after any such repayment, the holders of the shares entitled to the funds so repaid to the Company shall look only to the Company for payment without interest or other earnings.

(vi) No Series B Preferred Stock may be redeemed except with funds legally available for such purpose.

9. Special Redemption Rights Upon a Change of Control.

(i) Subject to Section 9(v) hereof, upon the occurrence of a Change of Control, each holder of Series B Preferred Stock shall have the option, during the period commencing on the date the applicable Change of Control Notice (as defined below) is mailed to holders of the Series B Preferred Stock and ending at the close of business on the 45 th day thereafter (the " Special Redemption Date "), to require the Company to redeem all, or any portion, of such holder's shares of Series B Preferred Stock at the redemption price per share for the period set forth in the table below during which such Special Redemption Date occurs, together with an amount equal to accumulated and unpaid dividends, if any, to the Special Redemption Date (the " Special Redemption Price "):

| Period | Special Redemption Price |
|---|---|
| June 10, 2004 through June 9, 2005 | $240.00 |
| June 10, 2005 through June 9, 2006 | $236.00 |
| June 10, 2006 through June 9, 2007 | $232.00 |
| June 10, 2007 through June 9, 2008 | $228.00 |
| June 10, 2008 through June 9, 2009 | $224.00 |
| June 10, 2009 through June 9, 2010 | $220.00 |
| June 10, 2010 and thereafter | $216.00 |

(ii) Within 30 days following a Change of Control, the Company shall mail to each holder of shares of the Series B Preferred Stock a notice (the " Change of Control Notice ") setting forth the details of the Change of Control and the special redemption rights occasioned thereby. In addition to any information required by law or by the applicable rules of any exchange upon which the Series B Preferred Stock may be listed or admitted to trading, such notice shall state: (a) the Special Redemption Date; (b) the Special Redemption Price; (c) the place or places where certificates for shares may be surrendered for payment of the Special Redemption Price, including any procedures applicable to redemption to be accomplished through book-entry transfers; (d) the procedures that the holder of Series B Preferred Stock must follow to exercise such holder's rights under this Section 9; and (e) that dividends on the shares tendered for redemption will cease to accumulate on the Special Redemption Date.

(iii) To exercise such holder's special redemption right under this Section 9, a holder must (a) surrender the certificate or certificates evidencing the shares of Series B Preferred Stock to be redeemed, duly endorsed in a form satisfactory to the Company, at the office of the Company or the Transfer Agent and (b) notify the Company at such office that such holder elects to exercise such holder's special redemption rights and the number of shares such holder wishes to have redeemed. In the event that a holder fails to notify the Company of the number of shares of Series B Preferred Stock which such holder wishes to have redeemed, such holder shall be deemed to have elected to have redeemed all shares represented by the certificate or certificates surrendered for redemption.

(iv) Exercise by a holder of such holder's special redemption right following a Change of Control is irrevocable, except that a holder may withdraw its election to exercise such holder's special redemption right at any time on or before the

Special Redemption Date by delivering a written or facsimile transmission notice to the Transfer Agent at the address or facsimile number specified in the Change of Control Notice. Such notice, to be effective, must be received by the Transfer Agent prior to the close of business on the Special Redemption Date. All shares of Series B Preferred Stock tendered for redemption pursuant to the holders' special redemption rights as described herein and not withdrawn shall be redeemed at the close of business on the Special Redemption Date. From and after the Special Redemption Date, unless the Company defaults in payment of the Special Redemption Price, dividends on the shares of Series B Preferred Stock tendered for redemption shall cease to accumulate, and said shares shall no longer be deemed to be outstanding and shall not have the status of shares of Series B Preferred Stock, and all rights of holders thereof as stockholders of the Company (except the right to receive from the Company the Special Redemption Price) shall cease. As soon as practical after the Special Redemption Date, the Company shall deliver a new certificate representing the unredeemed portion, if any, of the shares of Series B Preferred Stock represented by the certificate or certificates surrendered for redemption.

(v) No Series B Preferred Stock may be redeemed (a) except with funds legally available for such purpose or (b) if such redemption is prohibited by the Certificate of Incorporation. The Company shall take all action required or permitted under the General Corporation Law of the State of Delaware and the Certificate of Incorporation to permit any such redemption.

(vi) Notwithstanding the foregoing provisions of this Section 9, no Series B Preferred Stock may be redeemed by the Company pursuant to the provisions of this Section 9 unless such redemption is permitted by or complies with the terms and provisions of the Financing Agreements, including, without limitation, Section 4.07 of the Indenture governing the Company's 11 $^{1}/_{2}$% Senior Secured Notes due 2011, between Milacron Escrow Corporation and U.S. Bank National Association, dated May 26, 2004, as amended and supplemented.

10. Voting Rights.

(i) Except as otherwise required by law or by the Certificate of Incorporation or expressly provided herein, the holders of record of shares of the Series B Preferred Stock shall have full voting rights and powers, and shall be entitled to vote on all matters put to a vote or consent of stockholders of the Company, voting together with the holders of the Common Stock and the Existing Preferred Stock as a single class, with each holder of shares of Series B Preferred Stock having the number of votes equal to the number of shares of Common Stock into which such shares of Series B Preferred Stock could be converted in accordance with Section 4 hereof as of the record date for the vote or consent which is being taken.

(ii) Notwithstanding any other provision of this Section 10, in the event that the voting provisions set forth in this Section 10 violate or conflict with the rules or regulations of the New York Stock Exchange or any other securities exchange on which the Common Stock is then listed or traded, then the manner of voting and/or number of

votes to which each share of Series B Preferred Stock is entitled shall be modified and/or reduced to the extent required to comply with such rule.

(iii) The holders of record of shares of the Series B Preferred Stock shall have the right, voting separately as a class, to elect a number of directors to the Board in proportion to the percentage of fully diluted Common Stock represented by their outstanding Series B Preferred Stock (on an as-converted basis), rounded up to the nearest whole number (such directors, the " Series B Directors "); *provided* , *however* , that the number of Series B Directors shall at no time exceed a number equal to two-thirds of the total number of directors on the entire Board, less one. Subject to the provisions of applicable law, the rules or regulations of the New York Stock Exchange or any other securities exchange on which the Common Stock is then listed or traded and the fiduciary duties of the members of the Board, at least one Series B Director shall serve on each of the committees of the Board. All Series B Directors shall meet the requirements of the definition of "independent" under the rules of the New York Stock Exchange. In addition, no Series B Director shall be entitled to vote in any vote by the Board in any action by the Board with respect to an exercise of the Company's option to redeem shares of the Series B Preferred Stock pursuant to Sections 7 or 8 hereof. The Series B Directors shall be elected at meetings called for the purpose of electing directors as described in Section 10(v) hereof. For purposes of this Section 10(iii) and Sections 10(iv), 10(v) and 10(vi), (a) any director selected by the holders of Series A Notes (and/or any Common Stock into which such Series A Notes have been converted) to be appointed or elected to the Board pursuant to the Note Purchase Agreement shall be deemed to be a Series B Director elected by the holders of Series B Preferred Stock pursuant to the terms hereof and shall reduce the aggregate number of directors that otherwise may be elected to the Board by holders of shares of the Series B Preferred Stock pursuant to the first sentence of this Section 10(iii) and (b) notwithstanding anything to the contrary herein, one officer or employee of each Initial Investor, if elected as a Series B Director, shall not be subject to the requirement that all Series B Directors shall meet the definition of "independent" under the rules of the New York Stock Exchange.

(iv) If an event of default exists with respect to the Company's then outstanding Indebtedness constituting a failure to pay in excess of $2,000,000 in principal when due or resulting in the acceleration of the due date for a principal amount in excess of $2,000,000, and such event of default is not cured or waived within 45 days (a " Voting Rights Triggering Event "), then the holders of the outstanding shares of Series B Preferred Stock, voting separately as a class, shall, if they are not otherwise electing a majority of the Board pursuant to Section 10(iii) hereof, be entitled to elect that number of additional directors which, together with any Series B Directors then on the Board, will constitute a majority of the Board. Any additional Series B Directors shall be elected at meetings called for the purpose of electing directors as described in Section 10 (v) hereof.

(v) At each meeting called for the purpose of electing directors, the holders of Series B Preferred Stock, subject to the next sentence hereof, shall have the right, voting separately as a class, to elect the number of directors then up for election, if

any, which, together with any Series B Directors then on the Board and not up for election at such meeting, will constitute the number of directors the holders of the Series B Preferred Stock are entitled to elect pursuant to Sections 10(iii) and 10(iv) hereof; *provided* , that if the number of directors which the holders of Series B Preferred Stock are so entitled to elect is greater than the number of directors up for election at such meeting, the holders of Series B Preferred Stock, subject to the next sentence hereof, shall have the right, voting separately as a class, to elect all the directors up for election at such meeting. Notwithstanding any other provision in this Section 10, the holders of Series B Preferred Stock shall not have the right to elect any directors which the holders of the Existing Preferred Stock, voting separately as a class, have a right to elect pursuant to Section A(VI) of Article FOURTH of the Certificate of Incorporation.

(vi) If any director so elected by the holders of Series B Preferred Stock shall cease to serve as a director before his or her term shall expire, the resulting vacancy shall be filled for the unexpired term in the manner provided in the by-laws of the Company.

(vii) The Company shall not, without either (A) the affirmative vote of the holders of at least a majority of the shares of Series B Preferred Stock then outstanding (with shares held by the Company or any of its affiliates (other than the Initial Investors) not being considered to be outstanding for this purpose) voting separately as one class or (B) the written consent of the holders of all shares of Series B Preferred Stock then outstanding (with shares held by the Company or any of its affiliates (other than the Initial Investors) not being considered to be outstanding for this purpose):

(a) authorize or create (by way of reclassification or otherwise) any Parity Securities or Senior Securities;

(b) amend, waive or otherwise alter any provision of this Certificate of Designation (including the provisions of Section 10 hereof) in a manner materially adverse to the interests of the holders of Series B Preferred Stock; or

(c) amend or otherwise alter the bylaws of the Company or the Certificate or Incorporation in a manner materially adverse to the interests of the holders of the Series B Preferred Stock;

(viii) The Company shall not, without either (A) the affirmative vote of holders of at least a majority of the shares of Series B Preferred Stock held by holders of Series B Preferred Stock who own at least 50,000 shares of Series B Preferred Stock and who vote on the matter or (B) the written consent of holders of all of the shares of Series B Preferred Stock held by holders of Series B Preferred Stock who own at least 50,000 shares of Series B Preferred Stock:

(a) issue any Equity Interests, except (1) Common Stock issued upon conversion of Series B Preferred Stock, (2) Common Stock issued pursuant to the Rights Offering, (3) Common Stock issued pursuant to the Patel Agreement and

(4) any Equity Interests issued pursuant to a Restricted Payment permitted by Section 10(viii)(b) hereof;

(b) declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except (1) Restricted Payments in respect of the Series B Preferred Stock, (2) the redemption of all, or any portion, of the Existing Preferred Stock, (3) the issuance of the Contingent Warrants and any Common Stock issued upon the exercise thereof, (4) the declaration and payment of dividends on Junior Securities payable solely in additional shares of Junior Securities, (5) the declaration and payment of dividends on the Existing Preferred Stock, (6) Restricted Payments pursuant to and in accordance with employee stock incentive programs or other employee benefit arrangements or director compensation commitments of the Company and its subsidiaries, (7) Restricted Payments in connection with the Rights Offering, (8) the declaration and payment of dividends on Junior Securities in an amount not to exceed $5,000,000 in any fiscal year, (9) the purchase of fractional shares arising out of stock dividends, splits, combinations or business combinations and (10) other Restricted Payments not to exceed $25,000,000 in the aggregate or $10,000,000 in any fiscal year under this clause (b)(10);

(c) create, incur or assume any Indebtedness, other than (1) Indebtedness existing or committed to on the Issuance Date and extensions, renewals, refinancings and replacements of any such Indebtedness or commitment (whether by the same or any other lender or groups of lenders) that do not increase the outstanding or committed principal amount thereof, (2) Indebtedness of the Company to any subsidiary of the Company, (3) Guarantees by the Company of Indebtedness of any subsidiary of the Company, (4) Indebtedness of the Company incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including capital lease obligations, mortgage financings, purchase money obligations and any Indebtedness assumed in connection with the acquisition of such assets prior to the acquisition thereof, and extensions, renewals, refinancings and replacements of any such Indebtedness, (5) Indebtedness of, or Guarantees of Indebtedness of, any other person existing at the time such other person is merged with or into the Company or any subsidiary of the Company, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other person merging with or into the Company, or becoming a subsidiary of the Company, (6) Indebtedness of the Company as an account party in respect of trade letters of credit, (7) Hedging Obligations, (8) obligations in respect of performance bid and surety bonds and completion guarantees provided in the ordinary course of business, (9) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business and (10) other Indebtedness created, incurred or assumed pursuant to this clause (c)(10) in an aggregate principal amount not to exceed $50,000,000 (the categories of Indebtedness described in the foregoing clauses (c)(1) through (c)(10) are referred to collectively as " Permitted Debt ");

(d) change the size of the Board, other than changes resulting from the appointment or election of Board members by holders of the Series B Preferred Stock or the Existing Preferred Stock;

(e) acquire, through acquisition of capital stock or assets, any Person or line of business or sell, transfer, lease or otherwise dispose of all or any substantial part of its assets, other than any transaction involving $50,000,000 or less in value.

For purposes of determining whether any approval of the holders of Series B Preferred Stock is required in connection with the Company's creation, incurrence or assumption of any Indebtedness, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in Section 10(viii)(c) hereof, the Company shall be entitled to divide and classify such item of Indebtedness on the date of its creation, incurrence or assumption, or later reclassify all or a portion of such item of Indebtedness, in any manner among the categories of Permitted Debt.

11. Reports and Information Rights. The Company shall afford the Initial Investors reasonable access to its books, records, personnel and representatives, upon reasonable notice and in such manner as will not unreasonably interfere with the conduct of the Company's business. Subject to compliance with customary confidentiality obligations and applicable law, the Initial Investors shall also be entitled to receive copies of all confidential financial information and reports prepared for the Company's lenders promptly upon furnishing such information to such lenders. The information rights of each Initial Investor pursuant to this Section 11 shall terminate on the first date on which such Initial Investor's aggregate holdings of shares of Series B Preferred Stock is convertible into less than 15% of the total number of shares of Common Stock which would be outstanding on such date assuming the exercise of all outstanding options and warrants (other than those issued under the Company's stock incentive program) and the conversion of all convertible securities. The information rights of each Initial Investor under this Section 11 are personal to such Initial Investor and shall not be transferable to any other Person and any attempted transfer shall be invalid.

12. Transferability. The transfer of the Series B Preferred Stock by the holders thereof shall not be restricted other than pursuant to the requirements of applicable law; *provided* , that each Initial Investor shall provide written notice to the Company within three days of any transfer of Series B Preferred Stock by such Initial Investor.

13. Exclusion of Other Rights. Except as may otherwise be required by law, the shares of Series B Preferred Stock shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in this resolution (as such resolution may be amended from time to time) and in the Certificate of Incorporation. The shares of Series B Preferred Stock shall have no preemptive or subscription rights.

14. Headings of Subdivisions. The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

15. Severability of Provisions. If any voting powers, preferences and relative, participating, optional and other special rights of the Series B Preferred Stock and qualifications, limitations and restrictions thereof set forth in this resolution (as such resolution may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other voting powers, preferences and relative, participating, optional and other special rights of Series B Preferred Stock and qualifications, limitations and restrictions thereof set forth in this resolution (as so amended) which can be given effect without the invalid, unlawful or unenforceable voting powers, preferences and relative, participating, optional and other special rights of Series B Preferred Stock and qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect and no voting powers, preferences or relative, participating, optional or other special rights of Series B Preferred Stock or qualifications, limitations or restrictions thereof herein set forth shall be deemed dependent upon any other such voting powers, preferences and relative, participating, optional and other special rights of Series B Preferred Stock and qualifications, limitations and restrictions thereof unless so expressed herein.

16. Re-issuance of Series B Preferred Stock. Shares of Series B Preferred Stock that have been issued and reacquired by the Company by purchase, redemption or exchange shall (upon compliance with any applicable provisions of the laws of Delaware) have the status of authorized but unissued shares of Series B Preferred Stock, *provided* , that any issuance of such shares must be in compliance with the terms hereof.

17. Mutilated or Missing Series B Preferred Stock Certificates. If any of the Series B Preferred Stock certificates shall be mutilated, lost, stolen or destroyed, the Company shall issue, in exchange and in substitution for and upon cancellation of the mutilated Series B Preferred Stock certificate, or in lieu of and substitution for the Series B Preferred Stock certificate lost, stolen or destroyed, a new Series B Preferred Stock certificate of like tenor and representing an equivalent amount of shares of Series B Preferred Stock, but only upon receipt of evidence of such loss, theft or destruction of such Series B Preferred Stock certificate and indemnity, if requested, satisfactory to the Company and the Transfer Agent (if other than the Company).

18. Certain Definitions. As used in this Certificate of Designation, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and *vice versa* ), unless the context otherwise requires:

“ Applicable Redemption Amount ” has the meaning given thereto in Section 7(ii) hereof.

“ Applicable Redemption Date ” has the meaning given thereto in Section 7(iv) hereof.

“ Applicable Redemption Price ” has the meaning given thereto in Section 7(i) hereof.

“ Applicable Redemption Record Date ” has the meaning given thereto in Section 7(iv) hereof.

“ Board ” has the meaning given thereto in the first paragraph hereof.

“ Business Day ” means any day except a Saturday, a Sunday, or any day on which banking institutions in New York, New York are required or authorized by law or other governmental action to be closed.

“ Certificate of Incorporation ” has the meaning given thereto in the first paragraph hereof.

“ Change of Control ” means the occurrence of either of the following events:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Initial Investors, is or becomes the “beneficial owner” (as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the outstanding voting stock of the Company; or

(ii) the merger or consolidation of the Company with or into another Person, or the sale of all or substantially all the assets of the Company (determined on a consolidated basis) to another Person, other than (a) a transaction in which the surviving Person or transferee is a Person that is controlled by the Company or (b) in the case of a merger or consolidation transaction, a transaction following which holders of the outstanding voting stock of the Company immediately prior to such transaction own directly or indirectly at least a majority of the total voting power of the surviving Person in such transaction and in substantially the same proportion as before the transaction.

“ Change of Control Notice ” has the meaning given thereto in Section 9(ii) hereof.

“ Closing Price ” means, as of any date of determination, the closing sale price or, if no closing sale price is reported, the last reported sale price of the Common Stock on the New York Stock Exchange on that date. If the Common Stock is not then traded on the New York Stock Exchange on any date of determination, the Closing Price of the Common Stock on any date of determination means the closing sale price as reported in the composite transactions for the principal U.S. securities exchange on which the Common Stock is so listed or quoted, or if the Common Stock is not so listed or quoted on a U.S. national or regional securities exchange, as reported by the Nasdaq

stock market, or, if no closing price for the Common Stock is so reported, the last quoted bid price for the Common Stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization or, if that bid price is not available, the market value of the Common Stock on that date as determined by a nationally recognized independent investment banking firm retained by the Company for this purpose.

" Common Stock " means the Common Stock, par value $0.01 per share, of the Company.

" Company " has the meaning given thereto in the first paragraph hereof.

" Consolidated Cash Flow " means, for any period, the Consolidated Net Income of the Company and its Consolidated Subsidiaries for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(i) Consolidated Interest Expense; *plus*

(ii) all income tax expense of the Company and its Consolidated Subsidiaries; *plus*

(iii) depreciation and amortization expense of the Company and its Consolidated Subsidiaries; *plus*

(iv) all losses attributable to grinding wheels operations; *plus*

(v) restructuring charges and related severance and other expenses in an aggregate amount not to exceed $1.5 million; *plus*

(vi) all other non-cash charges of the Company and its Consolidated Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period); *plus*

(vii) expenses related to debt refinancing; *plus*

(viii) any payment of fees and expenses under any Receivables Liquidity Facility; *plus*

(ix) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing; *minus*

(x) all gains attributable to grinding wheel operations;

in each case determined on a consolidated basis for such period in conformity with GAAP.

" Consolidated Interest Expense " means, for any period, the total interest expense of the Company and its Consolidated Subsidiaries, whether paid in cash or accrued as a liability, plus, to the extent not included in such total interest expense, and to the extent deducted in determining Consolidated Net Income, without duplication:

(i) the interest component of all payments associated with capital lease obligations; *plus*

(ii) amortization of debt discount and debt issuance cost; *plus*

(iii) capitalized interest; *plus*

(iv) losses and upfront costs on Hedging Obligations; *plus*

(v) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by (or secured by the assets of) the Company or any Consolidated Subsidiary; *minus*

(vi) interest income for such period;

in each case determined on a consolidated basis for such period in conformity with GAAP.

" Consolidated Net Income " means, for any period, the net income of the Company and its Consolidated Subsidiaries, excluding the cumulative effect of a change in accounting principles.

" Consolidated Subsidiaries " means, with respect to the Company, each subsidiary consolidated with the Company in its financial statement prepared in accordance with GAAP.

" Contingent Warrants " means the contingent warrants issued by the Company to Glencore Finance AG and Mizuho International plc pursuant to the Contingent Warrant Agreement dated as of March 12, 2004 by and among Milacron Inc., Glencore Finance AG and Mizuho International plc, as it may be amended, supplemented or otherwise modified from time to time.

" Conversion Date " has the meaning given thereto in Section 4(ii) hereof.

" Conversion Date Deferral " has the meaning given thereto in Section 5(iv) hereof.

" Conversion Price " shall initially mean $2.00 per share and thereafter shall be subject to adjustment from time to time pursuant to the terms of Section 4 hereof.

" Currency Agreement " means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values.

“ Dividend Payment Date ” has the meaning given thereto in Section 3(i) hereof.

“ Dividend Period ” has the meaning given thereto in Section 3(i) hereof.

“ Equity Interests ” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ Exchange Act ” means the Securities Exchange Act of 1934, as amended.

“ Existing Preferred Stock ” means the existing 4% Cumulative Preferred Stock, par value $100.00 per share, of the Company.

“ Financing Agreements ” means any credit agreements, notes, debentures, bonds, guarantees, indentures or other documents or instruments governing Indebtedness of the Company.

“ GAAP ” means generally accepted accounting principles in the United States of America, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

“ Guarantee ” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing the Indebtedness of any Person and any obligations, direct or indirect, contingent or otherwise, of such Person:

(i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

*provided* , *however* , that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“ Hedging Obligations ” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

" Indebtedness " means, with respect to any Person, indebtedness of such Person (i) for money borrowed or (ii) evidenced by notes, debentures, bonds or other similar instruments.

"Initial Investors " means (i) Glencore Finance AG, (ii) Mizuho International plc, (iii) Ohio Plastics, LLC and its affiliates and associates and (iv) solely for purposes of the definition of "Change of Control," any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who beneficially owns shares of capital stock of the Company that at any time were beneficially owned by any of the persons described in clause (iii). For purposes of this paragraph, shares are "beneficially owned" by a person who would be considered a beneficial owner of such shares pursuant to Rules 13d-3 and 13d-5 under the Exchange Act.

" Interest Rate Agreement " means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates.

" Issuance Date " means the date on which the Series B Preferred Stock is originally issued by the Company.

" Junior Securities " has the meaning given thereto in Section 2 hereof.

" Liquidation Preference " means $200.00 per share.

" Mandatory Conversion Date " has the meaning given thereto in Section 5(i) hereof.

" New Conversion Date " has the meaning given thereto in Section 5(iv) hereof.

" Note Purchase Agreement " means the Note Purchase Agreement dated as of March 12, 2004, by and among the Company and Glencore Finance AG and Mizuho International plc, as amended by the letter agreement dated April 5, 2004 and as may be further amended.

" Parity Securities " has the meaning given thereto in Section 2 hereof.

" Patel Agreement " means the Exchange Agreement dated as of November 27, 2001 among Milacron Inc., Mahendra N. Patel, Nayana M. Patel and Manata Machinery Pvt. Ltd., as supplemented by the Supplementary Agreement thereto dated October 10, 2002 and as may be further amended or supplemented from time to time.

" Permitted Debt " has the meaning given thereto in Section 10(viii)(c) hereof.

“ Person ” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

“ Receivables Liquidity Facility ” means the Amended and Restated Receivables Purchase Agreement dated as of January 26, 1996, as amended, among the Company, Cincinnati Milacron Marketing Company, Cincinnati Milacron Commercial Corp., Valenite Inc., DME Company, Market Street Funding Corporation and PNC Bank, National Association, as the same may be amended, extended, renewed, refinanced, replaced, supplemented or modified from time to time or any replacement receivables liquidity facility.

“ Restricted Payment ” means any dividend or other distribution (whether in cash, securities or other property), with respect to any Equity Interests in the Company, or any payment whether in cash, securities or other property, including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancelation or termination of any such Equity Interests in the Company or any option, warrant or other right to acquire any such Equity Interests in the Company.

“ Rights Offering ” means a rights offering conducted by the Company with respect to Common Stock no later than 270 days following the first issuance of shares of Series B Preferred Stock, pursuant to which each holder of Common Stock (other than any Common Stock received upon conversion of Series B Preferred Stock) shall be entitled to purchase 0.452 newly issued shares of Common Stock per share of Common Stock held by such holder at a purchase price of $2.00 per share.

“ Rights Offering Call Date ” has the meaning given thereto in Section 8(iii) hereof.

“ Rights Offering Call Price ” has the meaning given thereto in Section 8(i) hereof.

“ Senior Securities ” has the meaning given thereto in Section 2 hereof.

“ Serial Preference Stock ” has the meaning given thereto in the Certificate of Incorporation.

“ Series A Notes ” means the Company’s 20% Secured Step-Up Series A Notes due 2007 issued pursuant to the Note Purchase Agreement.

“ Series B Directors ” has the meaning given thereto in Section 10(iii) hereof.

“ Series B Preferred Stock ” has the meaning given thereto in Section 1 hereof.

“ Special Redemption Date ” has the meaning given thereto in Section 9(i) hereof.

“ Special Redemption Price ” has the meaning given thereto in Section 9(i) hereof.

“ Trading Day ” means any day on which the New York Stock Exchange or other applicable stock exchange or market is open for business.

“ Transfer Agent ” means Mellon Investor Services LLC unless and until a successor is selected by the Company.

“ Voting Rights Triggering Event ” has the meaning given thereto in Section 10(iv) hereof.

**Exhibit 11**

**Milacron Inc. and Subsidiaries**
**Computation of Per-Share Earnings**

| | 2007 | 2006 |
|---|---|---|
| | (In thousands, except per-share amounts) | |
| Loss from continuing operations | $(88,223) | $(39,785) |
| Income (loss) from discontinued operations | 1,172 | 81 |
| Net loss | (87,051) | (39,704) |
| Less preferred dividends | (6,240) | (6,240) |
| Less beneficial conversion feature related to Series B Preferred Stock | (3,117) | (3,117) |
| Net loss available to common shareholders | $(96,408) | $(49,061) |
| Basic loss per share: | | |
| Weighted-average common shares outstanding | 5,008 | 4,833 |
| Per share amount: | | |
| Continuing operations | $ (19.48) | $ (10.17) |
| Discontinued operations | .23 | .02 |
| Net loss | $ (19.25) | $ (10.15) |
| Diluted loss per share: | | |
| Weighted-average common shares outstanding(a) | 5,008 | 4,833 |
| Per share amount: | | |
| Continuing operations | $ (19.48) | $ (10.17) |
| Discontinued operations | .23 | .02 |
| Net loss | $ (19.25) | $ (10.15) |

(a) In all years, the common shares into which the Series B Preferred Stock is convertible are excluded because their inclusion would result in a smaller loss per common share. In all years, potentially dilutive restricted shares are also excluded for similar reasons.

**Exhibit 21**

## Subsidiaries of the Registrant
## Milacron Inc.

| | Incorporated State or Country | Date Incorporated or (if Later) Date Acquired | Percentage Owned |
|---|---|---|---|
| MILACRON INC. | Delaware (Registrant) | 1983 | |
| Milacron Capital Holdings B.V. | The Netherlands | 2000 | 100% |
| Milacron Investments B.V. | The Netherlands | 2000 | 100% |
| Milacron B.V. | The Netherlands | 1952 | 100% |
| Milacron Nederland B.V. | The Netherlands | 1998 | 100% |
| Cimcool Europe B.V. | The Netherlands | 1989 | 100% |
| Cimcool Polska Sp. z o.o. | Poland | 2007 | 100% |
| Cimcool Industrial Products B.. V. | The Netherlands | 1960 | 100% |
| Oak International Europe Ltd. | England | 1999 | 100% |
| Milacron Kunststoffmaschinen Europa GmbH | Germany | 1990 | 100% |
| Uniloy Milacron Germany GmbH | Germany | 1998 | 100% |
| Milacron Czech Republic S.P.O.L., s.r.o. | Czech Republic | 1998 | 100% |
| Ferromatik Milacron Maschinenbau GmbH | Germany | 1993 | 100% |
| Ferromatik Milacron (SA) (PTY) LTD | South Africa | 1994 | 100% |
| D-M-E Normalien GmbH | Germany | 1996 | 100% |
| EOC France S.A.R.L | France | 2001 | 99% |
| DME Czech Republic s.r.o. | Czech Republic | 2001 | 100% |
| D-M-E Europe CVBA | Belgium | 1996 | 100% |
| VSI International N.V. | Belgium | 1996 | 100% |
| Milacron France SAS | France | 2002 | 100% |
| Milacron U.K. Ltd. | England | 2002 | 100% |
| Milacron Italia S.R.L. | Italy | 1970 | 100% |
| Uniloy Milacron Italy S.R.L. | Italy | 1998 | 100% |
| Milacron Plastics Iberica S.L. | Spain | 2002 | 100% |
| Milacron Assurance Ltd. | Bermuda | 1977 | 100% |
| Milacron Services, S.A. de C.V. | Mexico | 1992 | 100% |
| Milacron Marketing Company | Ohio | 1931 | 100% |
| Milacron International Marketing Company | Delaware | 1966 | 100% |
| Milacron Equipamentos Plasticos Ltd. | Brazil | 1997 | 100% |
| Northern Supply Company, Inc. | Minnesota | 1998 | 100% |
| Ferromatik Milacron India Limited | India | 1995 | 90% |
| Nickerson Machinery Chicago, Inc. | Illinois | 1999 | 100% |
| Pliers International, Inc. | Delaware | 1999 | 100% |
| Cincinnati Milacron Trading Co. Ltd. | Shanghai | 1998 | 100% |
| D-M-E Company | Delaware | 1996 | 100% |
| D-M-E USA | Michigan | 1998 | 100% |
| D-M-E of Canada Limited | Canada | 1996 | 100% |
| Progress Precision | Canada | 2001 | 100% |
| 450500 Ontario Limited | Canada | 1996 | 100% |
| Ontario Heater and Supply Company | Canada | 2000 | 100% |
| Rite-Tek Canada | Canada | 2000 | 100% |
| Japan D-M-E Corporation | Japan | 1996 | 51% |
| D-M-E China Ltd. | Hong Kong | 1996 | 51% |
| D-M-E Manufacturing Inc. | Delaware | 1999 | 100% |
| Uniloy Milacron Inc. | Delaware | 1998 | 100% |
| Uniloy Milacron Machinery - Mexico, S.A. de C.V. | Mexico | 1998 | 100% |
| Uniloy Milacron Services - Mexico, S.A. de C.V. | Mexico | 1998 | 100% |
| Uniloy Milacron U.S.A. | Michigan | 1998 | 100% |
| Milacron Industrial Products, Inc. | Michigan | 1999 | 100% |
| Oak International Inc. | Michigan | 1999 | 100% |
| Cimcool Industrial Products Inc. | Delaware | 1999 | 100% |
| Cincinnati Milacron IPK, Inc. | Korea | 1993 | 100% |
| Milacron Canada, Inc. | Ontario | 1997 | 100% |
| Milacron Mexicana Sales S.A. de C.V. | Mexico | 1993 | 100% |
| Milacron Plastics Technologies Group Inc. | Delaware | 1999 | 100% |
| Milacron Plastics Machinery (Jiangyin) Ltd. | China | 2004 | 82% |

**Exhibit — 23**

**Consent of Experts and Counsel**
**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

Registration Statement (Form S-8 No. 333-142428) pertaining to the Milacron Inc. Director Deferred Compensation Plan,

Registration Statement (Form S-8 No. 333-116414) pertaining to the Milacron Inc. 2004 Long-term Incentive Plan,

Registration Statements (Form S-8 Nos. 333-115948 and 333-115949) pertaining to the Milacron Inc. Retirement Savings Plan,

Registration Statement (Form S-8 No. 33-56403) pertaining to the Milacron Inc. 1994 Long-term Incentive Plan,

Registration Statement (Form S-8 No. 333-69194) pertaining to the Milacron Inc. 1997 Long-term Incentive Plan, and

Registration Statement (Form S-8 No. 333-74426) pertaining to the Milacron Inc. Plan for the Deferral of Directors' Compensation;

of our reports dated March 24, 2008, with respect to the consolidated financial statements and schedule of Milacron Inc., and the effectiveness of internal control over financial reporting of Milacron Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

Cincinnati, Ohio
March 24, 2008

**Exhibit 31.1**

I, Ronald D. Brown, certify that:

1. I have reviewed this annual report on Form 10-K of Milacron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ RONALD D. BROWN

Ronald D. Brown
*Chairman, President and*
*Chief Executive Officer*

Date: March 24, 2008

**Exhibit 31.2**

I, Ross A. Anderson, certify that:

1. I have reviewed this annual report on Form 10-K of Milacron Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ ROSS A. ANDERSON

Ross A. Anderson
*Senior Vice President — Finance and*
*Chief Financial Officer*

Date: March 24, 2008

**Exhibit 32**

**Certification Pursuant to**
**18 U.S.C. Section 1350**
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Milacron Inc., a Delaware corporation (the "Company") for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to such officer's knowledge and belief, that:

1.) the Report fully complies, in all material respects, with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of December 31, 2007.

By: /s/ RONALD D. BROWN

Ronald D. Brown
*Chairman, President and*
*Chief Executive Officer*

Date: March 24, 2008

By: /s/ ROSS A. ANDERSON

Ross A. Anderson
*Senior Vice President — Finance and*
*Chief Financial Officer*

Date: March 24, 2008

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certificate is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002, is not intended to be used or relied upon for any other purpose and shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. This certificate will not be deemed to be incorporated by reference into any filing, except to the extent that the Company specifically incorporates it by reference.