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**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarter ended September 30, 2001

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.**

2090 Florence Avenue  
Cincinnati, Ohio 45206  
(513) 487-5000

Incorporated in Delaware

I.R.S. No. 31-1062125

\_\_\_\_\_

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

Number of shares of Common Stock, \$1.00 par value, outstanding as of November 8, 2001: 33,465,506

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**Milacron Inc. and Subsidiaries**  
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## PART I Financial Information

### Item 1. Financial Statements

#### Consolidated Condensed Statements of Earnings

Milacron Inc. and Subsidiaries  
(Unaudited)

(In millions, except share and per-share amounts)	Three Months Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2001	2000	2001	2000
Sales .....	\$ 294.9	\$ 394.0	\$ 957.2	\$ 1,195.4
Cost of products sold.....	244.7	292.0	758.1	885.1
Cost of products sold related to restructuring.....	3.6	-	3.6	-
Total cost of products sold.....	<u>248.3</u>	<u>292.0</u>	<u>761.7</u>	<u>885.1</u>
Manufacturing margins.....	46.6	102.0	195.5	310.3
Other costs and expenses				
Selling and administrative .....	60.6	65.8	186.6	199.3
Restructuring costs.....	9.0	.6	9.0	2.1
Gain on divestiture of business .....	-	(1.5)	-	(1.5)
Other - net.....	<u>3.2</u>	<u>(.9)</u>	<u>6.8</u>	<u>6.3</u>
Total other costs and expenses.....	<u>72.8</u>	<u>64.0</u>	<u>202.4</u>	<u>206.2</u>
Operating earnings (loss) .....	(26.2)	38.0	(6.9)	104.1
Interest				
Income .....	.2	.4	1.3	1.4
Expense.....	<u>(10.2)</u>	<u>(10.9)</u>	<u>(30.5)</u>	<u>(31.0)</u>
Interest - net .....	<u>(10.0)</u>	<u>(10.5)</u>	<u>(29.2)</u>	<u>(29.6)</u>
<b>Earnings (loss) before income taxes and minority shareholders' interests.....</b>	<b>(36.2)</b>	<b>27.5</b>	<b>(36.1)</b>	<b>74.5</b>
Provision (benefit) for income taxes .....	<u>(18.3)</u>	<u>8.5</u>	<u>(24.0)</u>	<u>23.1</u>
<b>Earnings (loss) before minority shareholders' interests..</b>	<b>(17.9)</b>	<b>19.0</b>	<b>(12.1)</b>	<b>51.4</b>
Minority shareholders' interests in earnings of subsidiaries....	<u>.5</u>	<u>.5</u>	<u>1.7</u>	<u>1.1</u>
<b>Net earnings (loss) .....</b>	<b><u>\$ (18.4)</u></b>	<b><u>\$ 18.5</u></b>	<b><u>\$ (13.8)</u></b>	<b><u>\$ 50.3</u></b>
<b>Earnings (loss) per common share</b>				
Basic .....	<u>\$ (.55)</u>	<u>\$ .53</u>	<u>\$ (.42)</u>	<u>\$ 1.42</u>
Diluted.....	<u>\$ (.55)</u>	<u>\$ .53</u>	<u>\$ (.42)</u>	<u>\$ 1.41</u>
Dividends per common share.....	<u>\$ .12</u>	<u>\$ .12</u>	<u>\$ .36</u>	<u>\$ .36</u>
Weighted average common shares outstanding assuming dilution (in thousands)	33,304	34,678	33,351	35,487

See notes to consolidated condensed financial statements.

## Consolidated Condensed Balance Sheets

Milacron Inc. and Subsidiaries  
(Unaudited)

(In millions, except par value)	Sept. 30, 2001	Dec. 31, 2000
<b>Assets</b>		
Current assets		
Cash and cash equivalents.....	\$ 63.2	\$ 41.2
Notes and accounts receivable, less allowances of \$13.1 in 2001 and \$12.9 in 2000.....	170.4	199.5
Inventories		
Raw materials.....	39.6	42.9
Work-in-process and finished parts.....	187.0	192.0
Finished products.....	<u>146.7</u>	<u>132.2</u>
Total inventories.....	373.3	367.1
Other current assets.....	<u>65.4</u>	<u>48.2</u>
Total current assets.....	672.3	656.0
Property, plant and equipment - net.....	306.6	305.5
Goodwill.....	410.5	413.7
Other noncurrent assets.....	<u>113.0</u>	<u>89.7</u>
<b>Total assets.....</b>	<b><u>\$1,502.4</u></b>	<b><u>\$1,464.9</u></b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Borrowings under lines of credit.....	\$ 106.0	\$ 85.6
Long-term debt due within one year.....	6.8	8.4
Trade accounts payable.....	101.2	127.3
Advance billings and deposits.....	11.9	25.9
Accrued and other current liabilities.....	<u>140.5</u>	<u>158.9</u>
Total current liabilities.....	366.4	406.1
Long-term accrued liabilities.....	198.2	191.8
Long-term debt.....	<u>481.4</u>	<u>382.6</u>
<b>Total liabilities.....</b>	<b>1,046.0</b>	<b>980.5</b>
Commitments and contingencies.....	-	-
Shareholders' equity		
4% Cumulative Preferred shares.....	6.0	6.0
Common shares, \$1 par value (outstanding: 33.4 in 2001 and 33.3 in 2000)	33.4	33.3
Capital in excess of par value.....	280.4	281.5
Reinvested earnings.....	187.4	213.3
Accumulated other comprehensive loss.....	<u>(50.8)</u>	<u>(49.7)</u>
<b>Total shareholders' equity.....</b>	<b><u>456.4</u></b>	<b><u>484.4</u></b>
<b>Total liabilities and shareholders' equity.....</b>	<b><u>\$1,502.4</u></b>	<b><u>\$1,464.9</u></b>

See notes to consolidated condensed financial statements.

## Consolidated Condensed Statements of Cash Flows

Milacron Inc. and Subsidiaries

(Unaudited)

(In millions)	Three Months Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2001	2000	2001	2000
<b>Increase (decrease) in cash and cash equivalents</b>				
<b>Operating activities cash flows</b>				
Net earnings (loss).....	\$ (18.4)	\$ 18.5	\$ (13.8)	\$ 50.3
Operating activities providing (using) cash				
Depreciation and amortization.....	14.6	14.4	44.6	44.6
Restructuring costs.....	12.6	-	12.6	-
Gain on divestiture of business.....	-	(1.5)	-	(1.5)
Deferred income taxes.....	1.1	.6	11.0	3.3
Working capital changes				
Notes and accounts receivable.....	15.6	14.0	37.9	.7
Inventories.....	22.9	(9.8)	3.1	(23.5)
Other current assets.....	3.9	(1.4)	(.7)	(7.2)
Trade accounts payable.....	(3.0)	(3.8)	(32.2)	(10.8)
Other current liabilities.....	(25.2)	3.6	(77.6)	3.2
Increase in other noncurrent assets.....	(3.8)	(5.2)	(13.5)	(12.0)
Increase (decrease) in long-term accrued liabilities.....	(1.6)	1.1	.2	3.3
Other-net.....	1.5	(.1)	(.6)	(1.0)
Net cash provided (used) by operating activities.....	20.2	30.4	(29.0)	49.4
<b>Investing activities cash flows</b>				
Capital expenditures.....	(7.3)	(10.7)	(23.3)	(27.6)
Net disposals of property, plant and equipment.....	.7	3.2	4.9	4.0
Acquisitions.....	-	(.5)	(28.6)	(4.1)
Divestitures.....	-	14.2	-	11.2
Net cash provided (used) by investing activities.....	(6.6)	6.2	(47.0)	(16.5)
<b>Financing activities cash flows</b>				
Dividends paid.....	(4.1)	(4.2)	(12.2)	(12.9)
Issuance of long-term debt.....	-	-	5.4	110.1
Repayments of long-term debt.....	(.3)	(12.3)	(4.0)	(145.1)
Increase (decrease) in borrowings under lines of credit ..	16.3	(18.1)	112.3	(5.9)
Issuance of common shares.....	-	-	4.0	-
Purchase of treasury and other common shares.....	-	(7.4)	(7.7)	(31.3)
Net cash provided (used) by financing activities.....	11.9	(42.0)	97.8	(85.1)
<b>Effect of exchange rate fluctuations on cash and cash equivalents.....</b>				
	<b>1.0</b>	<b>(.8)</b>	<b>.2</b>	<b>(1.9)</b>
<b>Increase (decrease) in cash and cash equivalents.....</b>	<b>26.5</b>	<b>(6.2)</b>	<b>22.0</b>	<b>(54.1)</b>
Cash and cash equivalents at beginning of period.....	36.7	33.4	41.2	81.3
<b>Cash and cash equivalents at end of period.....</b>	<b>\$ 63.2</b>	<b>\$ 27.2</b>	<b>\$ 63.2</b>	<b>\$ 27.2</b>

See notes to consolidated condensed financial statements.

## Notes to Consolidated Condensed Financial Statements

(Unaudited)

### Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments, including only normal recurring adjustments except for the matters discussed in the note captioned "Restructuring Costs," necessary to present fairly the company's financial position, results of operations and cash flows.

The Consolidated Condensed Balance Sheet at December 31, 2000, has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

Except as hereinafter described, the accounting policies followed by the company are set forth in the "Summary of Significant Accounting Policies" note to the consolidated financial statements included in the company's Annual Report on Form 10-K for the year ended December 31, 2000.

### Change in Method of Accounting

Effective January 1, 2001, the company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended. SFAS No. 133 requires that derivatives, including foreign currency forward exchange contracts, be recognized in the statement of financial position and measured at fair value. The adoption of SFAS No. 133 did not have a significant effect on the company's financial position or results of operations.

### Restructuring Costs

As discussed more fully in the company's Annual Report on Form 10-K for the year ended December 31, 2000, the company initiated two separate programs in 1999 to improve operating efficiency and strengthen synergies between certain recently acquired businesses and its previously existing operations.

In September, 1999, the company announced a formal plan to consolidate Uniloy's European blow molding operations in a new manufacturing facility located near Milan, Italy at an expected cost of \$6.7 million, of which \$5.7 million was included in a reserve for employee termination benefits and facility exit costs that was

established in the allocation of the Uniloy acquisition cost. The remainder of the cost of the consolidation was charged to expense as incurred in the fourth quarter of 1999 and during 2000.

In December, 1999, the company initiated a second plan to improve operating efficiency and reduce costs at additional businesses. The cost of implementing the plan was originally expected to be \$20.8 million. However, lower than anticipated costs for employee, inventory and equipment relocation and for severance and other termination benefits reduced the actual cost to \$18.2 million, of which \$16.0 million was charged to earnings in the fourth quarter of 1999. The remainder of the total cost of the plan was charged to expense as incurred in 2000.

In the third quarter of 2001, the company's management formally approved a plan to consolidate additional operations and to further reduce the company's cost structure. Implementation of the plan is expected to result in pretax charges to earnings of approximately \$30.0 million. Of the total cost of the plan, \$12.6 million was recorded in the third quarter, including a reserve of \$5.8 million for employee termination benefits and facility exit costs.

As approved by management, the plan involves the closure of 7 manufacturing facilities, the consolidation of several warehousing, sales and administrative locations, and general overhead reductions in substantially all of the company's major operations. The total cost of the plan includes amounts for the discontinuation of a number of product lines in both segments, including \$3.6 million that was charged to expense in the third quarter of 2001. This amount is presented as a component of cost of products sold in the Consolidated Condensed Statements of Earnings. The total cost of the plan also includes \$4.2 million for the integration of EOC and Reform with the company's existing mold components business in Europe (see Acquisitions).

The consolidation and overhead reductions will result in the elimination of approximately 825 manufacturing and administrative positions, principally in the U.S. and Europe. The net cash cost of the plan, including capital expenditures of \$7 million, will be approximately \$22 million, including a current estimate of \$11 million that will be spent in 2001, principally in the fourth quarter.

## Notes to Consolidated Condensed Financial Statements

(Unaudited)

As presented in the Consolidated Condensed Statements of Earnings for 2001 and 2000, the line captioned "Restructuring costs" includes the following components:

(In millions)	Three Months Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2001	2000	2001	2000
Costs related to Uniloy consolidation.....	\$ -	\$ -	\$ -	\$ .5
Other restructuring costs				
Charges to expense .....	12.6	.8	12.6	1.8
Reserve adjustments .....	-	(.2)	-	(.2)
	<u>\$ 12.6</u>	<u>\$ .6</u>	<u>\$ 12.6</u>	<u>\$ 2.1</u>

The status of the reserves for the initiatives discussed above is summarized in the following tables. To the extent that any unused reserve remains after the completion of the Uniloy consolidation, that amount will be applied as a reduction of the goodwill related to the Uniloy acquisition.

(In millions)	Three Months Ended				Nine Months Ended			
	Sept. 30, 2001				Sept. 30, 2001			
	Beginning Balance	Additions	Usage	Ending Balance	Beginning Balance	Additions	Usage	Ending Balance
Uniloy consolidation								
Termination benefits .....	\$ .5	\$ -	\$ (.1)	\$ .4	\$ 1.4	\$ -	\$ (1.0)	\$ .4
Facility exit costs .....	.1	-	-	.1	.2	-	(.1)	.1
	.6	-	(.1)	.5	1.6	-	(1.1)	.5
Restructuring costs								
Termination benefits .....	\$ .1	\$ 3.3	\$ (.7)	\$ 2.7	\$ .3	\$ 3.3	\$ (.9)	\$ 2.7
Facility exit costs .....	.1	2.5	(.5)	2.1	.4	2.5	(.8)	2.1
	.2	5.8	(1.2)	4.8	.7	5.8	(1.7)	4.8
Total reserves .....	<u>\$ .8</u>	<u>\$ 5.8</u>	<u>\$ (1.3)</u>	<u>\$ 5.3</u>	<u>\$ 2.3</u>	<u>\$ 5.8</u>	<u>\$ (2.8)</u>	<u>\$ 5.3</u>

(In millions)	Three Months Ended				Nine Months Ended			
	Sept. 30, 2000				Sept. 30, 2000			
	Beginning Balance	Additions	Usage	Ending Balance	Beginning Balance	Additions	Usage	Ending Balance
Uniloy consolidation								
Termination benefits .....	\$ 1.4	\$ -	\$ (.1)	\$ 1.3	\$ 3.6	\$ -	\$ (2.3)	\$ 1.3
Facility exit costs .....	.6	-	(.2)	.4	.7	-	(.3)	.4
	2.0	-	(.3)	1.7	4.3	-	(2.6)	1.7
Restructuring costs								
Termination benefits .....	\$ 1.7	\$ -	\$ (.4)	\$ 1.3	\$ 9.4	\$ -	\$ (8.1)	\$ 1.3
Facility exit costs .....	2.6	-	(1.9)	.7	3.8	-	(3.1)	.7
	4.3	-	(2.3)	2.0	13.2	-	(11.2)	2.0
Total reserves .....	<u>\$ 6.3</u>	<u>\$ -</u>	<u>\$ (2.6)</u>	<u>\$ 3.7</u>	<u>\$ 17.5</u>	<u>\$ -</u>	<u>\$ (13.8)</u>	<u>\$ 3.7</u>



## Notes to Consolidated Condensed Financial Statements

(Unaudited)

### Acquisitions

In May, 2000, the company acquired Akron Extruders, Inc., a single-screw plastics extrusion manufacturer having annual sales of approximately \$5 million. The manufacture of Akron Extruders' lines of single-screw extruders and replacement barrels and screws has been moved to the company's principal U.S. plastics machinery facility near Cincinnati, Ohio.

In October, 2000, the company acquired Ontario Heater and Supply Company and Rite-Tek Canada (Rite-Tek), two Canadian companies that specialize in the distribution of maintenance, repair and operating supplies for the plastics processing industry. Rite-Tek also manufactures heater bands used in plastics processing. The combined sales of the two companies are approximately \$5 million per year.

In April, 2001, the company acquired Progress Precision, a Canadian manufacturer of barrels, screws and related services for plastics extrusion, injection molding and blow molding. Progress Precision has annual sales of approximately \$2 million.

Also in April, 2001, the company acquired Reform Flachstahl (Reform), a manufacturer of mold bases and plates for plastics injection molding headquartered in Germany. With annual sales of approximately \$16 million, Reform also provides components, cooling products and tools for molds and mold making.

In May, 2001, the company completed the acquisition of EOC Normalien (EOC), a German manufacturer of mold bases, components and die sets for plastics injection molding. EOC has annual sales of approximately \$35 million.

All of the 2000 and 2001 acquisitions were accounted for under the purchase method and were financed through the use of available cash and bank borrowings. The aggregate cost of the acquisitions, including professional fees and other related costs, is expected to total approximately \$32.8 million in 2001 and totaled \$4.7 million in 2000.

Unaudited pro forma sales and earnings information for 2001 and 2000 is not presented because the amounts would not vary materially from the comparable amounts reflected in the company's historical Consolidated Condensed Statements of Earnings for those years.

### Income Taxes

For the third quarter of 2001 and for the nine months ended September 30, 2001, the company recorded net benefits related to income taxes due to the combined effects of operating losses in the U.S. and a favorable

effective tax rate for non-U.S. operations. The losses incurred by the company's U.S. operations resulted in tax benefits based on the federal statutory rate and the company's effective tax rate for state and local tax purposes, in both cases adjusted for permanent differences and applicable credits. The favorable tax rate for non-U.S. operations was due principally to adjustments of valuation allowances in Germany as discussed below and to adjustments of reserves for income taxes based on a favorable ruling from a non-U.S. taxing authority. Such adjustments partially offset provisions for income taxes at statutory rates in other profitable non-U.S. jurisdictions.

At December 31, 2000, certain of the company's non-U.S. subsidiaries had net operating loss carryforwards aggregating approximately \$120 million, substantially all of which have no expiration dates. However, approximately one-half of these loss carryforwards are subject to restrictive covenants under a five-year contractual agreement through 2004 with the tax authorities in Germany. At December 31, 2000, the deferred tax assets related to certain of the loss carryforwards were partially reserved through valuation allowances which totaled approximately \$24 million, eighty percent of which related to the German loss carryforwards. The company reviews valuation allowances periodically based on the relative amount of positive and negative evidence available at the time. This is done for the purpose of reaching conclusions regarding the future realization of deferred tax assets. The principal focus of this review is the expected utilization of net operating loss carryforwards during the current year and in future years. Valuation allowances are then adjusted accordingly. The resulting decreases or increases in valuation allowances serve to favorably or unfavorably affect the company's consolidated effective tax rate and the combined effective tax rate for its non-U.S. operations.

The benefits for income taxes recorded by the company for the third quarter of 2001 and for the nine months ended September 30, 2001 include the effects of the reversal of valuation allowances based on the actual and projected utilization of net operating loss carryforwards in Germany. Adjustments of valuation allowances were the principal reason that the company's consolidated effective tax rate for 2000 was less than the U.S. federal statutory rate.

### Receivables

In accordance with the company's receivables purchase agreement with an independent party, the company sells on an ongoing basis and without recourse an undivided percentage ownership interest in designated pools of accounts receivable. The agreement was amended in August, 2001 to extend its maturity date to August, 2004 and to reduce the maximum amount of the

## Notes to Consolidated Condensed Financial Statements

(Unaudited)

undivided interest sold from \$85.0 million to \$75.0 million. At September 30, 2001, June 30, 2001, December 31, 2000, September 30, 2000, June 30, 2000 and December 31, 1999, the undivided interest in the company's gross accounts receivable that had been sold to the purchaser aggregated \$62.4 million, \$68.9 million, \$85.0 million, \$85.0 million, \$75.0 million and \$75.0 million, respectively. Increases and decreases in the amount sold are reported as operating cash flows in the Consolidated Condensed Statements of Cash Flows. Costs related to the sales are included in other costs and expenses-net in the Consolidated Condensed Statements of Earnings.

### Liabilities

The components of accrued and other current liabilities and long-term accrued liabilities are shown in the following tables.

#### Accrued and Other Current Liabilities

(In millions)	Sept. 30, 2001	Dec. 31, 2000
Accrued salaries, wages and other compensation .....	\$ 47.8	\$ 48.1
Accrued and deferred income taxes .....	8.1	17.9
Other accrued expenses .....	<u>84.6</u>	<u>92.9</u>
	<u>\$140.5</u>	<u>\$158.9</u>

#### Long-Term Accrued Liabilities

(In millions)	Sept. 30, 2001	Dec. 31, 2000
Accrued pensions and other compensation .....	\$ 61.3	\$ 63.1
Accrued postretirement health care benefits .....	36.3	37.3
Accrued and deferred income taxes .....	39.6	34.8
Minority shareholders' interests	25.3	23.3
Other .....	<u>35.7</u>	<u>33.3</u>
	<u>\$198.2</u>	<u>\$191.8</u>

### Long-Term Debt

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

#### Long-Term Debt

(In millions)	Sept. 30, 2001	Dec. 31, 2000
8 $\frac{3}{8}$ % Notes due 2004 .....	\$115.0	\$115.0
7% Eurobonds due 2005 .....	106.1	104.6
Revolving credit facility .....	241.8	146.1
Other .....	<u>25.3</u>	<u>25.3</u>
	488.2	391.0
Less current maturities .....	<u>(6.8)</u>	<u>(8.4)</u>
	<u>\$481.4</u>	<u>\$382.6</u>

A portion of the outstanding borrowings under the company's revolving credit facility is included in long-term debt based on the expectation that these borrowings will remain outstanding for more than one year. These borrowings are at variable interest rates, which had a weighted average of 6.5% per year at September 30, 2001 and 7.4% per year at December 31, 2000. At September 30, 2001 borrowings against the revolving credit facility totaled \$312.8 million compared to \$213.1 million at December 31, 2000.

### Lines of Credit

At September 30, 2001, the company had lines of credit with various U.S. and non-U.S. banks of approximately \$498 million, including a \$340 million committed revolving credit facility. These credit facilities support letters of credit and leases in addition to providing borrowings under varying terms. The revolving credit facility includes certain financial covenants. In August, 2001, the facility was amended to relax certain of these covenants for the third quarter of 2001 and to reduce the amount of borrowings available to the company under the facility from \$375 million to \$340 million. The facility was further amended effective September 30, 2001, such that the financial covenants were further adjusted through 2002. As amended, the facility limits the payment of cash dividends and imposes certain restrictions on share

## Notes to Consolidated Condensed Financial Statements

(Unaudited)

repurchases and capital expenditures. In connection with the amendment, the company pledged as collateral the capital stock of its principal domestic subsidiaries as well as their inventories and certain other tangible and intangible assets.

Under the terms of the revolving credit facility, the company's net debt capacity fluctuates based on the debt outstanding and the amount of cash and cash equivalents. Increases in cash and cash equivalents serve to increase the amount of additional debt capacity whereas decreases in cash and cash equivalents serve to reduce the additional debt capacity. As of September 30, 2001, total debt was \$594 million and cash and cash equivalents totaled \$63 million, resulting in a net debt position (debt less cash and cash equivalents) of \$531 million. Based on this amount, the company's additional net debt capacity totaled approximately \$74 million at September 30, 2001.

### Shareholders' Equity

On February 4, 2000, the company's Board of Directors approved a share repurchase program authorizing the repurchase of up to four million common shares on the open market, of which 3,271,800 were repurchased in 2000, including 2,348,500 during the first three quarters at a cost of \$33.9 million. An additional 200,000 treasury shares were repurchased in the first quarter of 2001 at a cost of \$3.9 million. Under the terms of the amended revolving credit facility (see Lines of Credit), the company agreed that no additional repurchases will be made.

A total of 273,630 treasury shares were reissued in the first three quarters of 2001 in connection with stock option exercises and employee benefit plans and the company purchased 172,940 additional shares on the open market for restricted stock grants and stock option exercises in lieu of the use of authorized but unissued shares or treasury shares. In the first three quarters of 2000, 78,000 treasury shares were reissued in connection with restricted stock grants and 14,154 shares were purchased on the open market for management incentive and employee benefit programs.

On October 12, 2001, the company's Board of Directors declared quarterly dividends of \$.01 per common share and \$1.00 per Preferred share, payable in December, 2001.

### 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 (loss). For the company, the only other components of total comprehensive income are the change in cumulative foreign currency translation adjustments and the change in the fair value of foreign currency exchange contracts accounted for as cash flow hedges. Total comprehensive income (loss) is as follows:

### Comprehensive Income (Loss)

(In millions)	Three Months Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2001	2000	2001	2000
Net earnings (loss).....	\$ (18.4)	\$ 18.5	\$ (13.8)	\$ 50.3
Foreign currency translation adjustments .....	3.9	(5.4)	(1.1)	(15.6)
Cumulative effect of change in method of accounting .....	-	-	(.3)	-
Change in fair value of foreign currency exchange contracts .....	.2	-	.3	-
Total comprehensive income (loss) .....	<u>\$ (14.3)</u>	<u>\$ 13.1</u>	<u>\$ (14.9)</u>	<u>\$ 34.7</u>

## Notes to Consolidated Condensed Financial Statements

(Unaudited)

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

<b>Accumulated Other Comprehensive Loss</b>		
<b>(In millions)</b>	<b>Sept. 30, 2001</b>	<b>Dec. 31, 2000</b>
Foreign currency translation adjustments .....	\$ (50.8)	\$ (49.7)
Fair value of foreign currency exchange contracts.....	-	-
	<u>\$ (50.8)</u>	<u>\$ (49.7)</u>

### Contingencies

The company is involved in remedial investigations and actions at various locations, including former plant facilities, and EPA Superfund 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 the opinion of management, the ultimate liability, if any, resulting from these matters will have no significant effect on the company's consolidated financial position or results of operations.

## Notes to Consolidated Condensed Financial Statements

(Unaudited)

### Organization

The company has two business segments: plastics technologies and metalworking technologies. Descriptions of the products and services of these business segments are included in the "Organization" note to the consolidated financial statements included in the company's Annual Report on Form 10-K for the year ended December 31, 2000. Operating results for the third quarters of 2001 and 2000 and for the nine month periods ended September 30, 2001 and 2000 are presented in the following table.

Organization (In millions)	Three Months Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2001	2000	2001	2000
Sales				
Plastics technologies .....	\$ 151.4	\$ 213.0	\$ 497.1	\$ 652.0
Metalworking technologies .....	143.5	181.0	460.1	543.4
	<u>\$ 294.9</u>	<u>\$ 394.0</u>	<u>\$ 957.2</u>	<u>\$ 1,195.4</u>
Operating earnings (loss)				
Plastics technologies .....	\$ (9.5)	\$ 26.2	\$ .3	\$ 74.2
Metalworking technologies .....	1.3	17.2	21.0	49.6
Restructuring costs (a) .....	(12.6)	(.6)	(12.6)	(2.1)
Gain on divestiture of business .....	-	1.5	-	1.5
Corporate expenses .....	(3.9)	(4.4)	(12.6)	(13.7)
Other unallocated expenses (b) .....	<u>(1.5)</u>	<u>(1.9)</u>	<u>(3.0)</u>	<u>(5.4)</u>
Operating earnings (loss) .....	(26.2)	38.0	(6.9)	104.1
Interest expense-net .....	<u>(10.0)</u>	<u>(10.5)</u>	<u>(29.2)</u>	<u>(29.6)</u>
Earnings (loss) before income taxes and minority shareholders' interests .....	<u>\$ (36.2)</u>	<u>\$ 27.5</u>	<u>\$ (36.1)</u>	<u>\$ 74.5</u>
New orders				
Plastics technologies .....	\$ 150.6	\$ 199.4	\$ 476.6	\$ 632.2
Metalworking technologies .....	139.6	180.5	460.9	548.7
	<u>\$ 290.2</u>	<u>\$ 379.9</u>	<u>\$ 937.5</u>	<u>\$ 1,180.9</u>

(a) For the three and nine month periods ended September 30, 2001, \$5.1 million relates to the plastics technologies segment and \$7.5 million relates to the metalworking technologies segment. Of the total 2001 restructuring amount, \$3.6 million relates to product line discontinuation and is therefore included in cost of products sold in the Consolidated Condensed Statements of Earnings for that year. For the three months ended September 30, 2000, includes a credit of \$.1 million in the plastics technologies segment related principally to adjustments of reserves and expense of \$.7 million related to the metalworking technologies segment. For the nine months ended September 30, 2000, \$.7 million relates to the plastics technologies segment and \$1.4 million relates to the metalworking technologies segment.

(b) Includes financing costs related to the sale of accounts receivable.

## Notes to Consolidated Condensed Financial Statements

(Unaudited)

### 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. Diluted earnings per common share data are based on the weighted-average number of common shares outstanding adjusted to include the effects of potentially dilutive stock options and certain restricted shares.

### Recently Issued Pronouncements

In June, 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142). Under SFAS No. 142, goodwill and certain other intangible assets are no longer amortized but are reviewed annually for impairment. If, based on these reviews, the related assets are found to be impaired, their carrying

value is adjusted through a charge to earnings. Intangible assets that are not deemed to have an indefinite life will continue to be amortized over their expected useful lives.

The company will apply the new accounting rules for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the standard is expected to result in an increase in annual pretax earnings of approximately \$13 million (\$9 million after tax). During 2002, the company will also perform the first of the required impairment reviews of goodwill and indefinite-lived intangible assets as of January 1, 2002. The company has not yet determined the possible effect of these reviews on the company's financial position and results of operations. However, any required adjustments that are identified through these transitional impairment reviews will be recorded as the cumulative effect of a change in method of accounting.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Unaudited)

### Results of Operations

Milacron operates in two business segments: plastics technologies and metalworking technologies.

#### Acquisitions

In May, 2000, we acquired Akron Extruders, Inc., a single-screw plastics extrusion manufacturer having annual sales of approximately \$5 million. The manufacture of Akron Extruders' lines of single-screw extruders and replacement barrels and screws has been moved to our principal U.S. plastics machinery facility near Cincinnati, Ohio.

In October, 2000, we acquired Ontario Heater and Supply Company and Rite-Tek Canada (Rite-Tek), two Canadian companies that specialize in the distribution of maintenance, repair and operating supplies for the plastics processing industry. Rite-Tek also manufactures heater bands used in plastics processing. The combined sales of the two companies are approximately \$5 million per year.

In April, 2001, we acquired Progress Precision, a Canadian manufacturer of barrels, screws and related services for plastics extrusion, injection molding and blow molding. Progress Precision has annual sales of approximately \$2 million.

Also in April, 2001, we acquired Reform Flachstahl (Reform), a manufacturer of mold bases and plates for plastics injection molding headquartered in Germany. With annual sales of approximately \$16 million, Reform also provides components, cooling products and tools for molds and mold making.

In May, 2001, we completed the acquisition of EOC Normalien (EOC), a German manufacturer of mold bases, components and die sets for plastics injection molding. EOC has annual sales of approximately \$35 million.

All of the 2000 and 2001 acquisitions were accounted for under the purchase method and were financed through the use of available cash and bank borrowings. The aggregate cost of the acquisitions, including professional fees and other related costs, is expected to total approximately \$32.8 million in 2001 and totaled \$4.7 million in 2000.

#### Divestiture of Business

In September, 2000, we completed the sale of our German-based industrial magnets business, Widia Magnet Engineering, which had new orders and sales to unrelated customers of \$8 million in the third quarter of 2000. For the nine months ended September 30, 2000, the business had new orders and sales of \$25 million and \$26 million, respectively.

#### Presence Outside the U.S.

In recent years, Milacron's growth outside the U.S. has allowed it to become more globally balanced. In the first nine months of 2001, markets outside the U.S. represented the following percentages of our consolidated sales: Europe 28%; Asia 7%; Canada and Mexico 7%; and the rest of the world 3%. 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 the third quarter of 2001, the weighted-average exchange rate of the euro was weaker in relation to the U.S. dollar than in the comparable period of 2000. As a result, Milacron experienced unfavorable translation effects on new orders and sales of \$4 million and \$3 million, respectively. For the nine months ended September 30, 2001, exchange rate differences had the effect of reducing new orders and sales by \$22 million. The effect on earnings was not significant for either period.

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

#### New Orders and Backlog

Consolidated new orders in the third quarter of 2001 were \$290 million, a decrease of \$90 million, or 24%, in relation to orders of \$380 million in the third quarter of 2000. Unfavorable currency effects and the sale of the industrial magnets business contributed \$11 million to the decrease. Excluding these factors, consolidated orders decreased by 21%. As was the case for the first two quarters of the year, orders for both segments were penalized by low rates of industrial production in North America. Orders for plastic processing machinery were also penalized by depressed levels of capital spending, a trend that is expected to continue into 2002.

In the plastics technologies segment, new orders for the third quarter of 2001 were \$151 million, a decrease of \$48 million in relation to \$199 million of orders in 2000. The most significant decrease occurred in the segment's North American injection molding machine business, where orders decreased by approximately 40% in relation to 2000. Orders for U.S.-built extrusion systems also decreased but to a lesser degree, as did domestic orders for Uniloy blow molding systems. In Europe, orders for injection molding machines decreased while orders for Uniloy products increased but remained at depressed levels. Orders for D-M-E mold components increased in Europe due to the recent acquisitions but decreased in North America due to reduced industrial production and low capacity utilization in plastics processing industries.

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Orders for metalworking technologies products totaled \$140 million in the third quarter of 2001, representing a 23% decrease from \$181 million in the equivalent period of 2000. The absence of the industrial magnets business reduced orders in 2001 by \$8 million while unfavorable currency exchange rate effects contributed an additional \$3 million to the decrease. Excluding these factors, orders for the quarter decreased by 18% in relation to the comparable period of 2000. In the aggregate, North American orders for metalworking fluids, grinding wheels, Valenite metalcutting tools and round tools decreased by approximately 30% due to low production levels in the automotive industry and other metalworking sectors of the economy. In Europe and India, orders for Widia metalcutting tools approximated the levels achieved in the third quarter of 2000 despite adverse currency effects.

Consolidated new orders were \$938 million in the first three quarters of 2001, which represents a decrease of \$243 million, or 21%, in relation to 2000. Unfavorable currency effects and the absence of the industrial magnets business reduced orders in the 2001 period by \$22 million and \$25 million, respectively. Excluding these factors, orders decreased by 17% in 2001. Low levels of industrial production and capacity utilization combined with significantly reduced capital spending in North America resulted in lower order levels for both segments.

Orders for plastics technologies products totaled \$477 million for the first nine months of 2001, a decrease of \$155 million in relation to the equivalent period of 2000. In North America, orders for injection molding machines decreased by more than 35% due to continued low levels of industrial production and significantly reduced capital spending. Domestic orders for Uniloy products and extrusion systems also decreased, as did orders for injection molding machines in Europe. Excluding the effects of the recent acquisitions, orders for D-M-E products decreased by 15% with the reduction being more significant in North America than in Europe.

In the metalworking technologies segment, orders for the first three quarters of 2001 totaled \$461 million compared to \$549 million in 2000. This represents a decrease of \$88 million, or 16%, that was due in part to the sale of the industrial magnets business - which had contributed \$25 million of orders in 2000 - and to the strength of the U.S. dollar in relation to the euro and other currencies. Excluding the divestiture and currency effects, orders decreased by 9% in relation to 2000. As was the case for the third quarter, all of the segment's businesses experienced lower order levels in North America due to low production levels in the automotive industry and in the metalworking industry in general. In Europe, orders for Widia metalcutting tools increased in both local currencies and as measured in U.S. dollars. Orders for metalworking fluids in Europe and cutting tools in India approximated the

levels of 2000 as measured in U.S. dollars despite adverse translation effects.

U.S. export orders totaled \$19 million in the third quarter of 2001 compared to \$31 million in 2000. For the first three quarters of 2001, export orders totaled \$78 million compared to \$95 million in 2000. The decreases resulted principally from lower export orders for Valenite products and plastics processing machinery.

Milacron's backlog of unfilled orders totaled \$156 million at September 30, 2001, compared to \$181 million at December 31, 2000 and \$205 million September 30, 2000. The decreases are due principally to lower order levels for plastics machinery in North America.

### **Sales**

Consolidated sales in the third quarter of 2001 were \$295 million, a decrease of \$99 million, or 25%, in relation to \$394 million of sales in 2000. Adverse currency effects of \$3 million and the sale of the industrial magnets business accounted for approximately 12% of the decrease. The remainder resulted from the continued low levels of industrial production in North America and the related decrease in capital spending.

Third quarter, 2001 sales of plastics technologies products were \$151 million, a decrease of \$62 million in relation to sales of \$213 million in 2000. The most significant reduction occurred in the segment's injection molding machine business in North America where low levels of capital spending resulted in a decrease in excess of 50%. Sales of injection molding machines also decreased in Europe, as did domestic sales of U.S.-built extrusion systems. In Europe, sales of Uniloy blow molding systems increased slightly but remained at depressed levels while sales of Uniloy products in North America approximated the level achieved in 2000. In the aggregate, worldwide sales of plastics processing machinery decreased by almost 40%. In the segment's non-machinery businesses - mold components and maintenance, repair and operating (MRO) supplies - sales for the quarter decreased by almost 20% after excluding the effects of the recent acquisitions.

Third quarter, 2001 sales of metalworking technologies products totaled \$144 million compared to \$181 million in 2000. The absence of the industrial magnets business in 2001 and adverse currency effects accounted for about 30% of the \$37 million decrease. Excluding these factors, the segment's sales decreased by 15% in relation to the third quarter of 2000. As was the case for new orders, North American sales of metalworking fluids, grinding wheels, Valenite products and round metalcutting tools all decreased in relation to 2000. The most significant decrease occurred at Valenite, due principally to reduced demand from the automotive industry. In the aggregate,



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the segment's sales in North America decreased by approximately 25%. As measured in U.S. dollars, sales of Widia products increased in Europe despite the comparative weakness of the euro, while Widia India's local currency sales approximated the level achieved in 2000 but declined modestly in dollars. Sales of metalworking fluids in Europe also decreased modestly due in part to currency effects.

For the first nine months of 2001, consolidated sales were \$957 million, a decrease of \$238 million, or 20%, in relation to \$1,195 million of sales in the equivalent period of 2000. Adverse currency translation effects reduced sales for the period by \$22 million, while the absence of the industrial magnets business contributed an additional \$26 million to the overall decrease. Excluding these effects, sales for the first nine months of 2001 decreased by 16% in relation to the prior year. The same factors that caused the decrease in new orders for the year-to-date period - low levels of industrial production and capital spending - resulted in lower sales volume for both segments.

Sales of the plastics technologies segment were \$497 million in the first nine months of 2001 compared to \$652 million in 2000, a decrease of \$155 million, or 24%. Sales of injection molding machines and extrusion systems both decreased by more than 35% in North America due to significantly lower levels of capital spending than in 2000. In Europe, sales of injection molding machines also decreased - but to a far lesser degree - due in part to adverse currency effects. For the year-to-date period, sales of Uniloy blowmolding systems decreased due almost entirely to low sales volume in the first quarter of the year. Sales of Uniloy products increased in Europe but - as was the case for new orders - remained at low levels. After excluding the contributions of the EOC and Reform acquisitions, sales of D-M-E mold bases and components decreased by more than 15% with the largest shortfall occurring in North America due to reduced industrial production and capacity utilization.

Sales of the metalworking technologies segment were \$460 million in the first three quarters of 2001, a decrease of \$83 million in relation to \$543 million in 2000. Significantly reduced levels of industrial production resulted in lower sales for all of the segment's product lines in North America. Sales of Widia products in Europe increased both in local currencies and in U.S. dollars, while non-U.S. sales of metalworking fluids approximated the level of 2000 despite the increased strength of the dollar in relation to the euro.

Export sales were \$24 million in the third quarter of 2001 compared to \$40 million in 2000. For the first three quarters of 2001, export sales totaled \$81 million compared to \$105 million in 2000. As was the case for

new orders, the decrease resulted principally from reduced export shipments of plastics processing machinery and Valenite products.

Sales of both segments to non-U.S. markets, including exports, totaled \$142 million in the third quarter of 2001, compared to \$156 in 2000. Sales to non-U.S. markets totaled \$433 million during the first three quarters of 2001 compared to \$464 million in 2000. The decreases were caused principally by adverse currency effects, the sale of the industrial magnets business and reduced export shipments. For the first nine months of 2001 and 2000, products manufactured outside the U.S. approximated 42% and 36% of sales, respectively, while products sold outside the U.S. approximated 45% and 39% of sales, respectively.

### **Margins, Costs and Expenses and Operating Earnings**

Excluding restructuring costs related to product line discontinuation, our consolidated manufacturing margin in the third quarter of 2001 was 17.0% compared to 25.9% in 2000. For the first nine months of 2001, the consolidated manufacturing margin excluding restructuring costs was 20.8% compared to 26.0% in 2000. Including restructuring costs, manufacturing margins for the third quarter of 2001 and for the first nine months at that year were 15.8% and 20.4%, respectively. As was the case for the first half of the year, low sales volume and the related underabsorption of manufacturing costs penalized the margins of both segments. In response to the general economic slowdown, we have continued to reduce production to meet lower levels of demand and implemented increasingly stringent cost reduction measures throughout our operations. During the first half of 2001, staffing adjustments made in response to lower order levels resulted in a 15% reduction in our overall employment level in North America. During the third quarter, we announced plans to further reduce our cost structure and break-even point by consolidating a number of smaller manufacturing facilities and further reducing general overhead levels (see Restructuring Costs). These actions in 2001 are in addition to the programs to improve operating efficiency that were initiated in 1999 and substantially completed in 2000. We are also making structural improvements in the way we run our businesses, including the use of "Six Sigma" and "lean" tools to reduce cycle times and working capital requirements.

Excluding restructuring costs, the plastics technologies segment had an operating loss of \$9.5 million, or 6.3% of sales, in the third quarter of 2001 compared to earnings of \$26.2 million, or 12.3% of sales, in 2000. For the first nine months of the year, the segment's operating earnings were \$.3 million, or less than 1% of sales, compared to earnings of \$74.2 million, or 11.4% of sales, in 2000. For both periods of 2001, all of the segment's major businesses had lower earnings than in 2000. Due to low levels of

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capital spending, the largest decreases were experienced in the segment's machinery businesses in North America. Reduced production levels and low capacity utilization in the plastics processing industry also resulted in lower sales and earnings for D-M-E. In addition to the general economic slowdown, the earnings comparison between years was also adversely affected by the absence of \$4.0 million of royalty income from the licensing of patented technology that was received in the third quarter of 2000.

Excluding restructuring costs, the metalworking technologies segment had operating earnings of \$1.3 million, or .9% of sales, in the third quarter of 2001 compared to \$17.2 million, or 9.5% of sales, in 2000. The segment's operating earnings for the first nine months of 2001 were \$21.0 million compared to \$49.6 million in 2000. In 2001, this represented 4.6% of sales compared to 9.1% of sales in the prior year. For both periods of 2001, reduced sales volume and the related underabsorption of costs resulted in lower margins and profitability for most operations in North America. Widia's operating earnings decreased modestly for the third quarter but increased for the year-to-date period. In addition to the general economic slowdown, recent increases in the price of certain raw materials used in the manufacture of carbide metalcutting tools - particularly tungsten - adversely affected the segment's profitability during the third quarter and can be expected to continue to do so for the remainder of 2001.

For both the third quarter of 2001 and for the year to date, total selling and administrative expense decreased in amount in relation to 2000 due to a decrease in variable selling expenses that resulted from lower sales volume and to the aggressive cost reduction measures implemented in recent years. However, low sales volume resulted in an increase in these costs as a percentage of sales from 16.7% in the third quarter of 2000 to 20.6% in the equivalent period of 2001. For the first three quarters of 2001, total selling and administrative expense represented 19.5% of sales compared to 16.7% of sales in 2000.

Other expense-net totaled \$3.2 million in the third quarter of 2001 compared to a net credit \$.9 million in the comparable period of 2000 that resulted from the aforementioned royalty income. For the first nine months of 2001, other expense-net totaled \$6.8 million compared to \$6.3 million in 2000. The amount for 2001 includes a second quarter pretax gain of \$2.6 million (\$1.6 million after tax) on the sale of surplus real estate, while the amount for 2000 includes the \$4.0 million (\$2.5 million after tax) of royalty income that is discussed above.

For the third quarter of 2001 and for the nine months ended September 30, 2001, net interest expense approximated the amounts for the comparable periods of

2000 as the beneficial effects of lower short-term interest rates were offset by higher average debt levels.

### Restructuring Costs

As discussed more fully in the notes to the consolidated condensed financial statements, in 1999 we initiated two separate programs to improve operating efficiency and strengthen synergies between certain recently acquired businesses and our previously existing operations. These actions had the effect of reducing pretax earnings in the third quarter of 2000 by \$.6 million (\$.4 million after tax) and by \$2.1 million (\$1.4 million after tax) for the nine months ended September 30, 2000.

In September, 1999, we announced a formal plan to consolidate Uniloy's European blow molding operations in a new manufacturing facility located near Milan, Italy at an expected cost of \$6.7 million, of which \$5.7 million was included in a reserve for employee termination benefits and facility exit costs that was established in the allocation of the Uniloy acquisition cost. The remainder of the cost of the consolidation was charged to expense as incurred, including \$.5 million in the first three quarters of 2000.

In December, 1999, we initiated a second plan to improve operating efficiency and reduce costs at additional businesses. The cost of implementing the plan was originally expected to be \$20.8 million, of which \$16.0 million was charged to earnings in the fourth quarter of 1999. However, lower than anticipated costs for employee, inventory and equipment relocation and for severance and other termination benefits reduced the actual cost to \$18.2 million. The remainder of the total cost of the plan was charged to expense as incurred in 2000, including \$.6 million in the third quarter and \$1.6 million during the nine months ended September 30, 2000.

In the third quarter of 2001, Milacron's management formally approved a plan to consolidate additional operations and to further reduce the company's cost structure. Implementation of the plan is expected to result in pretax charges to earnings of approximately \$30.0 million. Of the total cost of the plan, \$12.6 million (\$7.8 million after tax) was recorded in the third quarter, including a reserve of \$5.8 million for employee termination benefits and facility exit costs. Additional reserves for termination benefits and exit costs totaling approximately \$10.0 million are expected to be recorded in the fourth quarter after the remainder of the actions contemplated by the plan are formally announced. The remainder of the \$30.0 million cost of the restructuring plan is being charged to expense as incurred, including \$6.8 million in the third quarter of 2001.

As approved by management, the plan involves the closure of 7 manufacturing facilities, the consolidation of several warehousing, sales and administrative locations,

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and general overhead reductions in substantially all of the company's major operations. The total cost of the plan also provides for the discontinuation of a number of product lines in both segments, including \$3.6 million that was charged to expense in the third quarter of 2001. This amount is included in cost of products sold in the Consolidated Condensed Statements of Earnings. The total cost of the plan also includes \$4.2 million for the integration of EOC and Reform with the company's existing mold components business in Europe (see Acquisitions).

The consolidation and overhead reductions will result in the elimination of approximately 825 manufacturing and administrative positions, principally in the U.S. and Europe. The net cash cost of the plan, including capital expenditures of \$7 million, will be approximately \$22 million, of which \$11 million will be spent in 2001, principally in the fourth quarter.

### Earnings (Loss) Before Income Taxes and Minority Shareholders' Interests

Including restructuring costs of \$12.6 million, Milacron had a pretax loss of \$36.2 million in the third quarter of 2001 compared to earnings of \$27.5 million in 2000. For the first three quarters of 2001, Milacron's loss before income taxes and minority shareholders' interests was \$36.1 million compared to earnings of \$74.5 million in 2000. The year-to-date amount for 2001 includes restructuring costs of \$12.6 million compared to \$2.1 million in 2000. The losses before restructuring costs for both periods of 2001 resulted from low sales volume and cost underabsorption in both segments that were caused by the general economic slowdown in North America and - in the case of the plastics technologies segment - significantly lower levels of capital spending.

### Income Taxes

As discussed more fully in the notes to the consolidated condensed financial statements, Milacron recorded benefits related to income taxes in both the third quarter of 2001 and for the nine month period ended September 30, 2001. These benefits arose principally from operating losses in the U.S. that can be carried back to earlier years for tax purposes or which are expected to offset taxable income in future years and from adjustments of valuation allowances (as discussed below) due to the actual and projected utilization of net operating loss carryforwards in Germany. Due to the anticipation of a similar geographic mix of earnings for the remainder of 2001, the company expects to record additional net income tax benefits in the fourth quarter of the year.

Milacron entered both 2001 and 2000 with significant net operating loss (NOL) carryforwards in certain jurisdictions, along with valuation allowances against the NOL carryforwards and other deferred tax assets.

Valuation allowances are evaluated periodically and revised based on a "more likely than not" assessment of whether the related deferred tax assets will be realized. Increases or decreases in these valuation allowances serve to unfavorably or favorably affect our effective tax rate. Milacron's effective tax rate for 2000 was less than the federal statutory rate due principally to such adjustments of valuation allowances.

### Net Earnings (Loss)

For the third quarter of 2001, Milacron had a net loss of \$18.4 million, or \$.55 per share (diluted), compared to net earnings of \$18.5 million, or \$.53 per share (diluted), in 2000. The net loss for the first three quarters of 2001 was \$13.8 million, or \$.42 per share (diluted), compared to net earnings of \$50.3 million, or \$1.41 per share (diluted), in 2000. The losses for the three and nine month periods include after-tax restructuring costs of \$7.8 million, or \$.23 per share. In 2000, after-tax restructuring costs were \$.4 million, or \$.01 per share, in the third quarter and \$1.4 million, or \$.04 per share, for the year-to-date period.

### Future Change in Method of Accounting

As described more fully in the notes to the consolidated condensed financial statements, Milacron will adopt Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), effective January 1, 2002. Under SFAS No. 142, goodwill and certain other intangible assets are not amortized but rather are reviewed annually for impairment. Application of the standard's nonamortization provisions is expected to result in an increase in annual pretax earnings of approximately \$13 million (\$9 million after tax) beginning in 2002.

### Market Risk

#### Foreign Currency Exchange Rate Risk

Milacron uses foreign currency forward exchange contracts to hedge its exposure to adverse changes in foreign currency exchange rates related to firm commitments arising from international transactions. The company does not hold or issue derivative instruments for trading purposes. At September 30, 2001, Milacron had outstanding forward contracts totaling \$6.7 million compared to \$14.3 million at December 31, 2000, \$13.8 million at September 30, 2000 and \$18.7 million at December 31, 1999. The annual potential loss from a hypothetical 10% adverse change in foreign currency exchange rates on Milacron's foreign exchange contracts at September 30, 2001 or September 30, 2000, would not materially affect the company's consolidated financial position, results of operations, or cash flows.

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### Interest Rate Risk

At September 30, 2001, Milacron had fixed interest rate debt of \$230 million, including \$115 million of 8 $\frac{3}{8}$ % Notes due May 15, 2004, and €115 million (\$106 million) of 7 $\frac{5}{8}$ % Eurobonds due April 6, 2005. We also had floating rate debt totaling \$364 million, with interest fluctuating based primarily on changes in LIBOR. At December 31, 2000 and September 30, 2000, fixed rate debt totaled \$227 million and \$224 million, respectively, and floating rate debt totaled \$250 million and \$243 million, respectively. We also sell up to \$75 million of accounts receivable under our receivables purchase agreement, which results in financing fees that fluctuate based on changes in commercial paper rates. As a result, annual interest expense and financing fees fluctuate based on fluctuations in short-term borrowing rates. The potential loss on floating rate debt from a hypothetical 10% increase in interest rates would be approximately \$2.3 million at September 30, 2001, \$2.4 million at December 31, 2000 and \$2.4 million at September 30, 2000.

### Liquidity and Sources of Capital

At September 30, 2001, Milacron had cash and cash equivalents of \$63 million, representing an increase of \$26 million during the third quarter of 2001 and an increase of \$22 million during the first nine months of the year.

Operating activities provided \$20 million of cash in the third quarter of 2001 compared to \$30 million of cash provided in 2000. The amount for 2001 reflects reductions in accounts receivable as a result of lower sales volumes and reductions in inventories as a result of the company's working capital reduction plan. These effects were partially offset by reductions of trade payables and other current liabilities and by a \$7 million reduction in the amount of accounts receivable sold under our receivables purchase agreement. In the third quarter of 2000, sales of additional receivables had provided \$10 million of cash.

For the first three quarters of 2001, operating activities used \$29 million of cash compared to \$49 million of cash provided in the equivalent period of 2000. The amount for 2001 includes the effects of a \$23 million reduction in the amount of accounts receivable sold whereas sales of additional receivables provided \$10 million of cash in the first three quarters of 2000. Reductions of trade payables and other current liabilities in 2001 in response to lower business volume also contributed to the unfavorable comparison between years.

In the third quarter of 2001, investing activities resulted in a \$7 million use of cash for capital expenditures. Investing activities provided \$6 million of cash in the third quarter of 2000, including \$14 million from the sale of the

industrial magnets business, partially offset by an \$11 million use of cash for capital expenditures.

In the first three quarters of 2001, investing activities resulted in a \$47 million use of cash, including \$29 million for acquisitions and \$23 million for capital expenditures. Investing activities used \$17 million of cash in the first three quarters of 2000, including \$28 million for capital expenditures, which was partially offset by the divestiture proceeds.

Financing activities provided \$12 million of cash in the third quarter of 2001, compared to \$42 million of cash used in 2000. In 2001, additional borrowings under lines of credit provided \$16 million of cash. The 2000 cash usage includes \$7 million for the repurchase of common shares (as discussed below) and \$30 million for repayments of debt. Dividends of \$4 million were paid in both periods.

During the first three quarters of 2001, financing activities provided \$98 million of cash compared to \$85 million of cash used in the first nine months of 2000. In 2001, net additional borrowings provided \$114 million of cash which was partially offset by net common share repurchases of \$4 million. The amount for 2000 includes \$31 million for common shares repurchases and \$151 million for repayments of debt, including \$100 million for the repayment of 7 $\frac{7}{8}$ % Notes due May 15, 2000 using the proceeds from a €115 million (\$110 million) Eurobond debt offering that was completed on April 6, 2000. Dividends of \$12 million and \$13 million were paid in 2001 and 2000, respectively.

In the first quarter of 2000, Milacron's Board of Directors authorized the repurchase of up to four million common shares on the open market. During 2000, we repurchased 3.3 million shares, including 2.3 million during the first nine months of the year. An additional .2 million shares were repurchased during 2001 bringing the total to 3.5 million. Under the terms of the amended revolving credit facility (as discussed below), no additional repurchases will be made.

As of September 30, 2001, Milacron's current ratio was 1.8, compared to 1.6 at December 31, 2000 and September 30, 2000.

At September 30, 2001, Milacron had lines of credit with various U.S. and non-U.S. banks of approximately \$498 million, including a \$340 million committed revolving credit facility. The revolving credit facility includes certain financial covenants. In August, 2001, the facility was amended to relax certain of these covenants for the third quarter of 2001 and to reduce the amount of borrowings available to the company under the facility from \$375

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Unaudited)

million to \$340 million. The facility was further amended effective September 30, 2001, such that the financial covenants were further adjusted through 2002. As amended, the facility limits the payment of cash dividends and imposes certain restrictions on share repurchases and capital expenditures. In connection with the amendment, Milacron pledged as collateral the capital stock of its principal domestic subsidiaries as well as their inventories and certain other tangible and intangible assets.

Under the terms of the revolving credit facility, Milacron's net debt capacity fluctuates based on the debt outstanding and the amount of cash and cash equivalents.

Increases in cash and cash equivalents serve to increase the amount of additional debt capacity whereas decreases in cash and cash equivalents serve to reduce the additional debt capacity. As of September 30, 2001, total debt was \$594 million and cash and cash equivalents totaled \$63 million, resulting in a net debt position (debt less cash and cash equivalents) of \$531 million. Based on this amount, Milacron's additional net debt capacity totaled approximately \$74 million at September 30, 2001.

Total shareholders' equity was \$456 million at September 30, 2001, a decrease of \$28 million from December 31, 2000. The decrease resulted principally from the net loss incurred during the period. The ratio of total debt to total capital (debt plus equity) was 57% at September 30, 2001 compared to 50% at December 31, 2000.

On October 12, 2001, Milacron's Board of Directors declared quarterly dividends of \$.01 per common share and \$1.00 per Preferred share, payable in December, 2001.

Assuming there is no further significant deterioration in the markets we serve, we believe that Milacron's cash flow from operations and available credit lines will be sufficient to meet the company's operating and capital requirements for the next year.

### Cautionary Statement

Milacron wishes 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. Milacron believes the following important factors, among others, could affect its actual results in 2001 and beyond and cause them to differ materially from those expressed in any of our forward-looking statements:

- global and regional economic conditions, consumer spending and industrial production, particularly in segments related to the level of automotive production and spending in the construction industry;
- fluctuations in currency exchange rates of U.S. and foreign countries, including countries in Europe and Asia where Milacron has several principal manufacturing facilities and where many of our competitors and suppliers are based;
- fluctuations in domestic and non-U.S. interest rates which affect the cost of borrowing under Milacron's lines of credit and financing costs related to the sale of domestic accounts receivable;
- production and pricing levels of important raw materials, including plastic resins, which are a key material used by purchasers of Milacron's plastics technologies products, steel, oil, cobalt, tungsten and industrial grains used in the production of metalworking products;
- 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 being introduced during 2001 and additional new products that will be introduced in 2002;
- any major disruption in production at key customer or supplier facilities;
- alterations in trade conditions in and between the U.S. and non-U.S. countries where Milacron does 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 Milacron does business;
- unanticipated litigation, claims or assessments, including but not limited to claims or problems related to product liability, warranty or environmental issues.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by Item 3 is included in Item 2 on pages 18 and 19 of this Form 10-Q.

## **PART II Other Information**

### **Item 1. Legal Proceedings**

In the opinion of management and counsel, there are no material pending legal proceedings to which the company or any of its subsidiaries is a party or of which any of its property is the subject.

### **Item 6. Exhibits and Reports on Form 8-K**

#### (a) Exhibits

Exhibit (3) - Certificate of Incorporation and Bylaws

Exhibit (4) - Instruments Defining the Rights of Security Holders, Including Indentures

Exhibit(10) - Material Contracts

Exhibit(11) - Statement Regarding Computation of Per Share Earnings  
- filed as a part of Part I

#### (b) Reports on Form 8-K

- A current report on Form 8-K, Items 7 and 9, dated July 2, 2001, was filed containing intra quarter guidance regarding earnings.
- A current report on Form 8-K, Items 5, 7 and 9, dated July 27, 2001, was filed concerning the company's press release regarding earnings for the second quarter 2001.

## Signatures

Pursuant to the requirements 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.

Date: November 13, 2001

By: /s/ Jerome L. Fedders  
Jerome L. Fedders  
Controller

Date: November 13, 2001

By: /s/ Robert P. Lienesch  
Robert P. Lienesch  
Vice President - Finance  
and Chief Financial Officer

## Index to Exhibits

<b>Exhibit No.</b>	<b><u>Page</u></b>
2. Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession - not applicable.	
3. Articles of Incorporation and By-Laws.	
3.1 Restated Certificate of Incorporation filed with the Secretary of State of the State of Delaware on November 17, 1998	
- Incorporated herein by reference to the company's Registration Statement on Form S-8 (Registration No. 333-70733).	
3.2 By-Laws, as amended	
- Incorporated herein by reference to the company's Registration Statement on Form S-8 (Registration No. 333-70733).	
4. Instruments Defining the Rights of Security Holders, Including Indentures:	
4.1 8 <sup>3</sup> / <sub>8</sub> % Notes due 2004	
- Incorporated herein by reference to the company's Amendment No. 3 to Form S-4 Registration Statement dated July 7, 1994 (File No. 33-53009).	
4.2 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.	
10. Material Contracts:	
10.1 Milacron 1991 Long-Term Incentive Plan	
- Incorporated herein by reference to the company's Proxy Statement dated March 22, 1991.	
10.2 Milacron 1994 Long-Term Incentive Plan	
- Incorporated herein by reference to the company's Proxy Statement dated March 24, 1994.	
10.3 Milacron 1997 Long-Term Incentive Plan, as amended	
- Incorporated herein by reference to the company's Proxy Statement dated April 24, 2001.	
10.4 Milacron 1996 Short-Term Management Incentive Plan	
- Incorporated herein by reference to the company's Form 10-K for the fiscal year ended December 28, 1996.	
10.5 Milacron Supplemental Pension Plan, as amended	
- Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1999.	
10.6 Milacron Supplemental Retirement Plan, as amended	
- Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1999.	



## Index to Exhibits

<b>Exhibit No.</b>		<b><u>Page</u></b>
10.7	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 ended December 31, 1998.	
10.8	Milacron Inc. Retirement Plan for Non-Employee Directors, as amended - Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1998.	
10.9	Milacron Supplemental Executive Retirement Plan, as amended - Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1999.	
10.10	Amended and Restated Revolving Credit Agreement dated as of November 30, 1998 among Milacron Inc., Cincinnati Milacron Kunststoffmaschinen Europe GmbH, the lenders listed therein and Bankers Trust Company, as agent. - Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1998.	
10.11	Milacron Compensation Deferral Plan, as amended - Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1999.	
10.12	Rights Agreement dated as of February 5, 1999, between Milacron Inc. and Chase Mellon Shareholder Services, L.L.C., as Rights Agent - Incorporated herein by reference to the company's Registration Statement on Form 8-A (File No. 001-08485).	
10.13	Purchase and Sale Agreement between UNOVA, Inc., UNOVA Industrial Automation Systems, Inc., UNOVA U.K. Limited and Cincinnati Milacron Inc. dated August 20, 1998. - Incorporated herein by reference to the company's Form 8-K dated October 2, 1998.	
10.14	Purchase and Sale Agreement between Johnson Controls, Inc., Hoover Universal, Inc. and Cincinnati Milacron Inc., dated August 3, 1998. - Incorporated herein by reference to the company's Form 8-K dated September 30, 1998.	
10.15	Amendment Number One dated as of March 31, 1999 to the Amended and Restated Revolving Credit Agreement dated as of November 30, 1998 among Milacron Inc., Cincinnati Milacron Kunststoffmaschinen Europe GmbH, the lenders listed therein and Bankers Trust Company, as agent. - Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1999.	
10.16	Milacron Supplemental Executive Pension Plan. - Incorporated by reference to the company's Form 10-K for the fiscal year ended December 31, 1999.	
10.17	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.	

## Index to Exhibits

<b>Exhibit No.</b>	<b><u>Page</u></b>
10.18 Milacron Supplemental Retirement 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.	
10.19 Amendment Number Two dated as of January 31, 2000 to the Amended and Restated Revolving Credit Agreement dated as of November 30, 1998 among Milacron Inc., Cincinnati Grundstücksverwaltung GmbH, Milacron Kunststoffmaschinen Europe GmbH, the lenders listed therein and Bankers Trust Company as Agent. - Incorporated by reference to the company's Form 10-Q for the quarter ended March 31, 2000.	
10.20 Amendment Number Three dated as of July 13, 2000 to the Amended and Restated Revolving Credit Agreement dated as of November 30, 1998 among Milacron Inc., Milacron Kunststoffmaschinen Europe GmbH, Milacron Metalworking Technologies Holding GmbH, Milacron B.V., the lenders listed therein and Bankers Trust Company as Agent. - Incorporated by reference to the company's Form 10-Q for the quarter ended June 30, 2000.	
10.21 Amendment Number Four dated as of August 8, 2001 to the Amended and Restated Revolving Credit Agreement dated as of November 30, 1998 among Milacron Inc., Milacron Kunststoffmaschinen Europe GmbH, Milacron Metalworking Technologies Holding GmbH, Milacron B.V., the lenders listed therein and Bankers Trust Company as Agent. - Incorporated by reference to the company's Form 10-Q for the quarter ended June 30, 2001.	
10.22 Amendment Number Five dated as of September 30, 2001 to the Amended and Restated Revolving Credit Agreement dated as of November 30, 1998 among Milacron Inc., Milacron Kunststoffmaschinen Europe GmbH, Milacron Metalworking Technologies Holding GmbH, Milacron B.V., the lenders listed therein and Bankers Trust Company as Agent. - Incorporated by reference to the company's Form 8-K dated October 15, 2001.	
11. Statement Regarding Computation of Per-Share Earnings	26
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	
22. Published Report Regarding Matters Submitted to Vote of Security Holders - not applicable	
23. Consent of Experts and Counsel - not applicable	
24. Power of Attorney - not applicable	
99. Additional Exhibits - not applicable	

**Exhibit 11****Computation of Per Share Earnings**

Milacron Inc. and Subsidiaries

(Unaudited)

(In thousands, except per-share amounts)	Three Months Ended		Nine Months Ended	
	Sept. 30,		Sept. 30,	
	2001	2000	2001	2000
Net earnings (loss).....	\$(18,363)	\$ 18,518	\$(13,764)	\$ 50,345
Less preferred dividends .....	____ (60)	____ (60)	____ (180)	____ (180)
Net earnings (loss) available to common shareholders ...	<u>\$(18,423)</u>	<u>\$ 18,458</u>	<u>\$(13,944)</u>	<u>\$ 50,165</u>
Basic earnings (loss) per share:				
Weighted-average common shares outstanding .....	<u>33,200</u>	<u>34,588</u>	<u>33,203</u>	<u>35,379</u>
Per-share amount.....	<u>\$ (.55)</u>	<u>\$ .53</u>	<u>\$ (.42)</u>	<u>\$ 1.42</u>
Diluted earnings (loss) per share:				
Weighted-average common shares outstanding .....	33,200	34,588	33,203	35,379
Dilutive effect of stock options and restricted shares based on the treasury stock method .....	<u>104</u>	<u>90</u>	<u>148</u>	<u>108</u>
Total .....	<u>33,304</u>	<u>34,678</u>	<u>33,351</u>	<u>35,487</u>
Per-share amount.....	<u>\$ (.55)</u>	<u>\$ .53</u>	<u>\$ (.42)</u>	<u>\$ 1.41</u>

Note: This computation is required by Regulation S-K, Item 601, and is filed as an exhibit under Item 6 of Form 10-Q.