**MATERIAL CHANGE REPORT UNDER SECTION 75(2)
OF THE *SECURITIES ACT* (ONTARIO)**

1. **Reporting Issuer**

Milltronics Ltd.
1954 Technology Drive
Peterborough, Ontario
K9J 7B1

2. **Date of Material Change**

January 21, 2000

3. **Press Release**

A news release disclosing the material change was issued on January 21, 2000. The news release was distributed pursuant to section 75(1) of the *Securities Act* (Ontario) (the “Act”).

4. **Summary of Material Change**

Siemens Canada Limited and 3696715 Canada Inc. (the “Offeror”), a wholly-owned subsidiary of Siemens Canada Limited (together with the Offeror, “Siemens”), have agreed to make an offer (the “Offer”) to acquire all the common shares of Milltronics Ltd. (“Milltronics”) for $21.00 per share, under the terms of a support agreement (the “Support Agreement”) dated January 19, 2000 between Milltronics and Siemens.

The Offer will be conditional upon, among other things, not less than 66**c**% of the common shares of Milltronics (on a fully diluted basis) being tendered and Siemens obtaining any necessary regulatory approvals. The Offer will be made by February 4, 2000 and will be open for 22 calendar days from the date of mailing or such longer period as the Offeror may determine.

Pursuant to the Support Agreement, which contains terms and conditions typical for transactions of this nature, Milltronics is prohibited from soliciting any further offers and from providing confidential information to third parties who make an unsolicited offer. If an unsolicited offer having a higher value is received by Milltronics, Siemens has the right to increase its offer to match that competing offer and if Siemens matches the competing offer, Milltronics must continue to support the Offer. In certain circumstances, including one in which Siemens does not match the competing offer, Milltronics may terminate the Support Agreement and withdraw its recommendation to shareholders to accept the Offer. In such an event, Milltronics would be required to pay a fee of $16.7 million.

5. **Full Description of Material Change**

The following is a summary of the material terms and provisions of the Support Agreement.

The Offer

Siemens agreed to cause a wholly-owned subsidiary to make the Offer on the terms and subject to the conditions set forth in the Support Agreement and to mail the Offer as soon as possible but in any event no later than February 4, 2000, subject to extension in certain circumstances specified in the Support Agreement.

Milltronics represented to Siemens that the Board of Directors, upon consultation with its advisors, had determined unanimously that the Offer is fair to the shareholders and that the Offer is in the best interests of Milltronics and the shareholders and that it intended to recommend that shareholders accept the Offer.

The Offer is conditional upon, among other things: (i) there being validly deposited under the Offer not less than 66**c** % of the Shares outstanding (on a fully diluted basis) as of the Expiry Time (the "Minimum Condition"); (ii) Siemens obtaining any necessary regulatory approvals on terms satisfactory to it; (iii) there being no material adverse change in the business, affairs, operations, assets, capitalization, financial condition, rights, prospects, results of operations, or liabilities of Milltronics or its subsidiaries, on a consolidated basis; and (iv) the audited consolidated financial statements for the period ending December 31, 1999 being delivered to Siemens prior to the expiry of the Offer and confirming the financial information previously delivered to Siemens and attached as a schedule to the Support Agreement. However, Siemens has agreed that it will not be entitled to take the position that a material adverse change has occurred by reason of any condition, event or development that occurs after the public announcement of the Offer, relating to the Marketing and Sales Alliance Agreement entered into between Milltronics and General Electric Company dated December 13, 1999.

Non-Solicitation

Milltronics agreed that it will not, directly or indirectly, through any officer, director, lawyer, financial advisor, or other professional acting for Milltronics or any of its subsidiaries, solicit, encourage or participate in (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) any inquiries, discussions, negotiations, or proposals regarding any merger, amalgamation, reorganization, recapitalization take-over bid, sale of substantial assets, sale of treasury Shares or similar transactions involving Milltronics or its subsidiaries (any of the foregoing inquiries or proposals being referred to herein as an "Acquisition Proposal"), provided, that the foregoing does not prevent:

(a) the Board of Directors from considering, discussing and negotiating any unsolicited *bona fide* written Acquisition Proposal made by a third party which the Board of Directors determines in good faith, after consultation with its legal and financial advisors, would, if implemented in accordance with its terms, reasonably be expected to result in a Superior Proposal (defined below) by such third party; or

(b) Milltronics from waiving any "standstill" provisions in any confidentiality agreement solely for the purposes of enabling the party to such provisions to make and consummate a Superior Proposal.

Milltronics agreed to immediately cease any existing discussions or negotiations with any parties (other than Siemens) with respect to any potential Acquisition Proposal; agreed not to release any third party from any confidentiality agreement to which Milltronics and such third party is a party; and agreed to immediately request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Milltronics relating to a potential Acquisition Proposal, including using all reasonable efforts to ensure that such requests are honoured. Milltronics will not, except in the usual and ordinary course of business, provide any confidential information about Milltronics or its subsidiaries to any third party, including any party making an Acquisition Proposal.

Milltronics agreed to immediately notify Siemens of any Acquisition Proposal communicated to Milltronics or its advisers after the date of the Support Agreement (including by a company previously in discussions with Milltronics) or any request for non-public information relating to Milltronics or any of its subsidiaries in connection with an Acquisition Proposal or for access to the properties, books or records of Milltronics or any subsidiary by any person or entity that informs any officer of Milltronics or any member of the Board of Directors that it is considering making, or has made, an Acquisition Proposal. Such notice to Siemens shall be made, from time to time, orally and confirmed in writing and shall indicate such details of the proposal, inquiry or contact known to such person (including copies of all written material) as Siemens may reasonably request including the identity of the person making such proposal, inquiry or contact.

Non-Completion Fee

Milltronics has agreed to pay to Siemens a termination fee (the "Termination Fee") of $16,700,000 if: (a) the Board of Directors has withdrawn, during the term of the Offer, its recommendation to the shareholders in favour of the Offer, (b) any third party acquires during the term of the Offer more than 50% of the Shares, (c) Milltronics breaches in any material respect any of its representations, warranties or covenants made in the Support Agreement and such breach has not been remedied by Milltronics within five business days after receipt of notice of such breach by Milltronics or (d) Milltronics gives notice to Siemens pursuant to the terms of the Support Agreement that it has received a Superior Proposal (as defined below), which Siemens is not prepared to match, and is terminating the Support Agreement; provided in each case that Siemens is not in breach in any material respect of its representations, warranties or covenants under the Support Agreement following the applicable cure period.

Reimbursement of Expenses

Milltronics agreed to reimburse Siemens for its reasonable costs and expenses in connection with the Offer up to $2,000,000 in the event that (i) the Offer is mailed to shareholders, (ii) Siemens complies in all material respects with the Support Agreement, (iii) any third party has acquired between 29% and 51% of the Shares after the date of the Support Agreement and (iv) Siemens does not take up and pay for any Shares under the Offer.

Termination

The Support Agreement may be terminated in certain circumstances, including: (a) by mutual written consent of Siemens and Milltronics; (b) by Milltronics after May 30, 2000 if Siemens has not become legally obligated to accept and take up any Shares pursuant to the Offer by such date; (c) by Siemens, if any condition, including the Minimum Condition, to making the Offer is not satisfied or waived at the Expiry Time, as the same may be extended from time to time by Siemens pursuant to the Offer; (d) by Milltronics, where Milltronics has received an unsolicited Acquisition Proposal which the Board of Directors has determined, after receiving professional financial and legal advice, represents a superior transaction (a “Superior Proposal”) for the shareholders than the Offer, and Siemens has not notified the Board within 5 business days of receipt from the Board of the Superior Proposal that it will amend the Offer to at least match the value of the consideration offered under the Superior Proposal; (e) by Siemens in the event a Termination Fee is required to be paid; (f) by Milltronics if the Offer does not conform with the terms specified in the Support Agreement or Siemens does not mail the Offer by February 4, 2000, provided that Siemens has not become entitled to a Termination Fee.

Representations, Warranties and Covenants

Milltronics and the Board of Directors agreed to use its and their respective reasonable efforts to enable Siemens to elect or appoint all of the directors of Milltronics as soon as possible after Siemens takes up and pays for in excess of 66**c**% of the Shares pursuant to the Offer. If Siemens takes up and pays for more than 50% of the outstanding Shares, but less than 66**c**%, the existing directors have agreed to use their reasonable efforts to enable Siemens to elect or appoint a majority of the directors of Milltronics as soon as possible thereafter.

Milltronics agreed that, prior to the time of the appointment or election to the Board of Directors of persons designated by Siemens who represent a majority of the directors of Milltronics, it would not take certain specified actions other than in the ordinary course of business consistent with past practice and would use its reasonable efforts, and cause each of its subsidiaries to use its reasonable efforts, to preserve intact their respective business operations, organizations and goodwill.

Milltronics gave representations and warranties concerning, among other things, corporate existence, capitalization, authority, absence of material adverse changes, financial statements, litigation, insurance, tax matters, intellectual property, compliance with applicable laws, pension and termination benefits, employment matters, and environmental matters. Siemens gave representations and warranties concerning corporate existence, authority and adequate financing arrangements.

Mutual Covenants

If Siemens takes up and pays for Shares pursuant to the Offer, Siemens and Milltronics have agreed to use all reasonable efforts to enable Siemens to acquire the balance of the Shares as soon as practicable after completion of the Offer by way of compulsory acquisition, arrangement, amalgamation or other type of acquisition transaction carried out for a consideration per Share of not less than the Offer Price.

Subject to the terms and conditions in the Support Agreement, Siemens and Milltronics have agreed to use their respective reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations, to consummate the transactions contemplated by the Support Agreement and the Offer. Milltronics and Siemens agreed to, and to cause each of their respective subsidiaries to, use their reasonable efforts (i) to obtain all necessary waivers, consents and approvals from other parties to material loan agreements, leases and other contracts or agreements (including, in particular but without limitation, the agreement of any person as may be required pursuant to any agreement, arrangement or understanding relating to Milltronics' or its subsidiaries' operations), (ii) to obtain all necessary consents, approvals and authorizations as are required to be obtained under any federal, provincial, state or foreign law or regulations with respect to the Support Agreement or the Offer, (iii) to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby or by the Offer, and (iv) to fulfil all conditions and satisfy all provisions of the Support Agreement and the Offer.

6. Reliance on Section 75(3) of the Act

Not applicable.

7. Omitted Information

Not applicable.

8. Senior Officers

The senior officer of Milltronics who is knowledgeable about this material change is:

Richard L. Krug
Vice-President and Chief Financial Officer

Telephone: (705) 740-7658

9. **Statement of Senior Officer**

The foregoing accurately discloses the material change referred to herein.

Dated at Toronto, Ontario this 28th day of January, 2000.

"R.L. Krug"
Richard L. Krug
Vice-President and Chief Financial Officer