

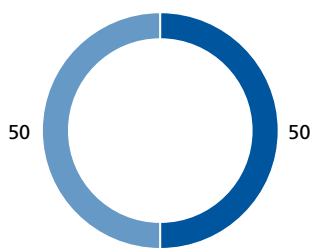
Annual Report  
2015

The 2015 financial year proved to be very challenging for the Mikron Group. Following the Swiss National Bank's decision in January to discontinue its currency floor against the euro, the three Swiss companies were suddenly exposed to considerable pressure on margins and huge uncertainties. All customer projects in progress booked in euros instantly dropped in value. Potential customers for Mikron's highly productive machining and assembly systems were also very reticent about making investment decisions, especially in the first half of the year. On the back of the visible recovery witnessed by key markets in the second half, Mikron was able to increase annual order intake from CHF 244.8 million to CHF 264.6 million. The Group reported a decrease in annual sales from CHF 249.1 million to CHF 228.6 million (-8%). Despite the difficult business climate, the Group recorded positive EBIT of CHF 2.5 million (prior year: CHF 4.6 million).

**Sales by segment in %**

Total CHF 228.6 million

- Machining
- Automation

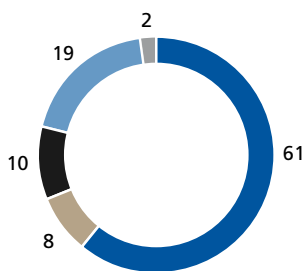


Mikron Group

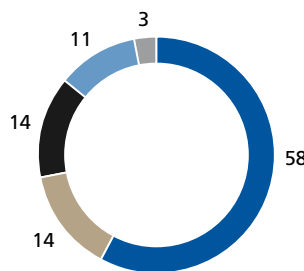
**Sales by region in %**

Total CHF 228.6 million

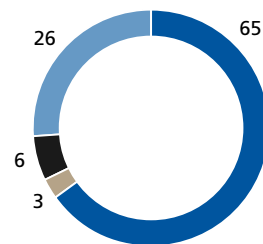
- Europe
- Switzerland
- Asia/Pacific
- North America
- Other markets



Mikron Group



Machining

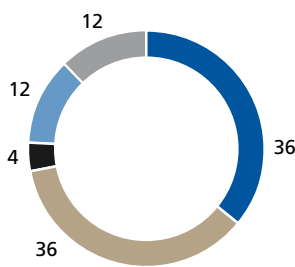


Automation

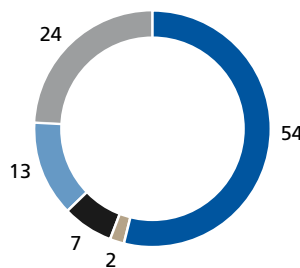
**Sales by industry in %**

Total CHF 228.6 million

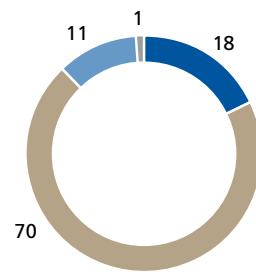
- Automotive
- Pharma/Medical Devices
- Writing
- Consumer Goods
- Other



Mikron Group



Machining

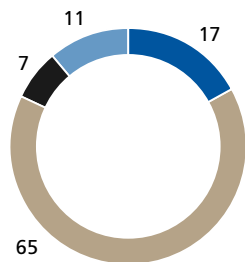


Automation

**Employees by region in %**

Total 1,181

- Europe
- Switzerland
- Asia/Pacific
- North America



Mikron Group

# Key Figures 2015

in CHF million, except productivity and number of employees

2015

2014

+/-

	2015		2014		+/-
<b>Key performance data</b>					
Order intake	264.6		244.8		19.8 8.1%
Machining	120.2		110.9		9.3 8.4%
Automation	144.9		134.5		10.4 7.7%
Net sales	228.6		249.1		-20.5 -8.2%
Machining	113.8		123.8		-10.0 -8.1%
Automation	114.9		126.8		-11.9 -9.4%
Order backlog	142.9		117.4		25.5 21.7%
Machining	43.8		46.9		-3.1 -6.6%
Automation	99.5		70.1		29.4 41.9%
Operating output	232.0		256.9		-24.9 -9.7%
Productivity (added value/personnel expenses)	1.37		1.37		0.00 0.0%
Research and development	5.7		5.8		-0.1 -1.7%
Number of employees (end of year)	1,181		1,162		19 1.6%
Machining	598		560		38 6.8%
Automation	563		582		-19 -3.3%
<b>Earnings</b>					
Earnings before interest, taxes, depreciation, amortizations and impairments (EBITDA), as % of net sales	10.0	4.4%	12.0	4.8%	-2.0 -16.7%
Earnings before interest and taxes (EBIT), as % of net sales	2.5	1.1%	4.6	1.8%	-2.1 -45.7%
Machining	-4.3	-3.8%	-0.6	-0.5%	-3.7 n.a.
Automation	4.3	3.7%	2.7	2.1%	1.6 59.3%
Operating result, as % of net sales	1.1	0.5%	2.7	1.1%	-1.6 -59.3%
Profit for the year, as % of net sales	0.9	0.4%	2.2	0.9%	-1.3 -59.1%
<b>Cash flow</b>					
Cash flow from operating activities (incl. changes in net working capital), as % of net sales	15.5	6.8%	6.7	2.7%	8.8 131.3%
<b>Balance sheet</b>					
Balance sheet total	243.9		237.3		6.6 2.8%
Current assets	151.5		154.4		-2.9 -1.9%
Cash and current financial assets	48.8		42.2		6.6 15.6%
Non-current assets	92.4		82.9		9.5 11.5%
Current liabilities	63.4		62.7		0.7 1.1%
Long-term liabilities	25.9		19.2		6.7 34.9%
Shareholders' equity, as % of balance sheet total	154.6	63.4%	155.3	65.5%	-0.7 -0.5%

# Content

<b>3</b>	Letter to the Shareholders
<b>4</b>	Interview with the Chairman of the Board of Directors and the CEO
<b>14</b>	The Mikron Group
<b>18</b>	Highlights 2015
<b>21</b>	Management Report
<b>33</b>	Mikron Automation
<b>39</b>	Mikron Machining
<b>45</b>	Sustainability Report
<b>55</b>	Corporate Governance
<b>73</b>	Compensation Report
<b>81</b>	Financial Report
<b>122</b>	Group Companies / Investments Mikron Holding AG



## Dear Shareholders,

The past business year proved to be very challenging for the Mikron Group. Right at the start of the year, the Swiss National Bank's decision to discontinue its currency floor against the euro resulted in considerable pressure on margins at our Swiss sites. In addition, the investment climate for our highly productive manufacturing and assembly systems was characterized by major global caution in the first half of the year. It was not until the second half that the Mikron Group's key sales markets started to recover, meaning that overall we increased our annual order intake slightly by the end of the year.

Thanks to operational progress in other areas the Mikron Group achieved positive EBIT in 2015, although its profitability still falls short of the strategic targets. We will not lose sight of this – even in this difficult economic environment.

Given the good order intake in the last quarter of the year under review, we are cautiously optimistic about the 2016 financial year. Over the year as a whole, we are expecting a considerable increase in sales and an improved EBIT margin. However, since the projects awarded towards the end of 2015 will mainly impact on sales in the second half of 2016, it is likely to be much stronger than the first six months.

The 2015 financial year was a very demanding one. I would like to thank all of Mikron's employees for their tireless dedication, our customers for their confidence, and you, our valued shareholders, for your loyalty.



Heinrich Spoerry,  
Chairman of the Board of Directors



Bruno Cathomen,  
CEO Mikron Group



I was particularly pleased about our progress in the US.

Heinrich Spoerry,  
Chairman of the Board of Directors

What was a personal highlight for you in the 2015 financial year?

**HEINRICH SPOERRY:** I was particularly pleased about our progress in the US. Mikron Automation has built up an excellent position in the American markets over the last three years, and Mikron Machining's tool business has also performed very well in the US. This success is attributable to our global orientation and our long-term marketing strategy. The sites in Denver and Monroe allow us to bring our innovative solutions directly to the US market.

**BRUNO CATHOMEN:** Our new facility in Denver gives us the needed space to accommodate modern workplaces and to engineer and assemble systems even more efficiently to the highest standards. The additional capacity equips us for further growth.

Which developments caused Mikron the biggest challenges?

**HEINRICH SPOERRY:** The foreign exchange handicap presents our Swiss sites with some huge challenges. The pressure on margins is enormous. We immediately implemented various cost-cutting measures following the Swiss National Bank's decision to discontinue the minimum

exchange rate against the euro. This meant we could avoid layoffs. On the contrary, our action plans included – where feasible – temporarily increasing the working hours of staff in Switzerland.

**BRUNO CATHOMEN:** Our employees largely supported these urgent measures and played a key part in alleviating the situation. The increasing unpredictability in the project business remains a major concern. Risk assessment is becoming ever more demanding. This is an area where we need to evolve and improve.

How satisfied are you with developments in the two business segments?

**BRUNO CATHOMEN:** Mikron Automation has not only performed very well in the US, it also notched up some important market successes in Europe toward the end of the year. Mikron Machining's tool and service business developed better than expected. These positives contrast with the disappointing machinery business, which is heavily dependent on the automotive industry. The Machining business segment's result is not at all satisfactory overall – despite the solid headway made on the tool and service sides.



Interview with the Chairman of the Board of Directors and the CEO



Bruno Cathomen,  
Chief Executive Officer

Heinrich Spoerry,  
Chairman of the Board  
of Directors



We continue to expand our service business on a global scale.

Bruno Cathomen,  
CEO

How do you plan to stimulate the machinery business?

**HEINRICH SPOERRY:** Although the machinery business is currently highly challenging, we need to continue investing in innovations here too. The machinery market is extremely heterogeneous. Each machine has to be tailored to the customer's individual requirements and to the specific application. And bear in mind that these requirements can vary greatly from customer to customer.

**BRUNO CATHOMEN:** We are permanently extending the performance of our machines and adding innovative products to our range of tools. Our new technology center in Agno places us in a very good position to do so. Beyond that, we continue to expand our service business on a global scale.

How can you systematically monitor and reduce project risks?

**BRUNO CATHOMEN:** Customized special purpose machines and assembly systems naturally harbor high risks. Mikron practically never builds exactly the same system twice and customers always expect the very latest state-of-the-art technology from us. Risk management begins with the offer and ends with the final project sign-off from the

customer. Mikron has always attached a great deal of importance to professional project and risk management. We are presently strengthening our capabilities in technical and commercial project management throughout the entire Group and harmonizing IT across all Group companies to facilitate know-how transfer and data exchange. But when all is said and done, the key lies in the selection, experience and professional training of managers, specialists and project leaders. Ultimately, these are the people crucial to the quality of our products and services and hence vital for customer satisfaction.

What are you doing about the shortage of skilled staff?

**HEINRICH SPOERRY:** We are an attractive employer for skilled workers with a technical background in mechanics, mechanical engineering, software or electronics. As well as enjoying good relations with universities, we are known in Switzerland for our excellent apprenticeship programs and we also train apprentices in Germany. The dual-track vocational education and training system is an outstanding success. So much so that we will be setting up a comparable program at our site in Denver.



We are an attractive employer for skilled workers with a technical background in mechanics.

Heinrich Spoerry,  
Chairman of the Board of Directors

What are your strategic goals for the next few years?

**HEINRICH SPOERRY:** In the Machining business segment, we aim to enhance the performance of our machines in specific areas and expand our successful tool business. In terms of markets, we are targeting further growth in the US and sticking to our goal of winning additional substantial orders in Asia. In the Automation business segment, we are looking to build on the market successes seen in the US in 2015 and we want to extend our leading position in Europe. Beyond that, we expect our products to be successful in Asia, especially in China.

**BRUNO CATHOMEN:** We are committed to delivering best-in-class innovations and highly productive solutions in both business segments. What's more, we want to achieve a further increase in workmanship and customer satisfaction. And it goes without saying that we wish to improve our profitability.



”We are already enabling downsizing in the production stage.“

Axel Warth, Head of Marketing & Business Development Mikron Machining



## FULL POWER WITH LOW CONSUMPTION

Cars that consume less fuel with no loss of power: a contradiction with a solution?

A turbocharger can compensate for the loss of power in a smaller engine. This saves fuel: overall, a turbocharger reduces fuel consumption by up to 30 percent. 26 million turbochargers were fitted worldwide in 2013 and car manufacturers expect 40 million cars to be equipped with one by 2018.

### Mikron at the heart of the action

Cars should use as little fuel as possible while still delivering an impressive performance. This means the speedometer needs to rise as quickly as possible while the fuel gauge falls just as slowly. Car manufacturers have found a way out of this dilemma – “downsizing”.

Mikron Machining is playing a part in this boom: Just under 25 percent of all light vehicle turbocharger housings manufactured worldwide are produced on a Mikron Multistep XT-200. “Automotive suppliers are very consciously choosing our machines”, says Axel Warth, Head of Marketing & Business Development Mikron Machining. “Thanks to the Mikron Multistep XT-200, one manufacturer of turbocharger housings has been able to reduce unit costs by 35 percent.” The company previously needed twelve employees and four machines occupying 300 m<sup>2</sup> of floor space. “Today the same result is achieved by six employees and two Mikron Multistep XT-200 machines, and the production area now takes up half the space”, adds Axel Warth. “We are already enabling downsizing in the production stage.”

### Good things come in small packages

“Downsizing” is the practice of scaling down technical dimensions while retaining the same power level. Today’s car manufacturers are focusing on engines with fewer cylinders and lower engine displacement. So instead of the eight or twelve rumbling cylinders of the past, nowadays there are usually only three or four. Although this results in the engines using significantly less fuel, they also forfeit performance, i.e. horsepower. Car manufacturers are offsetting this loss by fitting superchargers, including turbochargers.

### Turbo is the future

Turbochargers increase the performance of combustion engines by pumping more air into the combustion chamber, thus charging the cylinders.

# 25

% of all light vehicle turbocharger housings manufactured worldwide are produced on a Mikron Multistep XT-200.



The turbocharger gets **maximum performance** out of smaller engines.

Mikron produces the **Multistep XT-200** in Rottweil in the south of Germany: machines which are also used in the production of turbocharger housings for combustion engines.

The machine has a built-in automated **intelligent loading and unloading module** – with integrated pallet handling or robots.

# SELF-TREATMENT OF ASTHMA

Millions of people around the world suffer from the respiratory disease asthma. Inhalers help them to manage their illness better.

**A**sthma is one of the most common respiratory diseases. In industrialized countries it is the most common chronic illness among children. 300 million people around the world are affected by asthma, and the number of cases has risen sharply over the past few years. There is still no cure for asthma today, but it usually responds well to treatment.

**Independent and exact**  
Inhalers play a key role in the treatment of asthma. Asthma patients can use these handy devices to administer the necessary medication themselves, for example, as a spray containing the active ingredients. Here, the size of the dispensed particles is crucial. If they are the right size, they can get into the airways and lungs, where the medication is needed. The advantage of this direct application is that it uses less of the active ingredient, thus reducing the risk of side-effects and lessening the strain on the body.

## Pharmaceutical companies and medical device manufacturers rely on Mikron

Mikron is significantly involved in the manufacturing of modern inhalers. The medical device and pharmaceutical industries are some of Mikron Automation's biggest markets. „Many large pharmaceutical and medical device companies around the world use Mikron automation systems to produce their inhalers“, says Jean-François Bauer, Head of Marketing & Business Development Mikron Automation. These customers use systems consisting of several Mikron G05 platforms, Mikron Tray Handlers and feeder systems. „The inhalers are assembled on these systems in a clean room in multiple complex assembly processes, in some cases with more than 40 steps – quickly, precisely and reliably“, says Jean-François Bauer.

## Successful premiere

Last year, a well-known international pharmaceutical company implemented a Mikron solution to check the filling and dispensing of canisters with active pharmaceutical ingredient. Measuring to less than a milligram, the machine weighs the canisters, dispenses a dose and then confirms that the emitted dose is within the required process parameters. The Mikron solution processes tens of thousands of canisters per hour.

# 40

Inhalers are assembled in up to 40 steps.

Mikron automation systems assemble inhalers in multiple complex assembly processes, in some cases with more than **40 steps** (the picture shows a spray inhaler – asthma spray).



The **320 employees** at Mikron Automation in Boudry, Switzerland, develop and build complex automation solutions.

Automation systems of Mikron are in use at **international pharmaceutical companies and medical device manufacturers** all over the world.



”Our customers require extremely precise, reliable, high-speed automation systems.“

Jean-François Bauer, Head of Marketing & Business Development Mikron Automation



# THE GLASS BOTTLE – A CLASSIC

PET, aluminum, Tetra: these days there are many kinds of drinks container. But that doesn't mean that glass bottles are totally obsolete. Quite the opposite, in fact.

**D**espite strong competition from materials such as PET (polyethylene terephthalate), conventional glass bottles are very popular. And rightly so, since glass bottles are 96 percent recyclable and are refilled considerably more often than PET bottles.

## Seamless

The industrial manufacturing process for glass bottles has been constantly developed since their invention in the mid-19th century. Today, the series manufacture of glass bottles involves casting liquid glass into a mold. Here it is important that the air in the mold is able to escape without leaving any traces in the glass. This is made possible by tiny ventilation holes in the sides of the mold.

## 90 percent faster

These ventilation holes are just half a millimeter wide, which is approximately the size of a pencil lead. Until recently, drilling these delicate holes was very compli-

cated, time-consuming, and therefore also extremely expensive. „With the Mikron CrazyDrill Flex, it's now incredibly easy to drill ventilation holes“, says Markus Schnyder, Vice President Business Line Tool. The drill reduces the manufacturing time by up to 90 percent. This means considerably lower production costs and increased productivity for customers.

## Flexible with internal cooling

The Mikron CrazyDrill Flex stands out due to its long center part between the drill section and the clamping shank. The flexibility this provides prevents the micro drill from snapping while enabling it to drill deep holes. The longest version has coolant channels incorporated into its shaft which make it possible to drill to depths up to 50 times the diameter of the drill. The special layout of these coolant channels means that the cooling jet stays focused even at high speeds, and cools exactly where needed – at the tip. The Mikron CrazyDrill Flex thus guarantees high process reliability together with maximum stability and productivity. Just one reason why the drill is also successfully used in the medical technology, dental technology and aviation industries.

# 90

The drill reduces the manufacturing time by up to 90 percent.

The Mikron **CrazyDrill Flex** drills very small, long ventilation holes accurately and quickly in the molds.

Mikron Tool meets the **highest quality standards** with its tools.

Mikron Tool manufactures the CrazyDrill Flex micro drill in **Agno, Switzerland**.





”With the Mikron CrazyDrill Flex, it’s now incredibly easy to drill ventilation holes.“

Markus Schnyder, Vice President Business Line Tool



## The Mikron Group

The Mikron Group develops, produces and markets automation and machining systems that enable extremely precise and productive manufacturing processes. Rooted in the Swiss culture of innovation, the group is a globally leading partner to companies in the automotive, medical devices, pharmaceutical, consumer goods, writing instruments and watchmaking industries.

The two divisions, Mikron Automation and Mikron Machining, are based in Switzerland (Boudry and Agno). The company has additional production facilities in Germany, Singapore, China and the US. The 1,200 employees of the Mikron Group can draw on over 100 years of experience in the production of high-precision systems for large-series product manufacture. Mikron Holding AG shares are traded on SIX Swiss Exchange (MIKN).

### Mission

As a global, leading supplier of high-volume, high-precision machining and automation solutions, the Mikron Group helps its customers to be market and business leaders by increasing industrial productivity and quality.

### Corporate Story

The Mikron Group's core business is enabling productivity and quality improvements in the manufacturing processes of our customers. Mikron's products and solutions support industrial production companies in a wide variety of sectors in manufacturing their products more quickly and cost-effectively, thus reducing unit costs, space requirements, and staffing costs. In addition to all of this, they also increase manufacturing quality. Mikron's ultimate goal is to enable its customers to improve their competitiveness and profitability in creating added value with innovative turn-key solutions.

With its gear-cutting machines and tools, Mikron, a company rooted in the Swiss culture of innovation, contributed significantly to the industrialization of Swiss watchmaking in the first half of the last century. Today, Mikron markets machining and automation solutions for high-precision manufacturing processes. Worldwide. It is a partner to companies mainly in the automotive, medical devices, pharmaceutical, consumer goods, writing instruments and watchmaking industries.

## Mikron Automation

Mikron Automation is one of the world's leading manufacturers of customized, highly productive automation solutions for high-precision assembly and testing of products up to hand size. These include inhalers, insulin syringes, gasoline injection nozzles and airbag initiators.

- Number of employees: 560
- Sales in 2015: CHF 115 million
- Experience: 40 years
- Systems installed worldwide: over 3,000
- Projects: more than 60 per year
- Order value: CHF 0.5 to CHF 15.0 million

## Mikron Machining

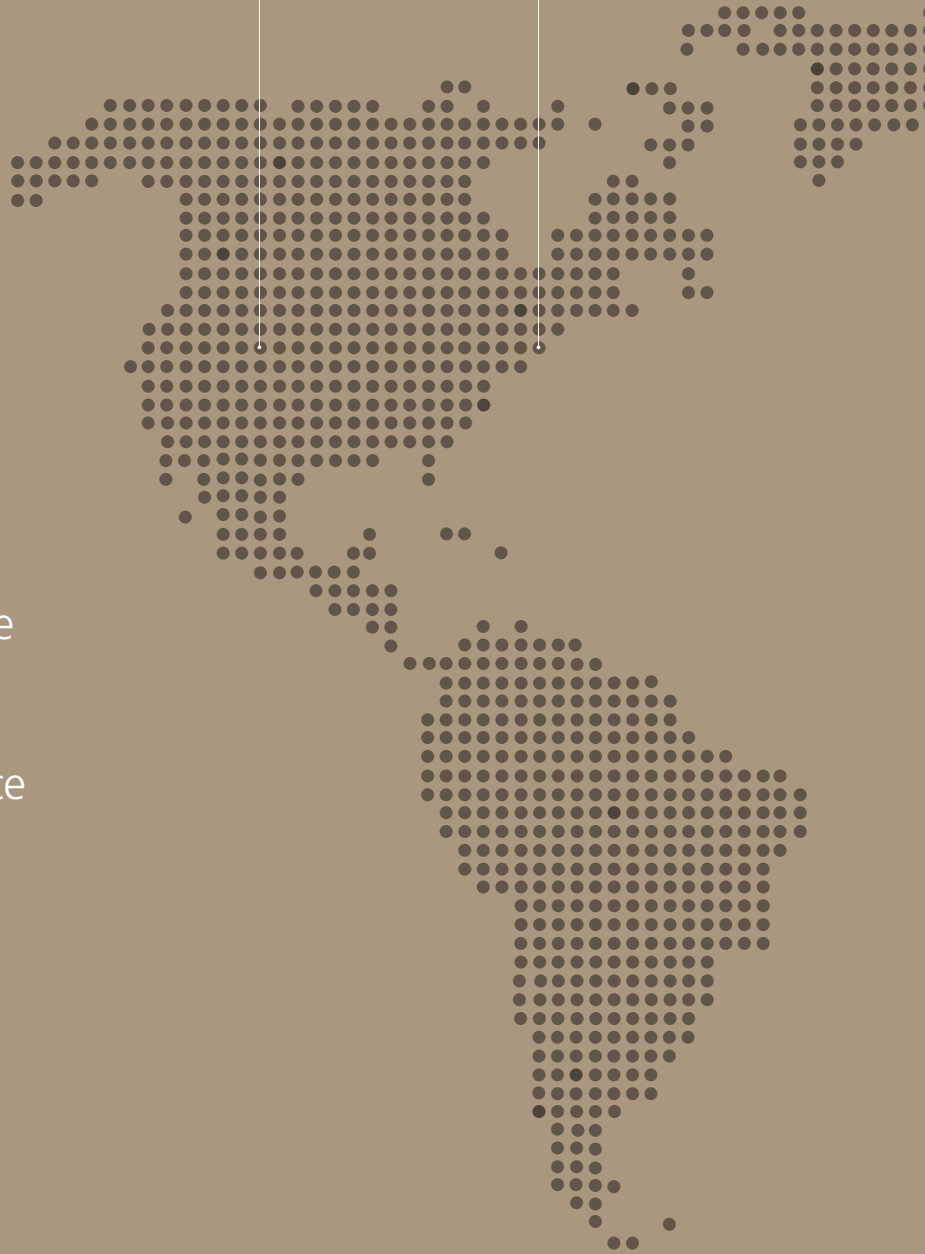
Mikron Machining is the leading supplier of customized, highly productive machining systems for the manufacturing of complex high-precision components made of metal such as turbocharger housings, injection nozzles and ballpoint pen tips. Mikron Machining develops and produces the necessary high-performance cutting tools itself, and these are regarded as some of the best in the world.

- Number of employees: 600
- Sales in 2015: CHF 114 million
- Experience: over 100 years
- Systems installed worldwide: over 7,000
- Projects: between 80 and 150 per year
- Order value: CHF 0.4 to CHF 6.0 million

The Mikron Group


Denver **A**  

Monroe **M** 




In addition to eight production sites and service centers the Mikron Group also has an extensive network of sales and service representatives.

For more information go to: [www.mikron.com/contact](http://www.mikron.com/contact)

 Headquarters  
Automation/Machining

 Production site

 Sales and service center

**A** Mikron Automation

**M** Mikron Machining



## Highlights 2015

### January

The Swiss National Bank decides to discontinue the minimum exchange rate against the euro. The Mikron Group immediately introduces a variety of measures at the Swiss sites to lower costs and increase efficiency.

### February

Mikron Automation starts the construction phase of its new building in Denver. The new building will be ready in October and will increase engineering and production space by over 30% and headcount to more than 100. By expanding its US operations, Mikron significantly reinforces its commitment and strengthens its presence in the US market.

### March

Mikron Tool in Agno enhances the shop floor management (Lean Management Tool), achieving short-term positive effects and increasing productivity. Other Mikron sites also start to introduce shop floor management based on the experience of Mikron Tool Agno.

### March

The Mikron Group publishes a corporate video, which reveals the secret to the Group's success. The video is available in English, German, French, Italian and Chinese.

### June

By publishing a new Code of Conduct for all employees, the Mikron Group underlines the importance of doing business in an ethical manner. The renewed Code of Conduct guides our employees in working with the different stakeholders.

### June

Mikron Automation receives an engineering order from a new medical customer for a sophisticated diagnostic device. It is the first time Mikron has assembled such a complex equipment. Mikron supports the customer in the industrialization of the production process to allow a faster ramp-up of production volumes. This complex device offers important future potential for repeat orders.

### July

Mikron Automation starts engineering the first two customer projects that will have the innovative new machine control software implemented (see page 37). Both, for the customer and Mikron, this will lead to a significant gain of efficiency.

### August

Mikron Tool opens its new Technology Center with a team of specialists dedicated to carrying out machining tests on the different CNC machining centers. The center will be used for sales partner training, new product testing and development, and machining projects with customers.

### September

Apprenticeships are an important way to support Mikron's businesses with well-trained and motivated employees. For the first time, Mikron Boudry hires eight first-year apprentices as multi-skilled mechanics, twice as many as in previous years. In addition, Mikron Denver has committed to set up a local apprenticeship program sponsored by the Swiss and US governments.

### October

The Taiwan Machine Tool & Accessory Builders' Association (TMBA) visits Mikron in Agno. Mikron Machining shows the 40 managers from a variety of industrial companies how they could increase their productivity and quality with Mikron's machining solutions and cutting tools.

### October

EMO 2015 in Milan is a success for Mikron Machining. The company receives more enquiries at this year's event than in 2011 or 2013. Mikron has plenty in store for visitors, with live exhibits of both the Mikron Multistep XT-200 machining system with its new loading concept and the Mikron Multistar LX-24 – the world's fastest and most productive rotary transfer machine. A special highlight for visitors is the chance to experience the Mikron NRG rotary transfer machine virtually using a head-mounted display.

**October**

Mikron Tool's new website [www.mikrontool.com](http://www.mikrontool.com) goes online. The key new feature is the tool finder. By entering just a few parameters, the user can choose the right tool from the entire product range and find lots of useful information on how to use it. For both standardized and customized tools.

**November**

A group of selected managers completes the first cross-group management & leadership training program. Built on Mikron's values and leadership principles, the 18 months management & leadership training program has been designed to impart a shared management culture with specific leadership principles to be applied in practice.

**December**

Mikron's first new full-CNC high-precision rotary transfer machine, the Mikron VX-10, goes into final production (see page 43). The new Mikron VX-10 is based on the tried-and-tested Mikron NAM and combines the advantages of bar/wire feed with those of a rotary transfer machine.





# Mikron Management Report

## Management Report

The 2015 financial year proved to be very challenging for the Mikron Group. Following the Swiss National Bank's decision in January 2015 to discontinue its currency floor against the euro, the three Swiss companies were suddenly exposed to considerable pressure on margins. In addition, the investment climate for the Mikron Group's highly productive manufacturing and assembly systems was characterized by major global caution in the first half of the year. It was not until the second half that the Group's key sales markets started to recover, meaning that overall Mikron increased its annual order intake slightly by the end of the year.

Right at the start of the 2015 financial year National Bank's decision to discontinue its currency floor against the euro, resulted in considerable pressure on margins and huge uncertainties at the three Swiss companies. All customer projects in progress booked in euros instantly dropped in value. Potential customers for Mikron's highly productive machining and assembly systems were also very reticent about making investment decisions, especially in the first half of the year. On the back of the visible recovery witnessed by key markets in the second half, Mikron was able to increase annual order intake from CHF 244.8 million to CHF 264.6 million. The Group reported a decrease in annual sales from CHF 249.1 million to CHF 228.6 million (-8%). Despite the difficult business climate, the Group recorded positive EBIT of CHF 2.5 million (prior year: CHF 4.6 million). While the Automation business segment again achieved a significant improvement in profitability, the Machining business segment fell well short of the corresponding figures for the prior year. Thanks to a good order intake level in the fourth quarter, Mikron is looking to the 2016 financial year with confidence. Over the year as a whole, the Group is expecting a considerable increase in sales and an improved EBIT margin. However, since the projects awarded towards the end of 2015 will mainly impact on sales in the second half of 2016, it is likely to be much stronger than the first six months.

### Group business review

In response to the decision by the Swiss National Bank to discontinue the minimum exchange rate against the euro, the Mikron Group immediately introduced a variety of measures at the Swiss sites to lower costs and increase efficiency. Among the steps taken, the Group renegotiated its purchasing terms and looked into further purchasing options in the euro zone. Mikron increased working hours during a number of months to accommodate the changed circumstances, and wages were frozen until further notice. It also reduced operating costs at the Swiss sites and revisited key investment decisions. These measures enabled Mikron to secure capacity utilization at the sites in Switzerland and to retain employees, but the price was a significant reduction in margins over several months. While the various steps taken began to impact positively on results in the second half of the year, the figures for the Machining business segment's machinery business nonetheless remained disappointing. However, the Group still achieved an EBIT margin of around 4% in this period.

In spite of the major short-term challenges faced, the Mikron Group did not lose sight of its medium and long-term goals and rigorously pressed ahead with its priority innovation and growth projects. Mikron took occupancy of its new manufacturing facility in Denver on schedule in October. This creates a strong foundation for further

growth by Mikron Automation in the USA. The Group also bolstered activities in the tool business with a new technology center in Ticino. One of the center's pivotal tasks is to strengthen Mikron's already high innovation rate in the tool segment. The Group has thus created the ideal environment for customer-specific trials and development projects as well as for the regular training of employees and distribution partners. Mikron has made further advances in the development of control software, electronics and mechanics for automation systems and metal-removing machinery.

Detailed business reviews for the two business segments can be found on pages 33 to 37 (Mikron Automation) and pages 39 to 43 (Mikron Machining).

### Outlook

The Mikron Group expects the market environment to stay challenging in 2016. The Swiss companies' margins will remain under heavy pressure. The Group continues to anticipate robust demand for automation solutions in Europe and the USA from the pharmaceutical, medical devices and consumer goods industries. The situation in the automotive industry is still very uncertain. While this market is extremely important for Mikron Machining in particular, for the Group as a whole it is likely to lose in significance compared to the pharmaceutical and medical devices industries. Mikron is projecting an increase in order intake in Asia following efforts to strengthen the sales organization. The Group is also expecting moderate growth in demand for tools.

Thanks to a good order intake level in the fourth quarter of 2015, Mikron is looking to the 2016 financial year with confidence. The Group is expecting a considerable increase in sales and an improved EBIT margin, and anticipates a much stronger second half of the year.

### Order intake

The Mikron Group reported order intake of CHF 264.6 million in 2015, representing a sizeable increase over the prior year (CHF 244.8 million, +8%). In local currencies, the growth amounted to 9%. The low prior-year figure for the Machining business segment meant that its increase was somewhat more pronounced than in the Automation business segment. In both segments, the growth was generated entirely in the second half of the year. Considerable differences between the individual sites were also evident within each of the two segments.

Overall, the situation in the niche markets served by Mikron remained highly challenging. In the USA, Mikron succeeded in optimally tapping into the solid demand from the medical devices, pharmaceutical and consumer goods industries for automation solutions. In Europe too, the Automation business segment reported significantly more orders than in 2014 – mainly from the pharmaceutical and medical devices industries – and with margins only slightly lower than prior-year levels. Improvements introduced in the areas of market development and project execution have already had a positive impact on orders for the European sites. Demand for machining and automation solutions from the automotive industry was still very sluggish and unpredictable. Nevertheless, Mikron Machining won a number of new orders in the year under review – from existing and new customers alike. Besides projects from the electric plug sector, Mikron Machining also acquired some attractive orders from the watchmaking industry.

Demand remained modest in Asia. Most notably, orders for automation systems were well below expectations. Machining systems for the writing instruments industry were the only segment to generate more orders than anticipated.

The Mikron Group is satisfied with the level of service business in both segments and with the performance of the tool business within the Machining business segment, especially given the negative impact of exchange rate developments.

### Net sales, capacity utilization and order backlog

Adjusted for currency, the Mikron Group's annual sales were only around 1% below the prior-year level. In actual terms, net sales were down by 8% to CHF 228.6 million in the year under review (prior year: CHF 249.1 million). Both business segments posted lower figures than in 2014: Mikron Automation CHF 114.9 million (prior year: CHF 126.8 million, -9%) and Mikron Machining CHF 113.8 million (prior year: CHF 123.8 million, -8%).

The Mikron Group's capacity utilization rate in the first half of 2015 was generally unsatisfactory, and even critical at individual sites. It improved considerably in the course of the second half. While in the first few months of the year some sites were still benefiting from healthy order backlogs carried over from 2014, others were already facing capacity underutilization early on. In light of the high level of specialism of our employees and our endeavors to

meet customers' expectations, Mikron could only partly offset the uneven distribution of the workload by transferring production and projects or temporarily relocating staff.

In the year under review, Mikron Machining's tools business saw a significant increase in sales – up almost 12% when adjusted for currency. Service business in both segments was also encouraging, with sales up by a total of 3%.

Europe (including Switzerland) remained the dominant market for the Mikron Group, accounting for 69% of all sales. Both business segments were also able to profit from the robust state of US industry. While Mikron no longer achieved the extremely high sales levels posted there in the prior year, the Group still generated 19% of its sales in the US (prior year: 25%). After the orders transferred within the Automation business segment to Asia had been completed at the beginning of the year, Mikron's sales in this region decreased to CHF 22.5 million (prior year: CHF 27.5 million). This represents a share in sales of 10%.

At CHF 142.9 million, the Mikron Group's order backlog at the end of 2015 was 22% higher than the corresponding prior-year figure, with orders in hand still very unevenly distributed over the sites. Some orders relate to financially attractive longer-term projects which are not scheduled for completion in 2016.

### Profitability

In 2015, the Mikron Group reported EBIT of CHF 2.5 million, equating to an EBIT margin of 1.1%. One-off, currency exchange effects at the beginning of the year had a negative impact of just under CHF 2 million on projects in progress. Even allowing for this one-off effect, the Mikron Group's profitability is still well short of the strategic targets.

Whereas the EBIT of CHF 4.3 million (prior year: CHF 2.7 million) posted by the Automation business segment represents a further significant improvement in profitability, the Machining business segment suffered another setback, reporting EBIT of -4.3 million (prior year: CHF -0.6 million). This mainly reflects the significant fluctuations in order intake at a disappointingly low level and the related capacity utilization problems. The operating result was impacted not only by an uneven distribution of workload, but also by lower margins and by additional costs during

the final phase of several customer projects. The strong performance by Mikron Machining's tool and service business was not sufficient to offset these negative factors.

### Financial result, income taxes and profit

The financial result was slightly above the previous year's level and totaled CHF -1.2 million (prior year: CHF -1.6 million), of which CHF -0.5 million were related to net exchange rate losses (prior year: CHF -1.2 million). Interest on and valuation of bonds to optimize financial results were netted against other financial expenses such as fees for bank guarantees. Profit before taxes amounted to CHF 1.3 million (prior year: CHF 3.0 million), on which income taxes of CHF 0.4 million (prior year: CHF 0.7 million) were expensed. The income tax rate was distorted by tax losses not capitalized due to uncertainty about the companies' future taxable profits.

Mikron's net earnings for 2015 were CHF 0.9 million, compared to CHF 2.2 million in the prior year. Net earnings per share for the year 2015 came to CHF 0.06 (prior year: CHF 0.13).

### Balance sheet, financing and equity ratio

Overall, the Mikron Group's balance sheet remains very strong. Mikron is free of net debt and reports an equity ratio of 63% (prior year: 65%).

Cash and cash equivalents plus current financial assets of CHF 48.8 million significantly exceed interest-bearing liabilities of CHF 22.8 million. The current financial assets of CHF 14.6 million are mainly invested in high-quality Swiss franc bonds with a residual maturity of up to five years. Strict management of net working capital, prepayments on orders signed before the end of the year and the mortgage taken out on the property in Denver resulted in an increase in cash and cash equivalents, including current financial assets. The net cash position stands at a good 11% of net sales (prior year: 11%).

Net working capital decreased by CHF 9.1 million to CHF 40.7 million. Overall net working capital compared to net sales amounts to 18%, which is a decrease compared with the prior year (20%). This position was driven by a solid level of prepayments received from projects sold just before year-end.

Totalling CHF 92.4 million, non-current assets increased by CHF 9.4 million. Investments mainly in the Denver new-build, production equipment, the development of

new products and to a lesser extent in infrastructure and IT projects to improve efficiency amounted to CHF 16.7 million (prior year: CHF 9.8 million). This was in line with expectations and shows a commitment to invest in the future of Mikron. Total amortizations and depreciations came to CHF 7.0 million (prior year: CHF 7.2 million). The long-term financial liabilities of CHF 21.6 million relate to finance leases for production equipment and the mortgages for the investment property and two production facilities.

In May 2015, Mikron renewed the CHF 50.0 million credit agreement with a bank consortium which is available for bank guarantees to secure advance payments from customers and for fixed advances that are currently not being used. This credit agreement expires at the end of June 2019 but may be extended by one year. The credit agreement requires Mikron to achieve certain key financial figures (covenants). The Group met these by a comfortable margin.

In 2015, shareholders' equity remained stable at CHF 154.6 million. This represents a strong equity ratio of 63% (prior year: 65%). The decrease of 2% is attributable to the higher balance sheet total.

#### **Cash flow**

Cash flow from operating activities increased from a cash inflow of CHF 6.7 million in the previous year to a cash inflow of CHF 15.5 million. A total of CHF 13.2 million (prior year: CHF 9.3 million) was used for investment in non-current assets.

Strict management of net working capital and prepayments on orders signed before the end of the year led to an operational free cash flow (without changes in financial assets) of CHF 2.3 million (prior year: CHF -2.6 million). This shows that Mikron was able to cover investments for the financial year – including the new-build in Denver – completely from operational cash flow. The Group is aiming to achieve positive operational free cash flows over the long term.

Cash flow from financing activities amounted to CHF 4.8 million in the year under review, mainly due to the additional financing for the facility in Denver.

#### **Share performance and return**

In 2015, the share price was hampered by the negative impact that the Swiss National Bank's decision to abandon

the minimum exchange rate against the euro is expected to have on the Mikron Group. The closing rate stood at CHF 5.93 (prior year: CHF 7.05 per share). Factoring in the distribution of CHF 0.05 per share approved by the Annual General Meeting of shareholders, total shareholder return amounts to CHF -1.07 or -15.2% (prior year: CHF 0.95 or 15.3%). The precise share performance is available at all times on the Mikron Group website.

#### **Corporate and Financial Statements of Mikron Holding AG**

The holding company and the management company support the individual group companies as well as the Board of Directors and Group Management. Only the CFO and a small Group finance team are employed by the management company and thus costs incurred remain basically unchanged at a low level. The scope for further reductions in corporate costs is limited. Group IT staff are employed by subsidiaries in Switzerland but their costs are passed on to the management company. In the year under review, Group IT costs including third-party expenditure remained stable, although investments were made in tools to improve efficiency.

The investment property in Nidau (Switzerland) generated a lower net income of CHF 1.4 million (prior year: CHF 1.9 million) as the latest market value assessment triggered an impairment of CHF 0.6 million. The property is rented out to financially sound lessees. With a pre-impairment net yield of 6.7% (prior year: 7.3%) this is an attractive investment of liquid assets not required for operational purposes. The non-operating result excludes the financing costs of the mortgage of CHF 11.5 million. In 2015, Mikron was informed by one of the lessees (a company renting around 60% of the building) of its intention to move out in 2018. All possible options are currently being investigated.

The financial statements of Mikron Holding AG show a very high equity ratio of above 85%. Owing to a change in accounting rules, an impairment had to be booked on participations (subsidiary companies) in 2015, resulting in a substantial loss. This technical adjustment has no impact on the Group's net asset value.

#### **Customer satisfaction**

The Mikron Group focuses on the needs of its customers, with the aim of establishing and cultivating long-term and strong relationships with them. In 2015, this involved gathering customer feedback on an ongoing basis, and

actively contacting customers to ask for their opinion. Comprehensive customer satisfaction questionnaires were sent to all tool business customers.

### Employees

Mikron operates in a demanding, cyclical and global market, which is highly competitive. The key to success is skilled and motivated employees who are willing to assume responsibility and work constructively together. This allows the Group to respond to the rapid changes and complexity inherent in the business. Every two years, an independent consultancy for personnel and organizational development assesses the level of employee satisfaction in over one hundred industrial companies in Switzerland. In 2014, the last survey was performed in all Mikron companies except those in Asia. Altogether, 65% of the employees returned the survey, for which data was collected online and in paper format. Overall job satisfaction was rated at 69 points (out of 100), a 5% improvement on the prior year. Commitment to Mikron was rated at 78 points (out of 100), which represents a mean value compared with other companies that were also assessed. In terms of this aspect, 76% of these companies ranged between 75 and 85 points. The detailed results for Mikron were analyzed on different levels by the management teams and specific actions initiated.

In the year under review, the Mikron Group again succeeded in filling all open positions at every site with employees possessing the right level of technical qualifications and language skills. As in previous years, though, this entailed considerable effort. Several sites plan to make even greater use of the opportunities offered by dual-track vocational education and training (VET) by taking on additional apprentices. The Denver site intends to initiate a US government-sponsored VET project in 2016. As at the end of the 2015 financial year, the Mikron Group numbered 1,181 employees (FTEs), representing an increase of 1.6% (prior year: 1,162 employees). 65% of the workforce are employed with the companies in Switzerland, approximately 15% in each of Germany and the US, and about 5% in Asia.

To be seen as an attractive employer means attracting, developing and retaining employees. In 2015, the Group invested around CHF 0.7 million (prior year: CHF 0.8 million), equating to CHF 600 per employee, in initial and advanced training (third-party costs only, not including the working hours that were made available). Currently, special priority is being given to management and leadership

training for a select number of managers. Over the course of several blocks, participants gain valuable experience in order to improve their management skills, while at the same time developing a consistent Group-wide management culture based on the Mikron values and leadership principles. The training lasts one to one-and-a-half years. Besides specific training sessions, employees are helped to develop on the basis of interesting, challenging tasks.

Employees' remuneration is based on their role, performance, specific knowledge of value to Mikron (languages, special technological expertise) and experience. Men and women are paid equally for performing the same work. The economic performance and regional differences of the individual companies are also taken into account.

### Innovation and key investments

Given that innovation is the key to Mikron's success, a number of innovation-centric projects were implemented in 2015. In the year under review a total of CHF 5.7 million (prior year: CHF 5.8 million) was invested in the development of new or enhanced products or product platforms. These figures include capitalized research and development expenses, personnel expenses, material costs and other operating expenses and represent 2.5% of net sales (prior year: 2.3% of net sales). The innovation process is usually triggered either by customer enquiries or by potential improvements to products and services that have been identified in-house. Additionally, most customer projects include an innovative combination of known technologies with machining, assembly and quality control processes. Engineering is an integral part of designing customer-specific solutions.

Mikron Machining made further headway with the development of new tools and with efforts to expand the tool business. In August, Mikron Tool opened its new Technology Center with a team of specialists dedicated solely to performing machining tests on the four different CNC machining centers. The center was built with a view to carrying out sales partner training, new product testing and development, and metal cutting projects with customers. The Machining business segment has undertaken major efforts to drive product innovation and product care in order to make machines more technically robust and less dependent on procurements priced in Swiss francs. As a result, the first new full-CNC high-precision rotary transfer machine from Mikron, the Mikron VX-10, is in final production. The new Mikron VX-10 is based on the tried-and-tested Mikron NAM and combines the ad-

vantages of bar/wire feed with those of a rotary transfer machine.

Mikron Automation continued to drive forward key innovation and improvement projects. In particular, the business segment made progress in product development at its headquarters in Switzerland. The fruits of these efforts include a new patented transfer system for cost-effective component feeds, and an innovative machine controller. The market launch of Mikron Automation's new machine controllers on initial customer projects started in the second half of the year. These new controllers will make it much easier for customers to operate their machine, as well as providing additional functions. The resulting efficiency gains will benefit both customers and Mikron. Mikron furthermore invested in a new building in Denver to support Mikron Automation's expanding US operation. In October, the move to the new building was completed, increasing engineering and production space by over 30%.

In the 2016 financial year, Mikron plans to further invest in product development, mainly in Mikron Machining. Additionally, in order to support the growth of the cutting tools business, the Group intends to invest in replacement and additional production equipment. In summary, together with infrastructure and IT equipment investments aimed at further increasing efficiency, Mikron Group is again planning to invest more than CHF 10 million in total.

## Business model and strategy

### Mikron Group

The Mikron Group develops, produces and markets automation and machining systems that enable extremely precise and productive manufacturing processes. Rooted in the Swiss culture of innovation, the Group is a leading global partner to companies in the automotive, pharmaceutical, medical devices, consumer goods, writing instruments and watchmaking industries. The two divisions, Mikron Automation and Mikron Machining, are based in Switzerland (Boudry and Agno). The company has additional production facilities in Germany, Singapore, China and the US. The 1,200 employees of the Mikron Group can draw on over 100 years of experience in the production of high-precision systems for large-series product manufacture. With its innovative products, our companies work towards becoming the employer of choice for technical jobs.

Led by the vision of "creating value with passion for precision" and Mikron's mission statement, the Board of Directors periodically reviews the Group's strategy. In December 2015, the Board approved an update to the mid-term plan spanning the years 2015 to 2017. Unchanged from the targets communicated in the last few years, the Board of Directors expects the Mikron Group to improve profitability to an EBIT margin of 5–7% over an economic cycle, while growing sales in the magnitude of 5% on average every year. In the short-term, the decision of the Swiss National Bank to abandon its floor against the euro will have to be factored in.

### Mikron Machining

The strategic objectives of Mikron Machining are to strengthen its leadership position in the transfer machining niche, expand the service business by introducing additional services and addressing the whole installed machine base, and grow the cutting tool business – primarily its standardized "CRAZY" family products. As an innovative technology leader, the Machining business segment plans to introduce to the market at least one newly developed high-end cutting tool every year and a new or significantly improved base machine every two to three years. Delivering machining solutions and cutting tools to different customer segments globally is an important driver for further growth, while the automotive industry is expected to remain the dominant customer segment. In its niche, Mikron Machining competes mainly against other transfer machine, transfer center and multispindle machining center manufacturers. We want our customers to recognize Mikron Machining as an international solution provider with the capability to adapt its innovative products quickly to specific needs and to execute projects efficiently with globally aligned key processes.

### Mikron Automation

The strategy of Mikron Automation aims to provide customers with the highest performance assembly and test solutions and to support these customers in ramping up, optimizing and maintaining production capacity throughout the life cycle. As the partner of choice for global blue-chip customers from the pharmaceutical and medical devices industries, it aims to maintain its leadership position in Europe, to strengthen the footprint in Asia and grow at a disproportionately high rate in the US. Other customer segments such as the automotive industry, consumer goods and electronics are expected to contribute to the growth. Competing against a significant number of smaller and a few larger competitors, Mikron Automation

is in pole position thanks to its platform-based assembly concepts supported by fully customized automation and its technical expertise in engineering innovative solutions and compelling value propositions. Aligned processes and world-class project execution enable the Automation business segment to master projects across several sites and thus also deliver projects worth up to CHF 20 million.

**Management principles**

**Value-guided**

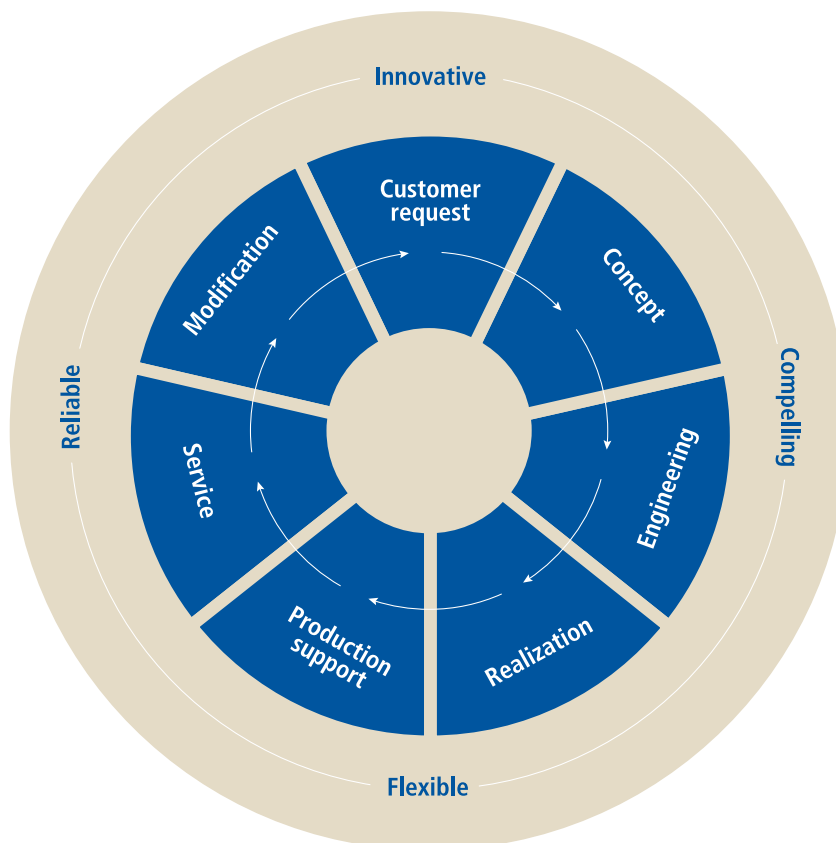
Six values guide Mikron’s management and staff: skilled and motivated employees, market and customer focus, focus on targets and results, responsibility and role mod-

el function, and quality and confidentiality. These values serve as a common basis on which we do business and develop the company and our people.

**Value-based management**

The financial performance of the Mikron Group and its business segments is monitored by Group Management on a monthly basis. The focus lies on evaluating order intake and net sales (book-to-bill), the productivity defined as added value (net sales plus/minus changes in inventories, plus capitalized own production, minus material costs) divided by personnel expenses, earnings before interest and taxes (EBIT) and net working capital trade. As a measure of value-based management, Mikron applies the concept of return on invested capital (ROIC), with EBIT as

**The Mikron business model**





the basis for the return. In the year under review, ROIC decreased to 1.6% from 3.0% in the previous year.

## Risk management

The Mikron Group applies a consistent Group-wide risk assessment system which covers both strategic and operational risks. All identified risks are given a rating (based on probability of occurrence and extent of potential losses) and recorded in a risk inventory. Based on this risk inventory, the Board of Directors conducts a review, at least once a year, of whether the risk governance and reduction measures in place are adequate for the company's needs. Ongoing monitoring of the risk inventory is the responsibility of Group Management. In addition, accounting and financial reporting risks are monitored and reduced through a suitable internal control system.

### Key risk factors

- The Group operates in a cyclical market with strong upswings and significant downturns. Market fluctuations may result from numerous factors beyond the influence of the Group. The Group tries to mitigate these risks by means of a diversified range of products as well as activities in different regions and markets.
- Fluctuations in currencies may adversely affect the Group's financial situation and results of operations. They may also lead to a loss of competitiveness. The Group attempts to achieve natural hedges by costing its manufacturing processes and purchasing supplies in the same currency as those in which its sales are generated. To a limited extent the Group also makes use of derivative financial instruments, such as forward contracts to hedge anticipated receipts of payments. Further measures include diversification in customer applications and geographical markets.
- The Group markets its machining and automation solutions in competitive markets and its success depends on its ability to compete successfully with other companies that have similar products and service offerings or offer technological alternatives. Each of the industries in which the Group operates is characterized by ongoing technological change, as well as by enhancements and new product developments. Furthermore, competitors may be able to copy the Group's technology or use its manufacturing know-how. The Group's economic success is therefore dependent upon its ability to enhance and develop new products and services

## The Mikron values

Six values guide Mikron's management and staff:

### 1 Skilled and motivated employees

Success is founded on skilled and motivated employees who are willing to take responsibility and work together constructively. The Mikron Group overcomes technical challenges through lively knowledge-sharing that results in intelligent, innovative, and high-performance production solutions for its customers.

### 2 Market and customer focus

The Mikron Group always focuses on the needs of its customers, with the aim of establishing and cultivating long-term relationships with them. The Group excels in a competitive market, offering cost-effective and technically optimized solutions for the manufacture of high-precision products in large quantities.

### 3 Focus on targets and results

The Mikron Group has well defined, demanding quantitative and qualitative targets and devotes all its energy to achieving them. Each employee is aware of the targets – both their own and those of the company – and contributes to their achievement.

### 4 Responsibility and role model function

The Group honors common agreements and takes responsibility. All employees see themselves as ambassadors of Mikron and show respect and loyalty towards their colleagues, customers and business partners. Employees of the Mikron Group talk to each other openly and honestly to keep each other informed.

### 5 Quality

Quality is all-encompassing. The Mikron Group works independently to the highest level of precision in order to meet all explicit and implicit requirements. The Group continuously improves its products and processes, and invests in new technologies and projects.

### 6 Confidentiality

All employees are informed of key developments regularly by their line managers. Outside the company, they are very careful and restrictive with information, and ensure that only duly authorized people have access to the information.

- on a timely basis and at competitive conditions. This is addressed by maintaining an appropriate degree of innovation as well as close relationships with customers, and continuously investing in the development of our staff.
- The Mikron Group operates in a challenging environment with customers that have high requirements with regard to product specifications, quality and timely delivery. Mikron is committed to engineering and delivering highly productive and precise machining and automation solutions which usually include a combination of complex technologies and processes. Non-compliance with contractual requirements or specifications may amount to a material breach of contractual obligations which may lead to payment of damages or contractual penalties or, in some cases, even the termination of the contract. Strong sales processes and project management are the key to mitigating this risk.
  - The Mikron Group depends on some strategic suppliers of certain key components and raw and base materials necessary to manufacture its products, and in certain cases depends on a single supplier. Failure to maintain existing relationships with these suppliers could negatively affect the Group's ability to manufacture its products.
  - The Group seeks patent protection for those inventions and technologies it believes provide a competitive advantage and meet the preconditions for patent protection. The process of seeking patent protection can be time-consuming and there can be no assurance that the Group will be issued patents for currently pending or future applications. Due to the high number of processes implemented in Mikron's machining and automation solutions, the Group might infringe the intellectual property rights of others not known to it.
  - The Group's business and future development relies on the continued involvement and performance of its senior management and other key personnel such as highly skilled and knowledgeable technical staff. Mikron may not be able to retain the current management team or other key employees or to attract qualified and experienced personnel to fill vacant positions within a short period of time.
  - The Mikron Group maintains a set of insurance policies. However, they may not be adequate to cover all the risks it faces, nor will they be sufficient to fully compensate the impact of any force majeure event.
  - Environmental, health and safety laws and regulations impose increasingly stringent standards and operating conditions. Mikron has implemented thorough processes to meet these requirements. Changes in laws and regulations, or courts and competent authorities adopting a stricter stance in interpreting and applying these regulations, may nevertheless affect the Group's activities.
  - The Group currently owns an investment property in Switzerland. The fair value of the property is reviewed annually as per the balance sheet date and marked to market. Significant changes in the market conditions may impair the value of the property. In 2015, Mikron was informed by one of the lessees (a company renting around 60% of the building) of its intention to move out in 2018. All possible options are currently being investigated.

### Brand management

The Mikron Group actively manages its umbrella brand and sub-brands. Both the Automation and Machining business segments attend trade fairs all over the world, where they present their range of systems, products and solutions. The Group also uses various brochures, a state-of-the-art website including videos, and an iPhone/iPad application as brand management tools.





# Mikron Automation

## Mikron Automation

Despite the challenging conditions, Mikron Automation achieved record order intake in the year under review. The fact that sales nonetheless fell short of expectations is attributable to a weak order intake in Europe in the first nine months of the year and a project postponement in the US. Operational progress made by the business segment resulted in EBIT of CHF 4.3 million (prior year: CHF 2.7 million).

### Business performance

During the first three quarters, Mikron Automation's markets in Europe and Asia were characterized by uncertainties and a reticence to invest. To compound matters, following the Swiss National Bank's decision to discontinue its currency floor against the euro, the Swiss site in Boudry saw margins heavily squeezed and faced enormous competitive pressure. Mikron Automation swiftly took measures to counter these developments. In the final months of the reporting year, the Automation business segment won a number of large orders from the European pharmaceutical and medical devices industries. Throughout the year, Mikron Automation continued to turn in a very encouraging performance in the US, acquiring numerous new orders from the pharmaceutical and medical devices industries in particular. Even though the overall volume of business remained unexpectedly low in Asia, Mikron Automation won several customer projects at the end of the year.

The pharmaceutical and medical devices industries are still by far the key market for the Automation business segment, but it also managed to win new orders from the automotive industry in 2015.

Despite the strong Swiss franc, Mikron Automation posted record order intake of CHF 144.9 million in 2015 (prior year: CHF 134.5 million). This favorable outcome was due mainly to the large number of new orders reported by the Swiss site in Boudry and the US site in Denver. At CHF 99.5 million at the end of 2015 (prior year: CHF 70.1 million), the high order backlog gives us confidence for

2016. It includes several longer-term projects that will still be ongoing beyond end-2016.

In the year under review, the healthy order intake did not yet feed through to sales, which at CHF 114.9 million were considerably lower than expected (prior year: CHF 126.8 million). This is attributable to relatively weak order intake up to the end of the third quarter in Europe and a project postponement in the US caused by delays in the product development process on the customer's side.

Factoring out the currency-related value adjustments on ongoing projects at the beginning of the year, the business segment would have achieved EBIT of CHF 5.5 million (prior year CHF 2.7 million). This underscores the sustained operational progress made by the Automation business segment. EBIT effectively came to CHF 4.3 million.

### Technology and innovations

To improve its competitive profile, the Automation business segment continued to drive forward key innovation and improvement projects. Mikron Automation stepped up product development, primarily at the headquarters in Boudry. The results of these efforts include an innovative machine control software designed to simplify operation and offering many new functionalities (see page 37). This will increase efficiency both for the customer and for Mikron itself. Mikron Automation also rolled out a patented transfer system enabling cost-effective component feeds.



Mikron Automation's management team; from left to right: Nils Rödel, Félix Arrieta, Alex Wyss, Rolf Rhis, Mike Gunner, Josef Neuenschwander

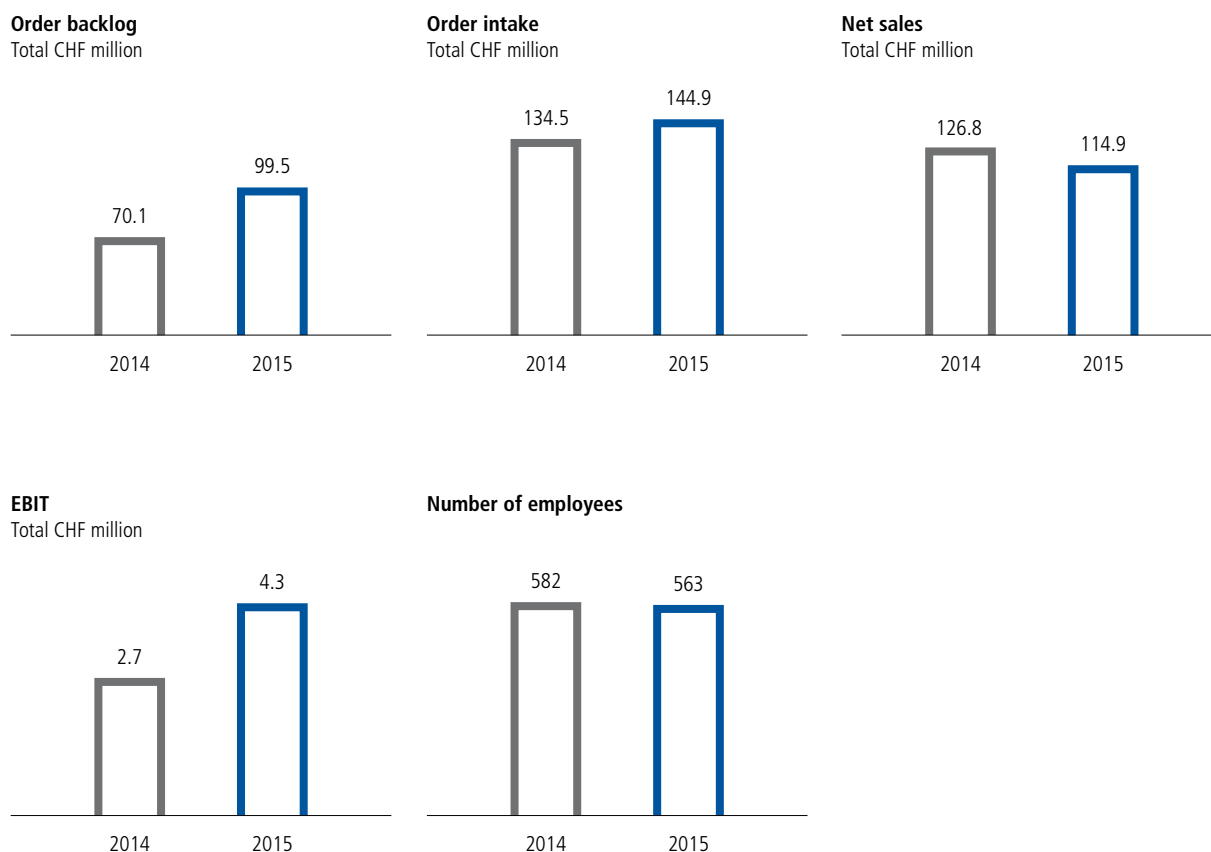
### Strategic projects

In the course of 2015, Mikron Automation completed a number of key strategic projects at different sites. Mikron took occupancy of a new building in Denver. Almost 7,000 square meters in area, it provides space to accommodate modern workplaces and even more efficient processes, and supports further growth in the US market. The building technologies installed in the new-build are state of the art. The business segment made headway harmonizing and optimizing processes in Berlin, focusing in particular on streamlining the supply chain and bringing project team organization up to the Mikron Automation standard.

### Employees

At the end of December 2015, Mikron Automation had a headcount of 563 (prior year: 582). The decrease in Asia contrasts with further substantial growth in the US. Although capacity utilization was temporarily lower, the Automation business segment kept the headcount in Switzerland virtually unchanged in order to safeguard crucial know-how and be equipped to handle the strong increase in volume that is emerging in 2016. In a further effort to secure skilled workers, the Boudry site has doubled the number of apprentices, with eight new multi-skilled mechanic trainees taken on at Mikron in fall 2015. There are also plans to set up an apprenticeship program in the US in 2016 based on the vocational edu-

## Automation



cation and training model in place in Switzerland. Mikron Automation remains highly committed to the professional development of employees. In the 2015 financial year, for instance, a number of younger managers were selected to take part in a Group-wide multi-block management and leadership training program. The professional development curriculum at the Boudry site also included wide-scale efforts to sensitize employees to reducing energy consumption.

### Outlook

Thanks to the solid order backlog, Mikron Automation is beginning the new financial year on a confident note. In the US and Switzerland in particular, the challenge for management is to deliver the acquired projects on time with the available capacities. The portfolio of work in

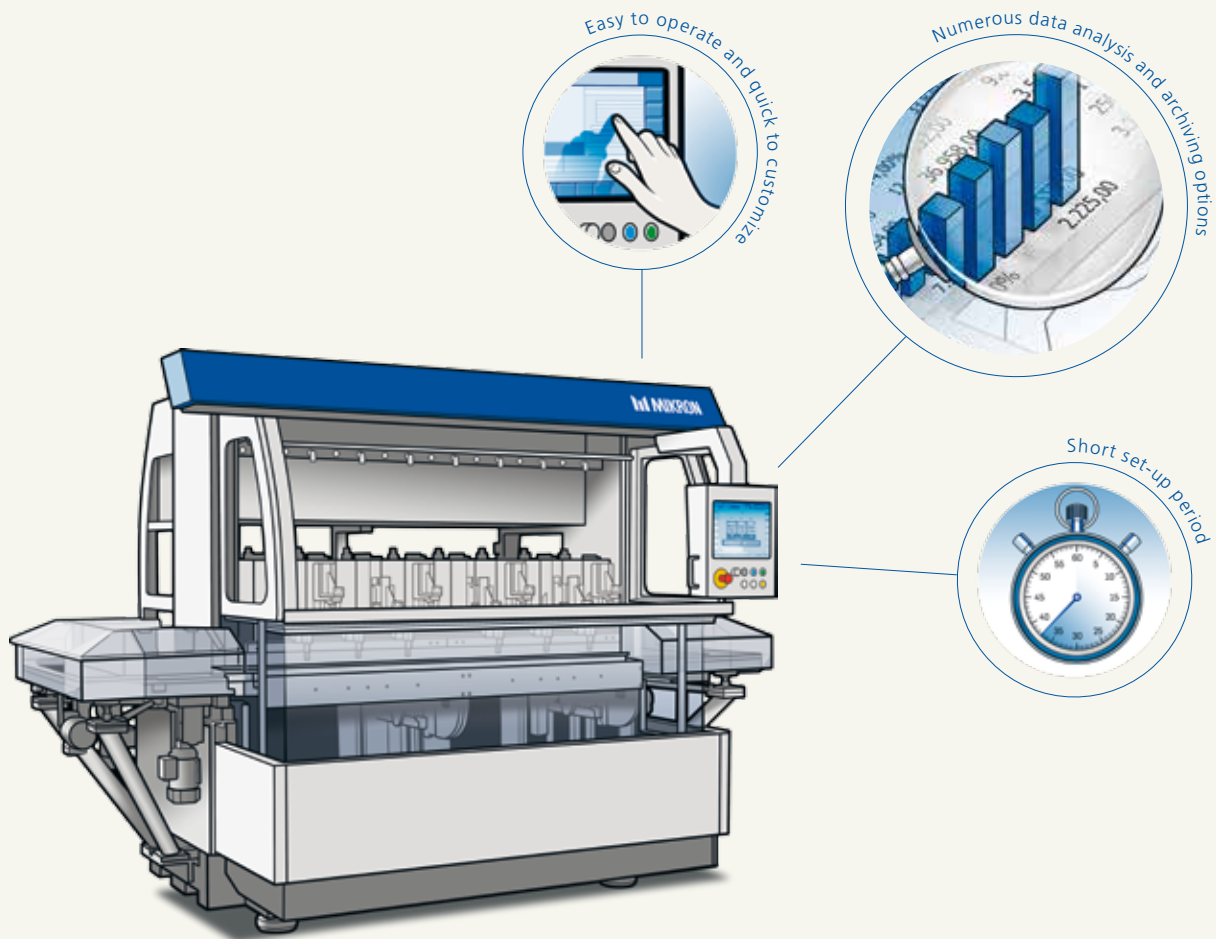
hand includes repeat orders in addition to large new orders offering major potential for the future.

Since the market environment is likely to prove tough in 2016 too, customers' investment behavior continues to be difficult to assess. Visibility in the individual markets is still low. The pharmaceutical and medical devices industries will remain the most important market segments for Mikron Automation.

The business segment will continue to invest in product and process development in 2016, focusing on a variety of measures to cut costs and raise efficiency and quality.



# Mikron Automation takes an important step forward with new control software



**Automation systems have to be quick to install and easy to operate. They should also provide expandable data analysis and archiving options. Mikron's new control software offers precisely these benefits.**

The new Mikron object oriented software control environment takes Mikron Automation an important step forward. Specifically, it reduces the time required to install new systems, simplifies their operation, and offers many new, expandable data analysis and archiving options. The software thus not only meets today's customer needs, it also ensures that Mikron is ideally equipped to handle future requirements.

#### **In-house expertise**

The engineers at Mikron Boudry have developed the software using a new architecture supported by a proven PC-based platform. Only the necessary programming environment was obtained from an external supplier. This enabled us to switch to the C++ programming language and object-oriented programming method.

#### **Ultimate flexibility**

The advantage of the object-oriented programming method is that it simplifies and speeds up the software development process in the longer term, while also improving quality. However, it has rarely been used in engineering until now. Mikron's software engineers have thus carried out some truly pioneering work and built up valuable expertise. Today they know the software inside out, which is a major

advantage when quick adjustments or customer-specific enhancements are required.

#### **Going further**

Mikron Automation is already developing the new software further. At the same time, the engineers involved want to add even more data analysis options – enabling customers to identify potential improvements to the system more quickly.



# Mikron Machining

## Mikron Machining

Higher earnings and sales in the tool and service business plus sluggish machinery activities sums up the 2015 financial year for Mikron Machining. The market's strong reticence to invest in Mikron's machining systems, a correspondingly low order intake particularly in the first half, depressed margins and a number of highly demanding customer projects all conspired to produce disappointing EBIT of CHF -4.3 million (prior year: CHF -0.6 million) for the Mikron Machining business segment.

### Business performance

In 2015, the Machining business segment found itself operating in a market environment where demand for tools and spare parts was solid, but customers were extremely reticent about investing in Mikron machining systems. Despite the considerable interest shown in Mikron Machining's offers for new systems, investment decisions were a very long time not materializing. This caution was evident in both Europe and the US market. While Germany remains Mikron Machining's key market, the business segment also won an increasing number of projects from market segments outside the German automotive industry in the year under review. The Chinese market fell short of expectations, above all in the first half, but picked up again in the final months of the reporting year.

The electronics segment was the source of the strongest growth in demand seen by Mikron Machining in 2015, as borne out by the sale of several machines for the production of plugs and connectors. Demand from the writing instruments segment was also solid, in particular toward the end of the reporting year.

In spite of the challenging environment, Mikron Machining succeeded in increasing order intake from the prior year's modest CHF 110.9 million to CHF 120.2 million (+ 8.4%). Encouraging levels of demand from the US as well as the positive knock-on effects of past investments and the special measures initiated at the beginning of the year translated into a good financial performance for Mikron

Machining's tool business. Service business was also encouraging overall. By contrast, machinery business was sluggish: excessively low order intake during the first half in particular, narrower margins and a large number of highly demanding customer projects produced a generally disappointing result. Sales of CHF 113.8 million (prior year: CHF 123.8 million) and EBIT of CHF -4.3 million (prior year: CHF -0.6 million) in the reporting year both figured lower than in 2014. With an order backlog of CHF 43.8 million, Mikron Machining is also beginning the 2016 financial year on a relatively subdued footing.

### Technology and innovations

Mikron Machining introduced enhancements for several of its products in the year under review. It includes for instance a new loading module which was developed for the Mikron Multistep machining system and garnered initial positive customer feedback at the EMO trade show in Milan. The business segment has made extensive improvements to a number of other machines as well. Where feasible, Mikron Machining adjusted the supplier base in line with the changed currency situation. In addition to rolling out new tools, Mikron Tool opened a new technology center for product developments, sales training, and testing in Agno. Mikron Tool also went live with its own website at [www.mikrontool.com](http://www.mikrontool.com) to showcase standardized and customized tools.



Mikron Machining's management team; from left to right: Willi Nef, Walter Sayer, Peter Sauter, Bruno Cathomen, Federico Fumagelli, Axel Warth, Enrico Tumminaro, Laurent Vuille

### Strategic projects

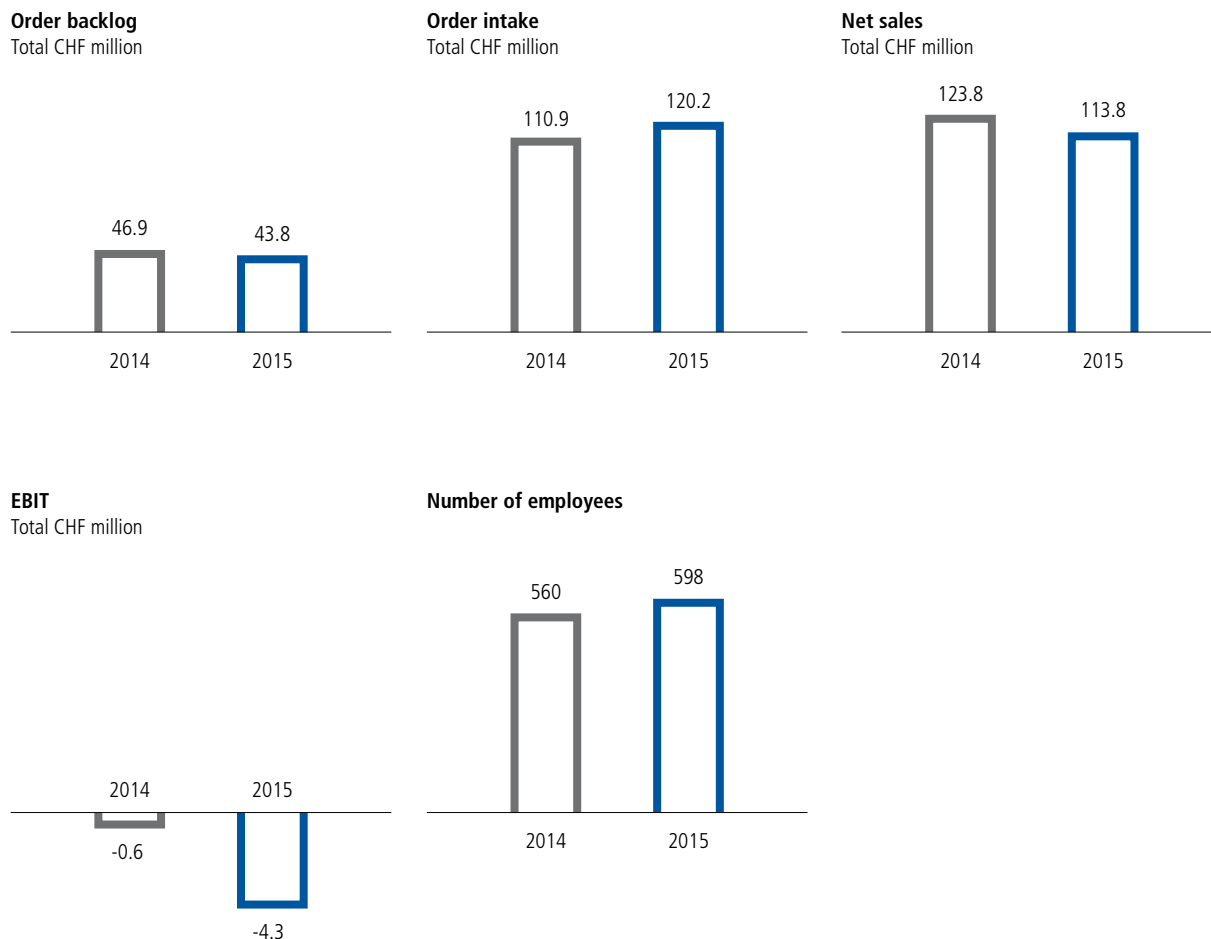
In the wake of the Swiss National Bank's decision in January 2015 to discontinue its currency floor against the euro, Mikron Machining had to act fast and introduce special measures to reduce costs and increase efficiency at the Swiss site in Agno. Despite the prevailing uncertainty, the business segment kept its sights on long-term directed measures and invested in machines and infrastructure in 2015. Amongst other, the lighting in the Mikron Tool buildings was modernized and the machine inventory expanded. Internal logistics and operational shop floor management were also improved. Furthermore, the Machining business segment reinforced its distribution and service organization in China and the US. Despite im-

mense pressure on costs and a shortage of skilled staff, Mikron Machining continued investing in the development and management of products in both Agno and Rottweil, firm in the conviction that innovation is the most effective key to remaining competitive.

### Employees

At the end of 2015, Mikron Machining employed a total of 598 people (prior year: 560). Mikron Tool hired new employees to underpin additional growth. In the machinery business, the distribution and service organization was strengthened further. Mikron Machining also took on staff from a partner company that had been selling Mikron machines in China for years. Other skilled workers

## Machining



were recruited by Mikron Machining to put into practice the existing stock of ideas for innovation. In Agno in particular, it proved very difficult to find qualified multilingual professionals and managers. A considerable degree of flexibility was demanded of staff at the Swiss sites in the year under review. Besides a raft of other measures, the majority of employees agreed to work longer hours for the same wage. Thanks to the productivity gains achieved, Mikron Tool was able to reinstate normal working hours in October 2015.

## Outlook

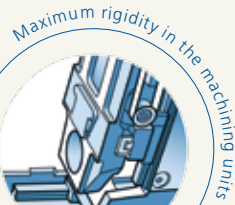
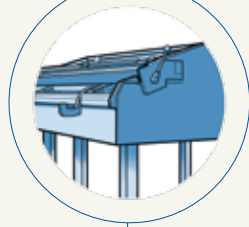
In its latest report, the European Association of Machine Tool Industries aptly sums up the current global economic situation with the following terms: volatility, uncertainty, complexity and ambiguity. It is difficult to make projections in this situation. Mikron Machining is assuming that

the European economy will carry on moving forward at a halting pace, while remaining generally stable. It expects to see the US economy continue trending in a moderately positive direction. The Asian market is especially hard to gauge. Mikron Machining is looking to profit from the process of industrial modernization underway in China and to win new customers in other Asian countries as well.

Mikron Tool's strong performance is expected to continue in 2016, and novel ideas will fuel further profitable growth for the service business. The Machining business segment expects the run of major challenges facing the machinery business to persist and will counter them with technical improvements and innovations, increased productivity as well as systematic personnel and organizational development.

## New precision machine

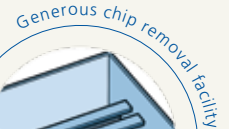
Bar feed option



Maximum rigidity in the machining units



Maximum rigidity in the base machine



Generous chip removal facility



Oil-cooled main engine

**Cast metal parts are very hard and therefore difficult to machine. That's not a problem for the new rotary transfer machine from Mikron Machining: the Mikron VX-10 can handle even difficult-to-machine materials to Mikron's customary high standards of precision.**

Mikron Machining customers demand precision, productivity and flexibility – regardless of the materials they are manufacturing. Customers in the automotive industry in particular need parts to be manufactured with absolute precision – and with a high output of a number of different product variants – even if the materials concerned are difficult to machine. That includes cast (molded) metal parts made from stainless or high-alloy steel. It is precisely these requirements that are met

by the Mikron VX-10, the new full-CNC high-precision rotary transfer machine from Mikron.

### **Outstanding stability**

The Mikron VX-10 achieves its high precision thanks to stiffness and powerful cooling. Stability and rigidity are guaranteed by Mikron not only for the base machine itself but also for its machining units with their spindles, and of the spindles themselves. Oil cooling of the main motor ensures the required thermostability. When materials are diffi-

cult to machine, relatively large chips are produced. The base of the Mikron VX-10 thus features large openings to ensure flawless chip evacuation and hence prevent build-up of these chips.

### **Optimum combination**

The Mikron VX-10 is based on the tried-and-tested Mikron NAM and combines the advantages of bar/wire feed with those of a rotary transfer machine. In other words, the customer can in a first step feed the machine with raw material in the

form of wire or bar and pre-machine on four sides. In a second step, he can then continue the machining on the vertically rotating table across ten stations. Overall, therefore, machining is possible on six sides. In this process, up to 18 machining units are in operation simultaneously. In this way, up to 25 workpieces can be produced per minute – to Mikron's customary standards of precision.





Mikron  
Sustainability Report

# Sustainability Report

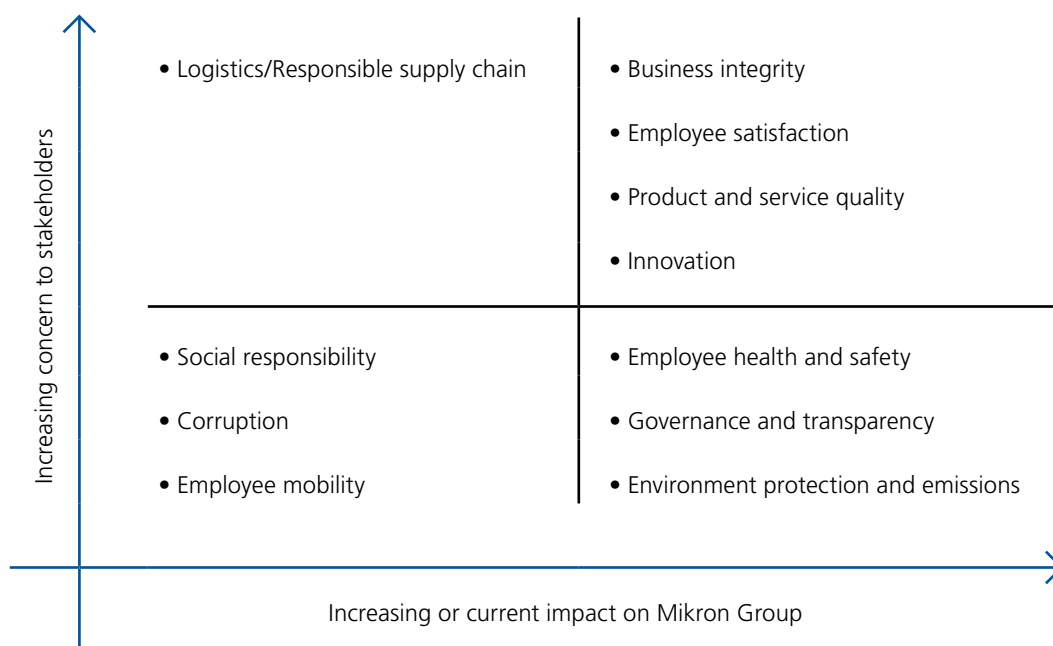
The annual sustainability report of the Mikron Group is guided by the globally recognized principles of the Global Reporting Initiative (GRI). The Group’s aim in this respect is to ensure transparent, standardized, and comparable reporting.

## 2015 Sustainability Report

The 2015 Sustainability Report has been prepared in compliance with the core provisions of the G4 GRI Guidelines without an external audit. In contrast to the last issue, this report also contains information on the two Mikron sites in Germany. The figures in the present report – including the prior-year figures – therefore relate to the management company, the Swiss locations of Agno and Boudry and the German locations of Berlin and Rottweil. The sites in Germany and Switzerland account for around 71% of Group sales. Mikron will progressively expand its reporting to cover additional locations. Information

on sustainability and all published reports on the subject are also available online on the Mikron Group's website: [www.mikron.com/sustainability](http://www.mikron.com/sustainability).

The Mikron Group conducts a regular qualitative survey to determine the indicators that are relevant to sustainability reporting. Customers, suppliers and other business partners along the Group's value chain take part in this survey, together with authorities and new and potential employees. At the same time, internal focus groups are conducted to identify and prioritize other indicators relevant to sustainability reporting. The accumulated findings are presented in the following matrix.



The areas of innovation, product and service quality, and governance and transparency shown in the graphic on page 46 are dealt with on pages 34 and 40.

## People

The Mikron Group builds its commercial success on qualified and motivated staff. In interpersonal relationships – be it with colleagues, customers, or business partners – Group management promotes and demands respectful and loyal conduct at all times. The Mikron values provide essential guidance in this respect (see page 29).

All employees are obliged to adhere to Mikron's Code of Business Conduct. This sets out the relevant principles of ethical behaviour in writing and applies to all of Mikron's areas and sites. The aim of the Code is to ensure that the Mikron Group comes across as a good corporate citizen, complies with legislation, and creates a working environment characterized by mutual respect, openness and personal integrity. The Mikron Group's membership of various industrial associations and interest groups is one way in which it advocates the attitudes encouraged by the Code.

## Health and safety

The health and safety of staff are extremely important to the management of the Mikron Group. Internal processes are regularly reviewed for potential negative effects on health and safety. One of Mikron's most important objectives is to minimize the risk of industrial accidents. There were no reportable industrial accidents during the year under review.

## Employment conditions

Mikron staff benefit from attractive working conditions. All employees at the Mikron sites in Switzerland are covered by the collective employment contract of the Swiss mechanical and electrical engineering industries.

Occupational pensions are governed by legislation in Switzerland. Survivors' and old-age insurance (AHV) is the compulsory pension insurance that applies throughout Switzerland. This secures a basic standard of living following an employee's retirement from work due to old age or death. Workers in Switzerland with a total annual income of more than CHF 21,060 are additionally insured in the pension fund of their employer. This insurance is

Number of staff	Total CH/DE	
	2015	2014
Employees (FTEs) <30 years	184.7	176.9
Employees (FTEs) 30–50 years	515.1	507.2
Employees (FTEs) >50 years	271.8	274.7
<b>Total employees (FTEs)</b>	<b>971.6</b>	<b>958.8</b>
Male employees (FTEs)	884.9	873.7
Female employees (FTEs)	86.7	85.1
<b>Total employees (FTEs)</b>	<b>971.6</b>	<b>958.8</b>
Male senior managers (FTEs)	111.9	111.6
Female senior managers (FTEs)	4.9	5.0
<b>Total senior managers (FTEs)</b>	<b>116.8</b>	<b>116.6</b>
of which currently living within 25 km of company	66.3	66.0
as % of total	57	57

New employee hires	Total CH/DE	
	2015	2014
New employees (FTEs) < 30 years	51.4	66.5
New employees (FTEs) 30–50 years	50.6	47.7
New employees (FTEs) >50 years	6.2	10.4
<b>Total new employees (FTEs)</b>	<b>108.2</b>	<b>124.6</b>
Male new employees (FTEs)	100.1	114.8
Female new employees (FTEs)	8.1	9.8
<b>Total new employees (FTEs)</b>	<b>108.2</b>	<b>124.6</b>

also mandatory, and supplements the basic AHV pension benefits. Pension fund contributions are divided 50/50 between employer and employee.

In Germany, the statutory pension insurance scheme (gesetzliche Rentenversicherung, GRV) is an important pillar of retirement provision. Contributions are based on earnings and split equally between employer and employee. They are deducted from gross salary and transferred to the pension insurance fund by the employer. The qualifying age for a standard retirement pension is currently 65. The statutory pension insurance scheme is run by Deutsche Rentenversicherung. Occupational pension schemes (betriebliche Altersvorsorge, bAV) represent another important pillar of retirement provision in Germany. They allow employer and employee contributions to be paid into a private pension insurance plan – up to a statutory ceiling, tax-free and exempt from social security contributions. The employees' entitlement to a pension is guaranteed by the state. In Germany, Mikron staff can take out occupational pension provision offering attractive additional benefits at special conditions through "Mikron Vorsorge+".

Employee satisfaction is very important to the Mikron Group, and regular extensive surveys are conducted to establish its level, most recently in summer 2014. 65% of Mikron employees participated in the last survey, with all locations involved except those in Asia. Overall job satisfaction had risen by 5% since the previous survey. The next employee survey will be held in summer 2016.

### Advanced training

In the year under review, the Mikron Group again succeeded in filling all open positions at every site with employees possessing technical qualifications and language skills. As in previous years, though, this entailed considerable effort. Several sites plan to make even greater use of the opportunities offered by dual-track vocational education and training (VET) by taking on additional apprentices. The Denver site intends to initiate a US government-sponsored VET project in 2016.

Recruiting, keeping and developing employees and inspiring them to embrace shared goals and practices remain principal challenges at all our locations. Employees in Switzerland and Germany took part in more than 25,000 hours of advanced training during the reporting year, totaling over 1,000 hours more than in the previous year.

Employee turnover	Total CH/DE	
	2015	2014
Employees (FTEs) <30 years leaving Mikron	27.0	25.0
Employees (FTEs) 30–50 years leaving Mikron	27.9	55.8
Employees (FTEs) >50 years leaving Mikron	33.7	25.8
<b>Total number of employees (FTEs) leaving Mikron</b>	<b>88.6</b>	<b>106.6</b>
Male employees (FTEs) leaving Mikron	83.9	100.6
Female employees (FTEs) leaving Mikron	4.7	6.0
<b>Total number of employees (FTEs) leaving Mikron</b>	<b>88.6</b>	<b>106.6</b>
<b>Turnover rate</b>	<b>9%</b>	<b>11%</b>

Training hours	Total CH/DE	
	2015	2014
By employees (FTE) <30 years	12,281.0	174.0
By employees (FTE) 30–50 years	12,596.2	23,325.0
By employees (FTE) >50 years	337.0	285.0
<b>Total training hours</b>	<b>25,214.2</b>	<b>23,784.0</b>

This is equivalent to an average of 26 hours per staff member in the year under review.

In 2015, 86% of employees received individual feedback from their line managers on their performance over the past twelve months. Mikron thus achieved its objective of clearly surpassing the previous year's low feedback rate (72%). Individual feedback is important in helping the Group to identify possible advanced training needs.

### Headcount

The Mikron Group has around 1,200 employees throughout the world. There were 971.6 full-time equivalents (FTEs) in Switzerland and Germany at the end of the reporting year – 12.8 FTEs more than in 2014. The fluctuation rate was reduced from 11% in the previous year to 9%. The rate of absenteeism (working hours absent as a proportion of annual working hours) matched the prior-year figure of 3%, thus remaining at an encouragingly low level. At the end of 2015, the Mikron Group had 44 FTEs in Switzerland and Germany on temporary contracts.

### Diversity

As in other industrial companies, most of the employees of the Mikron Group in Switzerland and Germany are men, who account for 91% of the workforce. At Senior Management level, the top management level of the respective Group companies, 96% are men (111.9 FTEs). The management of the Mikron Group is keen to promote diversity within the workforce. At the same time, however, those responsible for recruiting staff are dependent on the labor and training market. In Switzerland, it is still the case, for example, that considerably more men than women gain technical qualifications: the proportion of women pursuing initial training in engineering and technology amounts to 5.4%, with 10.1% studying technical subjects at universities of applied sciences and 29.3% at university (source: Swiss Federal Statistical Office).

There was virtually no change to the average age of employees at the Mikron Group's Swiss and German locations during the reporting year: when broken down by age group, it is still the 30 to 50-year-olds that are most strongly represented, making up 53% of the workforce. While the proportion of under-30s increased by one percentage point in 2015, to 19%, the proportion of over-50s fell by one percentage point compared with 2014, to 28%. The Mikron Group has employees of a number of different na-

Other data	Total CH/DE	
	2015	2014
Total hours of staff absent	59,149.8	49,354.0
Total hours worked ytd (standard)	1,969,253.5	1,888,229.4
Rate of absenteeism	3%	3%
Number of employees (FTE) insured at work	0.8	1.0
Number of workrelated fatalities (FTE)	0.0	0.0
Number of employees (FTEs) receiving individual feedback	834.9	686.2

tionalities at its sites in Switzerland and Germany: alongside Swiss (41%) and Germans (21%), Italians (29%) and French (4%) are most widely represented. This is due to geography: Agno is on the border between Switzerland and Italy, while Boudry is relatively close to France. Mikron employees in Switzerland and Germany come from a total of 43 different nations.

In the year under review, 57% of employees at Senior Management level lived no further than 25 kilometers from where they worked. This figure is the same as in the previous year.

## Environment

Thanks to its highly efficient machining and automation solutions, the Mikron Group helps to ensure that its customers can produce in an environmentally friendly way. The increasing scarcity of energy and raw materials is a major challenge, to which the Mikron Group is resolutely facing up: we take our responsibility for the environment very seriously, at every link in the value chain. All Swiss sites have ISO 14001:2004 (environment) certification; Agno additionally has OHSAS 18001:2007 (occupational health and safety management) certification. In both Agno and Boudry, quality managers ensure that these certification requirements are complied with and that the Mikron Group continually develops in the environmental field. The German sites in Rottweil and Berlin meet the strict legal requirements in Germany, but do not have ISO 14001 certification.

In 2015, Mikron Boudry signed an agreement with the Canton of Neuchâtel to increase energy efficiency. By doing so, the site undertakes to use water, oil and electricity more efficiently in the coming years. In addition, Mikron Boudry produced a risk analysis regarding the environmental impact of all its activities.

Mikron Agno signed a target agreement for reducing CO<sub>2</sub> emissions and increasing energy efficiency under the energy model run by the Swiss Private Sector Energy Agency, which has awarded the site "CO<sub>2</sub> reduced" certification (valid until 2016).

Mikron's locations in Germany are subject to the Act on Energy Services. They are required to conduct an energy audit every four years to verify what measures the company has taken to reduce CO<sub>2</sub> emissions and whether these are having the desired effect.

Fuel consumption	Total CH/DE	
	2015	2014
From renewable sources (TJ)	0.0	0.0
From non-renewable sources (TJ)	16.5	18.9
<b>Total fuel consumption (TJ)</b>	<b>16.5</b>	<b>18.9</b>

From renewable sources (TCHF)	0.0	0.0
From non-renewable sources (TCHF)	388.5	548.7
<b>Total fuel consumption (TCHF)</b>	<b>388.5</b>	<b>548.7</b>

Electricity consumption	Total CH/DE	
	2015	2014
Electricity consumption (TJ)	27.9	27.8
For cooling system (TJ)	3.8	4.2
<b>Total electricity consumption (TJ)</b>	<b>31.7</b>	<b>32.0</b>

Electricity consumption (TCHF)	1,251.7	1,302.7
For cooling system (TCHF)	178.0	187.0
<b>Total electricity consumption (TCHF)</b>	<b>1,429.7</b>	<b>1,489.7</b>

## Energy

Energy consumption at all the sites included in the report fell in the 2015 reporting year by a total of 5.3% to 48.2 terajoules (previous year: 50.9 terajoules). 66% of this amount related to electricity, the remainder to gasoline and diesel for vehicle transport and to gas and oil for heating – the consumption of which was down owing to the mild winter. At the Agno site, the renovation of the roof of the Mikron Tool production facility and refurbishment of the Mikron Machining administration building had a positive impact on energy consumption. The Agno site has started to renew its heating system: connection to the local gas network in 2015 enabled the old oil boiler to be removed. Agno also modernized its electrical supply system in 2015. Efficiency enhancements can be expected over the next few years thanks to the new equipment that has been installed. After replacing the lighting in the first workshop at Agno with energy-efficient lights and motion sensors in 2013, the lighting in the second workshop and in numerous offices was upgraded in 2015. Furthermore, defective lamps are being replaced by even more efficient ones wherever possible. Improvements to electrical motors and the optimization of pumps enabled the site to further reduce its power consumption.

## CO<sub>2</sub> emissions

The Mikron Group is continuously striving to reduce the emission of greenhouse gases. Its consumption of energy in the reporting year resulted in CO<sub>2</sub> emissions of 2,023 tonnes (calculated according to the Greenhouse Gas Protocol). The previous year's figure was 2,208 tonnes. The decline of 8.4% is primarily due to lower heating oil consumption.

## Water

Mikron's Swiss and German locations consumed 144,700 m<sup>3</sup> of water in the reporting year, 8.4% less than in the previous year (2014: 157,900 m<sup>3</sup>). This decline is mainly due to the lower level of activity at the Agno site, where Mikron uses water for cooling. 91.2% of the water consumed was groundwater, similar to the previous year (91.8%). Virtually all the water Mikron used was fed back into the water cycle as usable water, either directly or via state-run waste-water treatment plants. Effective water consumption is thus low.

Water withdrawal and discharge	Total CH/DE	
	2015	2014
From groundwater (1000 m <sup>3</sup> )	132.0	144.9
From water utilities (1000 m <sup>3</sup> )	12.7	13.0
<b>Total volume of water withdrawal (1000 m<sup>3</sup>)</b>	<b>144.7</b>	<b>157.9</b>
<b>Total volume of water discharge (1000 m<sup>3</sup>)</b>	<b>142.1</b>	<b>155.0</b>

Waste	Total CH/DE	
	2015	2014
Recycled (t)	271.1	244.6
Burned (t)	184.0	173.0
Hazardous waste disposed (t)	67.7	61.9
Disposed otherwise (t)	7.0	8.7
<b>Total weight of waste disposed (t)</b>	<b>529.8</b>	<b>488.2</b>

## Waste

Mikron makes every effort to ensure that waste is dealt with in an environmentally compatible way. In 2015, the Group produced 529.8 tonnes of waste in Switzerland and Germany (2014: 488.2 tonnes). The increase of 8.5% is attributable to relocations within the Agno site and the clean-up work involved, to additional special waste in Agno (change of oil for the milling machines, change of powder for the cleaning station, removal of old lighting fixtures) and to a more precise measurement of waste by the new disposal company in Agno.

## Suppliers

As a globally active company, the Mikron Group has a highly heterogeneous procurement chain. Depending on location and business area, the Group uses both international and local suppliers. Mikron Automation and Mikron Machining organize their own procurement. The Swiss sites generate most of their sales in euros. This affects the choice of suppliers: in order to minimize currency translation losses, Mikron deliberately places orders with suppliers in eurozone countries. But Mikron's Swiss and German locations also use local providers: in the year under review they placed 20% of their order volume with suppliers based no more than 25 kilometers away from them (2014: 21%).

## Compliance

The Mikron Group makes every effort to strictly abide by all laws, and conducts ongoing checks – both internal and external – to ensure that this is the case. No substantiated complaints were received in this respect at the Swiss or German locations in 2015.

## State support

The Mikron Group received financial support totaling CHF 380,000 from state organizations in the reporting year (2014: CHF 260,000). Around CHF 160,000 of this amount came from the Canton of Neuchâtel for research and development at the Boudry site, and approx. CHF 210,000 was awarded to the Group for investments in apprentice training in Boudry and Agno. All contributions came from Swiss federal organizations, none of which are Mikron Group shareholders.

Proportion of local suppliers	Total CH/DE	
	2015	2014
Total amount of purchases (CHF million)	61.1	61.3
of which spent on suppliers within 25 km of company (CHF million)	12.3	12.9
<b>as % of Total</b>	<b>20%</b>	<b>21%</b>







Mikron  
Corporate Governance

## Corporate Governance

The corporate governance report describes the main principles and regulations regarding the management and control of the Mikron Group and how these principles and regulations were established in detail by the company's senior management. The report is in compliance with the SIX Swiss Exchange guidelines last revised as of 1 September 2014 regarding information on corporate governance. Aspects of the SIX guidelines not covered in this report are either not applicable or irrelevant to the Mikron Group.

### Corporate structure & shareholders

#### Corporate structure

Based in Biel, Mikron Holding AG is organized as a holding company under Swiss law and directly or indirectly holds all Mikron companies worldwide. Mikron Holding AG is listed on SIX Swiss Exchange in Zurich (Security Symbol MIKN/ISIN CH0003390066) and on 31 December 2015 had a market capitalization of CHF 99.1 million. The Mikron Group is organized by divisions. For the purposes of reporting, two business segments and the Corporate Service organization have been identified.

The segments are structured according to product and service type and encompass all the functions required by an independent company, such as sales, development, production, logistics and administration. The centralized special departments, such as Accounting and Controlling, Treasury, Corporate Communications and Corporate IT Services, are part of the Corporate Service, which supports the individual companies as well as the Board of Directors and Group Management in their management and control functions. Among other things, the Corporate Service reports the income and expenditure related to an industrial property that is not required for operations and is rented out to third parties.

The Mikron Group consists of 11 active companies worldwide. The corporate structure and the companies are listed on page 122. The Mikron Group's management structure is independent of its legal structure.

#### Significant shareholders

The following table illustrates the shareholder structure of Mikron Holding AG. It also lists and names those shareholders who, as at 31 December 2015, hold 3% or more of the voting rights of Mikron Holding AG.

Shareholders	31.12.2015		31.12.2014	
	Number of shares of CHF 0.10 par value each		Number of shares of CHF 0.10 par value each	
Ammann Group Holding AG	6,958,335	41.6%	6,958,335	41.6%
Rudolf Maag	2,348,588	14.1%	2,348,588	14.1%
Veraison SICAV	1,674,897	10.0%		
Personalfürsorgestiftung Rieter AG			587,147	3.5%
Public shareholders	5,615,169	33.6%	6,710,919	40.2%
Board of Directors and Group Management	115,755	0.7%	107,755	0.6%
<b>Total</b>	<b>16,712,744</b>	<b>100.0%</b>	<b>16,712,744</b>	<b>100.0%</b>

Further information on the corporate structure is given on page 122. Changes in significant shareholdings since 1 January 2015 have been communicated to SIX Stock Exchange in accordance with regulations and published on the following website:

[http://www.six-exchange-regulation.com/publications/published\\_notifications/major\\_shareholders\\_en.html](http://www.six-exchange-regulation.com/publications/published_notifications/major_shareholders_en.html)

#### Cross-shareholdings

There are no cross-shareholdings consisting of either capital or voting rights.

### Capital structure

#### The Mikron Group's capital as at 31 December 2015

Shareholders	Registered shares	Par value in CHF	Total in CHF
Ordinary capital	16,712,744	0.10	1,671,274.40

#### Changes in capital over the last three years

in CHF		Number of shares	Par value	Ordinary capital
2013	As at 1 January	16,712,744	0.10	1,671,274.40
	Change	0	0.10	0.00
	As at 31 December	16,712,744	0.10	1,671,274.40
2014	As at 1 January	16,712,744	0.10	1,671,274.40
	Change	0	0.10	0.00
	As at 31 December	16,712,744	0.10	1,671,274.40
2015	As at 1 January	16,712,744	0.10	1,671,274.40
	Change	0	0.10	0.00
	As at 31 December	16,712,744	0.10	1,671,274.40

### **Shares**

The issued registered shares are fully paid in. Each registered share carries one vote at Mikron Holding AG's Annual General Meetings. Voting rights may be exercised only after the shareholder has been entered as a shareholder with voting rights in Mikron Holding AG's share register. All shares have equal dividend rights.

### **Participation and dividend right certificates**

Mikron Holding AG has issued neither participation certificates nor dividend right certificates.

### **Limits on transferability and nominee registrations**

Persons acquiring registered shares shall on application be entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the said shares in their own name and for their own account.

Nominees shall be entered in the share register with voting rights without further inquiry up to a maximum of 3% of the outstanding share capital available at the time. Above this limit registered shares held by nominees shall be entered in the share register with voting rights only if the nominee in question at the application for registration or thereafter upon request by the Company makes known the names, addresses and shareholdings of the persons for whose account he is holding 0.3% or more of the outstanding share capital available at the time. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements.

Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with intent to evade the entry restriction are considered as one shareholder or nominee.

The Company may in special cases approve exceptions to the regulations in the Articles of Association. After due consultation with the persons concerned, the Company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the requested information.

### **Convertible bonds and options**

There are no convertible bonds or options outstanding.

## **Board of Directors**

### **Members of the Board of Directors**

The company's Board of Directors consists of four members. None of them maintains a significant business relationship with the Group.

The following table provides information on each of the members of the Board of Directors as at 31 December 2015:



**Heinrich Spoerry**  
lic. oec., MBA.  
Swiss, born in 1951.  
Chairman, non-executive.  
First elected 2001,  
elected until 2016.

From 1987 to 1995 Heinrich Spoerry was a member of the Executive Board of Staefa Control Systems AG in his capacity as Head of Finance, Controlling and Information Technology. He held a seat on the Executive Board at Cerberus AG, a fire detection and security systems manufacturer in Männedorf, from 1996 to 1998. Heinrich Spoerry then became Chairman of the Board of Directors and CEO (until 31 December 2015) of the SFS Group in Heerbrugg. He is a member of the Board of Directors of Bucher Industries AG and of Frutiger AG. Heinrich Spoerry has been a member of Mikron's Board of Directors since 2001 and its Chairman since 2010.



**Eduard Rikli**  
Dipl. Ing. ETH,  
Dr. sc. tech. ETH.  
Swiss, born in 1951.  
Vice-Chairman,  
non-executive.  
First elected 2010,  
elected until 2016.

After many years in various managerial positions at the Sulzer Group, Eduard Rikli – as a member of the Executive Board – headed the Sulzer Services and Equipment division from 2000 to 2001 and the Sulzer Metco division from 2001 to 2003. He was CEO of Mikron from 2004 to 2009. In 2010, Eduard Rikli was appointed to the Board of Directors and was elected Vice-Chairman. He is Chairman of the Board of Directors of Repower AG and Brüttsch/Ruegger, and is also a member of the Board of Directors of a number of SMEs. Eduard Rikli also sits on the Board of Trustees of Technopark Zurich and Technorama.



**Patrick Kilchmann**  
Dipl. phys. ETH,  
lic. oec. HSG.  
Swiss, born in 1958.  
Member, non-executive.  
First elected 2011,  
elected until 2016.

Patrick Kilchmann was Head of Personnel Development at Sandoz AG, Basel from 1986 to 1990. From 1990 to 1992 he was Sales engineer at Schindler AG, Ebikon, and from 1992 to 2002 he worked in various management positions, most recently as Head of Business Development and member of the Executive Board of Sulzer AG, Winterthur. Since 2002 Patrick Kilchmann has held several management positions, most recently Head of Group Services and member of the Executive Board of the Ammann Group, Langenthal. He chairs the Board of Directors of Ammobilien AG, Langenthal and is a member of the Board of Directors of Transmission Technology Holding AG, Zug, selfFrag AG, Kerzers and Landert Motoren AG, Bülach.



**Andreas Casutt**  
Dr. iur., LL.M.  
Swiss, born in 1963.  
Member, non-executive.  
First elected 2013,  
elected until 2016.

Andreas Casutt joined the law firm Niederer Kraft & Frey in Zurich in 1993 and was made a partner in 2002. His practice focuses on company law (including litigation), mergers & acquisitions, private equity transactions, stock exchange as well as employment law. Andreas Casutt graduated from the University of Zurich in 1988 with a law degree. After working as an assistant to Prof. Peter Forstmoser, he received his Ph.D. for a thesis in stock corporation law in 1991. In 1995 he completed an LL.M. programme at the University of Michigan, Ann Arbor (USA). He is Chairman of the Board of Directors of Siegfried Holding AG as well as various privately held companies including maxon motor ag.

As announced on 21 January 2016, the Board of Directors proposes Hans-Michael Hauser, founder and managing director of ML Insights AG, for election at the Annual General Meeting on 12 April 2016.

### **Elections and terms of office**

Pursuant to the Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of seven members. The term of office shall correspond to the legally permitted maximum term of one year and shall last until the end of the next ordinary General Meeting. Re-election is possible provided the relevant member has not reached the age of 70.

If the office of the Chairman of the Board of Directors is vacant, the Remuneration Committee is not complete or the Company does not have an Independent Proxy, the Board of Directors shall appoint a substitute for the time period until the conclusion of the next ordinary General Meeting who – with the exception of the Independent Proxy – must be a member of the Board of Directors.

### **Duties**

The duties of Mikron Holding AG's Board of Directors are defined in the Swiss Code of Obligations, the Articles of Association ([www.mikron.com/aoa](http://www.mikron.com/aoa)) and the Organizational Rules. The procedures of the committees are also set out in the Organizational Rules. The Organizational Rules are reviewed annually after the Annual General Meeting.

The Board of Directors is entrusted with the ultimate direction of the Company as well as the supervision of the management. It represents the Company towards third parties and attends to all matters which are not delegated to or reserved for another corporate body of the Company by law, the Articles of Association or the regulations. It issues guidelines on corporate policy and keeps itself informed about the course of business.

The Board of Directors has the following non-transferable and irrevocable duties:

- To ultimately direct the Group and issue the necessary directives; therefore, to develop the Group's strategic objectives and determine the means of achieving these objectives, to set out the business policy, establishment, acquisition, disposal and liquidation of subsidiaries, mergers and de-mergers
- To determine the Group organizational structure and approval of the Code of Business Conduct
- To organize the accounting, the internal control system (ICS), the financial control and the financial planning as well as to perform a risk assessment
- To appoint and recall persons entrusted with the management and representation of the Company and to grant signatory powers
- To ultimately supervise the persons entrusted with the management of the Group, in particular with respect to compliance with the law, the Articles of Association, and other regulations and directives
- To prepare the business report as well as the General Meeting and to implement the latter's resolutions
- To prepare the compensation report
- To inform the judge in the event of over-indebtedness
- To pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares
- To pass resolutions confirming increases in share capital and regarding the amendments to the Articles of Association entailed thereby



- To examine compliance with the legal requirements regarding the appointment, election and the professional qualifications of the Auditors
- To execute agreements pursuant to Art. 12, 36 and 70 of the Merger Act.

In addition, the Board of Directors is assigned the following significant duties and competencies under the Organizational Rules:

- Decisions on the annual budget and the mid-term planning
- Decisions concerning the purchase and sale of land and real estate for sums in excess of CHF 3 million, as well as rental agreements involving an obligation of CHF 3 million until the first opportunity to terminate
- Decisions on sureties and pledges of more than CHF 5 million
- Decisions on restructuring of subsidiaries with expected costs, subordination or write-off of loans exceeding CHF 1 million
- Decisions on investments/disposals of production and IT equipment of more than CHF 2 million if budgeted and CHF 1 million if not budgeted
- Decisions on internal developments of more than CHF 2 million
- Granting of loans to corporate bodies, employees and third parties of more than CHF 0.25 million in any individual instance

The duties of the two committees of the Board of Directors are described in more detail in the appropriate sections below.

The Board of Directors delegates all management duties to Group Management to the extent permitted by law and by the Articles of Association. The Organizational Rules contain details related to the delegation of competencies.

### **Procedures**

The Board of Directors convenes as often as business requires but at least once every quarter. During the 2015 business year, the Board held six meetings as well as three teleconferences. The physical meetings lasted between three and eight hours, and the teleconferences about one hour. The meetings of the Board of Directors in the year under review were attended by all members, except for one meeting and one teleconference.

Approval of the annual financial statements and preparation for the Annual General Meeting normally take place at the first meeting of the year, while the budget and – if applicable – the updated mid-term planning are approved at the final meeting of the year.

The members of Group Management attended all meetings.

The members of the Board of Directors generally receive documentation five working days prior to meetings, allowing them to be properly prepared to discuss the items on the agenda.

The Board of Directors is deemed quorate when an absolute majority of its members is present. Participation via tele/videoconference is regarded as being present. For resolutions concerning confirmation of the successful completion of a capital increase and any ensuing amendment to the Articles of Association, the Board of Directors is deemed quorate when only one member is present.

The Board of Directors adopts resolutions and conducts elections based upon a majority of the votes cast, irrespective of abstentions. In the event of a tie, the Chairman has the casting vote. At the Chairman's request or, in his absence, that of the Vice-Chairman, resolutions of the Board of

Directors may also be adopted by circular in the form of a letter, fax or e-mail, unless any member requests that the matter be discussed at a meeting.

### **Committees**

Two committees were set up to support the Board of Directors: the Audit Committee and the Remuneration Committee. The committees meet regularly and are required to prepare minutes of their meetings and recommendations for perusal at the regular meetings of the Board of Directors. The committees notify the full Board of Directors of urgent matters immediately.

### **Audit Committee**

The Audit Committee assists the Board of Directors in its overall supervisory role, specifically with regard to the completeness of financial statements, compliance with statutory provisions, evaluating the qualifications of the external auditors and the performance of internal and external auditors.

In particular, the Audit Committee shall conduct the following activities:

- To maintain a comprehensive and efficient audit concept and internal control system (ICS) for Mikron Holding AG and the Mikron Group
- To rate the external and internal auditors in terms of their independence, qualifications and (mandate-related) experience of their employees and to make a proposal to the Board of Directors regarding the election of external and internal auditors
- To assess the systems and scope of the audit approach, as well as the content, clarity and timely completion of reports
- To approve the key audit areas, to review the audit results, to supervise the rectification of any weaknesses identified
- To approve the budget for the external and internal audit activities and of non-audit related services of the external auditor exceeding CHF 0.1 million annually
- To monitor compliance with the accounting principles and financial control mechanisms and to regularly examine the Group's risk matrix; to implement measures decided in relation to key risks
- To evaluate and submit proposals to the Board of Directors regarding the approval of the annual and semi-annual reports of Mikron Holding AG and the Mikron Group.

The Audit Committee's decisions are subject to approval by the full Board of Directors.

The members of the Audit Committee in the year under review were the Board members Andreas Casutt (Chairman) and Eduard Rikli. The Audit Committee meets four to six times each year. Four meetings were held in the 2015 business year, each lasting one to five hours. All members attended the meetings. The CFO and CEO (if needed) attended the meetings on behalf of Group Management. Representatives of the internal auditors and of the external auditors were invited to the meetings as required. The external auditors were partially present at three meetings and the internal auditors at two meetings.

At its second meeting of the year, the Audit Committee normally assesses the annual financial statements in the presence of the external auditors. The summer meeting usually approves the external auditors' audit plan and assesses internal audit reports. At its autumn meeting, if not postponed to the next meeting, the Committee is above all informed of the status of the internal control system (ICS) and the internal audit plan for the following year. The December meeting focuses on discussing the interim reports of the external auditors as well as the risk matrix and the upcoming year end close.

### Remuneration Committee

The General Meeting elects individually at least two but no more than four members of the Board of Directors as members of the Remuneration Committee. The term of office of the members of the Remuneration Committee shall be one year and shall end at the next ordinary General Meeting. Re-election is possible.

Subject to and within the scope of the overall compensation approved by the General Meeting, the Remuneration Committee proposes to the Board of Directors the remuneration of its members and proposes respectively determines the remuneration of the members of Group Management, both as set out below.

The Remuneration Committee has the following duties:

- To submit proposals to the Board of Directors regarding the compensation scheme of the Mikron Group and to issue respective regulations (details are given on pages 74–77)
- To propose to the full Board of Directors targets for the Group Management
- To submit proposals to the full Board of Directors regarding the approval of the individual compensation of the Chairman of the Board of Directors, the other members of the Board of Directors as well as the maximum individual aggregate compensation of the CEO
- To determine, subject to and within the scope of the overall compensation approved by the General Meeting, the individual compensation (fixed and variable compensation) of the other members of the Executive Management as well as their further terms of employment and titles
- To propose to the full Board of Directors amendments to the Articles of Association with respect to the compensation scheme for members of the Group Management.

The members of the Remuneration Committee in the year under review were the Board members Patrick Kilchmann (Chairman) and Eduard Rikli. The Remuneration Committee meets one to three times each year, usually in December and after the results for the financial year have been prepared and the audited annual financial statements are available. Three meetings were held in the 2015 business year and were attended by all members. The meetings lasted about two hours. The members of Group Management may be invited, but have no right of participation or co-determination on this Committee.

### Information and control instruments vis-à-vis Group Management

The following measures ensure that the Board of Directors has sufficient information for an adequate decision-making process:

- Income statement and financial key performance indicators are reported on a monthly basis, while full financial statements (income statement, balance sheet and cash flow statement) are prepared quarterly. These figures are consolidated at Group, division and legal entity level. They are compared against the prior-year figures, the monthly budget and the forecast, which is revised on a quarterly basis, then sent to the Board of Directors following discussion within Group Management.
- Within the same structure, a mid-term plan spanning three years is prepared every two to three years in addition to the budget and both are presented to the Board of Directors for approval.
- Each month, the division heads (Chief Operating Officers) report at the Group Management meeting on the operating performance, the status of sales activities and the progress on plans to increase profits and implement strategy. These reports are presented in summary form at meetings of the Board of Directors.
- By request, other managers from outside Group Management and external consultants will attend meetings of the Board of Directors and Group Management to report on their areas of responsibility or special projects.

- Between the meetings of the Board of Directors, internal and external reports are submitted in advance to the Board of Directors.
- A risk matrix is drawn up in the divisions based on a Group template and updated at least once a year. It quantifies risks based on their likelihood of occurrence and the potential impact on the Group's EBIT. A consolidated matrix is reported to the Board of Directors once a year. It notes the report and approves control measures in relation to the key risks. The operational risks are normally discussed once a month at Group Management meetings. The Group Management reports major emerging risks to the Chairman of the Board of Directors immediately.
- The Audit Committee meets regularly with the CFO, the external auditors and the internal auditors. It coordinates the work of the auditors and receives their reports as well as those of the CFO. Ernst & Young has been given a mandate to perform the internal audit function.
- Group Management attends the meetings of the Board of Directors.
- The Chairman of the Board of Directors periodically attends Group Management meetings and holds discussions with the individual members of Group Management.

Group Management must notify the Chairman of the Board of Directors immediately when significant unanticipated developments occur. The members of the Board of Directors may request additional information from members of the Group Management.

Once a year, the Board of Directors assesses the performance of its own members, its committees, its Chairman and the Group Management, and approves the targets for the next year.

## Group Management

### Management philosophy

The Mikron Group delegates entrepreneurial responsibility to the lowest possible level. The management structure is based on decentralized responsibility and rapid decision-making channels close to each of the local markets.

### Management structure

The Board of Directors delegates the task of operational management to the members of Group Management. Group Management comprises the CEO, the CFO and the division heads (COO).

The Group's Organizational Rules set out the rights and duties of the Board of Directors and Group Management and describes in detail how these cooperate.

### Group Management

Group Management is responsible for the management of the Group insofar as this task has not been assigned by law, the Articles of Association or the Organizational Rules to any other corporate body.

It prepares the strategy, the long-term and mid-term targets and the management guidelines for the Mikron Group before submitting them to the Board of Directors for discussion and approval.

Group Management regularly reports to the Board of Directors on current business developments, anticipated opportunities and risks, as well as changes at lower management levels. (See "Information and control instruments vis-à-vis Group Management.")

**Chief Executive Officer (CEO)**

The CEO is the Chairman of the Group Management and responsible for the executive management of the Mikron Group.

Furthermore, the CEO submits proposals to the Board of Directors for its decision on the annual budget (consolidated and for the holding company), individual key matters that exceed a certain financial scale (see "Duties of the Board of Directors") as well as separate and consolidated financial statements.

The CEO assists the Chairman of the Board of Directors to prepare the meetings of the Board of Directors and is responsible for the administrative leadership of Group Management meetings. He is responsible for ensuring that meetings are minuted.

The Group's IT function reports to the CEO.

The CEO establishes and monitors profitability targets and submits to the Remuneration Committee proposals concerning the compensation of the members of Group Management.

**Chief Financial Officer (CFO)**

The CFO reviews compliance with the Articles of Association, the Organizational Rules and the signatory authority rules and proposes amendments to the CEO or the Board of Directors should they become necessary.

The CFO manages the Group's strategic planning process, as well as its mid-term planning, budgeting and forecasting process, and is responsible for internal and external financial reporting.

He heads Group Treasury and Corporate Communication and leads M&A activities, corporate finance projects and the Group's risk management.

**Chief Operating Officers (COOs)**

The Chief Operating Officers manage their respective divisions in accordance with the Organizational Rules, as well as the budget and strategy approved by the Board of Directors. They are responsible for ensuring that their division achieves its operational and strategic targets. Purchasing, Production and Sales are organized along divisional lines and report to the COOs.

The following table provides information on each of the members of Group Management as at 31 December 2015:



**Bruno Cathomen**

Dipl. Ing. ETH.  
Swiss, born in 1967.  
CEO, COO Mikron Machining,  
joined in 2009.

Bruno Cathomen assumed office of the CEO of Mikron Group from 1 October 2011, in addition to serving as COO of the Mikron Machining division since October 2009. He spent the eight years before he joined Mikron with Elcoteq Network Corporation, most recently as Vice-President of Communications Networks. Prior to this he held a number of posts at ABB. Bruno Cathomen is a member of the Swissmem specialist group "Machine tools and manufacturing technology" and is also engaged at the European association CECIMO.



**Rolf Rihs**

Dipl. Ing. ETH.  
Swiss, born in 1963.  
COO Mikron Automation,  
joined in 2002.

Rolf Rihs took over as COO of the Mikron Automation division in mid-2002, prior to which he worked for the Sulzer Group for eight years in various regions and functions. He was previously a consultant at Helbling Management Consulting working on numerous projects for well-known Swiss companies. Rolf Rihs is a member of the Swissmem specialist group "Assembly and factory automation".



**Martin Blom**

Dipl. Wirtschaftsprüfer,  
Betriebsökonom FH.  
Swiss, born in 1971.  
CFO, joined in 2005.

Martin Blom became CFO of the Mikron Group on 1 May 2011. He has been with Mikron since 2005, latterly as Head of Group Finance & Controlling. From 2004 to 2005 Martin Blom was employed by the Bernese Energy Group BKW FMB. Prior to that, he served and advised national and international companies as lead auditor at PricewaterhouseCoopers (PwC).

**Management contracts**

There are no management contracts.

**Compensations**

**Basic principles**

The basic principles of the compensation policy are stated in the Articles of Association.

The members of the Board of Directors receive a fixed basic fee and a lump sum compensation for expenses that is determined by the full Board of Directors based on the proposal of the Remuneration Committee and subject to and within the limits of the aggregate amounts approved by the General Meeting.

The members of the Board of Directors providing consulting services to the Company or other group companies in a function other than as members of the Board of Directors may be compensated in cash at standard market rates, subject to approval by the General Meeting.

The members of the Group Management receive a fixed compensation, a lump sum for expenses as well as a short-term incentive bonus in cash, which amounts for the CEO to a maximum of 100 % and for the remaining members of the Group Management to a maximum of 75 % of the fixed compensation dependent on the achievement of qualitative or quantitative targets. The financial targets are based on order intake, net sales, EBIT and cash flow of the divisions (COOs) or the Group (CEO and CFO). The targets are defined by the Board of Directors at the beginning of the performance period on an annual basis. In case of extraordinary factual circumstances, the targets may be modified within the period at the discretion of the Board of Directors or the Remuneration Committee.

An additional variable compensation in the form of shares in the Company may be provided to the members of the Group Management. The number of shares is determined at the discretion of the Board of Directors on an annual basis with regard to the position, responsibility, duties and performance of each member. The shares are transferred to the member after approval by the General Meeting and are blocked for a period of at least three years.

Expenses that are not covered by the lump sum compensation for expenses pursuant to the expense regulations of the Company are reimbursed against presentation of the relevant receipts. This additional compensation for expenses actually incurred does not need to be approved by the General Meeting. Furthermore, members of Group Management are provided with company vehicles which may also be used for private travel.

No additional compensation shall be awarded for activities in companies that are directly or indirectly controlled by Mikron Holding AG.

No loans may be granted to members of governing bodies.

Further information on the compensation paid to members of the Board of Directors and Group Management can be found in the Compensation Report on pages 74–77.

#### **Additional amount of compensation for new members of the Group Management**

With respect to any member joining the Group Management or being promoted within the Group Management during the period for which the General Meeting has already approved the overall compensation of the Group Management, the Company and its subsidiaries are entitled to pay an additional amount of compensation for that period provided that the approved aggregate compensation does not prove sufficient. The General Meeting does not vote on this additional amount.

The additional amount of compensation may not surpass CHF 1,000,000 for all new members of each compensation period.

Within this additional amount of compensation, the Company can award a joining bonus to compensate a new member of the Executive Management for disadvantages in connection with the change of employment. If the additional amount of compensation is not sufficient to compensate for the disadvantages, the exceeding portion of the joining bonus must be approved by the next ordinary General Meeting.

**Resolutions**

Each year, the General Meeting votes separately on the proposals of the Board of Directors regarding the aggregate amounts of:

1. the compensation of the Board of Directors for the term of office until the next ordinary General Meeting;
2. an additional compensation of the Board of Directors for the preceding business year;
3. the maximum overall compensation of the Group Management (fixed and performance based components) that may be paid in the subsequent business year;
4. the allocation of a number of shares for the members of the Group Management pursuant for the subsequent business year;
5. a possible additional compensation of the members of the Group Management for the preceding business year.

The Board of Directors may submit proposals to be approved by the General Meeting regarding (i) compensation or compensation components for other time periods and/or (ii) additional amounts for certain compensation components.

If the General Meeting does not approve the proposed aggregate amount, the Board of Directors may make a new proposal at the same General Meeting. If the Board of Directors does not make a new proposal, it may either convene a new General Meeting and make new proposals for approval or may submit the proposals regarding compensation for retrospective approval at the next ordinary General Meeting.

The General Meeting may cast an advisory vote on the compensation report issued by the Board of Directors.

**Permitted additional activities**

The members of the Board of Directors may have the following other functions in the superior management or administrative bodies of legal units obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof and which are not controlled by the Company, do not control the Company or do not constitute pension funds insuring employees of the Mikron Group:

1. up to 5 mandates as member of the Board of Directors or of any other superior management or administrative body of publicly traded companies pursuant to Art. 727 para. 1 section 1 CO; and, in addition,
2. up to 10 mandates as member of the Board of Directors or any other superior management or administrative body of companies pursuant to Art. 727 para. 1 number 2 CO; and, in addition,
3. up to 20 mandates as member of the Board of Directors or any other superior management or administrative body of legal entities that do not meet the above-mentioned criteria.



With the approval of the Chairman of the Board of Directors, the members of the Group Management may have the following other functions in the superior management or administrative bodies of legal entities which are required to be entered in a Swiss commercial register or a foreign equivalent thereof and which are not controlled by the Company, do not control the Company or do not constitute pension funds insuring employees of the Mikron Group:

1. up to 2 mandates as member of a Board of Directors or any other superior management or administrative body of publicly traded companies pursuant to Art. 727 para. 1 section 1 CO; and
2. up to 3 mandates as member of the Board of Directors or any other superior management or administrative body of companies pursuant to Art. 727 para. 1 number 2 CO; and
3. up to 5 mandates as member of the Board of Directors or any other superior management or administrative body of other legal entities that do not meet the above mentioned criteria.

With respect to the additional activities of both the members of the Board of Directors and of the Group Management, mandates in legal entities that are under uniform control or have the same beneficial owner(s) are deemed one mandate.

## Shareholders' participation rights

### Shareholder legitimacy

Those persons entered in Mikron Holding AG's share register may exercise the voting rights attached to their registered shares.

The Board of Directors keeps a record of the entries in a share register containing the names and addresses of the shareholders and beneficiaries.

The Board of Directors is entitled to refuse or reverse entry in the share register if the applicant supplies false information regarding his person or his entitlement to the shares or if he supplies no information or false information regarding the person of the trustor, when acting in a fiduciary capacity.

### Shareholders' rights

Each registered share carries one vote at the Annual General Meeting. There are no shares affording preferential voting rights.

### Voting-right restrictions and representation

Mikron does not impose any voting-right restrictions, except for Nominees (see page 58).

Shareholders who are unable to attend the Annual General Meeting in person may appoint the independent proxy or someone else as their proxy by giving him/her written authorization to represent them. Shareholders have the option of appointing the independent proxy online until two days before the General Meeting. The Board of Directors determines the requirements regarding proxies and voting instructions.

### Convocation of the Annual General Meeting and agenda

Notice of the General Meeting is given by publication in the Swiss Official Gazette of Commerce at least 20 days before the date of the meeting as well as by post or e-mail if the address of the shareholders is recorded in the share register. The notice states the day, time and place of the meeting, the agenda, the proposals of the Board of Directors and the proposals of the shareholders who have requested the General Meeting or that an item be included on the agenda. The publication

in the Swiss Official Gazette of Commerce shall state at least the day, time and location and also where the agenda and items can be inspected.

One or more registered shareholders that individually or jointly represent ten percent of the registered share capital of the Company may request the Board of Directors to place items on the agenda. Such requests must be submitted to the Chairman of the Board of Directors at least 45 days before the date of the General Meeting and shall be in writing, specifying the items and the proposals.

#### **Entries in the share register**

For three days before the Annual General Meeting, up to and including the day of the General Meeting, no entries will be made in the share register.

#### **Quorums at the Annual General Meeting**

The Annual General Meeting passes its resolutions and carries out its elections with an absolute majority of the share votes represented unless the law or the Articles of Association ([www.mikron.com/aoa](http://www.mikron.com/aoa)) specify otherwise. Abstentions, empty votes or invalid votes will not be taken into account for the calculation of the required majority.

### **Changes of control and defence measures**

#### **Duty to make an offer**

The legal provisions according to Art. 32 (1) of the Swiss Stock Exchange and Securities Trading Act (SESTA) apply. Therefore, any party whose voting rights exceed the 33.33% limit, directly, indirectly or as a result of an agreement with third parties, is obliged to make a public purchase offer.

#### **Clauses on changes of control**

There are no clauses on changes of control in favor of the members of the Board of Directors, Group Management or other employees.

### **Auditors**

The auditors conduct their audit in accordance with Swiss law and Swiss auditing standards.

The Annual General Meeting elects the auditors for one year at a time.

Since 2004, PricewaterhouseCoopers AG, Berne has held the auditing mandate at Mikron Holding AG, its companies and the Mikron Group. Since the 2015 business year Norbert Kühnis, as lead auditor, has been responsible for the mandate.

#### **Auditing fees and additional fees**

In the 2015 business year, fees of CHF 385,475 for services rendered in connection with auditing the 2015 annual financial statements and the compensation report of Mikron Holding AG and its subsidiaries and the consolidated financial statements of the Mikron Group were expensed.

The fee budget for the external auditors is assessed by the Audit Committee and based on empirical figures from the previous year, comparisons with similar listed companies and the audit scope considered necessary by the auditors.

Additional fees of CHF 88,272 were paid to the auditors in the year under review for non-audit-related services. Of these, CHF 66,812 was for tax consulting and CHF 21,460 for other advisory services.

#### **Supervisory and control instruments pertaining to the audit**

The Audit Committee of the Board of Directors takes note of the audit plan and approves the key audit areas for the current year. The Audit Committee is notified in writing of the results of the interim audits. The external auditors inform the Audit Committee and the Board of Directors verbally and in writing of their work and the results of the audit of the annual financial statements.

Group Management informs the Audit Committee of planned "non-audit" services to be provided by the auditors. The Audit Committee approves individual "non-audit" services exceeding CHF 100,000 annually. The auditors may only provide "non-audit" services provided that the financial scope or content involved does not affect their independence.

To ensure independence, the lead auditor is replaced every seven years, which just occurred in 2015.

For further information regarding supervisory and control instruments, please see the chapter entitled "Audit Committee" on page 62.

#### **Information policy**

Mikron Holding AG pursues an up-to-date and transparent information policy for the public and the financial markets, with all interest groups being treated equally.

#### **Key dates**

End of the business year	31 December 2015
Announcement of the annual results/Publication of the Annual Report	8 March 2016
Annual Media and Analyst Conference	8 March 2016
Annual General Meeting	12 April 2016
End of the first six months of the business year	30 June 2016
Announcement of the semi-annual results	26 July 2016

The dates are also published on the Mikron Group's website at [www.mikron.com/calendar](http://www.mikron.com/calendar). Corresponding notices for the Annual General Meeting are also placed in the Swiss Official Gazette of Commerce. Visitors to the website can view the current share price, the annual report and all press releases, and subscribe to receive news updates and press releases free of charge (push and pull links).

In addition to publishing its financial results, the Mikron Group keeps the public abreast of current changes and developments. Mikron Holding AG publishes information on events relevant to the share price in accordance with SIX Swiss Exchange regulations regarding ad hoc publicity.

At the Annual General Meeting, the Board of Directors and the Group Management report on the financial statements and the business trend and answer shareholders' questions.

Should you have any questions, please contact Corporate Communications by telephone +41 (0)91 610 62 09 or e-mail ([ir.mho@mikron.com](mailto:ir.mho@mikron.com)).



Mikron  
Compensation Report

## Compensation Report

The Compensation Report contains information on the compensation policy, compensation programs and processes for determining the compensation paid to the Board of Directors and Group Management of the Mikron Group. It also provides detailed information on compensation paid in 2015. The Compensation Report satisfies the transparency requirements set out in the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).

### Compensation Policy

Overall responsibility for defining the basic principles of compensation lies with the Annual General Meeting. The Board of Directors determines compensation within the boundaries defined by the General Meeting. It approves the compensation paid to members of the Board of Directors, the Board Chairman and the entire Group Management.

The compensation policy applied to members of the Board of Directors and the Group Management is described in detail on pages 66 and 67 of the Corporate Governance Report. The table below sets out the principles of this compensation policy. There are no changes in the principles compared to the prior year.

#### Fair and transparent

The compensation models are simple, clearly structured and transparent. They guarantee fair remuneration that reflects responsibilities and competencies.

#### Results- and performance based

Part of the remuneration paid is linked directly to the Mikron Group's results and to individual performance.

#### Long-term incentive

Part of the compensation can be paid in the form of shares subject to a lockup period. This gives recipients a share in the company's long-term performance and ensures alignment with shareholder interests.

#### Geared to the labor market

Compensation is geared to the market environment so as to attract and retain talent managers and employees.

The Articles of Association define the following structure for the Group Management:

	Instrument	Purpose	Influencing factors	Performance targets
<b>Fixed annual basic salary (base compensation)</b>	Monthly cash compensation	Remuneration for function	Scope and responsibility, individual qualifications and experience	–
<b>Performance-based compensation (short-term incentive)</b>	Annual cash compensation	Remuneration for performance	Company results, individual performance	Order intake, EBIT, free cash flow, quantitative and qualitative targets
<b>Share-based compensation (long-term incentive)</b>	Locked-up shares (min. 3-year lock-up period)	Share in long-term performance, geared to shareholder interests	Contribution to the Group's strategic development	–
<b>Pension and benefits</b>	Pension and social security Other benefits	Protection against risks Expenses covered	Standard market practice and position	–

## Governance

The General Meeting elects individually at least two but no more than four members of the Board of Directors as members of the Remuneration Committee. The term of office of the members of the Remuneration Committee shall be one year and shall end at the next ordinary General Meeting. Re-election is possible.

The members of the Remuneration Committee in the year under review were the Board members Patrick Kilchmann (Chairman) and Eduard Rikli.

Subject to and within the scope of the approved overall compensation by the General Meeting, the Remuneration Committee proposes to the Board of Directors the remuneration of its members and proposes respectively determines the remuneration of the members of the Group Management.

## Compensations for 2015

### Compensation to members of the Board of Directors

CHF 1,000	Base compensation		Social security and benefits		Total	
	2015	2014	2015	2014	2015	2014
H. Spoerry, Chairman	82	91	16	17	98	108
E. Rikli, Vice-Chairman	58	64	12	13	70	77
P. Kilchmann, Member	50	55	5	5	55	60
A. Casutt, Member	53	59	9	10	62	69
A. Steiner (until 8 April 2014), Member	0	19	0	3	0	22
<b>Total</b>	<b>243</b>	<b>288</b>	<b>42</b>	<b>48</b>	<b>285</b>	<b>336</b>

## Compensation Report

Members of the Board of Directors receive a fixed remuneration. The remuneration is registered applying the accrual principle. Furthermore, a lump sum is paid out as compensation for expenses in accordance with the regulations, which have been approved by the tax authorities. In April 2015, the General Meeting approved a total remuneration payable to the Board of Directors for the period up to the next meeting of maximum CHF 280,000, about 8% below the prior period.

### Compensation to Group Management

Group Management is composed of the CEO, CFO and the Head of the Mikron Automation business segment. These persons are employed either at Mikron Management AG, Langenthal, Mikron SA Boudry, Boudry or Mikron SA Agno, Agno.

CHF 1,000	B. Cathomen, CEO		Total compensation of Group Management	
	2015	2014	2015	2014
Base compensation	399	399	993	993
Variable compensation	118	90	320	247
Share based payments	0	0	0	0
Other compensations	133	139	354	351
<b>Total</b>	<b>650</b>	<b>628</b>	<b>1,667</b>	<b>1,591</b>

Members of Group Management receive a fixed remuneration paid in 13 instalments and a performance-related variable remuneration. The variable remuneration is set by the Board of Directors and is paid after the approval of the annual financial statements. Furthermore, a lump sum is paid out as compensation for expenses in accordance with the regulations, which have been approved by the tax authorities. Payments are made in cash. Expenditure for social security and pension includes employer contributions to social insurance and to the pension fund and senior management pension fund.

In line with the lower than planned financial figures for the year 2015, the variable compensation achievement (as a percentage of the fixed compensation) was significantly below the maximum allowed by the Articles of Association.

An additional variable compensation in the form of shares in the company may be provided to the members of Group Management. No shares were distributed during the year 2015.

In April 2015, the General Meeting approved a total fixed and performance-related remuneration which may be paid to the Group Management during the 2016 financial year of maximum CHF 1,800,000.



## Shares held by members of the Board of Directors and by Group Management

	31.12.2015		31.12.2014	
	Number of shares	Voting power	Number of shares	Voting power
<b>Board of Directors</b>				
H. Spoerry, Chairman	13,675	0.08%	13,675	0.08%
E. Rikli, Vice-Chairman	21,500	0.13%	21,500	0.13%
<b>Group Management</b>				
B. Cathomen, CEO	25,580	0.15%	25,580	0.15%
R. Rihs, COO	37,000	0.22%	32,000	0.19%
M. Blom, CFO	18,000	0.11%	15,000	0.09%

These figures include shares held by related parties of these persons.

## Compensation Report

# Report of the Statutory Auditor



Report of the statutory auditor  
to the general meeting of  
Mikron Holding AG  
Biel

## Report of the statutory auditor to the General Meeting on the remuneration report 2015

We have audited the remuneration report of Mikron Holding AG (pages 74 to 77) for the year ended 31 December 2015.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the remuneration report of Mikron Holding AG for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Norbert Kühnis  
Audit expert  
Auditor in charge

Bernhard Bichsel  
Audit expert

Bern, 7 March 2016

PricewaterhouseCoopers Ltd, Bahnhofplatz 10, Postfach, 3001 Bern  
Telephone: +41 58 792 75 00, Facsimile: +41 58 792 75 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.



# Mikron Group

# Financial Report 2015

<b>82</b>	Consolidated Financial Statements 2015 of the Mikron Group
<b>86</b>	Notes to the Consolidated Financial Statements 2015 of the Mikron Group
<b>109</b>	Report of the Statutory Auditor on the Consolidated Financial Statements
<b>110</b>	5-Year Financial Summary
<b>111</b>	Information on Share Capital
<b>122</b>	Group Companies

# Consolidated Financial Statements 2015 of the Mikron Group

## Consolidated income statement

CHF 1,000	Note	2015		2014	
Net sales	4.1	228,588		249,134	
Change in work in progress/finished goods		3,309		6,832	
Capitalized own production		98		982	
<b>Operating output</b>		<b>231,995</b>	<b>100.0%</b>	<b>256,948</b>	<b>100.0%</b>
Material costs and subcontractors	4.2	-86,158		-112,249	
Personnel expenses	4.3	-106,739		-105,836	
Other operating income	4.4	1,023		1,413	
Other operating expenses	4.4	-32,094		-30,464	
Depreciation of tangible assets	5.5	-5,415		-5,255	
Amortization of intangible assets	5.6	-1,558		-1,904	
<b>Operating result</b>		<b>1,054</b>	<b>0.5%</b>	<b>2,653</b>	<b>1.0%</b>
Financial result	4.5	-1,155		-1,627	
<b>Ordinary result</b>		<b>-101</b>	<b>-0.0%</b>	<b>1,026</b>	<b>0.4%</b>
Non-operating result	4.6	1,417		1,943	
<b>Profit before taxes</b>		<b>1,316</b>	<b>0.6%</b>	<b>2,969</b>	<b>1.2%</b>
Income taxes	4.7	-394		-743	
<b>Profit</b>		<b>922</b>	<b>0.4%</b>	<b>2,226</b>	<b>0.9%</b>
Net earnings per share from continued operations – undiluted		0.06		0.13	
Net earnings per share from continued operations – diluted		0.06		0.13	

The accompanying notes form an integral part of the consolidated financial statements.

## Consolidated balance sheet

CHF 1,000	Note	31.12.2015		31.12.2014	
<b>Current assets</b>					
Cash and cash equivalents		34,237		26,292	
Current financial assets	5.1	14,603		15,922	
Accounts receivable	5.2	17,762		16,297	
Inventories	5.3	46,017		47,972	
Net assets from customer projects	5.4	31,422		42,168	
Other current receivables		2,498		3,997	
Prepaid expenses		4,984		1,705	
<b>Total current assets</b>		<b>151,523</b>	<b>62.1%</b>	<b>154,353</b>	<b>65.1%</b>
<b>Non-current assets</b>					
Tangible assets	5.5	53,645		44,135	
Intangible assets	5.6	5,119		5,818	
Investment property	5.7	29,650		29,510	
Deferred tax assets	5.9	3,936		3,438	
<b>Total non-current assets</b>		<b>92,350</b>	<b>37.9%</b>	<b>82,901</b>	<b>34.9%</b>
<b>Total assets</b>		<b>243,873</b>	<b>100.0%</b>	<b>237,254</b>	<b>100.0%</b>
<b>Current liabilities</b>					
Short-term financial liabilities	5.10	1,380		380	
Accounts payable		14,864		20,471	
Net liabilities from customer projects	5.4	26,067		21,716	
Short-term provisions	5.11	3,172		3,129	
Other current liabilities		2,677		3,401	
Accrued expenses	5.12	15,200		13,613	
<b>Total current liabilities</b>		<b>63,360</b>	<b>26.0%</b>	<b>62,710</b>	<b>26.4%</b>
<b>Long-term liabilities</b>					
Long-term financial liabilities	5.10	21,580		14,368	
Long-term provisions	5.11	0		181	
Deferred tax liabilities	5.9	4,362		4,693	
<b>Total long-term liabilities</b>		<b>25,942</b>	<b>10.6%</b>	<b>19,242</b>	<b>8.1%</b>
<b>Shareholders' equity</b>					
Share capital	5.13	1,671		1,671	
Treasury shares		-52		-151	
Capital reserves		101,663		102,497	
Retained earnings		51,289		51,285	
<b>Total shareholders' equity</b>		<b>154,571</b>	<b>63.4%</b>	<b>155,302</b>	<b>65.5%</b>
<b>Total liabilities and shareholders' equity</b>		<b>243,873</b>	<b>100.0%</b>	<b>237,254</b>	<b>100.0%</b>

The accompanying notes form an integral part of the consolidated financial statements.

**Consolidated statement of shareholders' equity**

CHF 1,000	Note	Share capital	Treasury shares	Capital reserves	Retained earnings		Total Shareholders' equity
					Accumulated profits	Translation adjustments	
<b>Balance at 01.01.2014</b>		<b>1,671</b>	<b>-151</b>	<b>104,166</b>	<b>49,083</b>	<b>-1,316</b>	<b>153,453</b>
Profit 2014					2,226		2,226
Translation adjustments						1,292	1,292
Distribution to shareholders				-1,669			-1,669
<b>Balance at 31.12.2014</b>		<b>1,671</b>	<b>-151</b>	<b>102,497</b>	<b>51,309</b>	<b>-24</b>	<b>155,302</b>
Profit 2015					922		922
Translation adjustments						-938	-938
Distribution to shareholders				-834			-834
Change in treasury shares	5.13		99		20		119
<b>Balance at 31.12.2015</b>		<b>1,671</b>	<b>-52</b>	<b>101,663</b>	<b>52,251</b>	<b>-962</b>	<b>154,571</b>

The accompanying notes form an integral part of the consolidated financial statements.



**Consolidated statement of cash flow**

CHF 1,000	Note	2015	2014
<b>Cash flow from operating activities</b>			
Profit		922	2,226
Depreciation and amortization	5.5, 5.6	6,973	7,159
Revaluation investment property	5.7	581	218
Net gain (-) / loss (+) on sale of non-current assets	4.4	16	-217
Changes in provisions	5.11	-79	-1,191
Changes in deferred taxes	4.7, 5.9	-773	213
Other non-cash items		1,244	1,518
<b>Cash flow from operating activities before changes in net working capital</b>		<b>8,884</b>	<b>9,926</b>
Movement in accounts receivable		-1,778	-1,003
Movement in inventories		1,260	-5,296
Movement in net assets / liabilities from customer projects		14,047	3,524
Movement in accounts payable		-5,990	-154
Movement in other receivables and prepaid expenses		-1,971	236
Movement in other current liabilities and accrued expenses		1,064	-539
<b>Cash flow from operating activities</b>		<b>15,516</b>	<b>6,694</b>
<b>Cash flow from investing activities</b>			
Investments in tangible assets	5.5	-11,794	-5,353
Divestments of tangible assets	5.5	62	219
Investments in intangible assets	5.6	-777	-2,317
Investments in investment property	5.7	-721	-1,838
Investments in financial assets	5.1	-5,887	-4,084
Divestments of financial assets	5.1	7,000	951
<b>Cash flow from investing activities</b>		<b>-12,117</b>	<b>-12,422</b>
<b>Cash flow from financing activities</b>			
Purchase of treasury shares	5.13	-52	0
Sale of treasury shares	5.13	171	0
Distribution to shareholders		-834	-1,668
Increase (+) / repayment (-) of financial liabilities		5,679	-50
Repayment (-) of finance lease liabilities		-380	-253
Interest received		461	465
Interest paid		-215	-208
<b>Cash flow from financing activities</b>		<b>4,830</b>	<b>-1,714</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>-284</b>	<b>450</b>
<b>Net cash flow</b>		<b>7,945</b>	<b>-6,992</b>
<b>Increase (+) / decrease (-) of cash and cash equivalents</b>		<b>7,945</b>	<b>-6,992</b>
Cash and cash equivalents at beginning of period		26,292	33,284
Cash and cash equivalents at end of period		34,237	26,292

The accompanying notes form an integral part of the consolidated financial statements.

# Notes to the Consolidated Financial Statements 2015 of the Mikron Group

## 1. General information

### 1.1 Business operations

Mikron Holding AG and its subsidiaries (combined, the Mikron Group) develop, produce and market automation and machining systems that enable extremely precise and productive manufacturing processes. Rooted in the Swiss culture of innovation, Mikron is a globally leading partner to companies in the automotive, medical devices, pharmaceutical, consumer goods, writing instruments and watchmaking industries.

The two business segments, Mikron Automation and Mikron Machining, are based in Boudry and Agno, Switzerland, with additional production facilities in Germany, Singapore, China and the United States. The 1,200 employees of the Mikron Group can draw on over 100 years of experience in the production of high-precision systems for large-series product manufacture. Mikron Holding AG shares are listed on SIX Swiss Exchange (MIKN).

### 1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER as a whole, including Swiss GAAP FER 31, applying the principle of historical cost accounting. Exceptions to this rule are deferred taxes that are calculated from valuation differences or tax loss carry-forwards and the applicable tax rate, marketable securities reported as current assets, derivative financial instruments and investment properties, which are reported at fair values.

### 1.3 Events after the balance sheet date

The Board of Directors approved the consolidated financial statements at its meeting of 2 March 2016. The approval of the consolidated financial statements by the Annual General Meeting is scheduled for 12 April 2016.

## 2. Significant accounting policies

### 2.1 Consolidation

#### 2.1.1 Scope and method of consolidation

The consolidated financial statements include Mikron Holding AG, Biel and all Swiss and foreign subsidiaries which the parent company, directly or indirectly, controls either by holding more than 50% of the voting rights or by some other form of control. These entities are fully consolidated. All intercompany transactions and relations between the consolidated companies are offset against each other and eliminated. Profits on intercompany transactions are eliminated. Capital consolidation is based on the purchase method applied to the annual financial statements of all consolidated entities, prepared as at December 31 and determined according to uniform accounting policies. The Mikron Group does not have any shareholdings with voting power of less than 50%. The list of Group companies can be found on page 122. In the year under review there were no changes (prior year: none) in the group of consolidated companies.

### 2.1.2 Acquisition of Group companies

New companies acquired by the Mikron Group are reported in the consolidated financial statements from the date of obtaining control. The net assets acquired are valued at actual values and consolidated applying the purchase method. Intangible assets previously not capitalized are not valued or recognized. Any difference between the higher purchase price and the net assets acquired (Goodwill) is offset against shareholders' capital.

### 2.2 Segment reporting

The Mikron Group is organized by Segments which are grouped according to the types of products and services they provide.

For the purposes of reporting, the following segments have been identified:

- Mikron Machining is the leading supplier of customized, highly productive machining systems for the manufacturing of complex high-precision components made of metal such as turbocharger housings, injection nozzles and ballpoint pen tips. Mikron Machining develops and produces the necessary high-performance cutting tools itself, and these are regarded as some of the best in the world. Mikron Machining is headquartered in Agno (Switzerland). To date, Mikron Machining has developed and commissioned over 7,000 machining systems. Its international customers operate in the following markets: Automotive Supply, Electronics and Telecommunications, Consumer Goods, Construction/Building and Pneumatics and Hydraulics. Mikron Machining employs around 600 people at its production facilities – Mikron SA Agno (Switzerland, headquarters), Mikron Tool SA Agno (Switzerland) and Mikron GmbH Rottweil (Germany) – and its sales and service company Mikron Corp. Monroe (USA).
- Mikron Automation is one of the world's leading manufacturers of customized, highly productive automation solutions for highprecision assembly and testing of products up to hand size. These include inhalers, insulin syringes, gasoline injection nozzles and airbag initiators. Mikron Automation is headquartered in Boudry (Neuchâtel), in a region that is regarded as the heart of the Swiss watchmaking industry. To date, Mikron Automation has installed more than 3,000 assembly and testing systems worldwide. Its international customers operate in the following markets: Pharma and Medical Devices, Automotive Supply, Electrical/Electronics, Consumer Goods and Construction/Building. Mikron Automation employs around 560 people at its sites in Boudry (Switzerland, headquarters), Berlin (Germany), Denver (USA), Singapore and Shanghai (China).
- The Corporate Service segment reports information on Mikron's holding, management and finance companies. The Corporate Service supports the individual group companies as well as the Board of Directors and Group Management in their management and control functions. It also reports income and expenses related to a non-operating industrial property, which is fully leased to third parties. Eliminations on Group level are presented together with the Corporate Service.

### 2.3 Foreign currency translation

Foreign currency transactions are translated into the local currency using the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the income statement.

The consolidated financial statements are reported in Swiss francs. For consolidation purposes, assets and liabilities are translated into Swiss francs at the exchange rates on the balance sheet date. The income statement and all cash flows are translated at average rates for each period. Differences between the translation of assets and liabilities and the income statement are recognized in equity. Exchange differences on long-term intra-Group loans with equity character are likewise taken directly to Group equity.

The most significant exchange rates for the Group in the year under review in Swiss francs were:

Currency	Average rate 2015	Average rate 2014	Closing rate 31.12.2015	Closing rate 31.12.2014
1 EUR	1.0630	1.2140	1.0817	1.2032
1 USD	0.9602	0.9171	0.9893	0.9835
1 SGD	0.6984	0.7225	0.7037	0.7433
1 CNY	0.1525	0.1487	0.1527	0.1580

### 2.4 Disclosure of related party transactions

Related parties are defined as companies or persons that exercise significant influence over Mikron or that are controlled by the Group. The Ammann Group, the Board of Directors, Group Management and the pension fund of Mikron Group are defined as related parties. All significant transactions, outstanding balances and contingent liabilities are disclosed in note 6.5 to the consolidated financial statements.

### 2.5 Assets and liabilities

#### 2.5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current bank and postal accounts, as well as deposits held at call with a bank or other financial institution with maturities of 90 days or less, and are shown at nominal value.

#### 2.5.2 Financial assets

Marketable securities, derivative financial instruments and term deposits with maturities of more than 90 days are reported as current financial assets. As all marketable securities are investments of excess cash that are available for sale, they are considered to be current financial assets independent of any maturity longer than one year. Term deposits are valued at nominal value less any impairment. Marketable securities and derivative financial instruments are measured at fair value and any changes in fair value are presented in the financial result.

#### 2.5.3 Receivables

Receivables are carried at nominal value. A provision for bad debt risks is established for cases where the Group faces an objective risk of not collecting the outstanding amount. Factors such as information on financial difficulties being experienced by the debtor and overdue payments (more

than 30 days overdue) are used to assess whether or not there is a bad debt risk. Changes in provisions are recognized as other operating ex-penses.

#### 2.5.4 Inventories

Raw materials and other supplies, as well as goods purchased, are carried at weighted average cost, and finished products at the lower of costs of conversion (standard costs), including directly attributable production costs, or fair value less costs to sell. Settlement discounts are registered as financial income. Additionally, down-payments from customers are disclosed as a deduction and prepayments to suppliers as an increase of inventories. Provisions are made for slow moving items. Obsolete items are written off.

#### 2.5.5 Construction contracts

Construction contracts for machining and assembly systems are accounted for by the "percentage of completion" method. The respective stage of completion is determined by individually measuring the work performed to date, based on the costs incurred compared to the total estimated costs. Costs to date and realized revenues calculated by reference to the stage of completion are continuously recognized in the income statement. On the balance sheet, projects in progress – offset by prepayments and progress payments from customers – are recognized as net assets or net liabilities from customer projects.

Contracts for which no specific customer contract yet exists are capitalized as work in progress until delivery and disclosed as inventory. They are measured at the lower of costs of conversion (standard costs), including directly attributable production costs, or fair value less costs to sell. Net sales and profit are recognized at the time of delivery.

Immediate provision is recognized in the income statement for present or foreseeable losses on construction contracts.

#### 2.5.6 Tangible assets

Property consists of production and office buildings. Tangible assets are measured at amortized cost and depreciated over their estimated useful lives. The exception to the rule is land, which is not depreciated. Added value expenses are capitalized and depreciated over the corresponding useful life. Expenditure on repairs, maintenance and replacements is charged directly to the income statement.

The linear depreciation rates are determined by the expected useful life, taking into account operational use and technical ageing. The estimated useful life is as follows:

	Years
Real estate	30 – 45
Leasehold improvements	over the duration of the lease agreement
Equipment and installations	12 – 25
Furniture	8 – 12
Machinery	5 – 10
Other	3 – 5

### **2.5.7 Intangible assets**

Items which qualify as intangible assets mainly comprise development costs, purchased software and patents.

Development costs relating to new or significantly improved products and processes are capitalized only when they are technically and commercially feasible and when the Group has sufficient resources for their implementation. Expenses related to smaller development projects or early stage developments as well as product maintenance are taken to the income statement as an expense. Capitalized development costs are recognized at cost less accumulated amortizations and impairments (see note 2.5.9). The maximum estimated useful life is 5 years.

Other intangible assets are reported in the balance sheet at acquisition value less accumulated amortizations and impairments (see note 2.5.9). The estimated useful life of software is basically 3 to 5 years, for ERP licenses up to 10 years and for patents 5 to 10 years.

### **2.5.8 Investment property**

Property held as a financial investment includes production and office buildings which are rented out to third parties. Investment properties are reported at market values. The Mikron Group currently owns a property in Nidau, Switzerland, with a market value of CHF 29.7 million as at 31 December 2015. The fair value of the property is reviewed annually as per the balance sheet date and adjusted if necessary. Revaluations are recognized in the income statement.

### **2.5.9 Impairment of non-current assets**

Tangible and intangible assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized at the amount by which an asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use (net present value of estimated future cash flows). The recoverable amount is determined for each asset separately or, where this is not possible, for the cash-generating unit to which the asset belongs. A reversal of impairment is recognized if the review of the recoverable amount reveals none or only a reduced impairment.

### **2.5.10 Lease contracts**

Agreements that substantially transfer all the risks and rewards of ownership to the lessee are disclosed as finance leases. Assets held under finance leases are recognized as tangible assets at the lower of fair value at the time of acquisition and the net present value of the future lease payments. The corresponding liability to the lessor is included in the balance sheet as a financial liability. Lease payments are apportioned between financial expenses and reduction of the lease obligation. Assets under finance leases are amortized over their estimated useful lives.

Operating lease payments are treated as operating expenses and charged to the income statement as incurred.

### **2.5.11 Payables**

Payables are generally measured at nominal values.

### **2.5.12 Financial liabilities**

Short-term and long-term bank borrowings and loans are recognized at nominal value. Derivative financial instruments are measured at fair value and any changes in fair value are presented in the financial result.

### 2.5.13 Provisions

Provisions are recognized only if the company has a present obligation to a third party as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the obligation can be sufficiently reliably estimated. If the time factor has a significant impact the amount of the provision is discounted.

### 2.5.14 Deferred taxes

Deferred income taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases and are accounted for using the liability method. Deferred tax assets from capitalized tax loss carry-forwards are valued at the respective applicable tax rate. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available to offset against these assets.

Deferred tax assets and liabilities are calculated at the rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that are valid at the balance sheet date.

### 2.5.15 Employee benefits

There are a number of employee benefit plans in existence within the Group, each of which is aligned with local conditions in the country in question. They are funded by means of contributions to legally independent employee benefit schemes (foundations, insurance). An annual evaluation is made to see if an economic benefit or an economic obligation exists for the Mikron Group. Any such amount would be recognized in the balance sheet. The net periodic expense to be recognized in the income statement is equal to the contributions made by the employer plus any changes to the economic benefit or obligation.

## 2.6 Income statement

### 2.6.1 Revenue recognition

Net sales comprise the sale of products as well as the rendering of services. Sales are recognized if it is probable that the economic benefits will flow to the Group and the amount can be estimated reliably. Sales revenue is recognized upon transfer of the risks and rewards of ownership of the goods to the client. Settlement discounts are recognized as financial expense.

Pro rata net sales and profits on construction contracts are recognized in accordance with note 2.5.5 on the basis of the percentage of completion and of the estimated total profit for the project.

### 2.6.2 Presentation

The operating output figure corresponds to net sales plus the change of work in progress/finished goods and capitalized own production.

## 2.7 Share-based payments

No share purchase plan is in place for Mikron Group employees.

### 3. Risk management

The Mikron Group applies a central risk assessment system which covers both strategic and operational risks. All identified risks are given a rating (based on probability of occurrence and extent of potential losses) and recorded in a risk inventory. Based on this risk inventory, the Board of Directors conducts a review, at least once a year, of whether the risk governance and reduction measures in place are adequate for the company's needs. Ongoing monitoring of the risk inventory is the responsibility of Group Management.

Accounting and financial reporting risks are monitored and reduced through a suitable internal control system.

The Group's activities expose it to a variety of financial risks: market risks (primarily foreign exchange risks), credit risks and liquidity risks. The Group's financial risk management program focuses on reducing financial market risks with the potential to adversely affect its financial performance.

Financial risk management is carried out by the centralized Treasury department in close cooperation with the Group companies on the basis of guidelines issued by the Board of Directors.

#### 3.1 Foreign exchange risks

The Group is active globally and conducts transactions in a variety of currencies. Exchange rate fluctuations can therefore have a significant impact on the result. Exchange rate risks exist in future business transactions, in assets and liabilities recognized on the balance sheet and in net investments in foreign companies with a functional currency other than the Swiss Franc.

The Group companies' currency risks stemming from future business transactions are consolidated by Group Treasury and hedged centrally. To neutralize the risk, income in a given foreign currency is offset against expenditure in the same currency. Group Treasury hedges economically between 25% and 100% of the net cash flows in prospect for the next 12 months for EUR and USD. Forward contracts are the main instrument used for hedging. Gains and losses arising from the valuation of forward contracts at fair value are recognized in the financial result. The Group does not apply hedge accounting.

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risks. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The table below shows the impact at the balance sheet date of a possible shift in the most relevant foreign currency rates against the Swiss franc on the valuation of financial instruments including intra-Group receivables and liabilities. The indicated impacts are based on the assumption that Swiss Franc devalues against the listed currencies. In case of an appreciation of the Swiss franc an inverse impact applies.

CHF 1,000	Possible shift in currency rates	Impact on net earnings		Impact on shareholders' equity from translation adjustments	
		2015	2014	2015	2014
Euro (CHF/EUR)	10%	1,429	1,661	945	905
US Dollar (CHF/USD)	10%	738	387	540	294



### 3.2 Interest rate risks

Interest rate risks result from changes in interest rates, which could have a negative impact on the Group's financial position, cash flow and earnings situation. Interest rate exposure is basically limited, owing to the low level of external financing and the conservative investment policy. The interest rate exposure is managed centrally. As at 31 December 2015 and 2014 respectively, no derivative financial instruments were being held to hedge any interest rate risks.

### 3.3 Price risks

The consolidated financial statements report at year-end short-term financial assets mainly related to high-quality Swiss franc bonds with a maturity of up to five years, which are measured at fair value. As a result of the short duration, price changes are reduced but could nevertheless significantly impact the financial income of the Group at the balance sheet date. The Group currently has no financial instruments which are exposed to changes in commodity prices.

### 3.4 Credit risks

Credit risks arise from the possibility that the counterparty to a transaction may not be able or willing to discharge their obligations, thereby causing the Group to suffer a financial loss. Counterparty risks are minimized by only concluding contracts with reputable business partners and financial institutions.

Relationships with customers are subject to credit checks. In addition, Group Management monitors outstanding payments on accounts receivable through monthly reporting procedures. The necessary allowances are made locally.

### 3.5 Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The required flexibility in funding for the project business of the Group is primarily achieved via adequate liquidity reserves. As at the end of the year, significant headroom (cash and cash equivalents, current financial assets and unused credit facilities) is available to the Mikron Group. A credit agreement worth CHF 50.0 million with a bank consortium exists, which is available for bank guarantees to secure advance payments from customers and for fixed advances. At 31 December 2015 guarantees of CHF 27.6 million (prior year: CHF 18.3 million) were issued.

Group Management monitors the Group's liquidity status on the basis of three months' rolling cash flow forecasts.

The table below summarizes the maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted cash outflows. The undiscounted cash outflows only consider the repayments of the principal of the bank borrowings and of the principal of the finance lease liabilities excluding any interest payment.

CHF 1,000		Maturity			Total and interest rate by currency						
		Note	Less than 1 year	Between 1 and 3 years	Over 3 years	CHF	%	EUR	%	USD	%
<b>At 31 December 2014</b>											
Bank borrowings	5.10	50	100	13,720	13,870	1.6					
Finance lease liabilities	5.10	209	548	0	757	2.7					
Derivative financial instruments (notional amount)	6.1	11,395	0	0							
<b>Total</b>		<b>11,654</b>	<b>648</b>	<b>13,720</b>							
<b>At 31 December 2015</b>											
Bank borrowings	5.10	446	14,957	4,320	13,820	1.2			5,903	2.8	
Finance lease liabilities	5.10	745	1,682	621	2,121	2.8	927	3.9			
Derivative financial instruments (notional amount)	6.1	11,382	0	0							
<b>Total</b>		<b>12,573</b>	<b>16,639</b>	<b>4,941</b>							

## 4. Details of the consolidated income statement

### 4.1 Net sales

CHF 1,000	2015	2014
Machines (from construction contracts)	158,480	180,397
Machines (other)	748	694
Cutting tools	30,627	30,517
Service	38,733	37,526
<b>Total net sales</b>	<b>228,588</b>	<b>249,134</b>

### 4.2 Material costs and subcontractors

CHF 1,000	2015	2014
Raw materials and components	-79,584	-106,437
Subcontractors	-6,574	-5,812
<b>Total material costs and subcontractors</b>	<b>-86,158</b>	<b>-112,249</b>

**4.3 Personnel expenses**

CHF 1,000	2015	2014
Salaries and wages	-92,146	-91,575
Social charges	-9,836	-9,406
Pension expenses	-4,757	-4,855
<b>Total personnel expenses</b>	<b>-106,739</b>	<b>-105,836</b>

**4.4 Other operating income and expenses**

CHF 1,000	2015	2014
Other income	970	1,195
Gain on sale of non-current assets	53	218
<b>Total other operating income</b>	<b>1,023</b>	<b>1,413</b>
Real estate	-6,946	-7,161
Marketing and sales	-6,931	-7,139
Information technology	-3,785	-4,181
Personnel related expenses, including company cars	-4,188	-4,817
Production and project related expenses	-4,156	-1,547
Other expenses	-5,690	-5,290
Loss on sale of non-current assets	-69	-1
Capital and other taxes (excl. income taxes)	-329	-328
<b>Total other operating expenses</b>	<b>-32,094</b>	<b>-30,464</b>

The project related expenses include the change in provision for future losses of the construction contracts (see note 5.4).

**4.5 Financial result**

CHF 1,000	2015	2014
Financial income	6,291	3,377
Financial expenses	-7,446	-5,004
<b>Total financial result</b>	<b>-1,155</b>	<b>-1,627</b>
Interest income	461	465
Interest expenses	-223	-208
<b>Total interest result</b>	<b>238</b>	<b>257</b>
Exchange gains	5,292	2,392
Exchange losses	-5,813	-3,628
Other financial income	538	520
Other financial expenses	-1,410	-1,168
<b>Total other financial result</b>	<b>-1,393</b>	<b>-1,884</b>
<b>Total financial result</b>	<b>-1,155</b>	<b>-1,627</b>

#### 4.6 Non-operating result

CHF 1,000	2015	2014
Rental income	2,223	2,349
Income from property-related services	935	922
<b>Total non-operating income</b>	<b>3,158</b>	<b>3,271</b>
Owner-related expenses	-194	-142
Expenses for property-related services	-966	-968
<b>Total non-operating expenses</b>	<b>-1,160</b>	<b>-1,110</b>
Revaluation	-581	-218
<b>Total non-operating result</b>	<b>1,417</b>	<b>1,943</b>

#### 4.7 Income taxes

CHF 1,000	2015	2014
Current income tax	-1,167	-530
Deferred income tax	773	-213
<b>Total income taxes</b>	<b>-394</b>	<b>-743</b>
<b>Earnings before taxes</b>	<b>1,316</b>	<b>2,969</b>
Income tax at average tax rates	-343	-683
Impact of non-capitalized loss carry-forwards	489	1,646
Capitalization of previously not recognized tax losses	1,321	270
Other taxable effects	-1,861	-1,976
<b>Total income taxes</b>	<b>-394</b>	<b>-743</b>
	<b>30%</b>	<b>25%</b>

The applicable tax rate for the Group is 26% (prior year: 23%). This corresponds to the average income tax rates of the individual Group companies in each jurisdiction.

### 5. Details of the consolidated balance sheet

#### 5.1 Financial assets

CHF 1,000	31.12.2015	31.12.2014
Term deposits	2,000	0
Bonds	12,603	15,922
<b>Total current financial assets</b>	<b>14,603</b>	<b>15,922</b>

The bonds of CHF 12.6 million (prior year: CHF 15.9 million) mainly comprise high-quality Swiss franc bonds with a maturity of up to five years.

## 5.2 Accounts receivable

CHF 1,000	31.12.2015	31.12.2014
Accounts receivable	18,589	17,061
Allowance for doubtful accounts	-827	-764
<b>Total accounts receivable</b>	<b>17,762</b>	<b>16,297</b>

As at the balance sheet date, accounts receivable (including allowance for doubtful accounts) past due for 30 days and more amounted to CHF 3.6 million (prior year: CHF 1.9 million).

## 5.3 Inventories

CHF 1,000	31.12.2015	31.12.2014
Raw materials and components	19,276	21,572
Work in progress	13,736	12,208
Finished and trading goods	12,799	11,242
Prepayments to suppliers	1,620	3,983
Prepayments from customers	-1,414	-1,033
<b>Total inventories</b>	<b>46,017</b>	<b>47,972</b>

The provision for slow-moving inventories amounts to CHF 15.1 million (prior year: CHF 13.8 million).

## 5.4 Construction contracts

CHF 1,000	31.12.2015	31.12.2014
Projects in progress – costs incurred	125,455	171,021
Recognized profits less recognized losses	35,521	36,304
Prepayments from customers	-155,621	-186,873
<b>Total net assets and liabilities from customer projects</b>	<b>5,355</b>	<b>20,452</b>
Net assets from customer projects	31,422	42,168
Net liabilities from customer projects	-26,067	-21,716
<b>Total net assets and liabilities from customer projects</b>	<b>5,355</b>	<b>20,452</b>

The stage of completion, determined by the costs incurred to date compared to the total estimated costs, was approximately 56% on 31 December 2015 (prior year: approximately 66%). At the balance sheet date, the Mikron Group had 172 projects in progress (prior year: 171 projects) with an average volume of CHF 1.8 million (prior year: CHF 1.8 million). As at 31 December 2015 there were no retentions by customers (prior year: none).

**5.5 Tangible assets**

CHF 1,000	Undeveloped real estate	Real estate	Machinery	Equipment and installa- tions	Down pay- ments and assets under construction	Others	Total
<b>At cost</b>							
<b>Balance at 01.01.2014</b>	<b>3,199</b>	<b>74,473</b>	<b>59,689</b>	<b>21,882</b>	<b>587</b>	<b>2,823</b>	<b>162,653</b>
Additions	0	1,112	3,614	742	584	119	6,171
Transfers	0	239	328	-61	-552	0	-46
Disposals	0	0	-2,180	-610	0	0	-2,790
Translation adjustments	0	0	-4	235	9	-4	236
<b>Balance at 31.12.2014</b>	<b>3,199</b>	<b>75,824</b>	<b>61,447</b>	<b>22,188</b>	<b>628</b>	<b>2,938</b>	<b>166,224</b>
Additions	0	8,623	3,212	1,872	1,176	218	15,101
Transfers	0	109	188	258	-615	6	-54
Disposals	0	-1,167	-1,669	-2,685	0	0	-5,521
Translation adjustments	0	247	-748	-425	1	-175	-1,100
<b>Balance at 31.12.2015</b>	<b>3,199</b>	<b>83,636</b>	<b>62,430</b>	<b>21,208</b>	<b>1,190</b>	<b>2,987</b>	<b>174,650</b>
<b>Accumulated depreciation</b>							
<b>Balance at 01.01.2014</b>	<b>0</b>	<b>-48,986</b>	<b>-50,061</b>	<b>-18,748</b>	<b>0</b>	<b>-1,710</b>	<b>-119,505</b>
Depreciation	0	-1,585	-2,327	-1,101	0	-242	-5,255
Transfers	0	0	0	96	0	0	96
Disposals	0	0	2,180	608	0	0	2,788
Translation adjustments	0	0	-8	-207	0	2	-213
<b>Balance at 31.12.2014</b>	<b>0</b>	<b>-50,571</b>	<b>-50,216</b>	<b>-19,352</b>	<b>0</b>	<b>-1,950</b>	<b>-122,089</b>
Depreciation	0	-1,660	-2,298	-1,247	0	-210	-5,415
Transfers	0	0	0	2	0	-2	0
Disposals	0	1,137	1,669	2,636	0	0	5,442
Translation adjustments	0	-2	531	397	0	131	1,057
<b>Balance at 31.12.2015</b>	<b>0</b>	<b>-51,096</b>	<b>-50,314</b>	<b>-17,564</b>	<b>0</b>	<b>-2,031</b>	<b>-121,005</b>
<b>Net book value</b>							
Balance at 31.12.2014	3,199	25,253	11,231	2,836	628	988	44,135
<b>Balance at 31.12.2015</b>	<b>3,199</b>	<b>32,540</b>	<b>12,116</b>	<b>3,644</b>	<b>1,190</b>	<b>956</b>	<b>53,645</b>
<b>Of which finance leases</b>							
Balance at 31.12.2014	0	0	834	0	0	0	834
<b>Balance at 31.12.2015</b>	<b>0</b>	<b>0</b>	<b>1,923</b>	<b>0</b>	<b>480</b>	<b>0</b>	<b>2,403</b>

At the balance sheet date, the Group had entered into CHF 0.2 million of capital commitments to purchase tangible assets (prior year: CHF 0.9 million).

In 2015, the Group acquired tangible assets of CHF 2.7 million (prior year: CHF 0.9 million) on a financial leasing basis.

## 5.6 Intangible assets

CHF 1,000	Capitalized development costs	Software	Assets under construction	Others	Total
<b>At cost</b>					
<b>Balance at 01.01.2014</b>	<b>3,093</b>	<b>18,317</b>	<b>0</b>	<b>653</b>	<b>22,063</b>
Additions	0	819	1,009	0	1,828
Transfers	-390	101	325	10	46
Disposals	0	-2	0	0	-2
Translation adjustments	79	36	0	0	115
<b>Balance at 31.12.2014</b>	<b>2,782</b>	<b>19,271</b>	<b>1,334</b>	<b>663</b>	<b>24,050</b>
Additions	0	386	514	13	913
Transfers	0	79	-38	13	54
Disposals	-550	-1,976	0	0	-2,526
Translation adjustments	-78	-206	0	0	-284
<b>Balance at 31.12.2015</b>	<b>2,154</b>	<b>17,554</b>	<b>1,810</b>	<b>689</b>	<b>22,207</b>
<b>Accumulated amortization</b>					
<b>Balance at 01.01.2014</b>	<b>-1,713</b>	<b>-13,849</b>	<b>0</b>	<b>-629</b>	<b>-16,191</b>
Amortization	-443	-1,453	0	-8	-1,904
Transfers	0	-96	0	0	-96
Disposals	0	2	0	0	2
Translation adjustments	-40	-3	0	0	-43
<b>Balance at 31.12.2014</b>	<b>-2,196</b>	<b>-15,399</b>	<b>0</b>	<b>-637</b>	<b>-18,232</b>
Amortization	-274	-1,282	0	-2	-1,558
Disposals	550	1,976	0	0	2,526
Translation adjustments	44	132	0	0	176
<b>Balance at 31.12.2015</b>	<b>-1,876</b>	<b>-14,573</b>	<b>0</b>	<b>-639</b>	<b>-17,088</b>
<b>Net book value</b>					
Balance at 31.12.2014	586	3,872	1,334	26	5,818
<b>Balance at 31.12.2015</b>	<b>278</b>	<b>2,981</b>	<b>1,810</b>	<b>50</b>	<b>5,119</b>
<b>Of which finance leases</b>					
Balance at 31.12.2014	0	0	0	0	0
<b>Balance at 31.12.2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

At the balance sheet date, the Group had entered into CHF 0.2 million of capital commitments to purchase intangible assets (prior year: None).

**Software** In the 2015 financial year, the Mikron Group invested mainly in a new ERP system at one site and an update of the ERP system at another site.

**5.7 Investment property**

CHF 1,000	2015	2014
<b>Balance at 1 January</b>	<b>29,510</b>	<b>27,890</b>
Capitalized expenditures	721	1,838
Revaluation	-581	-218
<b>Balance at 31 December</b>	<b>29,650</b>	<b>29,510</b>
Original acquisition cost	42,520	41,799

The Mikron Group is the owner of a property in Switzerland (land and building) that is fully leased to third parties. Related income and expenses are reported in the non-operating result (see note 4.6). The property is reported at market value, last reviewed on 31 December 2015. The discounted cash flow method was used for the valuation. A discount rate of 6.4% was applied (prior year: 6.5%).

At the balance sheet date, the Group had entered into capital commitment for capital expenditure in relation to the investment property of CHF 0.4 million (prior year: CHF 0.3 million).

**5.8 Employee benefits**

All employees in Switzerland are insured through the Mikron pension fund, which is a foundation under Swiss law and independent of the Mikron Group. With a few exceptions, all employees in Switzerland are obliged to join the pension fund. The contributions are based on the annual salary and are accumulated in individual retirement accounts. Upon retirement (at age 65 for men and 64 for women), a lump-sum benefit may be drawn. Otherwise, a pension is paid out on the basis of a specified conversion factor.

**Economic benefit / economic obligation and pension expenses**

CHF 1,000	Surplus/deficit 31.12.2014	Economic part of the organization		Change from prior year in the current result for the period	Contributions concerning the business period	Pension expenses 2014
		31.12.2014	31.12.2013			
Pension institutions without surplus/deficit	0	0	0	0	-4,297	-4,297
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,297</b>	<b>-4,297</b>

CHF 1,000	Surplus/deficit 31.12.2015	Economic part of the organization		Change from prior year in the current result for the period	Contributions concerning the business period	Pension expenses 2015
		31.12.2015	31.12.2014			
Pension institutions with surplus/deficit	6,814	0	0	0	-4,293	-4,293
<b>Total</b>	<b>6,814</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,293</b>	<b>-4,293</b>



The information on the economic benefit as at 31 December 2015 is based on the last annual financial statements of the Mikron pension fund preceding the balance sheet date, i.e. the financial statements as at 31 December 2014. As at 31 December 2014, the Mikron pension fund reported a coverage rate of 123.5%. According to the pension fund's provisional accounts, the coverage rate is expected to have decreased by approximately 6.5% in the 2015 financial year. The number of active insureds increased in 2015 by about 4%. Contributions matched pension expenses during the relevant reporting period. In view of the expected drop in coverage ratio, no surplus is available to the benefit of Mikron Group. Therefore pension fund did not allocate the surplus to the affiliated companies so the total surplus of the pension fund is being disclosed.

For the employees in countries other than Switzerland there are no material pension plans with an employer's obligation to contribute except for state-run social insurance.

### 5.9 Deferred taxes

CHF 1,000	2015	2014
<b>Statement of changes in deferred tax liabilities</b>		
<b>Balance at 1 January</b>	<b>4,693</b>	<b>3,568</b>
Set-up and reversal of temporary differences	-442	1,135
Change in tax rate	209	0
Translation adjustments	-98	-10
<b>Balance at 31 December</b>	<b>4,362</b>	<b>4,693</b>

Deferred tax liabilities mainly result from temporary differences in the measurement of customer contracts, the valuation of inventories and the market valuation of the investment property.

The deferred tax assets of CHF 3.9 million (prior year: CHF 3.4 million) result from accumulated tax loss carry-forwards that were capitalized. Due to uncertainties that future taxable profit will be available to offset against these assets, tax loss carry forwards amounting to CHF 97.4 million (prior year: CHF 101.1 million) were not capitalized. Applying local tax rates results in a maximum potential tax benefit from non-capitalized tax loss carry-forwards of CHF 11.3 million (prior year: CHF 16.0 million).

### 5.10 Financial liabilities

CHF 1,000	Note	31.12.2015	31.12.2014
<b>Short-term financial liabilities</b>			
Bank borrowings		446	50
Finance lease liabilities		745	209
Derivative financial instruments	6.1	189	121
<b>Total short-term financial liabilities</b>		<b>1,380</b>	<b>380</b>
<b>Long-term financial liabilities</b>			
Bank borrowings		19,277	13,820
Finance lease liabilities		2,303	548
<b>Total long-term financial liabilities</b>		<b>21,580</b>	<b>14,368</b>

The investment property and two of the production facilities were mortgaged for liquidity management purposes. Details of the mortgages are given in note 6.2. The leasing liabilities relate to purchased machines that are being put into production.

CHF 1,000	31.12.2015	31.12.2014
<b>Financial liabilities, expiring</b>		
- not later than 1 year	1,380	380
- later than 1 year but not later than 3 years	16,639	648
- later than 3 years	4,941	13,720
<b>Total financial liabilities</b>	<b>22,960</b>	<b>14,748</b>

In addition, in April 2015, a credit agreement was negotiated with a bank consortium and concluded for 50 months. The agreement secures financing for the Mikron Group in the form of bank guarantees (avals) and provides potentially required liquidity at standard market conditions. The contractual covenants have been met since the commencement of the agreement.

### 5.11 Provisions

CHF 1,000	Warranties	Restructuring	Others	Total
<b>Short-term provisions</b>				
<b>Balance at 01.01.2014</b>	<b>3,497</b>	<b>103</b>	<b>728</b>	<b>4,328</b>
Additions	3,463	110	7	3,580
Utilization	-2,455	-103	0	-2,558
Reversal	-2,026	0	-184	-2,210
Translation adjustments	-9	-2	0	-11
<b>Balance at 31.12.2014</b>	<b>2,470</b>	<b>108</b>	<b>551</b>	<b>3,129</b>
Additions	2,551	12	429	2,992
Utilization	-1,191	-101	0	-1,292
Reversal	-1,331	0	-267	-1,598
Translation adjustments	-46	-13	0	-59
<b>Balance at 31.12.2015</b>	<b>2,453</b>	<b>6</b>	<b>713</b>	<b>3,172</b>
<b>Long-term provisions</b>				
<b>Balance at 01.01.2014</b>	<b>0</b>	<b>0</b>	<b>184</b>	<b>184</b>
Reversal	0	0	-3	-3
<b>Balance at 31.12.2014</b>	<b>0</b>	<b>0</b>	<b>181</b>	<b>181</b>
Reversal	0	0	-181	-181
<b>Balance at 31.12.2015</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Warranty provisions are related to sales of products and services and are based on experience.

Prior year's long-term provision has been reclassified to the short-term provisions as the legal possibility to claim indemnifications related to the sale of companies in 2005 will expire in 2016.

## 5.12 Accruals

CHF 1,000	31.12.2015	31.12.2014
Accrued expenses	15,180	13,597
Current income tax payables	20	16
<b>Total accrued expenses</b>	<b>15,200</b>	<b>13,613</b>

The accrued expenses of CHF 15.2 million (prior year: CHF 13.6 million) mainly consist of accruals in relation to employees' annual leave entitlements, overtime and bonus totaling CHF 7.2 million (prior year: CHF 8.2 million), outstanding trade payables, accrued income taxes of CHF 0.8 million (prior year: CHF 0.5 million) as well as the remaining costs of customer projects already billed, but for which final acceptance is still pending.

## 5.13 Shareholders' equity

### Share capital

The share capital as at 31 December 2015 amounts to CHF 1.7 million (prior year: CHF 1.7 million) and consists of 16,712,744 registered shares with a par value of CHF 0.10 per share.

As of 31 December 2015 there are three shareholders with investments of >5% in voting rights (Ammann Group Holding AG, Berne 41.6%; Mr. Rudolf Maag, Binningen, 14.1%; Veraison SICAV, Zürich, 10.0%). No other single shareholder holds 5% or more of the voting rights.

### Treasury shares

During 2015 the company sold 28,207 treasury shares (prior year: no shares) and acquired 8,600 treasury shares (prior year: no shares). At 31 December 2015 Mikron Holding AG, Biel owned 8,600 treasury shares (prior year: 28,207 shares).

### Reserves

The statutory or legal reserves which may not be distributed amount to CHF 0.9 million (prior year: CHF 0.9 million). In the year under review, foreign currency translation adjustments of CHF -0.9 million (prior year: CHF 1.6 million) on loans with equity character in foreign currencies (EUR, USD and SGD) were posted directly to shareholders' equity.

## 6. Other notes

### 6.1 Derivative financial instruments

For economically hedged future business transactions in foreign currencies, the Group uses financial instruments. As at the balance sheet date, the Group held the following forward exchange contracts:

CHF 1,000	Replacement value		Contract equivalent	Contract equivalent by due date			
	positive	negative		0–3 months	3–12 months	1–5 years	over 5 years
Balance at 31.12.2014	0	121	11,395	5,715	5,680	0	0
<b>Balance at 31.12.2015</b>	<b>0</b>	<b>189</b>	<b>11,382</b>	<b>4,594</b>	<b>6,788</b>	<b>0</b>	<b>0</b>

All are denominated in euros or US Dollars.

The replacement values are disclosed as financial assets (Note 5.1) or short-term financial liabilities (Note 5.10).

### 6.2 Assets pledged as security for liabilities

CHF 1,000	31.12.2015	31.12.2014
Real estate (including investment property) pledged as security for liabilities	65,389	57,962
Collateral securities - nominal	97,038	88,745
Loans and mortgages utilized	19,723	13,870
Other assets pledged as security for liabilities	55,533	44,558
Utilized by finance leases (machinery, licenses)	3,048	757

As part of the financing arrangements, the existing borrower notes were deposited as collateral for the mortgages on the investment property and one production facility in Switzerland.

The credit limits made available by the bank consortium were secured by assigning the properties used for operational purposes, along with part of the credit balances held in bank accounts, current financial assets and part of the Mikron Group's receivables.

In addition, machines and licenses acquired under the terms of leasing agreements were pledged.

**6.3 Off-balance sheet lease commitments**

CHF 1,000	31.12.2015	31.12.2014
<b>Off-balance sheet lease commitments, payable</b>		
- not later than 1 year	3,127	3,538
- later than 1 year but not later than 3 years	4,763	4,769
- later than 3 years but not later than 5 years	3,190	2,784
- later than 5 years	185	2,091
<b>Total off-balance sheet lease commitments</b>	<b>11,265</b>	<b>13,182</b>

The future lease payments are mainly related to non-cancelable operating leases for office and production facilities and office equipment. The leases have varying terms and renewal rights.

**6.4 Goodwill offset against shareholders' capital**

CHF 1,000	2015	2014
<b>At cost</b>		
<b>Balance at 1 January</b>	<b>1,567</b>	<b>1,567</b>
<b>Balance at 31 December</b>	<b>1,567</b>	<b>1,567</b>
<b>Accumulated amortization</b>		
<b>Balance at 1 January</b>	<b>-1,150</b>	<b>-958</b>
Amortizations	-192	-192
<b>Balance at 31 December</b>	<b>-1,342</b>	<b>-1,150</b>
<b>Theoretical value 31 December</b>	<b>225</b>	<b>417</b>

The Goodwill results from the acquisition of IMA Automation Berlin GmbH (now: Mikron Berlin GmbH) on 1 March 2012. The disclosure is based on a straight line depreciation of 5 years.

The impact of a theoretical capitalization of Goodwill on the income statement and balance sheet is presented in the following tables:

CHF 1,000	2015	2014
Profit	922	2,226
Amortization Goodwill	-192	-192
<b>Theoretical profit</b>	<b>730</b>	<b>2,034</b>

CHF 1,000	31.12.2015	31.12.2014
Shareholders' equity	154,571	155,302
Theoretical value Goodwill	225	417
<b>Theoretical shareholders' equity</b>	<b>154,796</b>	<b>155,719</b>

## 6.5 Related party transactions

The transactions with related parties and companies consist of commercial business transactions conducted at standard market conditions. These mainly concern relationships with a small number of customers and suppliers.

CHF 1,000	2015	2014
Other operating expenses	-6	-149

CHF 1,000	31.12.2015	31.12.2014
Accounts payable	-5	0
Other current liabilities and accrued expenses	-77	-84

The Mikron pension fund owns no shares (prior year: no shares) of Mikron Holding AG.

## 7. Information by segment

### 7.1 Information by business segment

CHF 1,000	Machining		Automation		Corporate / Eliminations		Total Group	
	2015	2014	2015	2014	2015	2014	2015	2014
Net sales - third party	113,587	123,050	114,766	126,788	235	-704	228,588	249,134
Net sales - Group	243	702	113	43	-356	-745	0	0
<b>Total net sales</b>	<b>113,830</b>	<b>123,752</b>	<b>114,879</b>	<b>126,831</b>	<b>-121</b>	<b>-1,449</b>	<b>228,588</b>	<b>249,134</b>
<b>Operating result</b>	<b>-4,298</b>	<b>-643</b>	<b>4,325</b>	<b>2,748</b>	<b>1,027</b>	<b>548</b>	<b>1,054</b>	<b>2,653</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>-4,298</b>	<b>-643</b>	<b>4,325</b>	<b>2,748</b>	<b>2,444</b>	<b>2,491</b>	<b>2,471</b>	<b>4,596</b>

CHF 1,000	Machining		Automation		Corporate / Eliminations		Total Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Assets excluding cash and cash equivalents and current financial assets	109,192	115,890	70,468	58,155	15,373	20,995	195,033	195,040
Cash and cash equivalents	1,335	4,367	5,229	5,898	27,673	16,027	34,237	26,292
Current financial assets	0	0	0	0	14,603	15,922	14,603	15,922
<b>Total assets</b>	<b>110,527</b>	<b>120,257</b>	<b>75,697</b>	<b>64,053</b>	<b>57,649</b>	<b>52,944</b>	<b>243,873</b>	<b>237,254</b>

## 7.2 Information by geographical segment

CHF 1,000	Net sales	
	2015	2014
Switzerland	19,493	23,790
Europe	139,436	133,348
North America	42,729	62,328
Asia/Pacific	22,544	27,467
Others	4,386	2,201
<b>Total net sales</b>	<b>228,588</b>	<b>249,134</b>

## 8. Net earnings per share

### 8.1 Weighted average number of shares

Number	2015	2014
Issued shares at 1 January	16,712,744	16,712,744
Issued shares at 31 December	16,712,744	16,712,744
thereof treasury shares	-8,600	-28,207
Adjusted for weighted average	-2,282	0
<b>Weighted average number of shares – basic</b>	<b>16,701,862</b>	<b>16,684,537</b>
Effect of dilution	0	0
<b>Weighted average number of shares – diluted</b>	<b>16,701,862</b>	<b>16,684,537</b>

### 8.2 Computation of earnings per share

CHF 1,000, except for per share information	2015	2014
Net earnings from continued operations	922	2,226
Weighted average number of shares – basic	16,701,862	16,712,744
<b>Net earnings per share from continued operations – undiluted</b>	<b>0.06</b>	<b>0.13</b>
Weighted average number of shares – diluted	16,701,862	16,684,537
<b>Net earnings per share from continued operations – diluted</b>	<b>0.06</b>	<b>0.13</b>





# Report of the Statutory Auditor



Report of the statutory auditor  
to the general meeting of  
Mikron Holding AG  
Biel

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Mikron Holding AG, which comprise the income statement, balance sheet, statement of shareholders' equity, statement of cash flow and notes (pages 82 to 107 and 122) for the year ended 31 December 2015.

### Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis  
Audit expert  
Auditor in charge

Bernhard Bichsel  
Audit expert

Bern, 7 March 2016

PricewaterhouseCoopers Ltd, Bahnhofplatz 10, Postfach, 3001 Bern  
Telephone: +41 58 792 75 00, Facsimile: +41 58 792 75 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

## 5-Year Financial Summary

CHF million, except productivity and number of employees	2015		2014		2013		2012		2011	
<b>Key performance data</b>										
Order intake	264.6		244.8		246.4		236.3		225.0	
Net sales	228.6		249.1		241.1		235.3		210.9	
Order backlog	142.9		117.4		122.4		109.5		95.9	
Operating output	232.0		256.9		247.7		237.4		212.0	
Productivity (added value/personnel expenses)	1.37		1.37		1.40		1.46		1.48	
Research and development	5.7		5.8		4.6		5.2		6.1	
Number of employees (end of year)	1,181		1,162		1,109		1,093		972	
Investments incl. acquisitions of subsidiaries – net	16.7		9.8		5.0		11.3		11.5	
<b>Earnings</b>										
Earnings before interest, taxes, depreciation, amortizations and impairments (EBITDA), as % of net sales	10.0	4.4%	12.0	4.8%	15.2	6.3%	19.8	8.4%	17.9	8.5%
Earnings before interest and taxes (EBIT), as % of net sales	2.5	1.1%	4.6	1.8%	5.2	2.2%	11.2	4.8%	9.4	4.5%
Operating result, as % of net sales	1.1	0.5%	2.7	1.1%	3.0	1.2%	9.1	3.9%	7.4	3.5%
Ordinary result, as % of net sales	-0.1	-0.0%	1.0	0.4%	1.3	0.5%	8.3	3.5%	6.1	2.9%
Profit for the year, as % of net sales	0.9	0.4%	2.2	0.9%	2.4	1.0%	8.5	3.6%	7.1	3.4%
<b>Cash flow</b>										
Cash flow from operating activities (incl. changes in net working capital), as % of net sales	15.5	6.8%	6.7	2.7%	10.6	4.4%	9.8	4.2%	8.0	3.8%
Operational free cash flow (prior to acquisitions and changes in current financial assets)	2.3		-2.6		5.2		0.6		-2.9	
<b>Balance sheet</b>										
Balance sheet total	243.9		237.3		232.1		231.1		219.1	
Current assets	151.5		154.4		152.8		146.1		136.7	
Non-current assets	92.4		82.9		79.3		85.0		82.4	
Current liabilities	63.4		62.7		61.1		60.5		53.2	
Long-term liabilities	25.9		19.2		17.6		17.6		17.7	
Shareholders' equity, as % of balance sheet total	154.6	63.4%	155.3	65.5%	153.5	66.1%	153.0	66.2%	148.2	67.6%

# Information on Share Capital

	2015	2014	2013	2012	2011
<b>Number of shares <sup>1)</sup></b>					
Registered shares	16,712,744	16,712,744	16,712,744	16,712,744	16,712,744
<b>Total</b>	<b>16,712,744</b>	<b>16,712,744</b>	<b>16,712,744</b>	<b>16,712,744</b>	<b>16,712,744</b>
<b>Key figures per share in CHF <sup>2)</sup></b>					
Profit	0.06	0.13	0.14	0.51	0.43
Cash flow from operating activities	0.93	0.40	0.63	0.58	0.48
Shareholders' equity	9.25	9.29	9.18	9.16	8.87
Distribution to shareholders	0.05	0.10	0.15	0.12	0.00
<b>Share price SIX Swiss Exchange</b>					
At 31 December	5.93	7.05	6.20	5.03	5.30
High/low during business year	7.72–5.19	9.90–6.26	6.31–5.07	6.99–5.00	10.90–5.00

1) All shares are entitled to dividends/distributions.

2) Based on the average number of outstanding shares.

## Trading volume (daily average)

In the 2015 fiscal year the average daily trade volume was 9,460 shares (prior year: 11,321 shares).



# Mikron Holding Financial Report 2015

- 114** Financial Statements 2015 of Mikron Holding AG
- 116** Notes to the Financial Statements 2015 of Mikron Holding AG
- 120** Appropriation of Retained Earnings
- 121** Report of the Statutory Auditor on the Financial Statements
- 122** Investments Mikron Holding AG

# Financial Statements 2015 of Mikron Holding AG

## Profit and loss statement

CHF 1,000	Note	2015	2014
Services and other income		3,030	3,369
Other operating expenses		-2,323	-2,294
<b>Earnings before interest and taxes</b>		<b>707</b>	<b>1,075</b>
Dividend income	2	6,844	2,700
Income from revaluation of investments and loans	2	6,810	4,859
Other financial income	3	2,422	5,239
<b>Total financial income</b>		<b>16,076</b>	<b>12,798</b>
Expenses from revaluation of investments and loans	2	-37,895	-6,920
Other financial expenses	3	-3,267	-2,971
<b>Total financial expenses</b>		<b>-41,162</b>	<b>-9,891</b>
<b>Loss/profit for the year</b>		<b>-24,379</b>	<b>3,982</b>

## Balance sheet

CHF 1,000	Note	31.12.2015	31.12.2014
<b>Current assets</b>			
Cash and cash equivalents and short-term investments with a quoted market price		41,882	31,666
Short-term interest-bearing receivables		11,899	19,535
<i>Due from Group companies</i>		11,899	19,535
Other current receivables		911	805
<i>Due from third parties</i>		145	132
<i>Due from Group companies</i>		766	673
Accrued income and prepaid expenses		429	209
<b>Total current assets</b>		<b>55,121</b>	<b>52,215</b>
<b>Non-current assets</b>			
Investments	2, 4	43,163	70,610
Financial assets		53,872	52,996
<i>Loans to Group companies</i>	2, 5	53,872	52,996
<b>Total non-current assets</b>		<b>97,035</b>	<b>123,606</b>
<b>Total assets</b>		<b>152,156</b>	<b>175,821</b>
<b>Current liabilities</b>			
Short-term interest-bearing liabilities		5,762	15,107
<i>Due to Group companies</i>		5,762	15,107
Other short-term liabilities		711	386
<i>Due to third parties</i>		292	204
<i>Due to Group companies</i>		419	182
Accrued expenses and deferred income		457	313
Short-term provisions		162	0
<b>Total current liabilities</b>		<b>7,092</b>	<b>15,806</b>
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities		12,936	2,614
<i>Due to Group companies</i>		12,936	2,614
Long-term provisions		0	180
<b>Total long-term liabilities</b>		<b>12,936</b>	<b>2,794</b>
<b>Total liabilities</b>		<b>20,028</b>	<b>18,600</b>
<b>Shareholders' equity</b>			
Share capital		1,671	1,671
Legal reserves		101,663	102,649
<i>Reserves from capital contribution</i>		101,663	102,649
Profit carried forward		53,225	49,071
Loss/profit for the year		-24,379	3,982
Treasury shares		-52	-152
<b>Total shareholders' equity</b>	6	<b>132,128</b>	<b>157,221</b>
<b>Total liabilities and shareholders' equity</b>		<b>152,156</b>	<b>175,821</b>

# Notes to the Financial Statements 2015 of Mikron Holding AG

## 1. Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Due to the first time application of these articles for the 2015 financial statement, the structure of the Income Statement and the Balance Sheet have been adjusted and the prior year has been reclassified accordingly. Significant financial statement items are accounted for as follows:

### Recognition of revenue

Revenues comprise all proceeds from services rendered by Mikron Holding AG. These revenues are recognized if the amount of revenue can be reliably measured and it is sufficiently probable that the economic benefits will flow to Mikron Holding AG.

### Services and other income

The services and other income materially only include a fee charged to Group companies for the use of the Mikron trademark.

### Other operating expenses

The other operating expenses include the costs for the administration of the Group, costs for maintenance of the trademarks and their protection as well as the compensation of the Board of Directors.

### Cash and cash equivalents and short-term investments with a quoted market price

Cash and cash equivalents are valued at their nominal value. Excessive cash is partially invested in marketable securities that are valued at market value.

### Loans to and loans from Group companies

Loans to and loans from Group companies are valued at their nominal value. For entities with negative equity as per the valuation of the investment a provision in the same extent is recognized on their respective loan. The maturity of the loans is evaluated annually based on the expected cash-flows of the individual companies. Maturity of third party financing contracts in the individual Group companies are being taken into consideration.

### Investments

Investments comprise exclusively of the investment in Group companies and are reported at cost less any accumulated depreciations and impairments. The valuation of shareholdings is based on the individual financial statements of the subsidiary companies established in accordance with Swiss GAAP FER. For entities with negative equity a provision in the same extent is recognized on their respective long-term loan.

### Foreign currencies

Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:

Currency	Average rate 2015	Closing rate 31.12.2015
1 EUR	1.0630	1.0817
1 USD	0.9602	0.9893
1 SGD	0.6984	0.7037



The exchange rates used for balance sheet items are the rates prevailing on 31 December; the exchange rates used for transactions conducted during the course of the year and for items in the profit and loss statement are set on a monthly basis. As an indication the un-weighted average rates for the 2015 financial year are disclosed.

## 2. Financial income and expenses from investments and revaluation of loans

CHF 1,000	2015	2014
Dividend income	6,844	2,700
Revaluation of investments and loans	6,810	4,859
<b>Total financial income from investments and loans</b>	<b>13,654</b>	<b>7,559</b>
Revaluation from dividend	-6,844	-2,700
Revaluation from change in Swiss Code of Obligation (individual valuation of assets)	-19,295	0
Revaluation of investments and loans	-11,756	-4,220
<b>Total financial expenses from investments and loans</b>	<b>-37,895</b>	<b>-6,920</b>
<b>Net financial expenses/income from investments and revaluation of loans</b>	<b>-24,241</b>	<b>639</b>

## 3. Other financial income and expenses

CHF 1,000	2015	2014
Interest income from Group companies	1,394	1,642
Interest income third	456	462
Foreign exchange gains	291	2,837
Other financial income	281	298
<b>Total other financial income</b>	<b>2,422</b>	<b>5,239</b>
Interest expense to Group companies	-14	-3
Foreign exchange losses	-2,172	-2,139
Other financial expenses	-1,081	-829
<b>Total other financial expenses</b>	<b>-3,267</b>	<b>-2,971</b>
<b>Net other financial expenses/income</b>	<b>-845</b>	<b>2,268</b>

## 4. Equity participations

Please refer to page 122.

## 5. Subordinated loan

Loans to Group companies include subordinated loans amounting to CHF 13.9 million (prior year: CHF 8.1 million)

## 6. Statement of shareholders' equity

CHF 1,000	Share capital	Reserves from capital contribution	Treasury shares	Profit carried forward	Shareholders' equity
<b>Balance at 31.12.2013</b>	<b>1,671</b>	<b>104,166</b>	<b>-152</b>	<b>49,223</b>	<b>154,908</b>
Profit 2014				3,982	3,982
Distribution to shareholders		-1,669			-1,669
<b>Balance at 31.12.2014</b>	<b>1,671</b>	<b>102,497</b>	<b>-152</b>	<b>53,205</b>	<b>157,221</b>
Loss 2015				-24,379	-24,379
Proceeds/payments for change in treasury shares			100	20	120
Distribution to shareholders		-834			-834
<b>Balance at 31.12.2015</b>	<b>1,671</b>	<b>101,663</b>	<b>-52</b>	<b>28,846</b>	<b>132,128</b>

During 2015 the company acquired 8,600 (prior year: no shares) and sold 28,207 treasury shares (prior year: no shares). At 31 December 2015 Mikron Holding AG, Biel owned 8,600 treasury shares (prior year: 28,207 shares).

## 7. Significant shareholders and their investment

As of 31 December 2015 there are three shareholders with investments of >5% in voting rights (Ammann Group Holding AG, Berne 41.6%; Mr. Rudolf Maag, Binningen, 14.1%; Veraison SICAV, Zürich, 10.0%). No other single shareholder holds 5% or more of the voting rights. The Ammann Group Holding AG is represented on the Board of Directors by Mr. Kilchmann.

## 8. Shares held by members of the Board of Directors and the Group Management

	31.12.2015		31.12.2014	
	Number of shares	Voting power	Number of shares	Voting power
<b>Board of Directors</b>				
H. Spoerry	13,675	0.08%	13,675	0.08%
E. Rikli	21,500	0.13%	21,500	0.13%
<b>Group Management</b>				
B. Cathomen	25,580	0.15%	25,580	0.15%
R. Rihs	37,000	0.22%	32,000	0.19%
M. Blom	18,000	0.11%	15,000	0.09%

## 9. Debt guarantees, guarantee obligations and liens in favor of third parties

### Collateral for third-party liabilities

CHF 1,000	31.12.2015	31.12.2014
Guarantees in favor of bank syndicate	132,180	155,216
Guarantees for Group companies	12,266	9,951

### Assets used to secure own liabilities and assets under reservation of ownership

CHF 1,000	31.12.2015	31.12.2014
Assets pledged as securities for liabilities	42,793	32,491

## 10. Number of employees

The number of full-time equivalents did not exceed 50 on an annual average basis.

## Proposed appropriation of retained earnings and reserves from capital contribution

### Retained earnings

CHF 1,000	2015	2014
Profit carried forward at the beginning of the period	53,205	49,223
Excess proceeds from sale of treasury shares	20	0
Loss/profit for the year	-24,379	3,982
<b>Profit carried forward available to the General Meeting</b>	<b>28,846</b>	<b>53,205</b>

The Board of Directors proposes to the Annual General Meeting of Shareholders that the profit carried forward of CHF 28.8 million for the year ended 31 December 2015 be appropriated as follows:

CHF 1,000	2015 Motion of the Board of Directors	2014 Resolution of the General Meeting
Profit carried forward available to the General Meeting	28,846	53,205
<b>Carried forward</b>	<b>28,846</b>	<b>53,205</b>

### Reserves from capital contribution

The Board of Directors also proposes to the Annual General Meeting that a portion of the reserves from capital contribution be allocated as follows:

CHF 1,000	2015 Motion of the Board of Directors	2014 Resolution of the General Meeting
Reserves from capital contribution	101,815	102,649
Allocation to voluntary retained earnings and distribution to shareholders	-836	-834
<b>Carried forward</b>	<b>100,977</b>	<b>101,815</b>

# Report of the Statutory Auditor



Report of the statutory auditor  
to the general meeting of  
Mikron Holding AG  
Biel

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Mikron Holding AG, which comprise the income statement, balance sheet and notes (pages 114 to 119 and 122) for the year ended 31 December 2015.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis  
Audit expert  
Auditor in charge

Bernhard Bichsel  
Audit expert

Bern, 7 March 2016

.....  
PricewaterhouseCoopers Ltd, Bahnhofplatz 10, Postfach, 3001 Bern  
Telephone: +41 58 792 75 00, Facsimile: +41 58 792 75 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

# Group Companies / Investments Mikron Holding AG

Local currency 1,000	Activity	Currency	Share capital	Shareholding direct	Shareholding indirect
<b>Switzerland</b>					
Mikron Holding AG, Biel	1	CHF	1,671		
Mikron Management AG, Langenthal	1	CHF	12,000	100%	
Mikron SA Agno, Agno	2,3	CHF	13,500	100%	
Mikron SA Boudry, Boudry	2,3	CHF	2,000	100%	
Mikron Tool SA Agno, Agno	2,3	CHF	300	100%	
<b>Germany</b>					
Mikron GmbH Rottweil, Rottweil	2,3	EUR	383	100%	
Mikron Berlin GmbH, Berlin	2,3	EUR	515	100%	
<b>Singapore</b>					
Mikron Singapore Pte. Ltd., Singapore	2,3	SGD	6,781	100%	
<b>P.R. China</b>					
Mikron Shanghai Ltd., Shanghai	2,3	CNY	9,926		100%
<b>USA</b>					
Mikron Corp. Denver, Aurora, Englewood	2,3	USD	10		100%
Mikron Corp. Monroe, Monroe	1,3	USD	3,500	100%	

**Activity**

- 1 = Management/service
- 2 = Production/development
- 3 = Sales/service

Mikron Holding AG  
Mühlebrücke 2  
CH-2502 Biel  
Tel. +41 32 321 72 00  
Fax +41 32 321 72 01  
ir.mma@mikron.com

Published in English

Publisher: Mikron Holding AG, Biel  
Concept, copy and design: Zoebeli Communications AG, Bern

Text control: bmp translations ag, Basel  
Photography: Reto Andreoli, Bern; Croci & du Fresne, Worblaufen;  
Gettyimages  
Illustrations: Bruno Muff, Lucerne  
Printing: Ast & Fischer AG, Wabern

March 2016, © Copyright Mikron Holding AG

Mikron®, CrazyDrill™, CrazyMill™, CrazyReamer™, Dico™, Flexcell™, Flexifactor™, G05™, IDEO™, IMPI™, MiquDrill™, Mikron EcoLine™, Mikron EcoPal™, Mikron NRG-50™, Mikron Polyfeed™, Mikron Tool™, Multifactor™, Multifast™, Multistar™, Multistep™, Polyfactor™, Polyline™, Stepcam™ are trademarks of Mikron Holding AG, Biel (Switzerland).

