



Annual Report **2013**

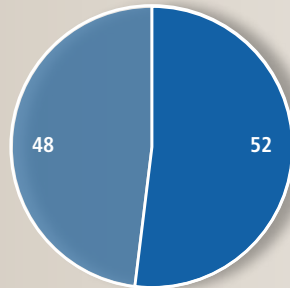
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Sales by segment in %

Total CHF 241.1 million

- Machining
- Automation

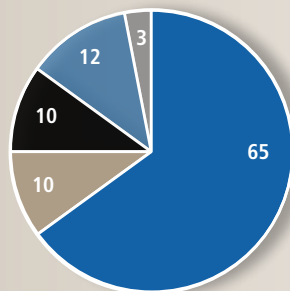


Mikron Group

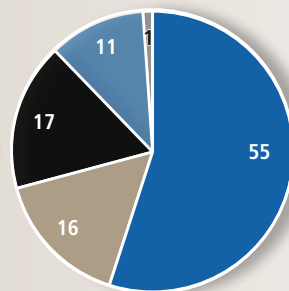
Sales by region in %

Total CHF 241.1 million

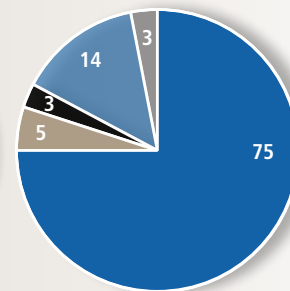
- Europe
- Switzerland
- Asia/Pacific, India
- North America
- Other markets



Mikron Group



Machining

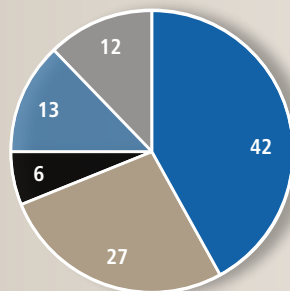


Automation

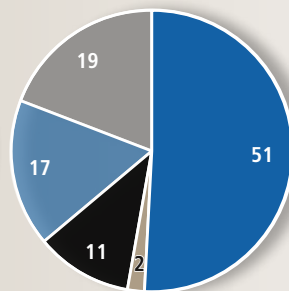
Sales by industry in %

Total CHF 241.1 million

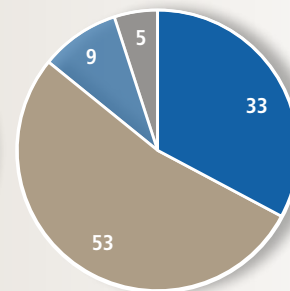
- Automotive
- Pharma/Medical Devices
- Writing
- Consumer Goods
- Other



Mikron Group



Machining

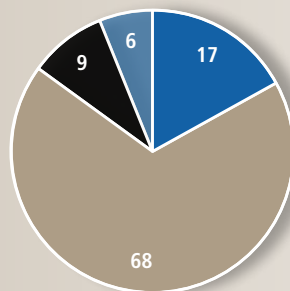


Automation

Employees by region in %

Total 1,109

- Europe
- Switzerland
- Asia/Pacific, India
- North America



Mikron Group

Mikron

Key Figures 2013

in CHF million, except productivity and number of employees

	2013		2012		+/-
Key performance data					
Order intake	246.4		236.3		10.1 4.3%
Machining	125.8		123.6		2.2 1.8%
Automation	121.8		113.0		8.8 7.8%
Net sales	241.1		235.3		5.8 2.5%
Machining	125.2		134.3		-9.1 -6.8%
Automation	116.8		101.2		15.6 15.4%
Order backlog	122.4		109.5		12.9 11.8%
Machining	57.6		51.2		6.4 12.5%
Automation	65.1		58.3		6.8 11.7%
Operating output	247.7		237.4		10.3 4.3%
Productivity (added value/personnel expenses)	1.40		1.46		-0.06 -4.1%
Research and development	4.6		5.2		-0.6 -11.5%
Number of employees (end of year)	1,109		1,093		16 1.5%
Machining	534		535		-1 -0.2%
Automation	572		554		18 3.2%
Earnings					
Earnings before interest, taxes, depreciation, amortizations and impairments (EBITDA), as % of net sales	15.2	6.3%	19.8	8.4%	-4.6 -23.2%
Earnings before interest and taxes (EBIT), as % of net sales	5.2	2.2%	11.2	4.8%	-6.0 -53.6%
Machining	6.2	5.0%	9.9	7.4%	-3.7 -37.4%
Automation	-4.6	-3.9%	-1.6	-1.6%	-3.0 n.a.
Operating result, as % of net sales	3.0	1.2%	9.1	3.9%	-6.1 -67.0%
Profit for the year, as % of net sales	2.4	1.0%	8.5	3.6%	-6.1 -71.8%
Cash flow					
Cash flow from operating activities (incl. changes in net working capital), as % of net sales	10.6	4.4%	9.8	4.2%	0.8 8.2%
Balance sheet					
Balance sheet total	232.1		231.1		1.0 0.4%
Current assets	152.8		146.1		6.7 4.6%
Cash and current financial assets	46.4		44.3		2.1 4.7%
Non-current assets	79.3		85.0		-5.7 -6.7%
Current liabilities	61.1		60.5		0.6 1.0%
Long-term liabilities	17.6		17.6		0.0 0.0%
Shareholders' equity, as % of total assets	153.5	66.1%	153.0	66.2%	0.5 0.3%

Report by the Chairman of the Board of Directors and the CEO

Dear Shareholders,

In 2013, a year characterized by a volatile environment and very different developments in the individual sales markets, the Mikron Group succeeded in increasing both sales and order intake slightly. Over the year as a whole, the order backlog rose by 12%. However, with EBIT of CHF 5.2 million (2.2% of sales), the Group fell well short of its earnings target.

In the first half of the year in particular, robust demand from the medical devices and pharmaceutical industries stood in stark contrast to a sharp decline in orders from the automotive industry. In the latter market segment, the Mikron Group reported positive stimuli only in the US in the second half of the year. Accordingly, the development of the two business segments was very different: Whereas the Machining segment, in which the automotive industry accounts for half of all business, was confronted with declining demand and falling order intake until the middle of the year, the Automation segment was able to increase order volumes significantly thanks to its strong position in the medical devices and pharmaceutical industries.

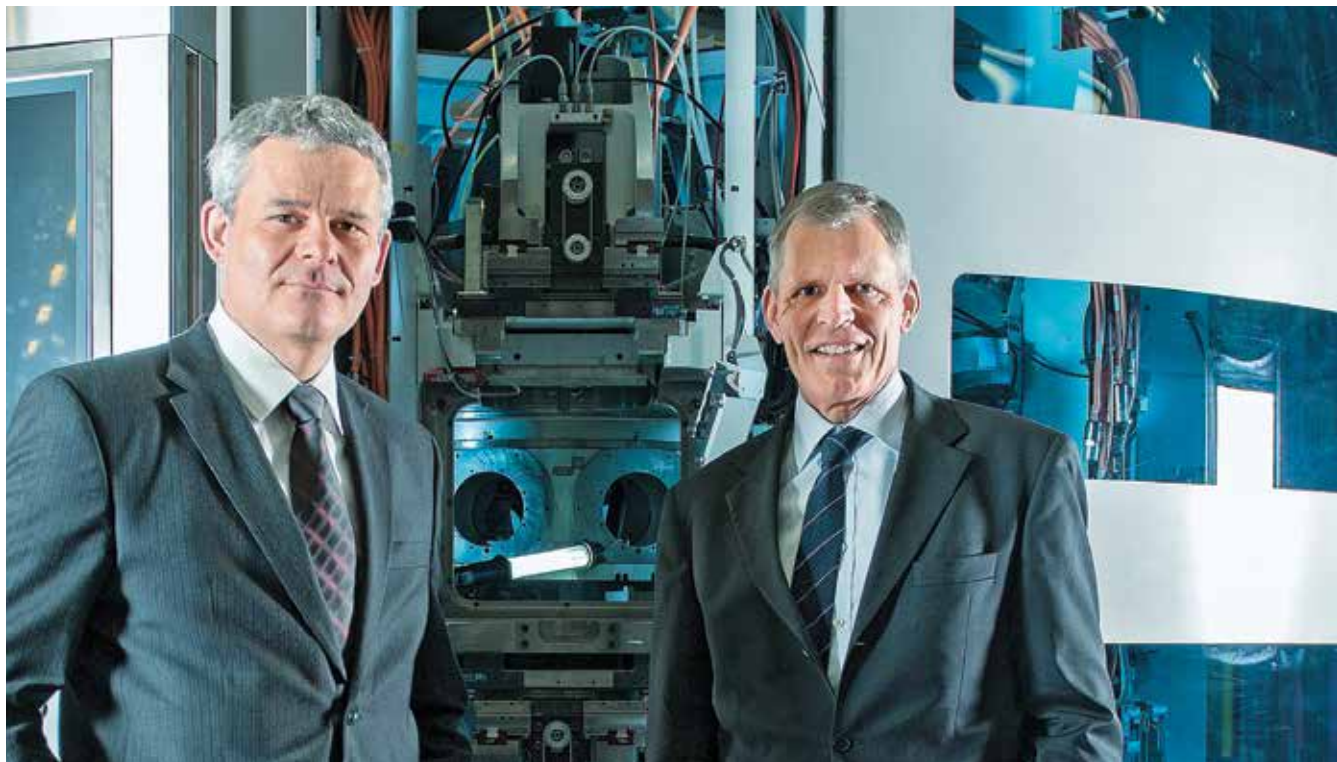
We are not satisfied with the profitability of the Mikron Group in 2013. In the Machining business segment, EBIT fell to CHF 6.2 million (prior year: CHF 9.9 million), while in the Automation business segment we recorded a decline to a disappointing CHF -4.6 million (prior year: CHF -1.6 million). At Mikron Automation, earnings were impacted by a non-recurring impairment on patents of CHF 2.3 million, the very narrow margins on a number of projects from 2012 that were coming to an end and considerable extraordinary costs for an extensive project on behalf of a new customer from the automotive industry. At Mikron Machining, low third-quarter capacity utilization had a negative impact on earnings that were at least respectable in a peer comparison.

The organizational measures and process adjustments at Mikron Automation, which have been initiated and in some cases fully implemented, the streamlining of technical platforms, and intensified training of our employees should enable the Mikron Group to establish a decent level of profitability in the future.

All around the world, Mikron is a byword for innovative, highly productive and ultra-precise machining and automation solutions. In the year under review, the Machining business segment attended the leading European trade fair for the metalworking industry, the EMO in Hanover, where

The Automation segment was able to increase order volumes significantly thanks to its strong position in the medical devices and pharmaceutical industries.

Several measures which have been initiated and in some cases fully implemented should enable the Mikron Group to establish a decent level of profitability in the future.



Bruno Cathomen, Chief Executive Officer

Heinrich Spoerry, Chairman of the Board of Directors

an interested audience was able to witness at first hand the new Mikron NRG Plus rotary transfer machine, which is able to process highly complex workpieces. Another highlight for those visiting the fair was the CrazyMill Cool milling tool with its integrated through cooling capability, which sets new standards in the milling of materials that are difficult to machine. The Automation business segment developed its standard platforms further in the year under review, as well as adjusting them to new customer needs. Thanks to validation of the second EcoLine generation by the FDA (product licensing by the US Food and Drug Administration), Mikron Automation was able to tap into new markets in the US.

All around the world, Mikron is a byword for innovative, highly productive and ultra-precise machining and automation solutions.

“Creating value with passion for precision”. The slogan of the Mikron Group implies that we want to create added value for our customers while at the same time generating an appropriate level of profitability. Furthermore, it also expresses the importance we attach to precision in our work. Our actions should also be sustainable. We want to meet our environmental responsibilities and continuously develop and train our employees. For the first time this year, we have incorporated a Sustainability Report into our Annual Report (see page 37 onwards). In this report, we are guided by the principles of the Global Reporting Initiative.

Key figures

Order intake

The order intake of the Mikron Group was significantly higher in the second half of 2013 than it was in the first six months of the year. Overall, the Group increased its order intake to CHF 246.4 million (prior year: 236.3 million, +4%). In the medical devices and pharmaceutical industries, global demand held up well. By contrast, order volumes from the automotive industry developed sluggishly. The one ray of light in this respect was the resurgence in demand from the US automotive industry towards the end of the year. As expected, the order intake from the Swiss watchmaking industry mirrored the level of the prior year. Demand from China was disappointing for both business segments. Given these circumstances, the fact that the Machining business segment managed to increase its order intake by 2% should be viewed in a positive light. The same is true of the order intake of the Automation business segment, which rose by 8% in a year-on-year comparison. By contrast, the order intake from the photovoltaic market fell short of what were already modest expectations.

Mikron increased its order intake by 4% to CHF 246.4 million.

Net sales, capacity utilization and order backlog

The Mikron Group increased its annual sales by 2% to CHF 241.1 million (prior year: CHF 235.5 million). The Automation business segment increased sales by an impressive 15% to CHF 116.8 million (prior year: CHF 101.2 million). By contrast, following a difficult third quarter, the Machining business segment suffered a decline in sales of 7% to CHF 125.2 million (prior year: 134.3 million). As capacity utilization within the Group exhibited great disparities both in terms of geography and timing, our organization faced significant capacity management challenges in the year under review. Europe remains the dominant geographic market for Mikron, accounting for 75% of all sales. Both business segments benefited from the recovery of the US manufacturing sector in the second half of the year. Overall, the US accounted for 12% of Group sales in the year under review. In Asia, Mikron has laid the foundations for further growth by strengthening the service business of Mikron Machining, as well as through operating improvements in the two Asian factories of the Automation business segment. However, capacity utilization at these two production sites continued to suffer as a result of regional demand coming in below expectations.

Mikron increased its annual sales by 2% to CHF 241.1 million.

At CHF 122.4 million, the Mikron Group's order backlog at the end of 2013 was 12% higher than the corresponding prior-year figure of CHF 109.5 million.

Profitability

With an EBIT figure of CHF 5.2 million (2.2% of sales), Mikron Group fell well short of the prior-year result, as well as its own target. The key factors were extra costs incurred in connection with a comprehensive project in the Automation business segment, the insufficient capacity utilization of our production sites in Asia, and the lack of orders for Mikron Machining in the first half of the year. Another negative factor was a number of quality problems at isolated suppliers. As a result of the photovoltaic business developing less strongly than expected, Mikron Automation also had to book a non-recurring impairment on patents amounting to CHF 2.3 million. This led to an EBIT loss for the Automation business segment of CHF 4.6 million (prior year loss: CHF 1.6 million). The Machining business segment reported EBIT of CHF 6.2 million (prior year: CHF 9.9 million). This equates to an EBIT margin of 5.0%, which is respectable in view of the sharp decline in sales.

Net earnings

After factoring in the financial results and income taxes, Mikron's net earnings for 2013 amounted to CHF 2.4 million (prior year: CHF 8.5 million). On the basis of these significantly lower net earnings, the Board of Directors will be proposing to the Annual General Meeting a distribution from capital reserves of CHF 0.10 per share (prior year: CHF 0.15 per share).

Financing/equity ratio

The Mikron Group continues to be very robustly financed. This is in keeping with market uncertainties and the growth targets of the Group. The net cash position (cash and cash equivalents plus current financial assets less interest-bearing liabilities) as at December 31, 2013 amounted to CHF 32.3 million. Accordingly, Mikron remains essentially debt-free. Our equity ratio is a solid 66%.

Cash flow

Despite generating lower earnings, the Mikron Group reported operating free cash flow of CHF 5.2 million for 2013. Cash flow from operating activities proved sufficient to finance the Group's investments, which were channelled into production equipment and communication infrastructure in particular. Together with rental income from the investment property, this means that distributions from capital reserves as per the resolution of the 2013 Annual General Meeting were financed from the Group's own funds. The level of financial investments was scaled down in the year under review, which led to a net cash inflow of CHF 7.6 million.

Outlook

We are not expecting any fundamental changes to the economic environment of the Mikron Group in 2014. This is particularly true of European markets, as there is still no sign of any significant recovery in the markets of southern Europe. The outlook for the US remains positive. We are expecting a general market improvement in Asia, particularly in China. As a result of the healthy order backlog at the start of the year and the anticipated stable economic development when viewed in overall terms, we are expecting a further slight increase in sales in 2014 and a significant improvement in EBIT margin.

Thanks

We can look back on a challenging and extremely changeable year, in which we needed to demonstrate both flexibility and our readiness to act. Our successes in 2013 were achieved thanks to the untiring dedication of our staff, the confidence of our customers in our products and services, and the trust of our shareholders. To all these parties we express our warmest thanks.

Yours sincerely,

Heinrich Spoerry, Chairman of the Board of Directors
Bruno Cathomen, Chief Executive Officer

Mikron

The Mikron Group

The Mikron Group markets machining and automation solutions, enabling customers around the world to master their precision manufacturing processes. Rooted in a culture of Swiss innovation, Mikron is a leading supplier to the automotive, medical devices, pharmaceutical, consumer goods, writing instruments and watch-making industries.

The two divisions, 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 Mikron Group employs approximately 1,100 people who work to provide Mikron customers with an experience that reflects over 100 years of leadership in high-performance and high-precision production.

Mikron Holding AG is listed on SIX Swiss Exchange (MIKN).

Corporate Story | The Mikron Group's core business is enabling productivity and quality improvements for 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 improve its customers' competitiveness and profitability while creating added value with innovative solutions.

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.

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.

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.

Values

- **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.
- **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.
- **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.
- **Responsibility and role model function**
The Group honours 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.
- **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.
- **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.

Group Strategy | The Mikron Group helps customers to be market and business leaders by increasing industrial productivity and quality. Maintaining technology leadership, the Group aims to strengthen its presence in all key markets and defined niches. In so doing, Mikron also plans to invest in its service business and to grow the tools business.

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.

Risk Management | Mikron employs comprehensive risk management to ensure that the risks to which the Group is exposed are identified and assessed correctly, and that the appropriate risk monitoring and control measures are implemented efficiently. Further information on risk management is given in the Commentary of Group Management on the Financial Report 2013 of the Mikron Group and in the Notes to the Consolidated Financial Statements 2013 of the Mikron Group.

Mikron Automation

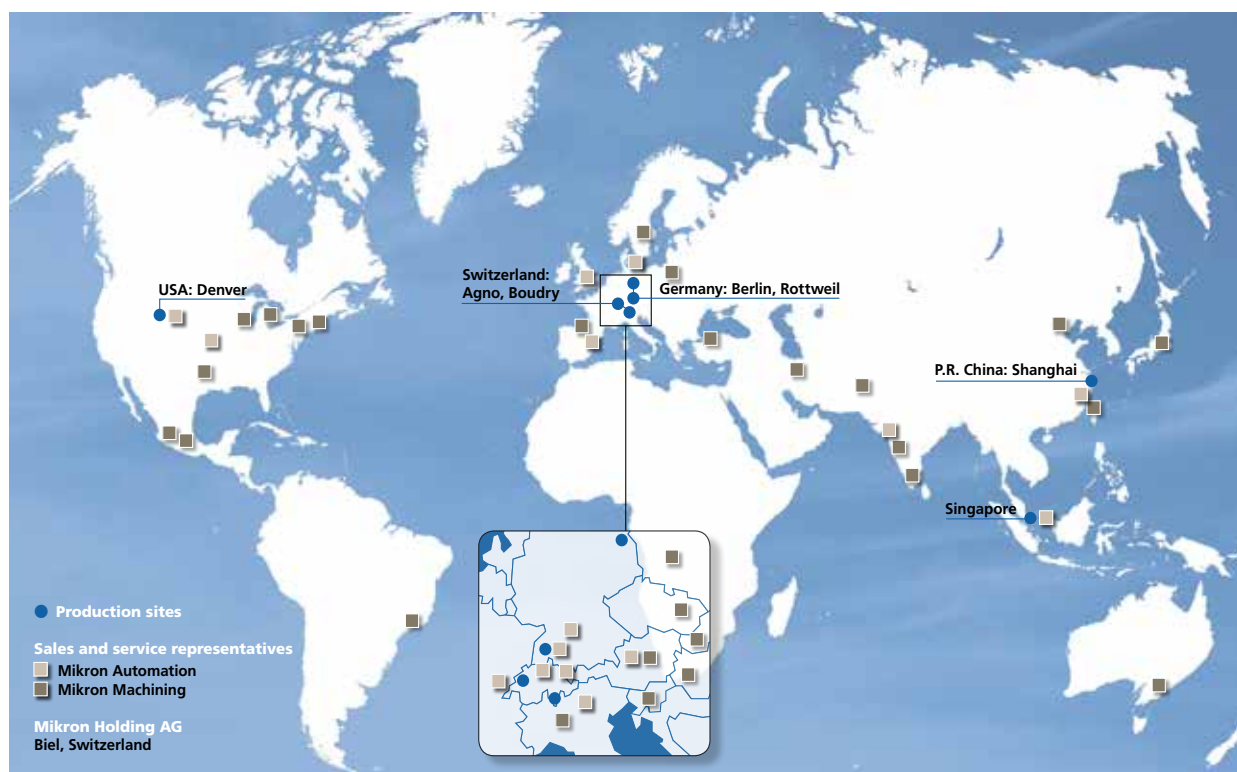
Mikron Automation is one of the world's leading manufacturers of customized, highly productive automation solutions for high-precision assembly and testing of products up to hand-size. The business segment operates primarily in the medical devices, pharmaceuticals, automotive and consumer goods industries.

- Engineering and production sites in Boudry (Switzerland, headquarters), Berlin (Germany), Denver (USA), Singapore and Shanghai (P.R. China)
- 570 employees
- Net sales: CHF 117 million in 2013
- Automation solutions for assembly and testing
- Services
- Nearly 40 years' experience
- More than 3,000 systems installed

Mikron Machining

Mikron Machining is the leading supplier of customized, highly productive machining solutions for the manufacturing of complex high-precision components made of metal and of high-performance cutting tools. Customers in the automotive, the writing instruments and the consumer goods and watchmaking industries account for the majority of the segment's net sales.

- Engineering and production sites in Agno (Switzerland, headquarters) and Rottweil (Germany) and a sales and service company in Monroe (USA)
- 530 employees
- Net sales: CHF 125 million in 2013
- Machining systems and solutions
- Cutting tools
- Services
- Over 100 years' experience
- More than 7,000 systems installed



Mikron

Highlights in 2013

January: Successful launch of the SAP Product Lifecycle Management (PLM) tool at Mikron Machining. This tool is another step forward in enhancing the management of the complex individual machining solutions at our customer's site. SAP PLM ensures that all relevant information is always available throughout the entire service life of a machine.

March: Mikron's product apps have undergone comprehensive development. All cutting tools including their sizes, cutting parameters and other useful information can now be looked up. Selected product videos are available on Mikron Tube (www.youtube.com/MikronGroup) – Mikron's own YouTube channel. A new app for investors provides access to all annual and semi-annual reports from recent years.

May: The Shareholders' Pooling Agreement of the group of investors that holds 70.3% of the voting rights in Mikron Holding AG, is extended for two years, i.e. until May 2015.

May: Mikron Machining presents the Mikron Multistar NX-24 at the China International Machine Tool Show (CIMT) in Beijing. The latest product developed by Mikron impresses with its outstanding productivity, comprehensive flexibility and notable precision. All axes of the Mikron Multistar NX-24 can be programmed individually. Therefore, the system has much shorter set-up times.

June: The Mikron website is available in seven languages: Chinese, English, French, German, Italian, Japanese and Spanish.

15 June: An apprentice multi-skilled mechanic from Mikron SA Agno saw off 1,100 competitors to win "Tool Champions 2013", a competition that honors the country's top milling machine operators.

July: Mikron Tool SA Agno announces the newly conceived small milling cutter CrazyMill Cool, which will be presented at EMO 2013 in Hanover as a world first. CrazyMill Cool sets new benchmarks for cutting speeds, feeds, performance, tool life and surface quality. Everything is new: the carbide, the geometry, the coating and the cooling through the shank, responsible for perfect cooling at the cutting edges and good chip evacuation out of the machining zone.

23 August: The Hong Kong Productivity Council (HKPC) and 23 Chinese managers visit Mikron SA in Agno as part of a study trip. The managers from different industrial companies learn how they can increase productivity and quality with Mikron's machining solutions. The HKPC is a nonprofit organization whose goal is to increase productivity and the competitiveness of industrial companies in Hong Kong.

September: Mikron Automation holds its Technology Days in Boudry. Customers from all over Europe have the chance to see a number of automation solutions in action, and many customers take the opportunity to talk to Mikron Automation's specialists and managers.

September: Mikron Machining presents the Mikron NRG Plus at EMO 2013 in Hanover. Since its market launch in 2005, Mikron Machining's rotary transfer machine concept has impressed with its flexibility, productivity and accuracy.

November: Production of the basic module for Mikron EcoLine is relocated from Singapore to Shanghai. Furthermore, the two sites are intensifying their collaboration and reciprocal support.

Mikron's All-round Expertise

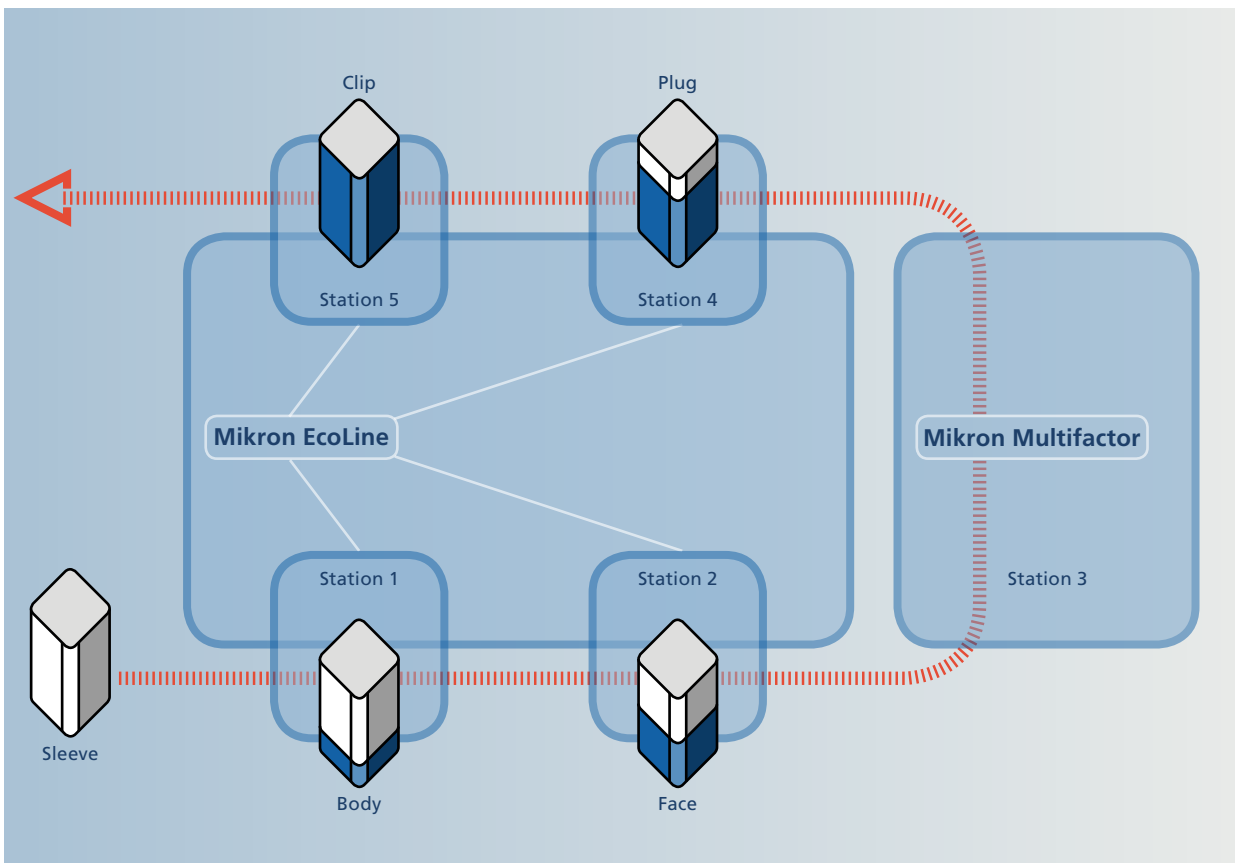
An unusual project highlights the full diversity of the Mikron Group. In 2013, employees from five Mikron sites implemented a combined machining and assembly solution for lock cylinder bodies for a US customer.

The collaboration between Mikron Automation and Mikron Machining offers potential for exceptional productivity gains. In the spring of 2013, a US customer took advantage of this potential. The company asked Mikron to produce an end-to-end solution for the production of cylinder bodies for door locks. To achieve this, it ordered a Mikron EcoLine assembly system and a Mikron Multifactor machining system simultaneously. The customer successfully commissioned the combined solution in the first quarter of 2014.

Synergies from five sites

Five Mikron sites worked together to create the combined solution: Agno, Boudry, Denver, Monroe and Singapore. Within Mikron Machining, the team in Agno produced, installed and tested the Multifactor rotary transfer machine, while the team in Monroe liaised with the customer. Their partners at Mikron Automation in Boudry developed a customized system component. The Denver team was responsible for project management, design engineering, assembly and commissioning, while Singapore produced the standard EcoLine modules and individual assembly units.

Employees from five sites worked together: from Agno, Boudry, Denver, Monroe and Singapore.





The team in Denver managed the project and installed the complete solution.

Mikron flexibility

The combined machining and assembly solution has a modular structure. This means that all the parts fed to the solution can vary in size, and customers can produce different product versions quickly and easily. It takes a matter of minutes to retool the system, making it ideal for changing batch sizes.

It takes a matter of minutes to retool the system.

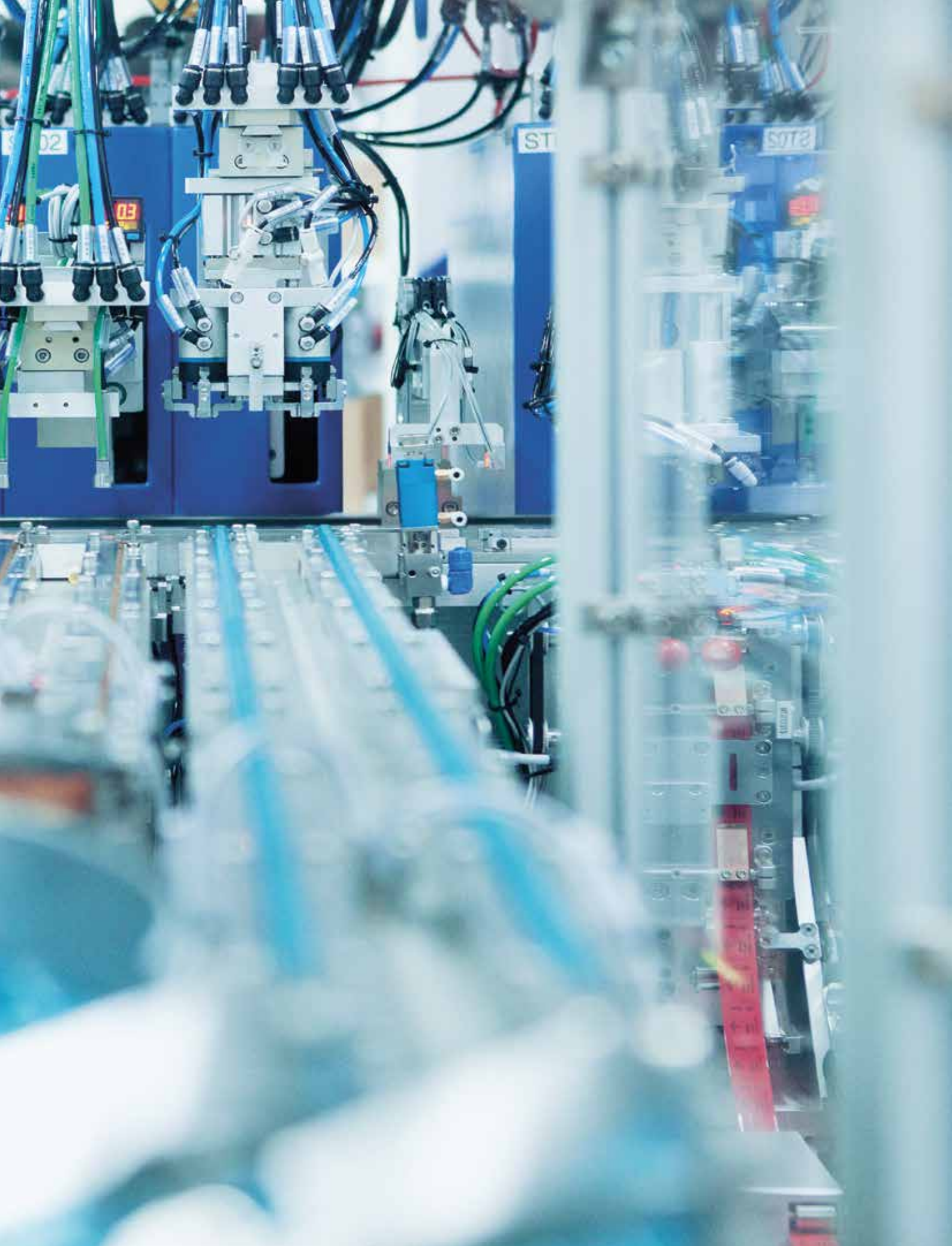
Two Mikron systems, one solution

The customer uses the combined machining and assembly solution to produce cylinder bodies for door locks. The complete solution comprises five stations in all (see illustration on page 14). Firstly the blank, a metal sleeve, is fed into the Mikron EcoLine. Station 1 inserts the sleeve into a body blank. Station 2 places a face on the body. Then comes Station 3: the Mikron Multifactor. This mills the body blank. From the Mikron Multifactor, the parts are returned to the Mikron EcoLine. Station 4 then inserts the plug and turns the body so that Station 5 can seal this with a clip. In just two and a half minutes, the sealed body leaves the system and goes to another machine for finishing.

Mikron Automation

The pictures on the following pages were taken at Mikron Automation in Singapore. Here, around 80 employees assemble automation solutions and provide services.









Mikron Automation

Environment, Markets, Technology, Strategic Projects

Economic environment | The business performance of Mikron Automation was driven by two developments in 2013: the strong increase in demand from the medical devices and pharmaceutical industries on the one hand, and the decline in demand from the automotive industry on the other.

Market segments and geographical markets | The medical devices and pharmaceutical industries are the most important market segments for Mikron Automation, followed by the automotive and consumer goods industries. The Automation business segment once again recorded a year-on-year increase in its order intake from Europe, as well as successfully expanded its leading position in the medical devices and pharmaceutical industries. The trend towards self-medication is leading to increased demand for sophisticated medical devices, which can be optimally manufactured with Mikron's highly productive automation solutions. Mikron Automation enjoyed particularly strong growth in this area in the United Kingdom and Ireland, which made this region the business segment's leading sales market in the year under review. By contrast, Mikron Automation could not avoid a decline in the order intake from the German automotive industry, a development that was felt by Mikron Berlin in particular. Whereas the business segment generated significantly more orders from France, demand from southern European countries remained at a low level. Where Switzerland is concerned, Mikron Automation succeeded in increasing order volumes to a good level compared with the previous year.

Mikron Automation once again recorded a year-on-year increase in its order intake from Europe, as well as successfully expanded its leading position in the medical devices and pharmaceutical industries.



Mikron Automation's management team; from left to right: Josef Neuenschwander, Félix Arrieta, Alex Wyss, Rolf Rihs, Mike Gunner, Stuart Wong, Andreas Nowak

The investment climate in the US proved strong throughout the year – both within and outside of the medical devices and pharmaceutical industries. Good references from existing US clients helped Mikron Automation to acquire new, strategically important customers with promising future potential. Overall, the business segment considerably increased its order intake from the US.

Good references from existing US clients helped Mikron Automation to acquire new, strategically important customers with promising future potential.

In Asia, Mikron Automation's expectations for 2013 were not fulfilled. Here the order intake lagged behind that of the previous year. Although regional interest in automation solutions has increased and Mikron Automation was able to expand its client base in the year under review, investment decisions in Asia generally proved hesitant, and a number of key repeat projects were postponed to 2014.

Technology | The business segment continued to develop its standard platforms further in the year under review. A particular focus was the upgrade and harmonization of electrical hardware and machine control systems, but mechanical components of all automation platforms were also perfected further in order to meet customer requirements. Moreover, in the year under review Mikron Automation succeeded in fundamentally improving its Mikron Polyfeed and Mikron Tray Handler feeding systems. Thanks to the new robot system, these flexible and highly versatile systems have become much more effective and robust than their predecessors (see report on page 25).

Mikron Automation succeeded in fundamentally improving its Mikron Polyfeed and Mikron Tray Handler feeding systems.

Strategic projects | At the Boudry site, Mikron Automation comprehensively restructured the management and organizational structure. At the same time, a number of new continuous improvement projects were launched in many areas with the aim of increasing both customer satisfaction and productivity. The ensuing distinct improvement in internal processes delivered the expected better results. In the Customer Service area, the business segment completed its range of services, which now cover the entire product lifecycle.

Under a new management team, Mikron Automation in Asia redefined the roles and missions of the Singapore and Shanghai locations. Furthermore, the business segment also invested in the CAD and PDM systems in these locations. Employees in Asia are now working with the same tools as their colleagues in Europe and the US. This promotes the exchange of expertise within the business segment while at the same time increasing the efficiency of work on multi-site projects. Moreover, in the year under review Mikron Automation transferred the production of

Mikron Automation transferred the production of standard modules for the Mikron EcoLine automation platform from Singapore to Shanghai.

Mikron Automation

Business Performance, Employees

standard modules for the Mikron EcoLine automation platform from Singapore to Shanghai.

Business performance | In Switzerland and the US, capacity utilization was very high throughout the year under review. This was attributable to the impressive order backlog at the beginning of the year and to pleasing development of the order intake over the whole year. The organizational adjustments and process optimizations at the Boudry site likewise contributed to efficiency improvements. At the Denver site too, the turnaround and management change effected around two years ago has brought about the desired improvement in results; the team in Denver gained market share while successfully concluding a number of important projects against a backdrop of rising volumes.

At the Berlin site, project delays as a result of incorrect assessments at the order acceptance stage and errors in project management resulted in significant additional costs and a substantial operating loss. Furthermore, the site suffered an extremely abrupt decline in the order intake at the beginning of the year. Only towards the end of the year did a slight recovery become noticeable. In Asia too, Mikron Automation recorded an operating loss. This was attributable to unsatisfactory capacity utilization over the year as a whole, together with unforeseen additional expenditure on technically challenging customer projects.

As a result of the photovoltaic business developing less strongly than expected, Mikron Automation had to book a non-recurring impairment on patents amounting to CHF 2.3 million.

Employees | At the end of 2013, Mikron Automation employed a total of 572 people at five locations. Headcount increased slightly at all locations with the exception of Berlin. Motivated and competent employees remain the key to success. Mikron Automation therefore sets great store by the development and training opportunities open

Denver gained market share while successfully concluding a number of important projects against a backdrop of rising volumes.

Mikron Berlin suffered an extremely abrupt decline in the order intake at the beginning of the year.

Key figures

In CHF million, except number of employees	2013	2012	+/-
Order intake	121.8	113.0	7.8%
Net sales	116.8	101.2	15.4%
Order backlog	65.1	58.3	11.7%
EBIT	-4.6	-1.6	n.a.
Number of employees	572	554	3.2%

Next-generation feeding systems platform discovers new playing fields

In 2013 Mikron Automation developed a new common standard platform for its Tray Handler and Polyfeed systems. The result stems from the experience gathered from more than 120 Polyfeed systems and 100 Tray Handlers sold over the past few years. The core of the new-generation platform is a PC-based control system which, while meeting real-time requirements that allow a new high-performance Cartesian robot running up to 80 cycles/minute to be controlled, operates in a Windows 7 environment providing extended data acquisition and processing facilities. With this new standard platform, the improved stability and modularity in both hardware and software achieves unequalled productivity for the benefit of our customers. This new platform is validated according to the pharmaceutical norm GAMP 5, and complies with the CFR21 part 11 standard. Mikron Automation has already sold five Tray Handlers and seven Polyfeed systems based on this new set-up: a real success which demonstrates that this development provides an appropriate response to market requirements.

The development of this common standard platform has opened up new horizons for applications beyond traditional tray handling and Polyfeed projects. For instance, it was used to build a test machine for inhalers. In this specific application, a tray full of inhalers is sampled from the production line in order to run a full set of tests that simulate the full operation of the devices throughout their lifetime, check their proper functionality, and measure different critical parameters such as the inhalation force needed to inhale the drug with several flows (simulation of the range of inhalation forces from a child to different typologies of adults). We are far from the high-paced assembly line production rates: a full test on a complete tray can take up to two days. The challenges therefore shift from high assembly rates to ensuring both the reliability of the tests and the security of the data produced. The measurement results must be saved and retrieved in all conditions, even if the machine faces an unexpected shut-down. Don't worry if you need to fit more than one of these machines onto your production floor. The full solution needs less than one square meter.



Mikron Automation

Goals, Outlook

to its employees, as well as by the successful recruitment of new specialist and managerial staff. Furthermore, at the Boudry and Berlin sites the business segment is investing in the training of apprentices, thereby making an important contribution to developing the next generation of outstandingly skilled mechanics.

Goals | Mikron Automation wants to defend its market position as a leading manufacturer of highly productive automation solutions for high-precision assembly and testing of products up to hand-size, and above all to improve what is still an unsatisfactory level of profitability. In Europe, Mikron Automation aims to at least maintain sales at a stable level and at the same time to significantly improve its result. The business segment is particularly looking to increase its orders from the German automotive industry. Mikron Automation wants to defend its leading position in the medical devices and pharmaceutical industries. With populations ageing all around the world, the need for medical services and products at affordable prices is on the rise; the trend towards self-medication will only strengthen, which in turn will increase demand for the corresponding medical devices. Thanks to the recent acquisition of new reference customers, and a well-established team in Denver, the business segment is aiming for further growth in the US. Based on its existing capacities and competencies in Singapore and Shanghai, Mikron Automation is ready to offer Asian customers robust and proven solutions for the automation of high-volume assembly processes.

Outlook | Mikron Automation has begun 2014 with a solid order backlog and a number of highly promising projects. Market prospects in both the US and Europe are good overall. The first steps towards significantly improving profitability have been taken. In Asia and at Mikron Berlin in particular, however, further efforts will be necessary to ensure that capacity is profitably utilized over the longer term. The business segment is expecting positive EBIT for the coming year.

Mikron Automation wants to defend its leading position in the medical devices and pharmaceutical industries.

Mikron Automation is expecting positive EBIT for the coming year.

Mikron Machining

The pictures on the following pages were taken at Mikron Machining in Rottweil, Germany. Around 100 employees work here manufacturing Mikron Multistep systems and cutting tools, among others.









Mikron Machining

Environment, Markets, Technology, Strategic Projects, Business Performance

Economic environment | In 2013, the European machine tool manufacturing industry was characterized by economic uncertainty and the corresponding restraint with respect to investment activity. Mikron Machining was affected by this phenomenon in the first half of the year in particular. Rays of light in the second half of the year included stronger demand from the Swiss watchmaking industry and the US automotive industry. By contrast, demand from China fell considerably short of expectations throughout the year. In Europe, overall investment volumes remained at a modest level. For industrial consumer goods such as tools and spare parts, demand proved relatively stable over the year as a whole.

Market segments and geographical markets | The automotive, watchmaking and writing instruments industries remain the key market segments for Mikron Machining. Despite the modest development of demand, Germany remains the key sales market for the Machining business segment, accounting for 33% of sales. In the US, Mikron Machining was able to win a number of important new customers and significantly increase its sales of machines, tools and services. In China and southern Europe, by contrast, the business segment was unable to increase sales. In the year under review, Mikron Machining generated new orders first and foremost through innovation projects for the automotive industry, such as for the development of vehicles with lower fuel consumption. In addition, a number of customers expanded their production capacity. As an example, the business

The European machine tool manufacturing industry was characterized by economic uncertainty and the corresponding restraint with respect to investment activity.

Germany remains the key sales market for Mikron Machining, accounting for 33% of sales.



Mikron Machining's management team; from left to right: Andrea Cassineri, Walter Sayer, Peter Sauter, Axel Warth, Federico Fumagalli, Laurent Vuille, Bruno Cathomen, Markus Schnyder, Mirko Passerini, Willi Nef

segment again delivered a number of complete Mikron Multistep systems to existing customers. In addition to other applications, these systems are exceptionally well suited to the manufacture of turbocharger housings (see report on page 35).

Technology | In the year under review, Mikron Machining successfully improved its existing machining solutions. A particular technological highlight is the new Mikron NRG Plus rotary transfer machine. With this machine, customers can manufacture highly complex cylindrical parts and cubic workpieces with a total of up to 96 tools on 12 workstations, fully automatically. In addition, the machine can be fitted with automatic four-way tool changers.

Mikron Tool's newly developed solid carbide end milling cutter CrazyMill Cool sets new standards in the milling of metals that are difficult to machine, such as stainless steel, titanium, chrome-cobalt alloys, and super alloys.

Both of these innovations from the Machining business segment were extremely well received by an interested specialist audience at the EMO trade fair in Hanover; the first orders have already been received.

Strategic projects | A key priority of the Machining business segment is customer-oriented innovation and further development of products and services. This was also the objective of investing in the Product Lifecycle Management (PLM) system introduced at the beginning of 2013, which runs on SAP software. This tool supports the standardization of base components and the modularization of sub-systems. In addition, Mikron Machining continued to invest systematically in the expansion of its tool distribution network and the associated global logistics in the year under review. Mikron Machining also ensures that its own machinery is always up to date with the latest technological developments. Thanks to the expansion of the service organization in China in recent years, the business segment has an outstanding sales argument in this region.

Business performance | For the Machining business segment, the first half of 2013 was characterized by weak demand in the machinery business, as well as by stable but modest new orders in the tool and service business. The first six months of the year saw the repeated postponement of a number of very promising project orders. This gave rise to planning uncertainty and significant capacity problems in the third quarter of the year. The situation improved over the second half of the year – thanks to innovative and in some cases unrivalled products and services

Mikron Machining successfully launched the new Mikron NRG Plus rotary transfer machine and Mikron Tool its new milling cutter CrazyMill Cool.

The first half of 2013 was characterized by weak demand in the machinery business, as well as by stable but modest new orders in the tool and service business.

Mikron Machining

Employees, Goals, Outlook

Key figures

In CHF million, except number of employees	2013	2012	+/-
Order intake	125.8	123.6	1.8%
Net sales	125.2	134.3	-6.8%
Order backlog	57.6	51.2	12.5%
EBIT	6.2	9.9	-37.4%
Number of employees	534	535	-0.2%

in the tools and service business, and due to a number of key project acquisitions in the machinery business. Overall, Mikron Machining suffered a decline in sales to CHF 125.2 million (prior year: CHF 134.3 million; -7%) in the year under review, but at the same time increased its year-end order backlog to CHF 57.6 million (prior year: CHF 51.2 million; +13%).

Employees | At the end of 2013, Mikron Machining employed a total of 534 people. As a result of considerable uncertainties, technically demanding projects, and an uneven spread of work, all employees faced significant challenges in the year under review. The organization proved in 2013 that it is capable of responding appropriately to major fluctuations in sales and capacity requirements. Despite the difficult situation, Mikron Machining continually invested in initial and advanced training, as well as in the targeted development of staff.

Goals | For 2014, the Machining business segment targets to maintain its market position in Europe and expanding it in the US. This segment will also be looking to benefit from the anticipated recovery of investment activity in Asia; in the machinery as well as the tools and services business areas. Mikron Machining is keen to win new projects and increase profitability with innovative manufacturing solutions. The particular focus here is on existing key customers. Mikron Machining will be taking on more staff for its extensive service network, particularly in the US. In addition, the business segment will be seeking to further improve productivity and flexibility – based on existing resources and production planning systems on the one hand, and continuous process improvements on the other.

Mikron Machining is keen to win new projects and increase profitability with innovative manufacturing solutions.

Outlook | Due to the healthy order backlog at the beginning of the year and positive signals from key sales market Germany, the Machining business segment is anticipating promising overall development in 2014, and a more balanced capacity utilization situation than in 2013. The pleas-

ing development in demand from the US is also likely to persist this year. On the other hand, the prospects for the Asia region remain uncertain, and there is unfortunately no sign of the markets of southern Europe turning the corner. In 2014 too, Mikron Machining will make every effort to further consolidate its leading position in customized machining solutions for the high-volume manufacture of complex, high-precision components made of metal.

Mikron Machining is anticipating promising overall development in 2014, and a more balanced capacity utilization situation than in 2013.

Mikron Multistep XT-200 provides a turbo boost

In more and more cars, a turbocharger supplies an extra power boost. Just under 20 percent of all turbocharger housings manufactured worldwide are produced on a Mikron Multistep XT-200. As well as boosting performance, a turbocharger also reduces fuel consumption by up to 30 percent. In the past year, 26 million turbochargers were installed worldwide, and this figure is rising. Car manufacturers expect 40 million cars to be equipped with a turbocharger by as early as 2018.

Thanks to the Mikron Multistep XT-200, one German manufacturer of turbocharger housings has been able to reduce unit costs by 35 percent. Before the Mikron Multistep XT-200 arrived, there were twelve employees working on four machines occupying 300 m² of floor space. Each housing had to be mounted on a machine twice. Today the

same result is achieved by six employees and two Mikron Multistep XT-200 machines. The production area now takes up half the space and the entire process is carried out in a single clamping operation. In addition to this, the automotive supplier works with different batch sizes, meaning that the employees had to retool the machines correspondingly often. This used to take 80 minutes. With the Mikron Multistep XT-200, it can now be done in only 20 minutes.

The Mikron Multistep XT-200 is modular and extendable. It consists of an automated intelligent loading and unloading module – with integrated pallet handling or robots – and up to four machining modules. The latter contain two working spindles, each of which can access a magazine disk with 18 tool slots. The Mikron Multistep XT-200 machines workpieces on five and a half sides without the need for remounting. It takes less than a second to change between two processing steps involving different tools.



Mikron Sustainability Report

Mikron

Sustainability Report

The Mikron Group acknowledges its responsibility towards people and the environment. Its Sustainability Report has been guided by the globally recognized principles of the Global Reporting Initiative. Mikron's aim in this respect is to ensure transparent, standardized, and comparable reporting. Mikron is publishing a Sustainability Report for the first time. In order to arrive at the indicators contained in the report, Mikron first of all conducted a qualitative survey. Suppliers and other commercial partners from all parts of Mikron's value chain participated in the survey, along with new and potential future employees. In addition, a number of internal focus groups identified and prioritized further relevant indicators. The selection of indicators will be regularly reviewed by Mikron in the future and adjusted where necessary.

The following figures relate to the management company and to the Swiss locations of Agno and Boudry, which account for more than 70% of Group sales. Over the next few years, Mikron will expand the report to include other locations too.

People

The Mikron Group builds its business 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 11).

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.

Health and safety | The health and safety of staff is extremely important to the management of the Mikron Group. Internal processes are regularly reviewed for potential negative effects on health and safety.

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. Among other things, this agreement regulates working hours as well as holidays. For example, this stipulates a 40-hour week and a maximum of 170 overtime hours a year.

Occupational pensions are governed by legislation in Switzerland. Survivors' and old-age insurance ("AHV") is the compulsory pension insurance that applies throughout Switzerland. This is mandatory and secures a basic standard of living following an employee's retirement from work due

Total number of staff	Total Switzerland	
	2013	2012
Number of employees (FTEs) <30 years	124.5	117.3
Number of employees (FTEs) 30–50 years	412.4	396.6
Number of employees (FTEs) >50 years	218.5	221.4
Total number of employees (FTEs)	755.4	735.2
Number of male employees (FTEs)	692.9	675.6
Number of female employees (FTEs)	62.5	59.6
Total number of employees (FTEs)	755.4	735.2
Total number of senior managers (FTEs)	105.0	96.0
of which currently living within 25 km of company	48.0	43.0
as % of total	46%	45%

New employee hires	Total Switzerland	
	2013	2012
Number of new employees (FTEs) <30 years	46.0	28.0
Number of new employees (FTEs) 30–50 years	43.5	42.5
Number of new employees (FTEs) >50 years	5.5	5.0
Total number of new employees (FTEs)	95.0	75.5
Number of male new employees (FTEs)	85.5	69.0
Number of female new employees (FTEs)	9.5	6.5
Total number of new employees (FTEs)	95.0	75.5

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

Employee satisfaction is very important to the Mikron Group, which measures this at regular intervals by means of comprehensive surveys. The next employee survey will be conducted by Mikron in 2014.

Advanced training | Well-qualified, motivated employees who are willing to assume responsibility are key to the success of the company. The Mikron Group therefore sets great store by the targeted and continuous training of its staff. Every year, employees of the Swiss locations receive individual feedback on their performance over the past 12 months from their line managers. One goal of this feedback is to identify any advanced training requirements. In 2013, staff in Switzerland underwent more than 17,400 hours of further training, which is equivalent to each member of staff spending an average of 23 hours in training.

Headcount | The Mikron Group employs some 1,100 staff worldwide. In Switzerland it employed 755 full-time equivalents (FTEs) in the year under review, which is 20 more than in 2012. A total of 63 FTEs left Mikron in Switzerland in the year under review, while 95 FTEs joined the company. This represents a significant reduction in the fluctuation rate from 11% in 2012 to 8% percent in 2013. The rate of absenteeism (working hours absent as a proportion of annual working hours) changed only slightly, from 2% to 3%. This ratio remains at a very positive level.

Diversity | The employees of the Mikron Group in Switzerland are predominantly men. In the year under review, they accounted for 92% of the workforce. This has not changed from the previous year. When broken down by age category, it is the 30 to 50-year-olds that are most strongly represented (55% of the workforce). 29% of FTEs are older than 50, while 16% are younger than 30. These figures are also virtually unchanged compared to 2012. The management of the Mikron Group is keen to promote diversity within the workforce. At the same time, however, recruiters are dependent on the labour and training market. As an example, in Switzerland there are still far more men than women pursue technical training – the proportion of women pursuing initial training in engineering and technology amounted to just 5.6% in 2011 (source: Swiss Federal Statistical Office).

Employee turnover	Total Switzerland	
	2013	2012
Number of employees (FTEs) <30 years leaving the company	24.1	27.3
Number of employees (FTEs) 30–50 years leaving the company	22.0	32.8
Number of employees (FTEs) >50 years leaving the company	16.4	21.0
Total number of employees (FTEs) leaving the company	62.5	81.1
Number of male employees (FTEs) leaving the company	55.1	70.1
Number of female employees (FTEs) leaving the company	7.4	11.0
Total number of employees (FTE) leaving the company	62.5	81.1
Turnover rate	8%	11%

Training hours	Total Switzerland	
	2013	2012
Total training hours	17,435.5	17,516.0

Environment

Thanks to its highly efficient manufacturing and automation solutions, the Mikron Group helps its customers to produce in an environmentally friendly way. The increasing scarcity of energy and raw materials is a major challenge. The Mikron Group is facing this challenge head-on, and taking responsibility for the environment throughout the entire value chain. All Swiss sites have ISO 14001:2004 (environment) certification; Agno additionally has OHSAS 18001:2007 (occupational health and safety management) certification.

Energy consumption | In the year under review, Mikron Boudry signed an agreement with the Canton of Neuchâtel to improve energy efficiency. In the future, the cantonal authorities will record the energy consumption of this company site in detail. By signing this agreement, Mikron is laying a comprehensive and solid basis for energy savings at Boudry. In Agno, investment in building renovations, new lighting, and optimized equipment has paid off: energy consumption has dropped considerably. Further savings will be achieved in 2014 thanks to a roof renovation.

In 2013, the energy consumption of the Swiss locations was 43.1 terajoules (TJ), a year-on-year reduction of 3% (2012: 44.3 TJ). 64.3% of this amount related to electricity, the remainder to heating oil.

CO₂ emissions | The Mikron Group is continuously striving to reduce the emission of greenhouse gases. Its energy consumption in the reporting year resulted in CO₂ emissions of 2,078 tonnes (calculated according to the Greenhouse Gas Protocol).

Water consumption | Water consumption in Switzerland has declined significantly in the last 30 years: In 1981, an average of 500 litres of water were consumed per person per day. The equivalent figure today is just 350 litres. Swiss industry has made a key contribution to this reduction (source: Federal Office for the Environment). Mikron's Swiss sites used 136,400 m³ of water in the year under review, a significant year-on-year reduction (2012: 149,200 m³). 90.6% of the water consumed was groundwater (2012: 91.1%). Almost all the water used by Mikron was fed back into the water cycle. By installing new cooling facilities, Mikron will be able to further reduce water consumption at its Swiss sites in the future.

Fuel consumption	Total Switzerland	
	2013	2012
Total fuel consumption from renewable sources (TJ)	0.0	0.0
Total fuel consumption from non-renewable sources (TJ)	15.4	15.9
Total fuel consumption (TJ)	15.4	15.9
Total fuel consumption from renewable sources (TCHF)	0.0	0.0
Total fuel consumption from non-renewable sources (TCHF)	369.2	384.6
Total fuel consumption (TCHF)	369.2	384.6

Electricity consumption	Total Switzerland	
	2013	2012
Electricity consumption (TJ)	23.0	22.8
Consumption for cooling system (TJ), Agno: incl.ventilation c/h	4.7	5.6
Total electricity consumption (TJ)	27.7	28.4
Electricity consumption (TCHF)	1,037.5	1,078.6
Consumption for cooling system (TCHF)	210.0	260.0
Total electricity consumption (TCHF)	1,247.5	1,338.6

Water withdrawal and discharge	Total Switzerland	
	2013	2012
Total volume of water withdrawal from rivers/lakes (1,000 m ³)	0.0	0.0
Total volume of water withdrawal from groundwater (1,000 m ³)	123.6	135.9
Total volume of rainwater used and collected on site (1,000 m ³)	0.0	0.0
Total volume of water withdrawal from water utilities (1,000 m ³)	12.8	13.3
Total volume of water withdrawal (1,000 m³)	136.4	149.2
Total volume of water discharge (1,000 m³)	136.4	149.2

Waste | The Mikron Group takes care to ensure that waste is dealt with in an environmentally-compatible way. Most of the waste produced in Switzerland is recycled. In 2013, the Group produced 403 tons of waste in Switzerland. Of this amount, 53% was recycled, 34% was burned, and 13% disposed of. Overall, the volume of waste rose by 29 tons as a result of the higher business volume (previous year: 374 tons).

Suppliers | Mikron's Swiss sites generate the majority of their sales in euros. This also feeds through into the selection of suppliers: In order to minimize currency translation losses, Mikron deliberately places orders with suppliers in eurozone countries. But Mikron's Swiss sites also consider local suppliers: In the year under review, 24% of all orders were placed with suppliers no further than 25 kilometres from the Swiss locations.

Waste	Total Switzerland	
	2013	2012
Total weight of waste reused (t)	0.0	0.0
Total weight of waste recycled (t)	212.5	228.0
Total weight of waste burned (t)	138.2	89.0
Total weight of hazardous waste disposed of (t)	52.3	57.1
Total weight of waste disposed of otherwise (t)	0.0	0.0
Total weight of waste disposed of (t)	403.0	374.1

Proportion of local suppliers	Total Switzerland	
	2013	2012
Total amount of purchases (TCHF)	59,353.75	63,967.16
of which spent on suppliers within 25 km of company	14,442.74	14,981.24
in % of total	24%	23%

Mikron Corporate Governance

Mikron

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 29 October 2008 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 2013 had a market capitalization of CHF 103.6 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 107. 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 2013, hold 3% or more of the voting rights of Mikron Holding AG.

Shareholders	31.12.2013		31.12.2012	
	Number of shares of CHF 0.10 par value each		Number of shares of CHF 0.10 par value each	
Group of investors ¹⁾	11,742,941	70.3%	11,742,941	70.3%
Public shareholders ²⁾	4,866,723	29.1%	4,867,963	29.1%
Board of Directors and Group Management	103,080	0.6%	101,840	0.6%
Total	16,712,744	100.0%	16,712,744	100.0%

1) This group of investors comprises Ammann Group Holding AG, Mr. Rudolf Maag, Tegula AG, Personalfürsorgestiftung Rieter AG and Corporate Investment Management Affentranger Holding AG, who are bound together by a shareholder pooling agreement until May 2015. There were no changes in this shareholding during the year under review.

2) At 31.12.2012 a total number of 549,428, or 3.3% of total shares outstanding were held by Isabel Pirkin.

Further information on the shareholder structure and corporate structure is given on page 102 and 107.

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 2013

	Registered shares	Par value in CHF	Total in CHF
Ordinary capital	16,712,744	0.10	1,671,274.40
Authorized capital	0		0.00
Conditional capital	620,799	0.10	62,079.90

The company's share capital may increase by a maximum amount of CHF 62,079.90 through the issuance of 620,799 fully paid-up registered shares with a par value of CHF 0.10 each

- through the exercise of options or conversion rights granted to their holders in connection with the company's bonds or similar debentures
- and/or the exercise of option rights allotted to the shareholders and/or the company's Board of Directors and management.

The number of registered shares securing management option rights is limited to a maximum of 550,000. As at the cut-off date, the company had not issued any options or entered into any commitments that would result in these registered shares being created.

Further information on the capital structure is given on page 101.

Changes in capital over the last three years

in CHF		Number of shares	Par value	Ordinary capital
2011	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
2012	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
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

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

There are no limitations on transferability or nominee registrations. The Board of Directors plans to propose to the Annual General Meeting to introduce restrictions on nominee registrations in the Articles of Incorporation.

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 five 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 2013:



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 of the SFS Group in Heerbrugg, a position he has occupied since 1998. He is a member of the Board of Directors of Tegula AG in Zurich and of Bucher Industries 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 Brütsch/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 the Zurich College of Technology, Technopark Zurich and Technorama.



Patrick Kilchmann
Dipl. phys. ETH, lic. oec. HSG
Swiss, born in 1958
Member, non-executive
First elected 2011, elected until 2014

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 and selFrag AG, Kerzers.



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. Prior to that, he was an auditor and secretary at the Meilen (Switzerland) District Court. Andreas Casutt graduated from the University of Zurich in 1988 with a law degree. After working as an assistant to Prof. Dr. 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 a member of the Board of Directors of Siegfried Holding AG as well as various privately held companies.



Andreas Steiner

Dipl. Ing. ETH, Dr. sc. techn. ETH
Swiss, born in 1945
Member, non-executive
First elected 2003, elected until 2015*

Andreas Steiner was a member of the Management Committee of ABB Switzerland from 1993 to 1999. From 1999 to 2007 he was CEO and Member of the Board of Directors at Belimo Holding AG, Hinwil. Mr. Steiner is a member of the Board of Trustees at the Hasler Foundation in Berne.

* Due to the implementation of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations, the term of office of all members of the Board of Directors will end at the conclusion of the Annual General Meeting on 8 April 2014. As announced on 23 January 2014, Andreas Steiner has decided to step down from the Board with effect from the Annual General meeting on 8 April 2014. The Board of Directors does not intend to nominate a successor at the present time.

Elections and terms of office

Pursuant to the current Articles of Incorporation, the company's Board of Directors consists of at least five and at most nine members, who are elected by the Annual General Meeting for a three-year term and who may be re-elected to successive terms.

Irrespective of the term of office being served or the amount of time until the next election, members of the Board of Directors are subject to an age limit of 70 years.

Duties

The duties of Mikron Holding AG's Board of Directors are defined in the Swiss Code of Obligations, the Articles of Incorporation (www.mikron.com/aoi) 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 the company's most senior body with responsibility for management supervision. It issues guidelines on corporate policy and keeps itself informed about the course of business.

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

- Ultimate direction of the Group and issuing the necessary directives; therefore, developing the Group's strategic objectives and determining the means of achieving these objectives, setting out the business policy, establishment, acquisition, disposal and liquidation of subsidiaries, mergers and de-mergers
- Determining the Group organizational structure and approval of the Code of Business Conduct
- Shaping accounting, as well as financial controlling, financial planning and internal controls, oversight of the financial stability of the Group
- Appointing and dismissing persons entrusted with the management of business operations and representation duties, in addition to regulating signatory powers

- Ultimate supervision of the persons entrusted with the management of the Group to ensure they comply with the law, the Articles of Incorporation, and other regulations and directives
- Preparing the annual report and the Annual General Meeting and executing resolutions passed by the latter
- Notifying the courts in the event of insolvency
- Resolutions on acknowledging any capital increases that have been completed and corresponding amendments to the Articles of Incorporation
- Verifying the professional qualifications of the state-supervised audit firm
- Determining the risk management principles and the internal control system as well as performing risk assessments

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 Incorporation. 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 2013 business year, the Board held seven meetings as well as two teleconferences. The physical meetings lasted between three and eight hours, and the teleconferences about one hour. Each meeting of the Board of Directors in the year under review was attended by all members, except for one teleconference, where tasks were delegated to some of the members of the Board of Directors.

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.

A quorum of the Board of Directors is reached when at least half of the members are present. However, a two-third majority of members must be present for some resolutions such as amendments to the Organizational Rules, constitution of the Board of Directors, approval of the annual financial statements, approval of the budget, appointing or dismissing members of the Group Management. The Board passes its resolutions by a majority of the votes cast. In the event of a tie, the Chairman has the deciding vote.

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 following primary tasks are assigned to the Audit Committee:

- Maintaining a comprehensive and efficient audit concept and internal control system (ICS) for Mikron Holding AG and the Mikron Group
- Rating the external and internal auditors in terms of their independence, qualifications and (mandate-related) experience of their employees and making a proposal to the Board of Directors regarding the election of external and internal auditors
- Assessing the systems and scope of the audit approach, as well as the content, clarity and timely completion of reports
- Approving the key audit areas, reviewing the results of the audits, supervising the rectification of any weaknesses identified
- Approving the budget for the external and internal audit activities and of non-audit related services exceeding CHF 0.1 million
- Monitoring compliance with the accounting principles, financial control mechanisms and regular examination of the Group's risk matrix; implementing measures decided in relation to key risks
- Evaluation and proposal 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 Peter Forstmoser (Chairman, until 9 April 2013), Andreas Casutt (Chairman, as of 10 April 2013) and Andreas Steiner. The Audit Committee meets four to six times each year. Four meetings were held in the 2013 business year, each lasting one to three 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 two meetings and the internal auditors at one meeting.

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 following primary tasks are assigned to the Remuneration Committee:

- Submitting proposals to the Board of Directors regarding the compensation policy for the Board of Directors and the Group Management (details of the Mikron Group's compensation policy are given on page 52)
- Examining the appropriateness of the compensation of the individual members of the Board of Directors and Group Management based on periodic market comparisons
- Determining the compensation to be paid annually to the members of the Group Management
- Submitting to the Board of Directors proposals concerning the compensation to be paid to its members

The members of the Remuneration Committee in the year under review were the Board members Eduard Rikli (Chairman) and Patrick Kilchmann. The Remuneration Committee meets one to two 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. Two meetings were held in the 2013 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 twice 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.

Duties

Group Management is responsible for the management of the Group insofar as this task has not been assigned by law, the Articles of Incorporation 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 and personnel issues affecting direct reports of Group Management.

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 Incorporation, 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 (COO)

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 2013:



Bruno Cathomen
Dipl. Ing. ETH
Swiss, born in 1967
CEO, COO Mikron Machining
Joined 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.



Rolf Rihs
Dipl. Ing. ETH
Swiss, born in 1963
COO Mikron Automation
Joined 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.



Martin Blom
Dipl. Wirtschaftsprüfer,
Betriebsökonom FH
Swiss, born in 1971
CFO
Joined 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 Pricewaterhouse Coopers (PwC).

Management contracts

There are no management contracts.

Compensations, shareholdings and loans

Content and method of determining compensation and shareholding programmes

The basic principles of the compensation policy are drawn up by the Remuneration Committee and approved annually by the full Board of Directors. The Committee carries out periodic comparisons with listed and unlisted Swiss-domiciled companies in the mechanical engineering sector or industries with comparable net sales and employee headcount to ascertain whether compensation is in line with market rates. The Board of Directors determines the fixed and variable salary components and fringe benefits for its members and the Group Management on the basis of the Remuneration Committee's proposals.

Members of the Board of Directors receive a fixed remuneration and a lump sum for out-of-pocket expenses. In prior years, part of the compensation was based on attendance at meetings. Furthermore, the compensation included a bonus in the form of shares with a lock-up period of four years during which they may not be sold.

Members of Group Management receive a fixed remuneration paid in 13 installments, a lump sum for out-of-pocket expenses and an annual performance-related variable remuneration. The maximum target variable component in the year under review was between 40 and 50% of the fixed salary component. The variable component paid to the members of Group Management depends on financial and quality-related results. Depending on the function, the weight of financial

targets ranges between 50 to 75%. The financial targets are based on order intake, net sales, EBIT and cash flow of the divisions (COOs) or the Group (CEO and CFO). Quantitative and qualitative targets and performance of the members of Group Management are assessed and judged by the Remuneration Committee.

The Group Management is furthermore eligible for a long-term incentive (LTI). The LTI plan is linked to achieving specific financial objectives of the 2012-14 mid-term plan of the Mikron Group and its two divisions. The cash bonus will be based on the level of achievement of the average consolidated EBIT margin of the Group and/or the division over the mid-term-plan period. The cash bonus will be calculated by multiplying the average individual annual bonus payment for the years 2012-14 with the corresponding bonus factor, which ranges from 0% (minimum) to 150% (maximum).

Members of Group Management are provided with company vehicles which may also be used for private travel.

Further information on the compensation paid to members of the Board of Directors and Group Management can be found in the Notes to the 2013 Annual Financial Statements of Mikron Holding AG on page 104.

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. 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.

Convocation of the Annual General Meeting and agenda

The invitation to the Annual General Meeting goes out at least 20 days prior to the event and takes the form of a single notice published in the Swiss Office Gazette of Commerce and a letter sent to the address of shareholders entered in the share register.

The convening notice cites the agenda items and proposals of the Board of Directors and the shareholders who have requested that a General Meeting be held or an item placed on the agenda.

Shareholders owning 10% of the votes in the company may cite agenda items up to 40 days prior to the General Meeting.

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 Incorporation (www.mikron.com/aoi) specify otherwise.

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 favour of the members of the Board of Directors, Group Management or other employees. The Board of Directors plans to propose to the Annual General Meeting to introduce an opting-out provision in the Articles of Incorporation.

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 2008 business year Oliver Kuntze, as lead auditor, has been responsible for the mandate.

Auditing fees and additional fees

In the 2013 business year, fees of CHF 307,114 for services rendered in connection with auditing the 2013 annual financial statements 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 28,440 were paid to the auditors in the year under review in respect of tax and 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 on a yearly basis of planned "non-audit" services to be provided by the auditors. 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.

For further information regarding supervisory and control instruments, please see the chapter entitled "Audit Committee" on page 49.

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 2013
Guidance on the business year just ended (volumes)	23 January 2014
Announcement of the annual results/Publication of the Annual Report	10 March 2014
Annual Media and Analyst Conference	10 March 2014
Annual General Meeting.....	8 April 2014
End of the first six months of the business year.....	30 June 2014
Announcement of the semi-annual results.....	22 July 2014

The dates are also published on the Mikron Group's website at 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)62 916 69 60) or e-mail (ir.mho@mikron.com).

Mikron Group Financial Report

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Commentary of Group Management on the Financial Report 2013 of the Mikron Group

Mikron Holding AG and its subsidiaries (together the Mikron Group) market machining and automation solutions, enabling customers around the world to master their precision manufacturing processes. Headquartered in Switzerland, the Mikron Group operates production facilities and sales offices in Switzerland and abroad. It employs a total workforce of approximately 1,100. Mikron Holding AG is a limited company under Swiss law, domiciled in Biel. Its shares trade on the SIX Swiss Exchange.

Business performance

In 2013, a year characterized by a volatile environment and very different developments in the individual sales markets, the Mikron Group succeeded in increasing both sales and order intake slightly. Over the year as a whole, the order backlog rose by 12%. However, with EBIT of CHF 5.2 million (2.2% of sales), the Group fell well short of its earnings target.

In the first half of the year in particular, robust demand from the medical devices and pharmaceutical industries stood in stark contrast to a sharp decline in orders from the automotive industry. In the latter market segment, the Mikron Group reported positive stimuli only in the US in the second half of the year. Accordingly, the development of the two business segments was very different: Whereas the Machining segment, in which the automotive industry accounts for half of all business, was confronted with declining demand and falling order intake until the middle of the year, the Automation segment was able to increase order volumes significantly thanks to its strong position in the medical devices and pharmaceutical industries.

We are not satisfied with the profitability of the Mikron Group in 2013. In the Machining business segment, EBIT fell to CHF 6.2 million (prior year: CHF 9.9 million), while in the Automation business segment we recorded a decline to a disappointing CHF -4.6 million (prior year: CHF -1.6 million). At Mikron Automation, earnings were impacted by a non-recurring impairment on patents of CHF 2.3 million, the very narrow margins on a number of projects from 2012 that were coming to an end and considerable extraordinary costs for an extensive project on behalf of a new customer from the automotive industry. At Mikron Machining, low third-quarter capacity utilization had a negative impact on earnings that were at least respectable in a peer comparison.

Outlook

We are not expecting any fundamental changes to the economic environment of the Mikron Group in 2014. This is particularly true of European markets, as there is still no sign of any significant recovery in the markets of southern Europe. The outlook for the US remains positive. We are expecting a general market improvement in Asia, particularly in China. As a result of the healthy order backlog at the start of the year and a positive economic outlook when viewed in overall terms, we are expecting a further slight increase in sales in 2014 and a significant improvement in EBIT margin.

Strategy

Lead by the vision of “creating value with passion for precision” and Mikron’s mission statement to be a global, leading supplier of high-volume, high precision machining and automation solutions, and helping customers to be market and business leaders by increasing industrial productivity and quality, the Board of Directors periodically reviews the strategy of the Group.

The Mikron Group markets machining and automation solutions, enabling customers around the world to master their precision manufacturing processes. Rooted in a culture of Swiss innovation, Mikron is a leading supplier to the automotive, medical devices, pharmaceutical, consumer goods, writing instruments, watch-making and various other industries. The two divisions, 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 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 tools business by maintaining technology leadership. The actual strategy of Mikron Automation aims to serve its customers with the highest performance solutions, to optimize the business in Europe and to strengthen the footprint both in Asia and in the US.

Six values guide Mikron's management and staff: skilled and motivated employees, market and customer focus, focus on targets and results, responsibility and role model function, quality and confidentiality. These values guide our daily behavior and serve as a common basis on which we do business and develop the company.

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 basis for the return. In the year under review, ROIC decreased to 3.4% from 7.3% 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. 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.
- 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 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 regards 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 and health & 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.

Innovation

Innovation is the key to Mikron's success and therefore several projects were executed in 2013. In the year under review a total of CHF 4.6 million (prior year: CHF 5.2 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 1.9% 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.

In the year under review, Mikron Machining successfully launched the Mikron NRG Plus at the EMO 2013 in Hanover. Since its market launch in 2005, Mikron Machining's rotary transfer machine concept has impressed with its flexibility, productivity and accuracy. At the same fair, the tools business line presented the CrazyMill Cool milling tool, which sets new benchmarks for cutting speeds, feeds, performance, tool life and surface quality. Innovation focused not only on products but also on tools and processes. At the beginning of the year, the new SAP Product Lifecycle Management (PLM) tool at Mikron Machining went live. This tool is another step forward in enhancing the management of the complex individual machining solutions at our customers' sites.

The Automation business segment continued to develop its standard platforms further in the year under review. A particular focus was the upgrade and harmonization of electrical hardware and machine control systems, but mechanical components of all automation platforms were also perfected further in order to meet customer requirements. Moreover, in the year under review Mikron Automation succeeded in fundamentally improving its Mikron Polyfeed and Mikron Tray Handler feeding systems once again. Thanks to the new robot system, these flexible and highly versatile systems have become much more effective and robust than their predecessors.

In the 2014 financial year, Mikron intends to continue to invest in product development and to replace production equipment, infrastructure and IT equipment as required, with the aim of further increasing efficiency. The company is planning investments worth more than CHF 10 million in total.

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 2013, this involved gathering customer feedback on an ongoing basis, and actively contacting customers to ask for their opinion.

Personnel

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, next in 2014, an independent consultancy for personnel and organizational development assesses the level of employee satisfaction. To be seen as an attractive employer means attracting, developing and retaining employees. In 2013, the Group invested around CHF 0.6 million (prior year: CHF 0.7 million), equating to CHF 500 per employee, in initial and advanced training (third-party costs only, not including the working hours that were made available). Besides specific training sessions, employees are helped to develop on the basis of interesting, challenging tasks. Each individual thus contributes to the success of the Group as a whole.

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.

Share performance and return

In 2013, the share price saw a strong increase and significant trade volumes in the last quarter and stood at CHF 6.20 per share at year-end (prior year: CHF 5.03 per share). Factoring in the distribution of CHF 0.15 per share approved by the Annual General Meeting of shareholders, total shareholder return amounts to CHF 1.32 or 26.2% (prior year: negative). The precise share performance is available at all times on the Mikron Group website.

Automation segment

Order intake, order backlog and net sales

With a strong first half of the year, Mikron Automation increased order intake to CHF 121.8 million (prior year: CHF 113.0 million; +8%). The business performance of Mikron Automation was driven by two developments in 2013: the strong increase in demand from the medical devices and pharmaceutical industries on the one hand, and the decline in demand from the automotive industry on the other.

In Switzerland and the US, capacity utilization was very high throughout the year under review and enabled net sales to increase by 15% to CHF 116.8 million (prior year: 101.2 million). This was attributable to the impressive order backlog at the beginning of the year and to the pleasing development of the order intake over the whole year. Amounting to CHF 65.1 million at the end of the year, the business segment still has a good order backlog.

Added value and productivity ratio

Mikron Automation achieved an increase in added value of CHF 4.5 million. Added value is defined as net sales plus/minus changes in inventories, plus capitalized own production (development costs), minus material costs. The negative impact from the strong Swiss franc and extraordinary costs for a major project for a new automotive industry customer took their toll, and the added value as a percentage of sales thus dropped by 4%. As a consequence, the productivity ratio (added value divided by personnel expenses) decreased to 1.25. Employee headcount at the end of 2013 was 572 full-time equivalents.

EBIT

Mikron Automation recorded an EBIT loss of CHF 4.6 million in the 2013 financial year (prior year loss: CHF 1.6 million). With this EBIT-loss the business segment fell well short of the prior-year, as well as its own target. In addition to the extraordinary costs, the negative impact from the strong Swiss franc and an insufficient capacity utilization in our production sites in Asia, the business segment's earnings were impacted by a non-recurring impairment on patents of CHF 2.3 million.

The other operating expenses developed more positively. At CHF 12.7 million, these were only slightly above the prior-year figure, despite considerably higher sales. Overall, other operating expenses were managed successfully and represent only 11% of net sales (prior year: 12%).

At CHF 2.6 million, depreciations and amortizations remained at the same low level as in the prior year due to the fact that no major production equipment was required to do business.

Free cash flow

Mikron Automation reported a negative free cash flow of CHF -2.6 million in 2013 (prior year: CHF -3.9 million), driven by the operating loss. Net working capital was well managed and stood at less than 13% of net sales at the end of the year. At CHF 1.7 million, capitalized expenditure was significantly below the average for the last few years, as no major replacement investments were required.

Outlook

Mikron Automation has begun 2014 with a solid order backlog and a number of highly promising projects. Market prospects in both the US and Europe are good overall. The first steps towards significantly improving profitability have been taken. In Asia and at Mikron Berlin in particular, however, further efforts will be necessary to ensure that capacity is profitably utilized over the longer term. The business segment is expecting positive EBIT for the coming year.

Machining segment

Order intake, order backlog and net sales

The Machining business segment increased its order intake by 2% compared with the previous year to CHF 125.8 million. For the Machining business segment, the first half of 2013 was characterized by weak demand in the machinery business, as well as by stable but modest new orders in the tools and service business. The first six months of the year saw the repeated postponement of a number of very promising project orders. This gave rise to planning uncertainty and significant capacity problems in the third quarter of the year. The situation improved over the second half of the year – thanks to innovative and in some cases unrivalled products and services in the tools and service business, and due to a number of key project acquisitions in the machinery business. Overall, Mikron Machining suffered a decline in sales to CHF 125.2 million (previous year: CHF 134.3 million; -7%) in the year under review, but at the same time increased its year-end order backlog to CHF 57.6 million (previous year: CHF 51.2 million; +13%).

Added value and productivity ratio

The substantially lower net sales led to a 6.1% decrease in added value to CHF 79.7 million. Added value is defined as net sales plus/minus changes in inventories, plus capitalized own production (development costs), minus material costs. As a result of the lower added value, the productivity ratio (added value divided by personnel expenses) decreased to 1.64. Nevertheless, the organization proved in 2013 that it is capable of responding appropriately to major fluctuations in sales and capacity requirements. At the end of 2013, Mikron Machining employed a total of 534 people.

EBIT

With EBIT of CHF 6.2 million, Mikron Machining fell short of its target and the previous year's result, but achieved an EBIT margin of 5.0%, which is respectable in view of the sharp drop in sales. Another negative factor was a number of quality problems at isolated suppliers.

Other operating expenses stood at CHF 20.0 million for 2013, 1.1% higher than the prior year. In the past financial year, Mikron Machining attended a number of larger and smaller trade fairs and stepped up the marketing of its products in new markets and market segments.

Depreciations and amortizations decreased quite significantly to CHF 4.8 million (-13.2%), as some larger investments made in the last three to five years were fully depreciated.

Free cash flow

Mikron Machining reported a free cash flow of CHF 5.8 million in 2013 (prior year: CHF -1.0 million). This positive cash flow was driven by the operating result and lower capital expenditure. Net working capital slightly increased by CHF 1.4 million as payment conditions (mainly automotive industry) remained very challenging. Compared to the prior year, total capital expenditure was lower at CHF 3.2 million (prior year: 6.9 million).

Outlook

Due to the healthy order backlog at the beginning of the year and positive signals from key sales market Germany, the Machining business segment is anticipating promising overall development in 2014 and a more balanced capacity utilization situation than in 2013. The pleasing development in demand from the US is also likely to persist this year. On the other hand, the prospects for the Asia region remain uncertain, and there is unfortunately no sign of the markets of southern Europe turning the corner. In 2014 too, Mikron Machining will make every effort to further consolidate its leading position in customized machining solutions for the high-volume manufacture of complex, high-precision components made of metal.

Corporate

The Holding 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 solid net income of CHF 2.2 million (prior year: CHF 2.1 million). The property is rented out to financially sound lessees. With a net yield of 8.0% (prior year: 7.5%) 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.

Financial result, income taxes and profit

The financial result was significantly lower than the previous year and totalled CHF -1.6 million (prior year: CHF -0.8 million). The increase was mainly caused by higher net exchange losses. Exchange rate gains of CHF 1.9 million were exceeded by exchange rate losses of CHF 3.0 million. Other financial expenses included costs related to the committed credit facility. This was partially offset by the financial income from the investment of surplus liquidity.

Profit before taxes amounted to CHF 3.6 million (prior year: CHF 10.4 million), on which income taxes of CHF 1.2 million (prior year: CHF 1.9 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 2013 were CHF 2.4 million, compared to CHF 8.5 million in the prior year.

Balance sheet as at 31 December 2013

The Mikron Group succeeded in slightly increasing its good level of cash and cash equivalents, including current financial assets. It now stands at a strong 20% of total assets. Mikron is free of net debt: cash and cash equivalents plus current financial assets of CHF 46.4 million significantly exceed interest-bearing liabilities of just CHF 14.1 million. The current financial assets of CHF 13.1 million are mainly invested in high-quality Swiss franc bonds with a residual maturity not exceeding three years.

Net working capital increased by CHF 3.7 million to CHF 45.6 million. Overall net working capital of 19% remained quite stable compared to net sales (prior year: 18%). The slightly higher business volume as well as some delayed deliveries of customer projects led to a significant increase in both net assets from construction contracts and inventories.

With a total amount of CHF 79.3 million, non-current assets decreased by CHF 5.7 million. Investments in production equipment, infrastructure and IT projects to improve efficiency amounted to CHF 5.3 million. This was significantly lower than originally planned, and less than the total amortizations and depreciations, which came to CHF 7.6 million. Furthermore, the impairment on intangible assets at Mikron Automation of CHF 2.3 million and the adjustment to the valuation of the investment property of CHF 0.2 million impacted the movement of non-current assets. Due to the uncertainty of market conditions at Mikron Machining in the first half of 2013 and the operating losses at Mikron Automation, spending was generally cautious, and the next phase of the renewal of the building in Agno was postponed.

Mikron has signed a credit agreement with a bank consortium expiring May 2015, worth CHF 50.0 million, which is available for bank guarantees to secure advance payments from customers and for fixed advances that are currently not being used. The long-term financial liabilities of CHF 13.9 million relate to the mortgaged investment property and one production facility. The credit agreement requires Mikron to achieve certain key financial figures (covenants). The Group met these by a comfortable margin.

In 2013 shareholders' equity increased by CHF 0.4 million to CHF 153.5 million. This represents a strong equity ratio of 66%, as in the prior year.

Consolidated cash flow statement

Cash flow from operating activities before changes in net working capital decreased from a cash inflow of CHF 18.3 million in the previous year to a cash inflow of CHF 13.2 million. This was primarily due to the drop in profit. Changes in net working capital amounted to CHF -2.6 million, a significantly lower increase than in the prior year, resulting in a cash inflow from operating activities of CHF 10.6 million (previous year: CHF 9.8 million). A total of CHF 5.4 million was used for investment in non-current assets. The Group is aiming to achieve positive operational free cash flows over the long term. Free cash flow totalled CHF 5.2 million in the period under review, compared with CHF 0.6 million in the previous year (without changes in financial assets and excluding acquisitions). Cash flow from financing activities amounted to CHF -2.8 million in the year under review, mainly due to the distribution to shareholders approved by the Annual General Meeting.

Consolidated Financial Statements 2013 of the Mikron Group

Consolidated income statement

CHF 1,000	Note	2013		2012	
Net sales	4.1	241,147		235,279	
Change in work in progress/finished goods		6,028		1,907	
Capitalized own production		561		230	
Operating output		247,736	100.0%	237,416	100.0%
Material costs and subcontractors	4.2	-103,786		-92,722	
Personnel expenses	4.3	-102,832		-98,774	
Other operating income	4.4	2,323		1,146	
Other operating expenses	4.4	-30,634		-29,610	
Depreciation of tangible assets	5.7	-5,028		-5,692	
Amortization of intangible assets	5.8	-2,535		-2,653	
Impairment of intangible assets	5.8	-2,287		0	
Operating result		2,957	1.2%	9,111	3.8%
Financial result	4.5	-1,614		-825	
Ordinary result		1,343	0.5%	8,286	3.5%
Non-operating result	4.6	2,240		2,105	
Profit before taxes		3,583	1.4%	10,391	4.4%
Income taxes	4.7	-1,190		-1,920	
Profit		2,393	1.0%	8,471	3.6%

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

Consolidated balance sheet

CHF 1,000	Note	31.12.2013		31.12.2012	
Current assets					
Cash and cash equivalents	5.1	33,284		25,673	
Current financial assets	5.2	13,075		18,649	
Accounts receivable	5.3	15,144		14,076	
Inventories	5.4	42,826		43,019	
Net assets from customer projects	5.5	42,754		38,433	
Other current receivables	5.6	3,837		3,645	
Prepaid expenses		1,899		2,616	
Total current assets		152,819	65.8%	146,111	63.2%
Non-current assets					
Tangible assets	5.7	43,148		45,432	
Intangible assets	5.8	5,872		8,455	
Investment property	5.9	27,890		28,030	
Deferred tax assets	5.11	2,413		3,080	
Total non-current assets		79,323	34.2%	84,997	36.8%
Total assets		232,142	100.0%	231,108	100.0%
Current liabilities					
Short-term financial liabilities	5.12	200		651	
Accounts payable		21,073		22,965	
Net liabilities from customer projects	5.5	18,235		13,878	
Short-term provisions	5.13	4,328		4,838	
Other current liabilities		3,049		3,586	
Accrued expenses	5.14	14,182		14,593	
Total current liabilities		61,067	26.3%	60,511	26.2%
Long-term liabilities					
Long-term financial liabilities	5.12	13,870		14,120	
Long-term provisions	5.13	184		181	
Deferred tax liabilities	5.11	3,568		3,276	
Total long-term liabilities		17,622	7.6%	17,577	7.6%
Shareholders' equity					
Share capital	5.15	1,671		1,671	
Treasury shares		-151		-159	
Capital reserves		104,166		106,668	
Retained earnings		47,767		44,840	
Total shareholders' equity		153,453	66.1%	153,020	66.2%
Total liabilities and shareholders' equity		232,142	100.0%	231,108	100.0%

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	
Balance at 01.01.2012		1,671	-186	108,670	39,786	-1,752	148,189
Profit 2012					8,471		8,471
Translation effects on loans with equity character						-262	-262
Translation adjustments						164	164
Goodwill from acquisition IMA Automation Berlin GmbH	6.4				-1,567		-1,567
Distribution to shareholders				-2,002			-2,002
Treasury shares to Board of Directors	5.15		18				18
Change in treasury shares	5.15		9				9
Balance at 31.12.2012		1,671	-159	106,668	46,690	-1,850	153,020
Profit 2013					2,393		2,393
Translation effects on loans with equity character						355	355
Translation adjustments						179	179
Distribution to shareholders				-2,502			-2,502
Treasury shares to Board of Directors	5.15		18				18
Change in treasury shares	5.15		-10				-10
Balance at 31.12.2013		1,671	-151	104,166	49,083	-1,316	153,453

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

Consolidated statement of cash flow

CHF 1,000	Note	2013	2012
Cash flow from operating activities			
Profit		2,393	8,471
Depreciation and amortization	5.7, 5.8	7,563	8,345
Impairment of intangible assets	5.8	2,287	0
Revaluation investment property	5.9	186	287
Gains (-) / losses (+) on sale of non-current assets	4.4	-60	87
Changes in provisions	5.13	-512	383
Changes in deferred taxes	4.7, 5.11	957	1,319
Other non-cash items		372	-548
Cash flow from operating activities before changes in net working capital		13,186	18,344
Movement in accounts receivable		-1,082	1,026
Movement in inventories		504	-8,979
Movement in net assets / liabilities from customer projects		-72	-5,128
Movement in accounts payable		-1,562	4,105
Movement in other receivables and prepaid expenses		530	-72
Movement in other current liabilities and accrued expenses		-933	478
Cash flow from operating activities		10,571	9,774
Cash flow from investing activities			
Investments in tangible assets	5.7	-4,269	-7,451
Divestments of tangible assets	5.7	165	165
Investments in intangible assets	5.8	-1,268	-4,055
Investments in investment property	5.9	-46	-565
Investments in group companies (less cash taken over)		0	-1,017
Investments in financial assets	5.2	-11,777	-4,076
Divestments of financial assets	5.2	17,152	9,000
Cash flow from investing activities		-43	-7,999
Cash flow from financing activities			
Distribution to shareholders		-2,502	-2,002
Increase (+) / repayment (-) of financial liabilities		-50	-50
Increase (+) / repayment (-) of finance lease liabilities		-635	-606
Interest received		624	663
Interest paid		-216	-231
Cash flow from financing activities		-2,779	-2,226
Effect of exchange rate changes on cash		-138	-107
Net cash flow		7,611	-558
Increase (+) / decrease (-) of cash and cash equivalents		7,611	-558
Cash and cash equivalents at beginning of period		25,673	26,231
Cash and cash equivalents at end of period		33,284	25,673

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

Notes to the Consolidated Financial Statements 2013 of the Mikron Group

1. General information

1.1 Business operations

Mikron Holding AG and its subsidiaries (together, the Mikron Group) markets machining and automation solutions, enabling customers around the world to master their precision manufacturing processes. Rooted in a culture of Swiss innovation, Mikron is a leading supplier to the automotive, medical devices, pharmaceutical, consumer goods, writing instruments and watch-making industries.

The two divisions, 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 Mikron Group employs approximately 1,100 people who work to provide Mikron customers with an experience that reflects over 100 years of leadership in high-performance and high-precision production. Mikron Holding AG trades on the SIX Swiss Exchange under the symbol MIKN.

1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER as a whole, applying the principle of historical cost accounting. Exceptions to this rule are 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 7 March 2014. The approval of the consolidated financial statements by the Annual General Meeting is scheduled for 8 April 2014.

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 on the annual financial statements of all consolidated entities, prepared as at December 31 determined according to uniform accounting policies. The Mikron Group does not have any shareholdings with a voting power of less than 50%. The list of Group companies can be found on page 107. In the year under review were no changes in the group of consolidated companies. In prior year Mikron Group acquired Mikron Berlin GmbH on 1 March 2012 and liquidated Mikron Ltd. Tokyo as at 10 April 2012.

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. Previously not capitalized intangible assets are not valued and not 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 divisions which are grouped according to the types of products and services they provide.

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

- The Machining business segment comprises the Mikron Machining division, which has its main site in Agno (Switzerland) and a further production site in Rottweil (Germany) as well as several sales and service companies. The market offering of this business segment includes highly productive customized machining solutions for the manufacturing of complex high-precision components made of metal. Matching cutting tools and a wide range of services round off the market offering. Its production solutions are used mainly by suppliers to the automotive component supply industry and are also well established in the writing instruments, electric/electronic, consumer goods and other industries. The most important market is Europe, led by Germany. The Asian market is becoming increasingly significant.
- The Automation business segment comprises the Mikron Automation division, which has its main site in Boudry (Switzerland) and further production sites in Denver (USA), Berlin (Germany), Singapore and Shanghai (P. R. China). Mikron Automation is one of the world's leading manufacturer of customized, highly productive automation solutions for high-precision assembly and testing of products up to hand size. A wide range of services support customers over the entire life span. Demand for the division's automation solutions comes mainly from companies in the pharmaceutical, medical devices, automotive and consumer goods industries. Geographically, its main markets are in Western Europe, the USA and increasingly Asia.
- 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 prevailing 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 2013	Average rate 2012	Closing rate 31.12.2013	Closing rate 31.12.2012
1 EUR	1.232140	1.204940	1.225530	1.208550
1 USD	0.925210	0.935560	0.891750	0.910790
1 SGD	0.737490	0.749420	0.702890	0.745140
1 CNY	0.150570	0.148260	0.147090	0.146050

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 group of investors, the Board of Directors, the 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 post 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. 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 expenses.

2.5.4 Inventories

Raw materials and other supplies, as well as goods purchased, are carried at weighted average cost, 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. In addition, downpayments from suppliers are disclosed as a deduction within 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 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.

All 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 made through profit or loss 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 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 covers only those production and office buildings which the Mikron Group no longer depends on for its own use and 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 27.9 million as at 31 December 2013. 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 for 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, which transfer substantially 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 the 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 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 is 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 economical benefit or obligation.

2.6 Income statement

2.6.1 Revenue recognition

Net sales comprise the sales 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. The members of the Board of Directors of Mikron Holding AG can receive part of their annual compensation in shares. Any shares legally transferred may not be sold during a lock-up period. The fair value of the shares granted is recognized as personnel expense at the date of allocation.

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, where the currency is not the same as the company's functional currency.

The Group companies' currency risks stemming from future business transactions are consolidated by the 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 euro 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.

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 2013 and 2012 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 less than 3 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 has currently 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 a significant headroom (cash and cash equivalents, current financial assets and unused credit facilities) is available to the Mikron Group. In November 2011, Mikron has signed a credit agreement with a bank consortium worth CHF 50.0 million, which is available for bank guarantees to secure advance payments from customers and for fixed advances.

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

4. Details of the consolidated income statement

4.1 Net sales

CHF 1,000	2013	2012
Machines (from construction contracts)	181,127	179,360
Machines (other)	546	1,050
Cutting tools	26,305	24,678
Service	33,169	30,191
Total net sales	241,147	235,279

4.2 Material costs and subcontractors

CHF 1,000	2013	2012
Raw materials and components	-98,396	-89,499
Subcontractors	-5,390	-3,223
Total material costs and subcontractors	-103,786	-92,722

Prior year figures were adapted due to change of definition of subcontractors.

4.3 Personnel expenses

CHF 1,000	2013	2012
Salaries and wages	-89,178	-85,673
Social charges	-9,148	-8,807
Pension expenses	-4,506	-4,294
Total personnel expenses	-102,832	-98,774

4.4 Other operating income and expenses

CHF 1,000	2013	2012
Other income	2,228	1,037
Gain on sale of non-current assets	95	109
Total other operating income	2,323	1,146
Real estate	-6,861	-6,595
Marketing and sales	-6,894	-6,308
Information technology	-3,513	-3,673
Other expenses	-12,854	-12,491
Loss on sale of non-current assets	-35	-196
Capital and other taxes (excl. income taxes)	-477	-347
Total other operating expenses	-30,634	-29,610

4.5 Financial result

CHF 1,000	2013	2012
Financial income	3,136	4,462
Financial expenses	-4,750	-5,287
Total financial result	-1,614	-825
Interest income	624	643
Interest expenses	-215	-227
Total interest result	409	416
Exchange gains	1,866	3,509
Exchange losses	-2,952	-3,669
Other financial income	646	310
Other financial expenses	-1,583	-1,391
Total other financial result	-2,023	-1,241
Total financial result	-1,614	-825

4.6 Non-operating result

CHF 1,000	2013	2012
Rental income	2,615	2,615
Income from property related services	912	977
Total non-operating income	3,527	3,592
Owner-related expenses	-153	-204
Expenses for property-related services	-948	-996
Total non-operating expense	-1,101	-1,200
Revaluation	-186	-287
Total non-operating result	2,240	2,105

4.7 Income taxes

CHF 1,000	2013	2012
Current income tax	-233	-601
Deferred income tax	-957	-1,319
Total income taxes	-1,190	-1,920

The applicable tax rate for the Group is 22% (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 Cash and cash equivalents

CHF 1,000	31.12.2013	31.12.2012
Bank and post accounts	33,284	25,673
Total cash and cash equivalents	33,284	25,673

5.2 Financial assets

CHF 1,000	Note	31.12.2013	31.12.2012
Bonds		12,929	18,649
Derivative financial instruments	6.1	146	0
Total current financial assets		13,075	18,649

The bonds of CHF 12.9 million (prior year: CHF 18.6 million) comprise mainly high-quality Swiss franc bonds with a maturity of less than 3 years.

5.3 Accounts receivable

CHF 1,000	31.12.2013	31.12.2012
Accounts receivable	15,697	14,540
Allowance for doubtful accounts	-553	-464
Total accounts receivable	15,144	14,076

As at the balance sheet date, accounts receivable (including allowance for doubtful accounts) past due for 30 days and more amounted to CHF 2.3 million (prior year: CHF 1.9 million).

5.4 Inventories

CHF 1,000	31.12.2013	31.12.2012
Raw materials and components	24,522	26,850
Work in progress	10,658	8,723
Finished and trading goods	5,850	5,764
Prepayments to suppliers	2,905	2,916
Prepayments from customers	-1,109	-1,234
Total inventories	42,826	43,019

The provision for slow-moving inventories amounts to CHF 13.6 million (prior year: CHF 11.1 million).

5.5 Construction contracts

CHF 1,000	31.12.2013	31.12.2012
Projects in progress – costs incurred	121,059	134,218
Recognized profits less recognized losses	28,896	37,217
Prepayments from customers	-125,436	-146,880
Total net assets and liabilities from customer projects	24,519	24,555
Net assets from customer projects	42,754	38,433
Net liabilities from customer projects	-18,235	-13,878
Total net assets and liabilities from customer projects	24,519	24,555

The stage of completion, determined by the costs incurred to date compared to the total estimated costs, was approximately 61% on 31 December 2013 (prior year: approximately 66%). At the balance sheet date, the Mikron Group had 169 projects in progress (prior year: 175 projects) with an average volume of CHF 1.5 million (prior year: CHF 1.6 million). At 31 December 2013 there were no retentions by customers (prior year: none).

5.6 Other current receivables

CHF 1,000	31.12.2013	31.12.2012
Other current receivables	3,837	3,645
Total other current receivables	3,837	3,645

5.7 Tangible assets

CHF 1,000	Undeveloped real estate	Real estate	Machinery	Equipment and installa- tions	Down pay- ments and assets under construction	Others	Total
At cost							
Balance at 01.01.2012	3,199	71,642	57,385	21,017	853	2,307	156,403
Changes in the scope of consolidation	0	0	406	462	0	278	1,146
Additions	0	2,689	2,645	1,324	855	145	7,658
Transfers	0	31	1,781	-1,142	-810	140	0
Disposals	0	-484	-2,647	-234	0	-6	-3,371
Translation adjustments	0	0	-56	-102	-1	-5	-164
Balance at 31.12.2012	3,199	73,878	59,514	21,325	897	2,859	161,672
Additions	0	385	1,582	950	551	109	3,577
Transfers	0	231	130	-68	-858	0	-565
Disposals	0	-21	-1,598	-298	0	-154	-2,071
Translation adjustments	0	0	61	-27	-3	9	40
Balance at 31.12.2013	3,199	74,473	59,689	21,882	587	2,823	162,653
Accumulated depreciation							
Balance at 01.01.2012	0	-46,390	-47,289	-18,147	0	-1,062	-112,888
Changes in the scope of consolidation	0	0	-364	-381	0	-180	-925
Depreciation	0	-1,440	-2,919	-1,080	0	-253	-5,692
Transfers	0	86	-1,249	1,249	0	-86	0
Disposals	0	288	2,632	199	0	0	3,119
Translation adjustments	0	0	46	96	0	4	146
Balance at 31.12.2012	0	-47,456	-49,143	-18,064	0	-1,577	-116,240
Depreciation	0	-1,541	-2,208	-1,008	0	-271	-5,028
Transfers	0	0	0	79	0	0	79
Disposals	0	11	1,332	223	0	143	1,709
Translation adjustments	0	0	-42	22	0	-5	-25
Balance at 31.12.2013	0	-48,986	-50,061	-18,748	0	-1,710	-119,505
Net book value							
Balance at 31.12.2012	3,199	26,422	10,371	3,261	897	1,282	45,432
Balance at 31.12.2013	3,199	25,487	9,628	3,134	587	1,113	43,148
Of which finance leases							
Balance at 31.12.2012	0	0	626	0	0	0	626
Balance at 31.12.2013	0	0	450	0	0	0	450

At the balance sheet date, the Group had entered into CHF 0.2 million of capital commitments to purchase tangible assets (prior year: CHF 0.7 million).

Other Information

CHF 1,000	31.12.2013	31.12.2012
Fire insurance values		
Real estate	72,647	71,527
Machinery, equipment and installations	71,384	73,024
Total fire insurance values	144,031	144,551

5.8 Intangible assets

CHF 1,000	Patents	Capitalized development costs	Software	Others	Total
At cost					
Balance at 01.01.2012	0	7,652	14,950	621	23,223
Changes in the scope of consolidation	0	0	353	0	353
Additions	2,711	225	1,087	32	4,055
Disposals	0	-2,900	0	0	-2,900
Translation adjustments	8	19	-9	0	18
Balance at 31.12.2012	2,719	4,996	16,381	653	24,749
Additions	0	390	1,375	0	1,765
Transfers	0	0	565	0	565
Disposals	0	-2,253	0	0	-2,253
Translation adjustments	38	-40	-4	0	-6
Balance at 31.12.2013	2,757	3,093	18,317	653	24,820
Accumulated amortization					
Balance at 01.01.2012	0	-5,589	-10,080	-621	-16,290
Changes in the scope of consolidation	0	0	-264	0	-264
Amortization	-203	-782	-1,666	-2	-2,653
Disposals	0	2,900	0	0	2,900
Translation adjustments	-1	12	2	0	13
Balance at 31.12.2012	-204	-3,459	-12,008	-623	-16,294
Amortization	-277	-494	-1,758	-6	-2,535
Impairments	-2,287	0	0	0	-2,287
Transfers	0	0	-79	0	-79
Disposals	0	2,253	0	0	2,253
Translation adjustments	11	-13	-4	0	-6
Balance at 31.12.2013	-2,757	-1,713	-13,849	-629	-18,948
Net book value					
Balance at 31.12.2012	2,515	1,537	4,373	30	8,455
Balance at 31.12.2013	0	1,380	4,468	24	5,872
Of which finance leases					
Balance at 31.12.2012	0	0	932	0	932
Balance at 31.12.2013	0	0	0	0	0

At the balance sheet date, the group had entered into CHF 0.1 million of capital commitments to purchase intangible assets (prior year: CHF 0.6 million).

Patents

In connection with the acquisition of IMA Automation Berlin GmbH in prior year the Mikron Group purchased patents in the amount of CHF 2.7 million. The patents cover methods to manufacture contacting systems for the photovoltaic industry. The fair value of the intangible asset was reviewed on the balance sheet date with respect to expected future cash flows. As a result of the recovery of this market falling below expectations and one key customer that withdraw from the PV panel production, the Mikron Group booked an impairment of CHF 2.3 million.

Software

In the 2013 financial year, the Mikron Group invested in new product life cycle management software in Agno, in licenses for a Business Intelligence software and in SAP licenses.

5.9 Investment property

CHF 1,000	2013	2012
Balance at 1 January	28,030	27,950
Capitalized expenditures	46	367
Revaluation	-186	-287
Balance at 31 December	27,890	28,030
Original acquisition cost	39,961	39,915
Fire insurance values	59,830	59,830

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 2013. The discounted cash flow method was used for the valuation. A discount rate of 6.9% was applied (prior year: 7.2%).

The Group had no capital commitments to purchase services for the investment property at the balance sheet dates.

5.10 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 31.12.2012	Economic part of the organization		Change from prior year in the current result for the period	Contributions concerning the business period	Pension expenses 2012
		31.12.2012	31.12.2011			
Pension institutions without surplus/deficit	0	0	0	0	3,789	3,789
Total	0	0	0	0	3,789	3,789

CHF 1,000	Surplus / deficit 31.12.2013	Economic part of the organization		Change from prior year in the current result for the period	Contributions concerning the business period	Pension expenses 2013
		31.12.2013	31.12.2012			
Pension institutions without surplus/deficit	0	0	0	0	3,929	3,929
Total	0	0	0	0	3,929	3,929

The information on the economic benefit as at 31 December 2013 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 2012. As at 31 December 2012, the Mikron pension fund reported a coverage rate of 117.5%. According to the pension fund's provisional accounts, the coverage rate is expected to have increased by approximately 3% in the 2013 financial year. The reserve for fluctuations in asset value is not yet fully provisioned, which is why the pension fund does not report a surplus. The number of active insureds increased in 2013 by about 3%. Contributions matched pension expenses during the relevant reporting period.

5.11 Deferred taxes

CHF 1,000	2013	2012
Statement of changes in deferred tax liabilities		
Balance at 1 January	3,276	2,665
Changes in the scope of consolidation	0	215
Set-up and reversal of temporary differences	265	401
Translation adjustments	27	-5
Balance at 31 December	3,568	3,276

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 2.4 million (prior year: CHF 3.1 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 99.6 million (prior year: CHF 107.1 million) were not capitalized. Applying local tax rates results in a deferred tax asset from non-capitalized tax loss carry forwards of CHF 14.9 million (prior year: CHF 16.4 million).

5.12 Financial liabilities

CHF 1,000	Note	31.12.2013	31.12.2012
Short-term financial liabilities			
Bank borrowings		50	0
Finance lease liabilities		150	635
Derivative financial instruments	6.1	0	16
Total short-term financial liabilities		200	651
Long-term financial liabilities			
Bank borrowings		13,870	13,970
Finance lease liabilities		0	150
Total long-term financial liabilities		13,870	14,120

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

In November 2011, a credit agreement was negotiated with a bank consortium and concluded for 42 months. The agreement secures financing for the Mikron Group in the form of bank guarantees (avals) and fixed advances at standard market conditions. The contractual covenants have been met since the commencement of the agreement.

CHF 1,000	31.12.2013	31.12.2012
Financial liabilities, expiring		
– not later than 1 year	200	651
– later than 1 year but not later than 3 years	100	150
– later than 3 years	13,770	13,970
Total financial liabilities	14,070	14,771

5.13 Provisions

CHF 1,000	Warranties	Onerous contracts	Restructuring	Others	Total
Short-term provisions					
Balance at 01.01.2012	2,628	46	0	817	3,491
Changes in the scope of consolidation	344	0	0	0	344
Additions	2,040	18	0	955	3,013
Utilization	-1,107	-47	0	-324	-1,478
Reversal	-529	0	0	0	-529
Translation adjustments	-3	0	0	0	-3
Balance at 31.12.2012	3,373	17	0	1,448	4,838
Additions	2,891	0	104	0	2,995
Utilization	-2,105	-17	0	0	-2,122
Reversal	-668	0	0	-720	-1,388
Translation adjustments	6	0	-1	0	5
Balance at 31.12.2013	3,497	0	103	728	4,328
Long-term provisions					
Balance at 01.01.2012	0	19	0	182	201
Reversal	0	-19	0	-1	-20
Balance at 31.12.2012	0	0	0	181	181
Additions	0	0	0	3	3
Balance at 31.12.2013	0	0	0	184	184

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

The provision regarding the earn-out agreed upon the acquisition of IMA Automation Berlin GmbH was released in the year under review.

Other long-term provisions cover risks from indemnifications related to the sale of companies in 2005 which will expire latest in 2016.

5.14 Accruals

CHF 1,000	31.12.2013	31.12.2012
Accrued expenses	14,038	14,574
Current income tax payables	144	19
Total accrued expenses	14,182	14,593

The accrued expenses of CHF 14.2 million (prior year: CHF 14.6 million) mainly consist of accruals in relation to employees' annual leave entitlements, overtime and bonus totaling CHF 8.6 million (prior year: CHF 9.0 million), outstanding trade payables, accrued income taxes of CHF 0.3 million (prior year: CHF 0.9 million) as well as the remaining costs of customer projects already billed, but for which final acceptance is still pending.

5.15 Shareholders' equity

Share capital

The share capital as at 31 December 2013 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.

The company reports two remaining categories of conditional capital with an overall nominal value of CHF 62,079. 620,799 registered shares, each with a par value of CHF 0.10, may be created for the purposes of exercising options and conversion rights granted to their holders in connection with the company's bonds or similar debentures and/or by exercising option rights allotted to shareholders and/or the company's Board of Directors and management. The number of registered shares securing management option rights is limited to a maximum of 550,000. As at the cut-off date, the company had not issued any options or entered into any commitments that would result in these registered shares being created.

A group of investors holds 70.3% (prior year: 70.3%) of the voting rights of Mikron Holding AG. No other single shareholder otherwise holds 5% or more of the voting rights. The group of investors, comprising Ammann Group Holding AG, Berne, Corporate Investment Management Affentranger Holding AG, Geneva, Personalfürsorgestiftung Rieter AG, Winterthur, Tegula AG, Zurich and Mr. Rudolf Maag, Binningen, are bound together until May 2015 by a shareholder pooling agreement. The group of investors is represented on the Board of Directors by Mr. Spoerry and Mr. Kilchmann.

Treasury shares

During 2013 the company acquired no treasury shares (prior year: none). Under the bonus share plan of the Board of Directors no shares (prior year: 3,500) were granted at no consideration. At 31 December 2013 Mikron Holding AG, Biel owned 28,207 treasury shares (prior year: 31,707 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 0.4 million (prior year: CHF -0.3 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 31.12.2012	0	16	12,794	16	12,778	0	0
Balance 31.12.2013	146	0	16,448	6,730	9,718	0	0

All are denominated in euros, US dollars or Norwegian kroner.

The replacement values are disclosed as financial assets (Note 5.2) or short-term financial liabilities (Note 5.12).

6.2 Assets pledged as security for liabilities

CHF 1,000	31.12.2013	31.12.2012
Real estate pledged as security for liabilities	56,576	57,651
Collateral securities – nominal	88,745	88,745
Loans and mortgages utilized	13,920	13,970
Other assets pledged as security for liabilities	51,530	52,365
Utilized by finance leases (machinery, licences)	150	785
Utilized by credit facilities and loans	0	0

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	31.12.2013	31.12.2012
Off-balance sheet lease commitments, payable		
– not later than 1 year	3,545	3,498
– later than 1 year but not later than 3 years	3,325	5,313
– later than 3 years but not later than 5 years	1,348	1,290
– later than 5 years	1,054	1,733
Total off-balance sheet lease commitments	9,272	11,834

The future lease payments are mainly related to non-cancellable 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	2013	2012
At cost		
Balance at 1 January	1,567	5,354
Additions	0	1,567
Disposals	0	-5,354
Balance at 31 December	1,567	1,567
Accumulated amortization		
Balance at 1 January	-261	-4,650
Amortizations	-313	-965
Disposals	0	5,354
Impairments	-384	0
Balance at 31 December	-958	-261
Theoretical value 31 December	609	1,306

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. Due to the fact that the earn-out conditions were not achieved the provision was reversed (Note 5.13). As a result an impairment of the Goodwill was required.

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

CHF 1,000	2013	2012
Profit	2,393	8,471
Amortization goodwill	-697	-965
Theoretical profit	1,696	7,506
CHF 1,000		
	31.12.2013	31.12.2012
Shareholders' equity	153,453	153,020
Theoretical value goodwill	609	1,306
Theoretical shareholders' equity	154,062	154,326

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	2013	2012
Net sales	2,883	1,099
Material costs and subcontractors	-151	-73
Other operating expenses	-26	-25
CHF 1,000	31.12.2013	31.12.2012
Accounts receivable	159	127
Other current liabilities and accrued expenses	-26	-12

The Mikron pension fund owns no shares of Mikron Holding AG. In prior year the assets of Mikron pension fund included 3,802 shares of Mikron Holding AG with a market value of CHF 0.02 million.

7. Information by segment

7.1 Information by business segment

CHF 1,000	Machining		Automation		Corporate / Eliminations		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012
Net sales – third party	124,645	134,098	116,502	101,181	0	0	241,147	235,279
Net sales – group	536	245	343	35	-879	-280	0	0
Total net sales	125,181	134,343	116,845	101,216	-879	-280	241,147	235,279
Operating result	6,242	9,894	-4,587	-1,579	1,302	796	2,957	9,111
Earnings before interest and taxes (EBIT)	6,242	9,894	-4,587	-1,579	3,542	2,901	5,197	11,216

CHF 1,000	Machining		Automation		Corporate / Eliminations		Total Group	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets excluding cash and cash equivalents and current financial assets	109,179	110,235	61,328	57,763	15,276	18,788	185,783	186,786
Cash and cash equivalents	2,190	1,192	4,113	2,788	26,981	21,693	33,284	25,673
Current financial assets	0	0	0	0	13,075	18,649	13,075	18,649
Total assets	111,369	111,427	65,441	60,551	55,332	59,130	232,142	231,108

7.2 Information by geographical segment

CHF 1,000	Net sales	
	2013	2012
Switzerland	25,107	33,036
Europe	156,637	150,311
North America	29,801	25,393
Asia/Pacific, India	24,341	23,267
Others	5,261	3,272
Total net sales	241,147	235,279

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 balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 66 to 91 and 107), for the year ended December 31, 2013.

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 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 December 31, 2013 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 Ltd

Oliver Kuntze
Audit expert
Auditor in charge

Manuel Michel
Audit expert

Bern, March 7, 2014

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5-Year Financial Summary

CHF million, except productivity and number of employees	2013		2012		2011		2010 restated		2009 restated	
Key performance data										
Order intake	246.4		236.3		225.0		219.8		129.7	
Net sales	241.1		235.3		210.9		182.5		150.1	
Order backlog	122.4		109.5		95.9		84.2		51.2	
Operating output	247.7		237.4		212.0		181.0		144.3	
Productivity (added value/personnel expenses)	1.40		1.46		1.48		1.39		1.05	
Research and development	4.6		5.2		6.1		5.5		5.6	
Number of employees (end of year)	1,109		1,093		972		902		959	
Investments incl. acquisitions of subsidiaries – net	5.0		11.3		11.5		3.0		2.5	
Earnings										
Earnings before interest, taxes, depreciation, amortizations and impairments (EBITDA), as % of net sales	15.2	6.3%	19.8	8.4%	17.9	8.5%	11.3	6.2%	-19.5	-13.0%
Earnings before interest and taxes (EBIT), as % of net sales	5.2	2.2%	11.2	4.8%	9.4	4.5%	3.1	1.7%	-31.8	-21.2%
Operating result, as % of net sales	3.0	1.2%	9.1	3.9%	7.4	3.5%	0.5	0.3%	-32.8	-21.9%
Ordinary result, as % of net sales	1.3	0.5%	8.3	3.5%	6.1	2.9%	-0.5	-0.3%	-33.9	-22.6%
Profit for the year, as % of net sales	2.4	1.0%	8.5	3.6%	7.1	3.4%	1.6	0.9%	-32.8	-21.9%
Cash flow										
Cash flow from operating activities (incl. changes in net working capital), as % of net sales	10.6	4.4%	9.8	4.2%	8.0	3.8%	14.9	8.2%	1.4	1.0%
Operational free cash flow (prior to acquisitions and changes in current financial assets)	5.2		0.6		-2.9		13.0		-0.6	
Balance sheet										
Balance sheet total	232.1		231.1		219.1		206.6		210.9	
Current assets	152.8		146.1		136.7		126.7		123.9	
Non-current assets	79.3		85.0		82.4		79.9		86.9	
Current liabilities	61.1		60.5		53.2		50.5		49.4	
Long-term liabilities	17.6		17.6		17.7		15.1		19.9	
Shareholders' equity, as % of balance sheet total	153.5	66.1%	153.0	66.2%	148.2	67.6%	140.9	68.2%	141.5	67.1%

Information on Share Capital

	2013	2012	2011	2010 restated	2009 restated
Number of shares¹⁾					
Registered shares	16,712,744	16,712,744	16,712,744	16,712,744	16,712,744
Total	16,712,744	16,712,744	16,712,744	16,712,744	16,712,744
Number of shares subject to a condition²⁾	0	0	0	0	0
Key figures per share in CHF³⁾					
Profit	0.14	0.51	0.43	0.10	-1.97
Cash flow from operating activities	0.63	0.58	0.48	0.89	0.09
Shareholders' equity	9.18	9.16	8.87	8.43	8.47
Distribution to shareholders	0.15	0.12	0.00	0.00	0.00
Share price SIX Swiss Exchange					
At 31 December	6.20	5.03	5.30	6.86	6.50
High/low during business year	6.31–5.07	6.99–5.00	10.90–5.00	7.80–6.00	7.25–2.70

1) All shares are entitled to dividends/distributions.

2) Stated as far as commitments have been entered that would result in these registered shares being created.

3) Based on the average number of outstanding shares.

Trading volume (daily average)

In the fiscal year 2013 the average daily trade volume was 10,782 shares (prior year: 5,517 shares).

Mikron Holding AG

Financial Report

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Financial Statements 2013 of Mikron Holding AG

Income statement

CHF 1,000	31.12.2013	31.12.2012
Revenue		
Financial income	7,976	4,613
Services and other income	3,599	3,229
Income from revaluation of investments and loans	0	633
Dividend income	7,600	5,582
Total revenue	19,175	14,057
Expenses		
Financial expenses	7,060	3,829
Expenses from revaluation of investments and loans	7,316	0
Other expenses	2,031	2,165
Total expenses	16,407	5,994
Net earnings	2,768	8,063

Balance sheet

CHF 1,000	31.12.2013	31.12.2012
Current assets		
Cash and cash equivalents	26,852	21,476
Marketable securities	13,081	18,808
Intercompany receivables	210	163
Other receivables	171	139
Short-term financial assets towards third parties	146	0
Short-term financial assets towards Group companies	13,207	15,651
Prepaid expenses	6	11
Total current assets	53,673	56,248
Non-current assets		
Long-term financial assets		
– Investments	70,001	70,943
– Loans to Group companies	47,662	41,237
Total non-current assets	117,663	112,180
Total assets	171,336	168,428
Current liabilities		
Accounts payable	117	38
Intercompany payables	291	153
Other liabilities	32	53
Short-term financial liabilities from Group companies	15,388	11,927
Accrued expenses	265	677
Short-term provisions	0	605
Total current liabilities	16,093	13,453
Long-term liabilities		
Provisions	183	181
Total long-term liabilities	183	181
Total liabilities	16,276	13,634
Shareholders' equity		
Share capital	1,671	1,671
Capital surplus reserve (legal reserve)	104,166	106,668
Reserve for treasury shares	152	170
Retained earnings	49,071	46,285
Total shareholders' equity	155,060	154,794
Total liabilities and shareholders' equity	171,336	168,428

Notes to the Financial Statements 2013 of Mikron Holding AG

1. Commentary of Group Management on the Financial Report 2013 of Mikron Holding AG

Mikron Holding AG recorded net earnings of CHF 2.8 million, significantly below the prior year at CHF 8.1 million. This decrease mirrors the performance of the Mikron Group, whereby the low third-quarter capacity utilization at Mikron Machining had a negative impact on earnings. At Mikron Automation earnings were impacted by the very narrow margins on a number of projects from 2012 that were coming to an end, an impairment on patents and considerable extraordinary costs for an extensive project on behalf of a new customer from the automotive industry.

In the year under review, the subsidiaries distributed CHF 7.6 million of dividends to Mikron Holding AG (prior year: CHF 5.6 million). As some of the subsidiary companies reported negative earnings, a revaluation expense of CHF 7.3 million had to be recognized. Stewardship costs, including the remuneration for the Board of Directors, decreased further to CHF 2.0 million (prior year: CHF 2.2 million). These costs are covered by the trademark fee and other service income. The net financial income (financial income less financial expense) of CHF 0.9 million is at a similar level to the prior year. The key drivers of this figure are the foreign currency hedges and interest income from marketable securities.

With cash and cash equivalents plus marketable securities of CHF 39.9 million (prior year: CHF 40.3 million) and an equity ratio of over 90% the company is financially very healthy.

In 2013 the Annual General Meeting of Shareholders approved a distribution of CHF 2.5 million (CHF 0.15 per share) from the capital surplus reserve. The Board of Directors will propose a distribution to the shareholders of CHF 1.7 million (CHF 0.10 per share) at the next Annual General Meeting.

2. Accounting principles

The financial statements of Mikron Holding AG have been prepared in accordance with accounting principles stipulated by Swiss law. Balance sheet items are reported taking the imparity principle and the lower of cost or market principle into consideration. Foreign currency transactions are translated using the exchange rate prevailing at the date of transaction. Assets and liabilities are translated into Swiss francs at the exchange rates prevailing on the balance sheet date.

Investments 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.

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

3. Information on risk management

The Company is incorporated into the Mikron Group's central risk assessment system, which deals with 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. This risk inventory provides the basis for the detailed discussions held at least once a year by the Board of Directors for the purpose of ensuring that the inventory is fully up to date. Ongoing monitoring of the risk inventory is a Group Management task.

A risk assessment will be carried out for all identified risks relating to accounting and financial reporting. The internal control system over financial reporting ensures that appropriate controls are defined in order to reduce financial risks. Remaining risks are monitored.

4. Statement of shareholders' equity

CHF 1,000	Share capital	Capital surplus reserve	Reserve for treasury shares	Retained earnings	Shareholders' equity
Balance at 31.12.2011	1,671	108,670	188	38,204	148,733
Net earnings 2012				8,063	8,063
Change of reserve for treasury shares			-18	18	0
Distribution to shareholders		-2,002			-2,002
Balance at 31.12.2012	1,671	106,668	170	46,285	154,794
Net earnings 2013				2,768	2,768
Change of reserve for treasury shares			-18	18	0
Distribution to shareholders		-2,502			-2,502
Balance at 31.12.2013	1,671	104,166	152	49,071	155,060

5. Capital subject to a condition

CHF 1,000	31.12.2013	31.12.2012
Capital I subject to a condition	12	12
Capital II subject to a condition	50	50

Capital I subject to a condition

Capital increase subject to a condition of initial nominal value of CHF 12,079.90 as per approval of the Annual General Meeting of 18 June 2003 by the issue of 120,799 registered shares at a par value of CHF 0.10.

Capital II subject to a condition

Capital increase subject to a condition of initial nominal value of CHF 50,000 as per approval of the Annual General Meeting of 18 June 2003 by the issue of 500,000 registered shares at a par value of CHF 0.10.

6. Information on treasury shares

During 2013 the company acquired no treasury shares (prior year: no shares). Under the bonus share plan of the Board of Directors no shares (prior year: 3,500) were granted at no consideration. At 31 December 2013 Mikron Holding AG, Biel owned 28,207 treasury shares (prior year: 31,707 shares).

7. Shareholder structure

From a total of 3,339 shareholders, 3,317 shareholders with 15,005,751 shares are entitled to vote. 22 shareholders with 130,835 shares as well as 1,576,158 shares of the trading stock are not entitled to vote.

			31.12.2013			31.12.2012		
			Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Shareholders	≥5%		1	11,742,941	70.26%	1	11,742,941	70.26%
Shareholders	>100,000	<5%	2	372,572	2.23%	2	746,187	4.46%
Shareholders	>10,000	≤100,000	45	936,002	5.60%	35	823,364	4.93%
Shareholders	>1,000	≤10,000	688	1,605,079	9.60%	761	1,689,659	10.11%
Shareholders	>100	≤1,000	1,302	442,925	2.65%	1,481	504,746	3.02%
Shareholders	>10	≤100	1,095	36,041	0.22%	1,231	40,184	0.24%
Shareholders	≤10		206	1,026	0.01%	232	1,139	0.01%
Trading stock			0	1,576,158	9.43%	0	1,164,524	6.97%
Total			3,339	16,712,744	100.00%	3,743	16,712,744	100.00%

8. Significant shareholders and their investments

A group of investors holds 70.3% (prior year: 70.3%) of the voting rights of Mikron Holding AG. No other single shareholder otherwise holds 5% or more of the voting rights. The group of investors, comprising Ammann Group Holding AG, Berne, Corporate Investment Management Affentranger Holding AG, Geneva, Personalfürsorgestiftung Rieter AG, Winterthur, Tegula AG, Zurich and Mr. Rudolf Maag, Binningen, are bound together until May 2015 by a shareholder pooling agreement. The group of investors is represented on the Board of Directors by Mr. Spoerry and Mr. Kilchmann.

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

		31.12.2013		31.12.2012	
		Number of shares	Voting power	Number of shares	Voting power
Board of Directors					
H. Spoerry	Chairman	6,500	0.04%	4,500	0.03%
E. Rikli	Vice-Chairman	21,500	0.13%	21,000	0.13%
P. Forstmoser (until 9 April 2013)	Member	–	–	5,660	0.03%
A. Steiner	Member	5,500	0.03%	5,000	0.03%
A. Casutt (as of 9 April 2013)	Member	0	0.00%	–	–
Group Management					
B. Cathomen	CEO	25,580	0.15%	25,580	0.15%
R. Rihs	COO	32,000	0.19%	32,000	0.19%
M. Blom	CFO	12,000	0.07%	8,100	0.05%

These figures include shares held by related parties of these persons, but not those of the group of investors.

10. Subordinated loans

Loans to Group companies include subordinated loans amounting to CHF 6.6 million (prior year: CHF 2.8 million).

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

CHF 1,000	31.12.2013	31.12.2012
Assets pledged as security for liabilities	40,143	40,447
Utilized by credit facilities and loans	0	0
Guarantees in favor of bank syndicate	152,903	152,619
Guarantees for Group companies	15,298	27,799

The credit facility made available by the bank consortium was secured by assigning the credit balances held in bank accounts, marketable securities and the receivables of the company of CHF 40.1 million (prior year: CHF 40.4 million).

Under the terms of the credit agreement, the company is irrevocably committed to the bank consortium for the payment of all debts in respect of Group companies. The guarantee is subject to legally binding restrictions. The reported amount of CHF 152.9 million (prior year: CHF 152.6 million) corresponds to the distributable reserves as per balance sheet.

Mikron Holding AG has issued guarantees of CHF 15.3 million (prior year: CHF 27.8 million) predominantly to customers of Group companies in respect of down payments received.

12. Major investments

See page 107.

13. Compensation to members of the Board of Directors

CHF 1,000		Base compensation		Variable compensation				Social security		Total	
		2013	2012	No. of shares		Amount		2013	2012	2013	2012
				2013	2012	2013	2012				
	H. Spoerry	91	80	0	2,000	0	10	8	7	99	97
	E. Rikli	75	79	0	500	0	3	6	6	81	88
	P. Forstmoser (until 9 April 2013)	18	56	0	500	0	2	1	3	19	61
	A. Steiner	57	55	0	500	0	2	3	3	60	60
	P. Kilchmann	55	53	0	0	0	0	0	0	55	53
	A. Casutt (as of 9 April 2013)	39	–	0	–	0	–	3	–	42	–
	Total	335	323	0	3,500	0	17	21	19	356	359

Members of the Board of Directors receive a fixed remuneration and a lump sum for out-of-pocket expenses. In prior years, part of the compensation was based on attendance at meetings. Furthermore, the compensation included a bonus in the form of shares with a lock-up period of four years during which they may not be sold. The remuneration is registered applying the accrual principle. The disclosure of shares relates to entitlement in the relevant financial year and not to entitlement at the time of transfer.

14. Compensation to Group Management

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

CHF 1,000, except for number of shares	B. Cathomen, CEO		Total compensation of Group Management	
	2013	2012	2013	2012
Base compensation	399	384	982	956
Variable compensation in cash	100	190	213	280
Expenses for social security and pension	123	134	260	283
Other compensation	0	0	7	7
Total	622	708	1,462	1,526

Members of Group Management receive a fixed remuneration paid in 13 installments, a lump sum for expenses 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. 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.

Proposed Appropriation of Retained Earnings

Proposal of the Board of Directors

The Board of Directors proposes to the Annual General Meeting of Shareholders that the retained earnings of CHF 49.1 million for the year ended 31 December 2013 be appropriated as follows:

Appropriation of retained earnings

CHF 1,000	31.12.2013	31.12.2012
Retained earnings carried forward	46,285	38,204
Change of reserve for treasury shares	18	18
Net earnings	2,768	8,063
Retained earnings	49,071	46,285
Carry forward to new account	49,071	46,285

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

Reclassification and payback of capital surplus reserves

CHF 1,000	31.12.2013	31.12.2012
Reclassification of capital surplus reserves in other reserves	1,671	2,507
Distribution from capital surplus reserves (without withholding tax) for the financial year 2013 of CHF 0.10 per share for 16,712,744* shares	1,671	2,507

* These figures are based on the issued share capital as of 8 April 2014. Treasury shares are not entitled to distributions.

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 balance sheet, income statement and notes (pages 98 to 105 and 107), for the year ended December 31, 2013.

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 December 31, 2013 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 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 Ltd

A handwritten signature in black ink, appearing to read 'O. Kuntze'.

Oliver Kuntze
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'M. Michel'.

Manuel Michel
Audit expert

Bern, March 7, 2014

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Group Companies / Investments Mikron Holding AG

Local currency 1,000	Activity	Currency	Share capital	Shareholding direct	Shareholding indirect
Switzerland					
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%	
Germany					
Mikron GmbH Rottweil, Rottweil	2,3	EUR	383	100%	
Mikron Berlin GmbH, Berlin	2,3	EUR	515	100%	
Singapore					
Mikron Singapore Ltd.	2,3	SGD	1,431	100%	
P.R. China					
Mikron Shanghai Ltd.	2,3	CNY	3,379		100%
USA					
Mikron Corp. Denver, Aurora	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

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Except for the historical information contained herein, the statements in this annual report are forward-looking statements that involve risks and uncertainties.

