

Media release on Annual Report 2013

Mikron benefits from demand from the medical devices and pharmaceutical industries

Biel, 10 March 2014, 7.00 a.m. The Mikron Group increased both sales and order intake slightly, compared to the previous year. 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. On the basis of the significantly lower net earnings of CHF 2.4 million (prior year: CHF 8.5 million), 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). In 2014 Mikron is expecting a further slight increase in sales and a significant improvement in EBIT margin.

The Mikron Group increased its annual sales by 2% to CHF 241.1 million (prior year: CHF 235.3 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). Europe remains the dominant geographic market for Mikron, accounting for 75% of all sales. 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. Overall, the Group increased its order intake to CHF 246.4 million (prior year: 236.3 million, +4%).

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 and shareholders' equity

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). The 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. The Mikron Group continues to be very robustly financed. 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.

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.

Key figures for the Mikron Group in 2013

	2013	2012	+/-
CHF million (except number of employees)			
Order intake	246.4	236.3	4.3%
- Machining	125.8	123.6	1.8%
- Automation	121.8	113.0	7.8%
Net sales	241.1	235.3	2.5%
- Machining	125.2	134.3	-6.8%
- Automation	116.8	101.2	15.4%
Order backlog	122.4	109.5	11.8%
- Machining	57.6	51.2	12.5%
- Automation	65.1	58.3	11.7%
Number of employees	1,109	1,093	1.5%
- Machining	534	535	-0.2%
- Automation	572	554	3.2%
EBIT	5.2	11.2	-53.6%
- Machining	6.2	9.9	-37.4%
- Automation	-4.6	-1.6	n.a.
Profit for the year	2.4	8.5	-71.8%
Operating cash flow	10.6	9.8	8.2%
Balance sheet total	232.1	231.1	0.4%
Equity ratio	66.1%	66.2%	-0.1%

Publication of annual results for 2013

The annual results will be published at the same time as this media release in the form of the 2013 Annual Report: www.mikron.com/reports

Brief profile of 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).

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Investor Relations Calendar of Events

8 April 2014, 4.00 p.m. – Annual General Meeting 2014, Biel
22 July 2014, 7.00 p.m. – Media release: Semiannual results 2014

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

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