

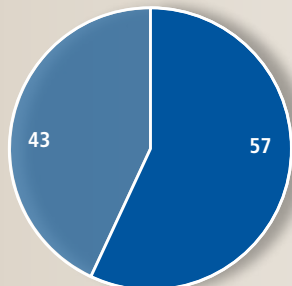
Short version

Annual Report **2012**

Sales by segment in %

Total CHF 235.3 million

- Machining
- Automation

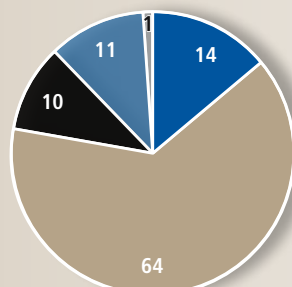


Mikron Group

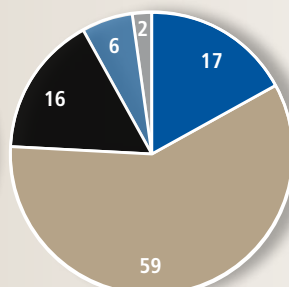
Sales by region in %

Total CHF 235.3 million

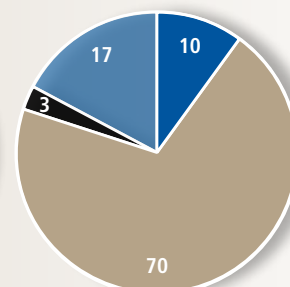
- Switzerland
- Europe
- Asia/Pacific, India
- North America
- Other markets



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Machining

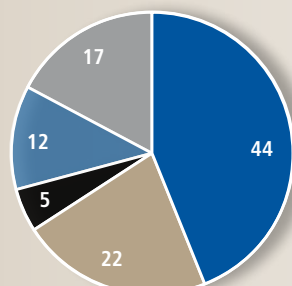


Automation

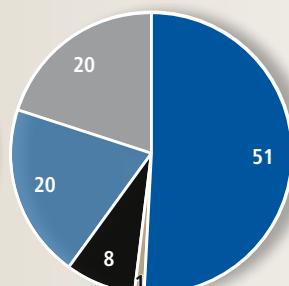
Sales by industry in %

Total CHF 235.3 million

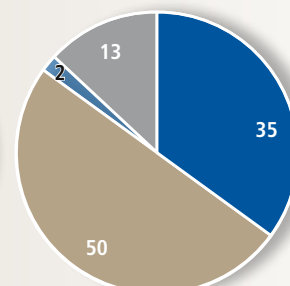
- Automotive
- Pharma/Medical Devices
- Writing
- Consumer Goods
- Other



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Machining

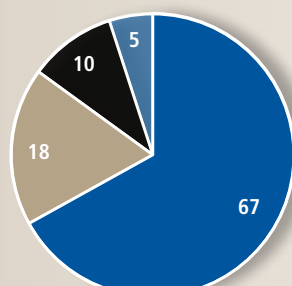


Automation

Employees by region in %

Total 1,093

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



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Key figures 2012

in CHF million, except productivity and number of employees

	2012		2011		+/-
Key performance data					
Order intake	236.3		225.0		11.3 5.0%
Machining	123.6		148.3		-24.7 -16.7%
Automation	113.0		77.1		35.9 46.6%
Net sales	235.3		210.9		24.4 11.6%
Machining	134.3		123.3		11.0 8.9%
Automation	101.2		88.1		13.1 14.9%
Order backlog	109.5		95.9		13.6 14.2%
Machining	51.2		61.7		-10.5 -17.0%
Automation	58.3		34.2		24.1 70.5%
Operating output	237.4		212.0		25.4 12.0%
Productivity (added value/personnel expenses)	1.46		1.48		-0.02 -1.4%
Research and development	5.2		6.1		-0.9 -14.8%
Number of employees (end of year)	1,093		972		121 12.4%
Machining	535		512		23 4.5%
Automation	554		455		99 21.8%
Earnings					
Operating result, as % of net sales	9.1	3.9%	7.4	3.5%	1.7 23.0%
Earnings before interest and taxes (EBIT), as % of net sales	11.2	4.8%	9.4	4.5%	1.8 19.1%
Machining	9.9	7.4%	7.1	5.8%	2.8 39.4%
Automation	-1.6	-1.6%	0.1	0.1%	-1.7 n.a.
Profit for the year, as % of net sales	8.5	3.6%	7.1	3.4%	1.4 19.7%
Cash flow					
Cash flow from operating activities (incl. changes in net working capital), as % of net sales	9.8	4.2%	8.0	3.8%	1.8 22.5%
Balance sheet					
Balance sheet total	231.1		219.1		12.0 5.5%
Current assets	146.1		136.7		9.4 6.9%
Cash and current financial assets	44.3		50.0		-5.7 -11.4%
Non-current assets	85.0		82.4		2.6 3.2%
Current liabilities	60.5		53.2		7.3 13.7%
Long-term liabilities	17.6		17.7		-0.1 -0.6%
Shareholders' equity, as % of balance sheet total	153.0	66.2%	148.2	67.6%	4.8 3.2%

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

Dear Shareholders,

In a difficult environment for the Swiss export industry with the Swiss franc remaining strong and demand for capital goods weakening in the second half of the year, the Mikron Group achieved further earnings growth and a 12% increase in sales to CHF 235.3 million in 2012 (prior year: CHF 210.9 million). Adjusted for acquisitions – factoring out sales by Mikron Berlin – Mikron increased its net sales by 5%.

The Mikron Group generated EBIT of CHF 11.2 million or 4.8% of sales (prior year: CHF 9.4 million, 4.5%). Due to improved profitability, and as the balance sheet remains very sound, the Board of Directors will be proposing a distribution of CHF 0.15 per share to the Annual General Meeting (prior year: CHF 0.12). As in the previous year, this corresponds to a payout ratio of around 30%.

Mikron improved its EBIT to CHF 11.2 million in 2012.

Europe remains the most important market by far for the Mikron Group. It was therefore essential for our group to adapt effectively to the – sometimes very different – developments in the individual European countries. We are also continuing to concentrate on customer focus, innovation and quality, as well as improving the efficiency of our operations, increasing the flexibility of our cost base, and optimizing our processes.

Order intake and net sales

Demand for Mikron Group products remained healthy in 2012. Compared to the previous year, the Mikron Group increased its order intake by 5% in 2012. Adjusted for acquisitions, the order intake is approximately the same as in 2011. The automotive as well as the pharmaceutical and medical devices industries are Mikron's key markets, accounting for a total of two-thirds of sales. Some 80% of orders in 2012 came from European customers, although Mikron also achieved good results in other regions during the reporting year. For example, the Automation segment acquired a number of new customers in the USA with the potential for future orders, and booked a total of 47% more orders compared with 2011. The Machining segment, which began 2012 with a strong order backlog, received significantly fewer orders in the second half of the year, resulting in falling net sales in the fourth quarter, especially in the tools business.

The automotive as well as the pharmaceutical and medical devices industries are Mikron's key markets, accounting for a total of two-thirds of sales.

The Mikron Group increased its annual sales by 12% to CHF 235.3 million (prior year: CHF 210.9 million). The Machining segment achieved 9% sales growth to CHF 134.3 million (prior year: CHF 123.3 million), and the Automation business segment's sales rose by 15% (-1% after adjustment for acquisitions) to CHF 101.2 million (prior year: CHF 88.1 million).



Bruno Cathomen, Chief Executive Officer

Heinrich Spoerry, Chairman of the Board

Profitability

Thanks to a good second half of 2012, the Mikron Group improved the EBIT by 19% to CHF 11.2 million (prior year: CHF 9.4 million) or 4.8% of sales. While the Machining business segment once again increased its profitability with an EBIT margin of 7.4%, operating profit in the Automation business segment remains unsatisfactory with a loss of CHF -1.6 million. Currency-related competitive disadvantages, delays and extra costs in some projects, and the insufficient level of capacity utilization in the first half of 2012 had a distinctly negative impact on the profitability of the Automation business.

Net earnings and shareholders' equity

Factoring in the financial results and income taxes, Mikron's net earnings for 2012 were CHF 8.5 million (prior year: CHF 7.1 million). The equity ratio remains very sound at 66%.

Cash flow

The Mikron Group increased its operational cash flow in 2012, which stood at CHF 9.8 million. These funds were used during the year under review to finance infrastructure projects, the modernization of machinery, innovations, the acquisition of IMA Automation Berlin and the distribution to shareholders. Even though the company's cash and cash equivalents decreased by CHF 0.6 million during the reporting year, the Mikron Group is still essentially debt-free.

Outlook

The general economic trend remains uncertain for 2013. We are anticipating stagnation in Europe together with

slight growth in Asia and the USA. Furthermore, we assume steady demand in the pharmaceutical and medical devices industries, with a short- to medium-term downturn in the European automotive segment. Based on the stronger order backlog in the Automation segment, we expect sales by the Mikron Group in 2013 to be on a par with 2012, with a slight improvement in EBIT margin.

Thanks

We would like to express our sincere thanks to all Mikron Group employees for their hard work, dedication and loyalty. We would also like to say a big thank you to our customers, and to you, our shareholders, for the trust you place in the Mikron Group. On behalf of Mikron, we would like to take this opportunity to express our special thanks to Prof. Dr. Peter Forstmoser for his many years of service on the Group's Board of Directors. For the past 36 years, and through some difficult times, he has supported the Mikron Group. As one of Switzerland's leading experts in company law he has contributed his knowledge to our Audit Committee and full Board of Directors with great commitment. The Board of Directors will be proposing Dr. Andreas Casutt as his successor to the Annual General Meeting in April 2013, who also has a very strong legal background.

Yours sincerely,

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

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.

Business performance | The business segment generated a satisfactory order intake of CHF 113.0 million (prior year: CHF 77.1 million) when viewed in overall terms. Boudry received around 20% more orders than in the previous year. As the year began with a limited order backlog and the new orders only came in from the second quarter onwards, capacity utilization at the Boudry site was much lower in the first half of the year than in the second. Certain challenging customer projects could only be completed delayed and with significantly higher costs than originally envisaged. This factor, together with the irregular capacity utilization and low margins that were attributable to high competitive pressures resulting from the strong Swiss franc, led to a negative result in Boudry.

By contrast, Mikron Berlin posted a positive result that exceeded expectations. Strong demand from German automotive suppliers led to significantly higher orders than in previous years. In the USA, the change of management that took effect in mid-2011 has had positive repercussions. The organization in Denver has been optimized further, and parts of the local team strengthened. Good overall capacity utilization together with the various improvement projects resulted in a better operating result than the previous year.

In Asia, Mikron Automation continued to invest in the build-up of local expertise in 2012. In Singapore, the fruits of this investment became apparent with an encouraging increase in order intake in the second half of the year. Mikron Automation strengthened the local team in Shanghai, particularly in the areas of sales and project execution. This site also serves as Mikron Machining's base for services in China since 2012.

Employees | At the end of 2012, Mikron Automation employed a total of 554 people. The increase of around 20% is primarily attributable to the takeover of IMA Automation Berlin. The initial and further training of staff is something the Automation business segment attaches great importance to. The Boudry site, for example, has housed a centre to train polymechnics apprentices for more than 30 years. The "Tool Champions 2012" competition, which honors the best milling machine operators in Switzerland, saw no less than three polymechnics apprentices achieve a top ranking.

Technology | The further development and cost optimization of the G05 and EcoLine assembly platforms continued successfully in 2012. During the year under review, Mikron Automation booked the twentieth order for its Mikron EcoLine assembly platform. This innovative assembly system was specially developed for the emerging markets of Asia. Thanks to this successful market entry, Mikron Automation now has an excellent gateway for further growth in this region. Furthermore, the new assembly platform has also attracted customers' interest in Europe, with orders received from both the automotive and medical devices industries. Mikron manufactures the EcoLine platform to a significant extent in Singapore.

Outlook | In the current business year, Mikron Automation is seeking to expand its global presence further and reduce its dependency on the European market. In the long term, the business segment is expecting significant growth in demand for automation solutions in Asia, especially in China. Drivers of increasing automation include rising wage costs, a lack of qualified personnel, and increasing pressure to improve quality. Mikron Automation is ideally placed to take advantage of this growth with its Singapore and Shanghai sites and its EcoLine assembly platform. The business segment is looking to expand its Asian subsidiaries further, and to encourage the transfer of knowledge and experience between the still-new Asian sites and its headquarters in Switzerland. In the USA, Mikron Automation will win further important projects and customers thanks to its state-of-the-art products and strong application expertise in the medical devices and pharmaceutical industry. Steady further development of the two assembly platforms in line with customer needs will enable Mikron Automation to win new customers and applications in the saturated markets of Europe too. By consistently implementing ongoing improvement projects at all sites, the business segment will increase productivity and thereby significantly improve its operating result.

As the German manufacturing industry has lost a certain amount of momentum, Mikron Automation is expecting a slightly lower order intake in 2013 than the previous year. Thanks to the stronger order backlog at the beginning of the year, however, the business segment is expecting slightly higher annual sales. Overall, Mikron Automation is anticipating a positive result for the 2013 financial year.

Mikron Machining

Mikron Machining is a leading supplier of customized, highly productive machining solutions for the manufacturing of complex high-precision components made of metal.

Business performance | After a very good order intake in the previous year, demand for machines and tools flattened out noticeably in the 2012 financial year. This particularly applies to orders from the German automotive industry in the second half of the year. However, the business segment was able to at least partially offset these losses with orders from other industries and regions. The demand from Asia continued to develop well. In the southern European countries, however, investment activities remained at a similarly weak level as in previous years. In total, Mikron Machining generated an order intake of CHF 123.6 million (prior year: CHF 148.3 million). Due to the good order backlog at the beginning of the year, Mikron Machining was able to make good use of capacity at all of its plants throughout the year.

Employees | At the end of 2012, Mikron Machining employed 535 people worldwide. Headcount increased slightly at most sites and is in total about 5% higher than in the previous year. Throughout the year, great importance was placed on communicating the newly formulated shared Mikron Values as well as investing in systematic and continuous training for its employees. The technical complexity of the products and the highly international customer base present a major challenge for all our employees and managers. At the same time, this diverse and dynamic environment offers them excellent opportunities to gain experience and develop their personal skills.

Technology | In the year under review, Mikron Machining successfully developed and improved its existing machinery platforms. Working closely with customers, the business segment developed new applications and perfected various machining processes. In the tools business too, Mikron implemented new machining and logistics processes and is now able to supply its customers with even better tools even more quickly. CrazyDrill Flex is one of the outstanding innovations to have emerged from Switzerland's manufacturing industry in the past two years. That, at least, is the opinion of the judges responsible for the PRODEX Award, Switzerland's most prestigious manufacturing and production prize. At the eponymous trade fair in Basel, Mikron's flexible micro drill came second in the awards for the most outstanding innovations in the area of machine tools, tools and measurement technology.

Outlook | During the current financial year, Mikron Machining aims to further expand its presence in the key markets. It will continue to optimize its already outstanding products and tailor them even more to the growing needs of its customers. Mikron Machining will also be implementing some IT projects in 2013 which will enable all employees to collaborate more closely and efficiently in the future, and to access the data they need more quickly. Aided by modern information technology, service processes and tool distribution will also become faster and more effective.

In the long term, the business segment anticipates further significant growth in the global machine tools market. This will also benefit Mikron Machining, with its outstanding global reputation in the niche market for complex, highly productive precision machinery. Demand will continue to grow in China especially. By expanding its service hub in China, Mikron Machining is well prepared to meet the country's increasing demand.

Taking a short-term view, Mikron Machining's business is characterized by uncertainty and the economic slowdown in Europe. Accordingly, the business segment started 2013 with a considerably lower backlog of work than in 2012 but expects demand to recover around the middle of the year. For the 2013 financial year, Mikron Machining expects sales to fall slightly, despite a sound portfolio of mid- to long-term customer projects. Mikron Machining's main priorities for the 2013 financial year are to maintain the pleasing EBIT margin and to acquire new customers.

Mikron

Consolidated income statement

CHF 1,000	2012		2011	
Net sales	235,279		210,948	
Change in work in progress/finished goods	1,907		476	
Capitalized own production	230		552	
Operating output	237,416	100.0%	211,976	100.0%
Material costs and subcontractors	-92,722		-76,460	
Personnel expenses	-98,774		-91,325	
Other operating income	1,146		1,272	
Other operating expenses	-29,610		-29,970	
Depreciation of tangible assets	-5,692		-5,549	
Amortization of intangible assets	-2,653		-2,521	
Operating result	9,111	3.8%	7,423	3.5%
Financial result	-825		-1,368	
Ordinary result	8,286	3.5%	6,055	2.9%
Non-operating result	2,105		1,958	
Profit before taxes	10,391	4.4%	8,013	3.8%
Income taxes	-1,920		-879	
Profit	8,471	3.6%	7,134	3.4%

Mikron

Consolidated balance sheet

CHF 1,000	31.12.2012		31.12.2011	
Current assets				
Cash and cash equivalents	25,673		26,231	
Current financial assets	18,649		23,745	
Accounts receivable	14,076		13,196	
Inventories	43,019		33,251	
Net assets from customer projects	38,433		34,236	
Other receivables	3,645		2,663	
Prepaid expenses	2,616		3,368	
Total current assets	146,111	63.2%	136,690	62.4%
Non-current assets				
Tangible assets	45,432		43,515	
Intangible assets	8,455		6,933	
Investment property	28,030		27,950	
Deferred tax assets	3,080		4,011	
Total non-current assets	84,997	36.8%	82,409	37.6%
Total assets	231,108	100.0%	219,099	100.0%
Current liabilities				
Short-term financial liabilities	651		606	
Accounts payable	22,965		17,798	
Net liabilities from customer projects	13,878		13,788	
Short-term provisions	4,838		3,491	
Other current liabilities	3,586		2,056	
Accrued expenses	14,593		15,500	
Total current liabilities	60,511	26.2%	53,239	24.3%
Long-term liabilities				
Long-term financial liabilities	14,120		14,805	
Long-term provisions	181		201	
Deferred tax liabilities	3,276		2,665	
Total long-term liabilities	17,577	7.6%	17,671	8.1%
Shareholders' equity				
Share capital	1,671		1,671	
Treasury shares	-159		-186	
Capital reserves	106,668		108,670	
Retained earnings	44,840		38,034	
Total shareholders' equity	153,020	66.2%	148,189	67.6%
Total liabilities and shareholders' equity	231,108	100.0%	219,099	100.0%

Consolidated statement of cash flow

CHF 1,000	2012	2011
Cash flow from operating activities		
Profit	8,471	7,134
Depreciation and amortization	8,345	8,070
Revaluation of investment property	287	426
Gains (-) / losses (+) on sale of non-current assets	87	-28
Changes in provisions	383	97
Changes in deferred taxes	1,319	542
Other non-cash items	-548	-1,863
Cash flow from operating activities before changes in net working capital	18,344	14,378
Movement in accounts receivable	1,026	-926
Movement in inventories	-8,979	1,734
Movement in net assets from customer projects, other receivables and prepaid expenses	-2,787	-9,231
Movement in accounts payable	4,105	1,110
Movement in net liabilities from customer projects, other current liabilities and accrued expenses	-1,935	958
Cash flow from operating activities	9,774	8,023
Cash flow from investing activities		
Investments in tangible assets	-7,451	-8,824
Divestments of tangible assets	165	96
Investments in intangible assets	-4,055	-1,240
Investments in investment property	-565	-977
Investments in group companies (less cash taken over)	-1,017	0
Investments in financial assets	-4,076	-5,040
Divestments of financial assets	9,000	4,440
Cash flow from investing activities	-7,999	-11,545
Cash flow from financing activities		
Purchase of treasury shares	0	-1,073
Sales of treasury shares	0	406
Distribution to shareholders	-2,002	0
Increase (+) / repayment (-) of long-term financial liabilities	-50	2,520
Increase (+) / repayment (-) of finance lease liabilities	-606	-580
Interest received	663	639
Interest paid	-231	-197
Cash flow from financing activities	-2,226	1,715
Effect of exchange rate changes on cash	-107	2
Net cash flow	-558	-1,805
Increase (+) / decrease (-) of cash and cash equivalents	-558	-1,805
Cash and cash equivalents at beginning of period	26,231	28,036
Cash and cash equivalents at end of period	25,673	26,231

Mikron

Notes

1. General Information

Mikron Holding AG is a limited company under Swiss law, domiciled in Biel. Its shares are listed on the SIX Swiss Exchange.

The full financial report 2012 is available or can be ordered on the Mikron website (www.mikron.com/reports).

2. Accounting principles

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER. However, the data presented in the short version of this report should be read in conjunction with the full financial report for the year 2012. This short version does not fulfill all the disclosure requirements of Swiss GAAP FER nor are the accounting principles set out.

3. Scope 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.

In the year under review Mikron Group acquired 100% of the shares of IMA Automation Berlin GmbH (now Mikron Berlin) and liquidated its subsidiary Mikron Ltd. Tokyo. Any difference between the higher purchase price and the net assets acquired (Goodwill) is offset against shareholders' equity.

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 facilities in Germany, Singapore, China and the United States. The Mikron Group employs approximately 1100 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.

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Published in English, German, Italian and French

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