



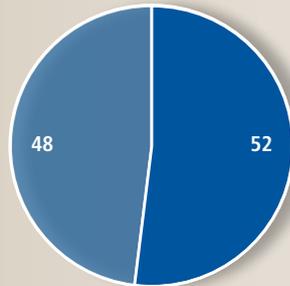
Short version

Annual Report 2013

Sales by segment in %

Total CHF 241.1 million

- Machining
- Automation

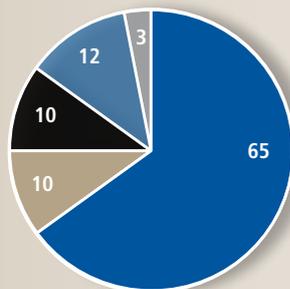


Mikron Group

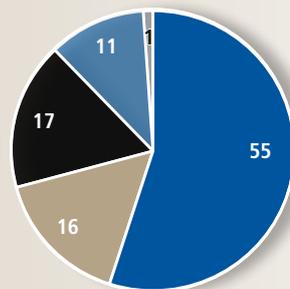
Sales by region in %

Total CHF 241.1 million

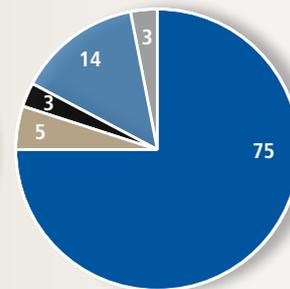
- Europe
- Switzerland
- Asia/Pacific, India
- North America
- Other markets



Mikron Group



Machining

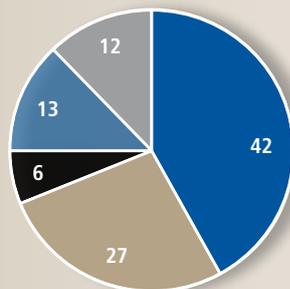


Automation

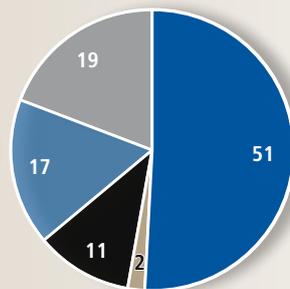
Sales by industry in %

Total CHF 241.1 million

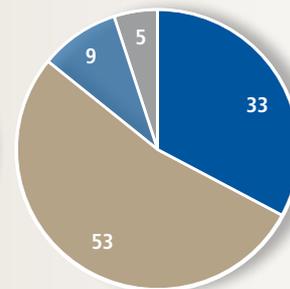
- Automotive
- Pharma/Medical Devices
- Writing
- Consumer Goods
- Other



Mikron Group



Machining

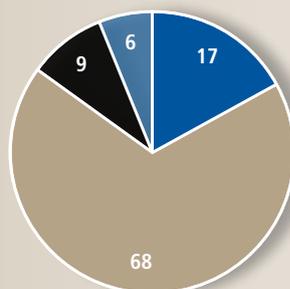


Automation

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.

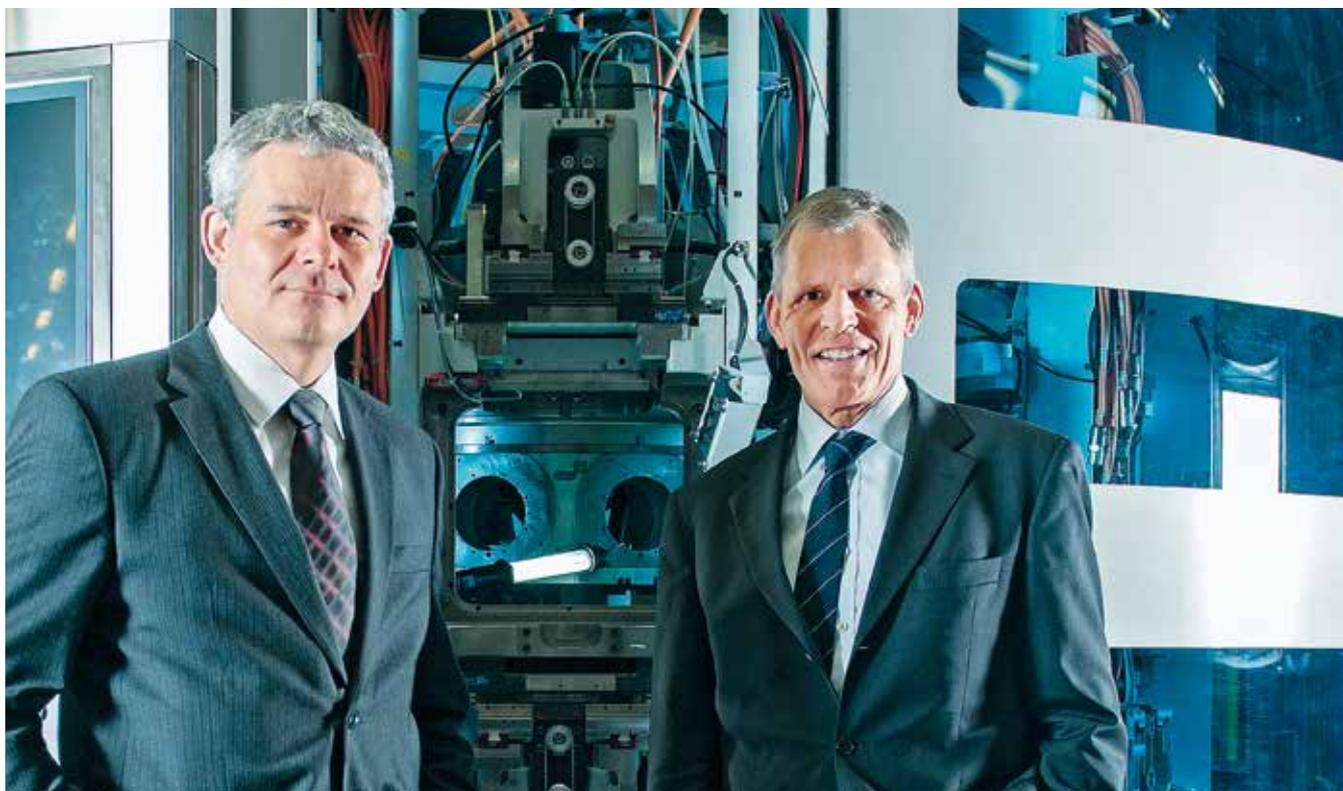
We are not satisfied with the profitability of the Mikron Group in 2013. In the Machining business segment, EBIT fell to CHF 6.2 million (prior year: CHF 9.9 million), while in the Automation business segment we recorded a decline to a disappointing CHF -4.6 million (prior year: CHF -1.6 million). At 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.

“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 devel-

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

op and train our employees. For the first time this year, we have incorporated a Sustainability Report into our Annual Report. 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.

Net sales, capacity utilization and order backlog

The Mikron Group increased its annual sales by 2% to CHF 241.1 million (prior year: CHF 235.3 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). 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.

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 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 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.

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.

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.

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, mainly from the medical devices and pharmaceutical industries, 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. In Asia 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.

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



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

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%

project management resulted in significant additional costs and a substantial operating loss. Furthermore, the site suffered an extremely abrupt decline in the order intake from the automotive industry 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. Mikron Automation sets great store by the development and training opportunities open 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.

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.

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 Machining

Mikron Machining is the leading supplier of customized, highly productive machining solutions for the manufacturing of complex high-precision components made of metal. The high-performance cutting tools used on the systems are developed and produced in house at Mikron Machining.

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.

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

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

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



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%

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 (prior year: CHF 134.3 million; -7%) in the year under review, but at the same time increased its yearend 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.

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 spe-

cialist audience at the EMO trade fair in Hanover; the first orders have already been received.

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.

Consolidated Income Statement

CHF 1,000	2013		2012	
Net sales	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	-103,786		-92,722	
Personnel expenses	-102,832		-98,774	
Other operating income	2,323		1,146	
Other operating expenses	-30,634		-29,610	
Depreciation of tangible assets	-5,028		-5,692	
Amortization of intangible assets	-2,535		-2,653	
Impairment of intangible assets	-2,287		0	
Operating result	2,957	1.2%	9,111	3.8%
Financial result	-1,614		-825	
Ordinary result	1,343	0.5%	8,286	3.5%
Non-operating result	2,240		2,105	
Profit before taxes	3,583	1.4%	10,391	4.4%
Income taxes	-1,190		-1,920	
Profit	2,393	1.0%	8,471	3.6%

Mikron

Consolidated Balance Sheet

CHF 1,000	31.12.2013		31.12.2012	
Current assets				
Cash and cash equivalents	33,284		25,673	
Current financial assets	13,075		18,649	
Accounts receivable	15,144		14,076	
Inventories	42,826		43,019	
Net assets from customer projects	42,754		38,433	
Other current receivables	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	43,148		45,432	
Intangible assets	5,872		8,455	
Investment property	27,890		28,030	
Deferred tax assets	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	200		651	
Accounts payable	21,073		22,965	
Net liabilities from customer projects	18,235		13,878	
Short-term provisions	4,328		4,838	
Other current liabilities	3,049		3,586	
Accrued expenses	14,182		14,593	
Total current liabilities	61,067	26.3%	60,511	26.2%
Long-term liabilities				
Long-term financial liabilities	13,870		14,120	
Long-term provisions	184		181	
Deferred tax liabilities	3,568		3,276	
Total long-term liabilities	17,622	7.6%	17,577	7.6%
Shareholders' equity				
Share capital	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%

Consolidated Statement of Cash Flow

CHF 1,000	2013	2012
Cash flow from operating activities		
Profit	2,393	8,471
Depreciation and amortization	7,563	8,345
Impairment of intangible assets	2,287	0
Revaluation investment property	186	287
Gains (-) / losses (+) on sale of non-current assets	-60	87
Changes in provisions	-512	383
Changes in deferred taxes	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	-4,269	-7,451
Divestments of tangible assets	165	165
Investments in intangible assets	-1,268	-4,055
Investments in investment property	-46	-565
Investments in group companies (less cash taken over)	0	-1,017
Investments in financial assets	-11,777	-4,076
Divestments of financial assets	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

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 annual report 2013 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 annual report for the year 2013. 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.

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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.