

LINOS F-Theta-Ronar

411/S4D

MAS12-50-3S
PRESS. 0.15 - 0.7 MPa
MADE IN JAPAN (J 72)
SMC

2021 | Annual Report

Forward-looking statements

This Annual Report contains forward-looking statements in relation to the Mikron Group which are based on current assumption and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated.

The Mikron Annual Report 2021 is published in English only. An online version is available with excerpts in German: <https://report.mikron.com>

Photo on the front page:

Mikron Automation: Laser welding station for contour welding of a PCR (Covid-19) test card

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

Published in English

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

Photography: Terence du Fresne, Mikron archive, iStock

March 2022, © Copyright Mikron Holding AG

Mikron®, CrazyDrill™, CrazyMill™, CrazyReamer™, Flexcell™, G05™, Mikron 6x6™, Mikron EcoLine™, Mikron EcoPal™, Mikron MultiX™, Mikron NRG™, Mikron NRG-50™, Mikron Polyfeed™, Mikron Tool™, MiquDrill™, Multifactor™, Multifast™, Multistar™, Multistep™, Polyline™ are trademarks of Mikron Holding AG, Biel (Switzerland).

Content

4	Key Figures
5	Financial Year in a Nutshell
10	Letter to Shareholders
12	Interview with Marc Desrayaud, CEO
14	Mikron in the World
16	Customer Relationship Management
26	Management Report
37	Corporate Social Responsibility
40	Corporate Governance Report
58	Compensation Report
66	Mikron Group Financial Report 2021
102	Alternative Performance Measures
105	Information on Share Capital
106	Mikron Holding AG Financial Report 2021
118	Group Companies/Investments Mikron Holding AG

Key Figures

CHF million, except number of employees

2021

2020

+/-

Key performance data						
Order intake ¹⁾	305.7		267.3		38.4	14.4%
Machining Solutions	135.4		96.0		39.4	41.0%
Automation	170.5		171.5		-1.0	-0.6%
Net sales	289.5		257.8		31.7	12.3%
Machining Solutions	112.9		96.3		16.6	17.2%
Automation	176.7		161.7		15.0	9.3%
Order backlog ¹⁾	176.7		161.6		15.1	9.3%
Machining Solutions	61.1		38.2		22.9	59.9%
Automation	115.6		123.4		-7.8	-6.3%
Research and development	6.6		6.5		0.1	1.5%
Number of employees (end of year) ¹⁾	1,327		1,331		-4	-0.3%
Machining Solutions	523		545		-22	-4.0%
Automation	775		759		16	2.1%
Earnings						
EBITDA ¹⁾ , as % of net sales	27.1	9.4%	-8.9	-3.5%	36.0	n/a
EBIT ¹⁾ , as % of net sales, before restructuring costs	17.6	6.1%	-4.7	-1.8%	22.3	n/a
Machining Solutions	2.5	2.2%	-13.6	-14.1%	16.1	n/a
Automation	15.8	8.9%	9.1	5.6%	6.7	73.6%
EBIT ¹⁾ , as % of net sales	17.6	6.1%	-20.8	-8.1%	38.4	n/a
Machining Solutions	2.5	2.2%	-21.6	-22.4%	24.1	n/a
Automation	15.8	8.9%	1.1	0.7%	14.7	1,336.4%
Operating result, as % of net sales	18.0	6.2%	-20.1	-7.8%	38.1	n/a
Profit/loss for the year, as % of net sales	17.0	5.9%	-22.1	-8.6%	39.1	n/a
Cash flow						
Cash flow from operating activities (incl. changes in net working capital), as % of net sales	50.7	17.5%	9.2	3.6%	41.5	451.1%
Balance sheet (end of year)						
Balance sheet total	300.0		277.1		22.9	8.3%
Current assets	164.6		164.7		-0.1	-0.1%
Cash and current financial assets	54.5		40.4		14.1	34.9%
Non-current assets	135.4		112.4		23.0	20.5%
Current liabilities	114.2		115.6		-1.4	-1.2%
Long-term liabilities	20.7		16.0		4.7	29.4%
Shareholders' equity, as % of balance sheet total	165.1	55.0%	145.5	52.5%	19.6	13.5%

1) Alternative performance measures, see pages 102 to 104, or www.mikron.com/apm

Mikron's Financial Year 2021 in a Nutshell

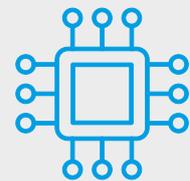
Restructuring successfully completed.
Markedly improved earning situation.

EBIT* rose from
CHF -4.7 million to
CHF 17.6 million.

Cash flow from
operating activities
rose from CHF 9.2 million
to CHF 50.7 million.

Net sales rose from
CHF 257.8 million to
CHF 289.5 million.

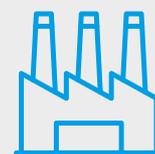
* before restructuring costs



Digitalization of
products and services
markedly deepened.



Merger of Swiss entities
and realization
of efficiency gains.



Investing in the future
of the Swiss sites
in Boudry and Agno.

Mikron Group is entering 2022 financial year in a strong position, with sound cost structure, a solid order backlog in both business segments and a good demand trend in all key markets.

Mikron Group

2020

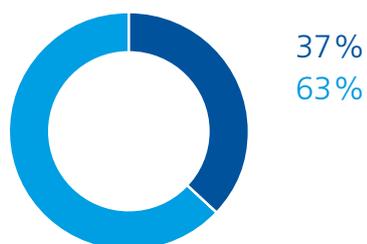
2021

Net Sales

Total amount CHF **257.8** million

Total amount CHF **289.5** million

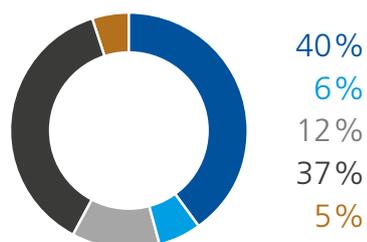
By segment



Machining Solutions 39%
Automation 61%



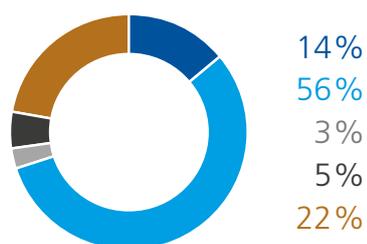
By region



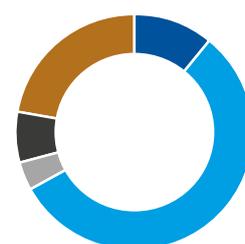
Europe 44%
Switzerland 6%
Asia/Pacific 15%
North America 33%
Others 2%



By industry



Automotive 11%
Pharma/Medtech 56%
Writing 4%
Consumer Goods 7%
Others 22%

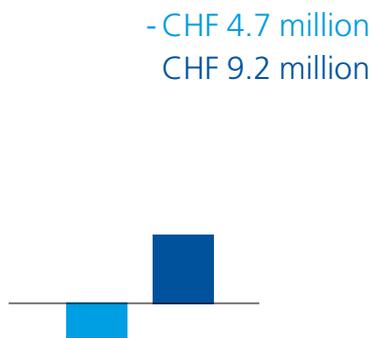


2020

2021

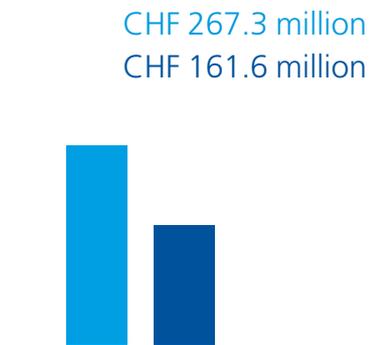
EBIT*

Cash flow from operating activities



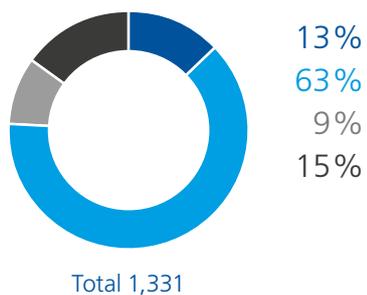
Category	Value
EBIT	CHF 17.6 million
Cash flow from operating activities	CHF 50.7 million

Order intake
Order backlog**



Category	Value
Order intake	CHF 305.7 million
Order backlog	CHF 176.7 million

Employees**



Region	Percentage
Europe	9%
Switzerland	65%
Asia/Pacific	9%
North America	17%



* Before restructuring costs

** At the end of the year

Mikron Automation

2020

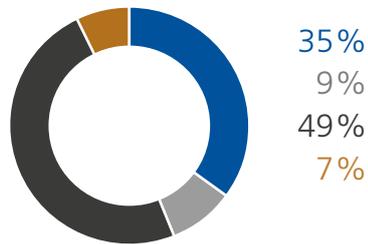
2021

Net Sales

Total amount CHF 161.7 million

CHF 176.7 million

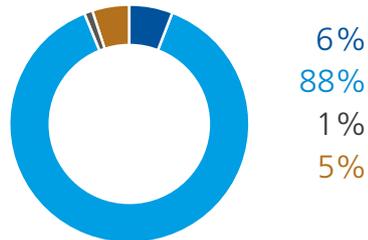
By region



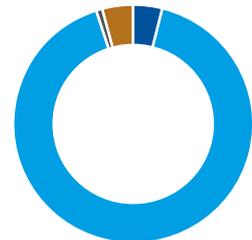
Europe 42%
Asia/Pacific 13%
North America 42%
Others 3%



By industry

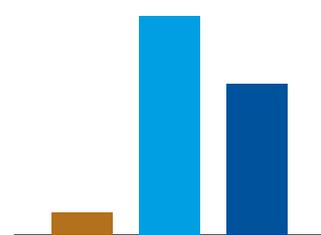
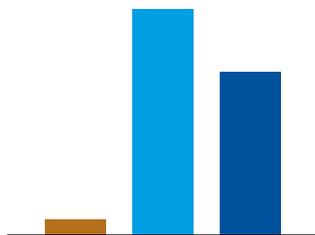


Automotive 4%
Pharma/Medtech 91%
Consumer Goods 1%
Others 4%



EBIT* CHF 9.1 million
Order intake CHF 171.5 million
Order backlog** CHF 123.4 million

CHF 15.8 million
CHF 170.5 million
CHF 115.6 million



Employees** Total 759

Total 775



* Before restructuring costs
** At the end of the year

Mikron Machining Solutions

2020

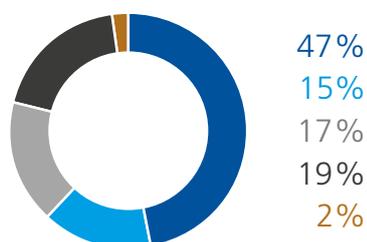
2021

Net Sales

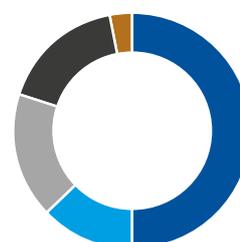
Total amount CHF 96.3 million

CHF 112.9 million

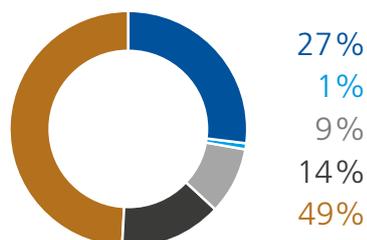
By region



Region	Percentage
Europe	50%
Switzerland	13%
Asia/Pacific	17%
North America	17%
Others	3%



By industry



Industry	Percentage
Automotive	22%
Pharma/Medtech	3%
Writing	12%
Consumer Goods	15%
Others	48%



EBIT* - CHF 13.6 million

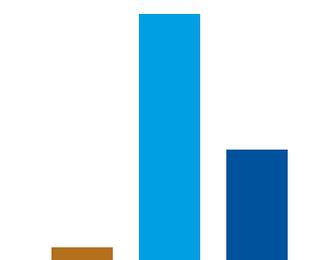
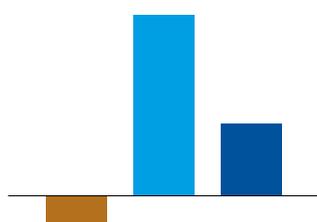
CHF 2.5 million

Order intake CHF 96.0 million

CHF 135.4 million

Order backlog** CHF 38.2 million

CHF 61.1 million



Employees** Total 545

Total 523



* Before restructuring costs

** At the end of the year

Dear Shareholders,

The Mikron Group is on track – both operationally and strategically. The significant growth in order intake and sales as well as the marked improvement in the EBIT margin are important signs of this. The course set in 2020 with the comprehensive restructuring measures in both business segments – concentrating on the tools business in Rottweil (Germany) and closing our Berlin site – has started to pay off in our 2021 business results. The increase in demand for Mikron Tool's cutting solutions in the Mikron Machining Solutions business segment and the further rise in sales in the Mikron Automation business segment were also key drivers of the earnings performance. Overall net sales increased to CHF 289.5 Mio. (+12.3%).

Although the impact of the coronavirus pandemic was more moderate than in 2020, the virus still kept us on our toes in 2021. During the months of uncertainty, we were once again able to count on the great commitment of our employees. Motivation, resilience and performance culture emerged as important values. Everywhere, Mikron took regulatory requirements in its stride, adopted the necessary precautionary measures, and responded flexibly to the limited availability of raw materials and supplier parts.

The Mikron Automation business segment, which is well positioned in its main sales market of pharmaceutical and medical technology, performed very well in the year under review. Demand remained sound and capacity utilization was excellent during the whole year. Locations in Asia still benefited from orders related to coronavirus test devices.

In the Mikron Machining Solutions business segment, demand for cutting solutions from the Mikron Tool division has recovered significantly since the beginning of 2021, and the division was able to markedly increase sales volumes. The Mikron Machining division also made progress. After the first half of the year, which still remained difficult, the division succeeded in winning some strategically important orders for new applications in the second half of the year. These came, for example, from the watch industry, the connector industry, and the automotive industry, outside the combustion engine sector.

Overall, EBIT improved to CHF 17.6 Mio. or 6.1% of net sales, representing an important milestone for sustainable profitability.

At the General Meeting on 27 April 2022, the Board of Directors will propose a distribution to the shareholders of CHF 0.24 per share.

During the first half of the year, we had the pleasure of taking over the management of the Mikron Group from Heinrich Spoerry, Chairman of the Board, and Bruno Cathomen, CEO. They have both played a key role in shaping the development of the Mikron Group. On behalf of the entire Group, we would like to thank Heinrich Spoerry and Bruno Cathomen for the great commitment they have shown to Mikron over the many years.



Paul Zumbühl, Chairman of the Board of Directors and Marc Desrayaud, Chief Executive Officer

Further changes are imminent on the Mikron Group's Board of Directors: Eduard Rikli and Patrick Kilchmann will not be standing for re-election at the Annual General Meeting on April 27, 2022. The Board of Directors will propose that the General Meeting elect Alexandra Bendler and Hans-Christian Schneider. Alexandra Bendler has been working for the Autoneum Group (formerly Rieter Automotive) in Winterthur since 2008 – and since 2019 as a member of the Group Executive Board and as Head of Business Group Europe. Hans-Christian Schneider has been CEO of the Ammann Group in Langenthal since 2013. We would like to take this opportunity to thank Eduard Rikli, who had a decisive influence on the development of the Group over the past two decades and showed great commitment and foresight. Our thanks also go to Patrick Kilchmann for his eleven years of dedication to the Mikron Group.

For more than a hundred years, Mikron has been driven by the desire to accompany and support customers with innovative solutions and future-proof technologies. Around the globe for many decades. The coronavirus pandemic has painfully highlighted the vulnerability of our world. We must continue to expect global challenges and surprises in the future. The coming years will see fundamental changes in technologies, production methods, and processes. With innovations and systematic action, Mikron is contributing toward mastering these challenges. And with new products and services, we are helping our customers to use the current transformation processes as an opportunity. For a sustainable and liveable future.

With this in mind, we are looking to the future with strength and optimism: the Mikron Automation business segment began the new year with a solid order backlog, and prospects in the pharmaceutical and medtech industries remain promising. In the Mikron Machining Solutions segment, based on its good order backlog at the end of 2021, and various operational efficiency improvements, the Mikron Machining division is confident that it will be able to significantly improve its currently still unsatisfactory earnings situation in 2022. Demand for tools from the Mikron Tool division remains intact. Overall, Mikron is aiming for a further profitability improvement in the current year. However, a forecast for fiscal 2022 remains difficult. This is due on the one hand to the unpredictable development in connection with the Corona pandemic and the war in the Ukraine and on the other hand to the uncertain availability of raw materials and supplier parts.

We would like to thank our employees for their commitment as well as our customers for their trust and to extend our gratitude to you, our valued shareholders, for your loyalty.

A handwritten signature in blue ink, appearing to read 'P. Zumbühl'.

Paul Zumbühl,
Chairman of the Board of Directors

A handwritten signature in blue ink, appearing to read 'M. Desrayaud'.

Marc Desrayaud,
Chief Executive Officer

Marc Desrayaud, Chief Executive Officer

“I will continue to foster and promote the Mikron culture of innovation.”

You took over as CEO of the Mikron Group on 1 June 2021. Why did you choose Mikron specifically?

I have been fascinated by the Group for quite some time. The name Mikron stands for Swiss industrial history well beyond the sector. The company has great diversity: three divisions, each operating in different markets. And all at the forefront of their technologies worldwide. I see it as my task to continue to promote and exploit this potential over the coming years. And I look forward to helping write the next chapter in Mikron's history.

In which direction do you want to lead Mikron?

Over the medium and long term all three of our divisions should operate and grow on a self-sustaining basis. Our aim as a group of companies is to achieve healthy growth. That means not too much at once and not too fast – but wherever possible on a self-financing basis and from our existing business. The conditions for Mikron to enjoy healthy growth are excellent.

Where exactly do you see this potential?

For a start we have a great team: we employ leading specialists in a wide range of disciplines – always in search of

the best solution. I'm really impressed with the staff in all three divisions. By their commitment to Mikron. By the motivation they bring to their tasks – even under difficult conditions at times.

And beyond that?

Mikron offers more than just machinery, systems and tools. It delivers tailor-made solutions for the markets of the future. Almost all our customers today are faced with very difficult decisions, with new technologies, increasing time and cost pressures, and ever greater demands for flexibility. And this is precisely where we can support them as a partner. By developing sustainable solutions in close partnership and creating real added value.

As CEO, how are you paving the way for further innovations?

Innovation is our strongest competitive advantage and the heart of Mikron. That was how it was in the past and that's how it will stay in the future. Innovation is part of our DNA. I will continue to systematically foster and promote this culture of innovation. Our customers expect a premium supplier to provide surprising technologies and services that anticipate their needs.



Marc Desrayaud, CEO

Where will you focus your efforts?

Mikron was quick to recognize the opportunities of digitalization. But this potential is far from exhausted: digitalization will continue to decisively shape the development of our Group over the coming years. Not just in our service business, but especially there. It's also very important to me to cultivate the unique Mikron spirit. I notice that all three of our divisions have a very strong corporate culture. As CEO, I also want to strengthen Mikron's group culture and group identity: this is how we can continue to be a modern, innovative, globally active Swiss technology group. With the most attractive career development opportunities for the most talented young professionals in our industry.

Mikron in the World



229 Employees

Mikron in America

Mikron Corp. Monroe (CT), USA

Sales and customer services for Machining Systems and Cutting Tools

Mikron Corporation Denver, Englewood (CO), USA

Manufacturing of Automation Systems, engineering, sales and customer services



975 Employees

Mikron in Europe

Mikron Switzerland AG, Boudry

Headquarter of Mikron Automation

Manufacturing of Automation Systems, engineering, marketing, sales and customer services

Mikron Switzerland AG, Agno (Division Mikron Machining)

Headquarter of Mikron Machining

Development and building of Machining Systems, marketing, sales and customer services

Mikron Switzerland AG, Agno (Division Mikron Tool)

Headquarter of Mikron Tool

Development and production of Cutting Tools, marketing and sales

Mikron GmbH, Rottweil, Germany

Development and production of Cutting Tools

Customer services for Machining Systems

UAB Mikron Kaunas, Lithuania

Sales, engineering, manufacturing and services of Automation Systems



123 Employees

Mikron in Asia

Mikron Industrial Equipment (Shanghai) Co., Ltd.

Manufacturing of Automation Systems, sales and customer services

Marketing and sales for Machining Systems

Mikron Tool Shanghai

Marketing and sales for Cutting Tools

Mikron Singapore Pte Ltd

Manufacturing of Automation Systems, sales and customer services

Mikron in the Automotive Industry

CHF **32.2** million net sales in 2021

(11% of total net sales)

While the share of this market segment in the Group's total annual net sales has fallen significantly in 2021, Mikron has been able to win projects for new applications outside the combustion engine in all three divisions.



Mikron in the Pharma/Medtech Industry

CHF **163.5** million net sales in 2021

(56% of total net sales)

Led by the Mikron Automation business segment, which generated more than 90% of sales in the medical and pharmaceutical technology industry, 2021, both business segments of the Mikron Group were able to achieve significant growth in this market segment and open up new markets.



SEGMENTS	Mikron Automation		Mikron Machining Solutions	
	Mikron Automation	Mikron Machining	Mikron Tool	
DIVISIONS				

At the end of 2021, more than 11,000 Mikron systems were installed worldwide.

Knowing today what customers will need tomorrow is the key to lasting success

The current challenges in the international markets demand innovation and excellence on the part of the Mikron Group. Not just in the area of technology, but also and especially in customer relationship management. Relationships based on partnership are a crucial factor for lasting success – both for customers and for the Mikron Group itself. This applies to the capital equipment made by the Mikron Automation and Mikron Machining divisions and to the cutting tools made by Mikron Tool.



In all three divisions, Mikron offers its customers far more than just a product. More than systems, machinery or tools. Mikron delivers solutions tailored to the needs of each individual customer. Solutions that help customers become more efficient and increase productivity.

This is only possible because we understand our customers' needs in precise detail. Because we know what drives them, in what direction they want to pursue their development, and how they propose to hold their own in the future markets. The preconditions for this are intensive exchanges, cooperation based on partnership and the ability to evaluate and process information analytically and put it to use in project work.

Personal contact remains key

To manage customer relationships on a targeted basis, Mikron relies on state-of-the-art Group-wide CRM systems. Digital applications help organize customer relationships efficiently, ensure knowledge transfer in project teams and simplify exchanges of information. However, those in charge of CRM in all three divisions agree on one thing: personal contact is and remains crucial for the quality of customer relations and lasting success.



Lorenz Buri,

Sales Director at Mikron Automation Boudry



For us, every customer project is an exciting journey that we embark on as a project team together with the customer. From the initial contact and the required needs assessed to the close support in the

early product and project phase with individual solutions and services throughout the production life cycle. A project has only really been successfully completed when the client comes back to us with a new project.

Axel Warth,

Head of Marketing and Business Development at Mikron Machining



The investment in setting up our CRM system has paid off. Today we're extremely efficient, which gives us more time for in-depth personal analyses and assessments of the situation with the customer. We still read our customers' wishes from their eyes.

But increasingly frequently from our CRM system too.

Marco Cirfeta,

Head of Marketing & Sales Europe at Mikron Tool



Efficient customer relationship management is an indispensable tool for the professional management of our company's relationships and interactions with existing and potential customers. Our database is

continuously and systematically updated and helps us to build an efficient customer relationship, from the first contact to the customer satisfaction survey. Thanks to efficient CRM, we have much more time to focus on the real needs and requirements of our customers. This helps us achieve our ultimate goal of having an excellent relationship with our customers and distribution partners.

The following examples from the three divisions show how targeted customer relationship management helps Mikron win new customers and projects and develop new market services.

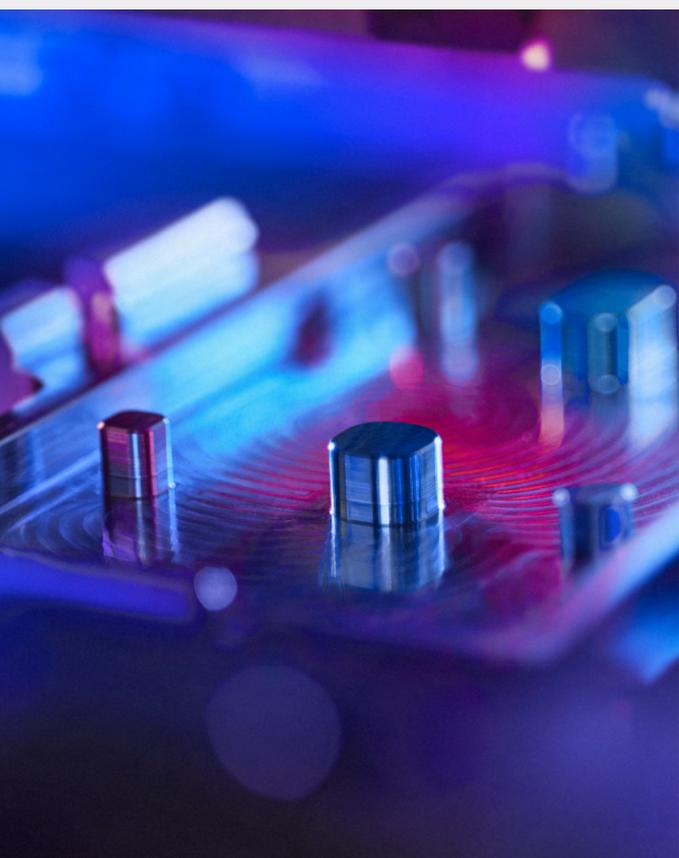
Mikron Automation – opening up new market segments with good customer relationship management

Between 2017 and 2021, Mikron Automation implemented various automation solutions in a European country. The task: to assemble medical valves.

The customer: the subsidiary of a major US medical technology group.

The result: five successfully completed projects and a fully satisfied customer.

The close contact and good customer experience opened new doors for Mikron at a second Group subsidiary operating in a completely different sub-sector of medical technology. In 2021, Mikron received an order for an automation solution for the assembly of medical devices that are implanted under the patients' skin.



The fact that Mikron Automation had the opportunity to bid for this project in 2021 in the first place was thanks to its good customer relationship management.

Mikron Machining – good customer relationship management leads to award-winning innovation

The innovative Mikron MultiX rotary transfer machine has already won several international awards and is rigorously tailored to the needs of the customers. Customers can easily retool the machine and have almost unlimited options for machining parts – whether they want to produce small batches or 5,000,000 units per year.

Good customer relationship management was not just the basis for the development of the Mikron MultiX. It was also decisive in ensuring that customers can easily assemble various configurations of the Mikron MultiX themselves.

Virtually, with the Oculus headset. Want to know how this works?

Follow this link: <https://2021.report.mikron.com/mikron-oculus>



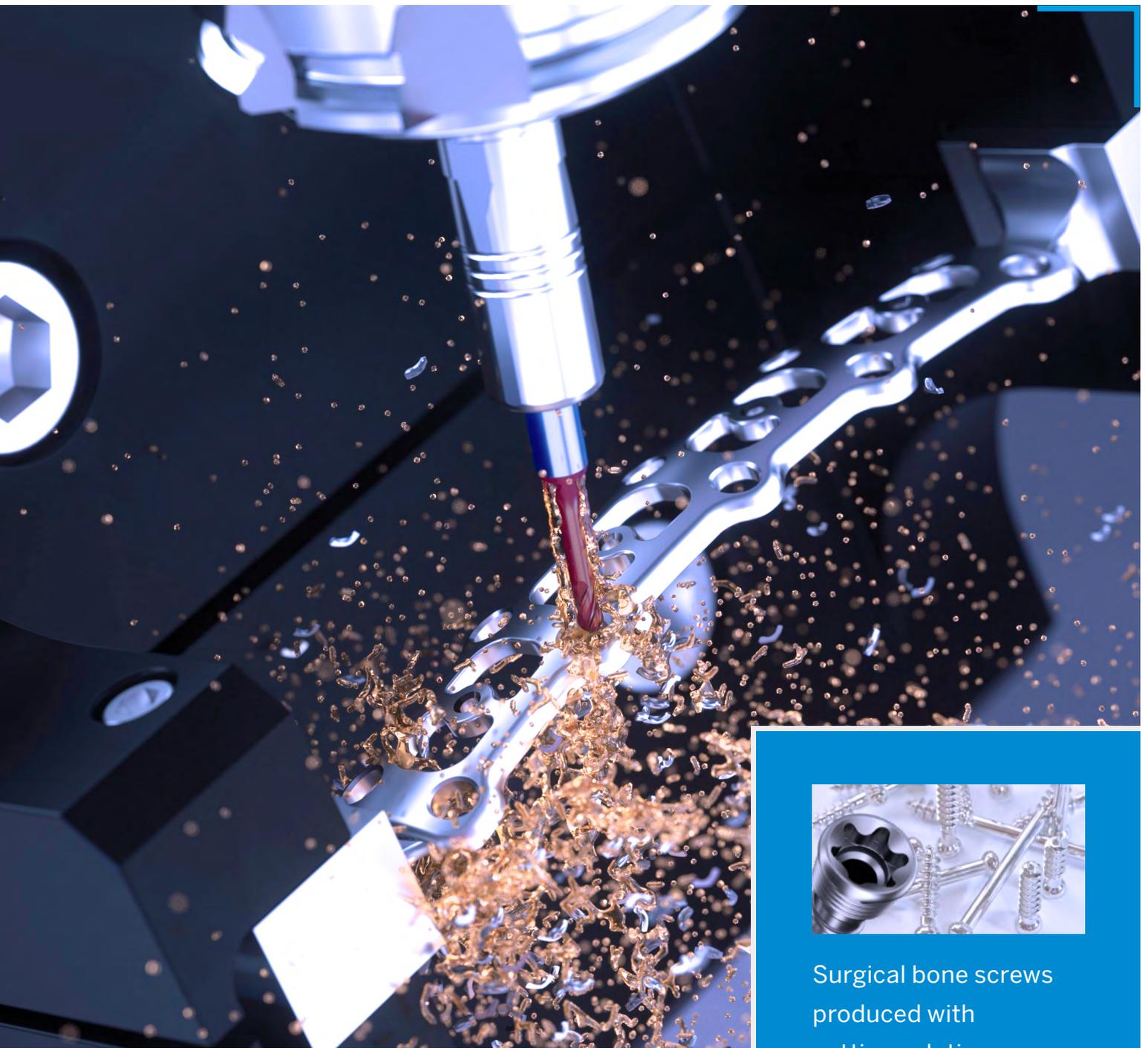
Oculus headset



Mikron Tool – targeted customer relationship management for the perfect bone screw

Meeting the customer's needs in a targeted manner. This is exactly where the CRM system can provide valuable services. Mikron Tool also benefits from this.

The initial situation: Thanks to the high quality of the customer data entered in its CRM system, Mikron Tool was able to invite the right customers in a targeted manner to an event that concerned the latest technology developments. The implementation: At this event in 2019, Mikron Tool presented its latest technologies, products and services live to a top-class audience. On this occasion, an Italian manufacturer of titanium and stainless-steel surgical bone screws and bone implants pointed out that the production of such high-precision medical components was challenging and that he needed to improve. The result: Mikron Tool captured this important information from the customer in the CRM system and considered it in a development project already underway. The success: Since 2021, the manufacturer of surgical bone screws and bone plates is now producing with cutting solutions from Mikron Tool saving up to 50% of cycle time.



Surgical bone screws
produced with
cutting solutions
from Mikron Tool.



Management Report

Management Report

In 2021, the Mikron Group was able to significantly improve its earnings situation. All financial key figures are considerably better than in the previous year. The key drivers of this encouraging development were the restructuring successfully completed in 2020 as well as the significant sales increases reported by the Mikron Tool division of the Mikron Machining Solutions business segment and by the Mikron Automation business segment. Net sales of the Group rose from CHF 257.8 million to CHF 289.5 million (+12.3%). The Group's EBIT for 2021 amounts to CHF 17.6 million (2020: CHF -4.7 million before restructuring costs and CHF -20.8 million after restructuring costs), and the cash flow from operating activities is a remarkable CHF 50.7 million (2020: CHF 9.2 million).

At the end of 2020, the Mikron Group concluded the comprehensive restructuring measures of the previous year with the closure of the machine production facility in Rottweil (Germany) and its focus on tools. The Berlin site was closed. To simplify the organization, the Board of Directors of Mikron Holding AG decided furthermore to merge the four Swiss subsidiaries Mikron SA Boudry, Mikron SA Agno, Mikron Tool SA Agno and Mikron Management AG, Langenthal, into Mikron Switzerland AG, retroactively effective as per January 1, 2021. Mikron Holding AG, Biel, remained a separate entity. The merger of the four Swiss subsidiaries had a one-time positive tax effect for the financial year 2021 of approximately CHF 5 million by utilizing and capitalizing tax loss carryforwards. The merger has no impact on the operating activities of the Group or on the management of the single locations.

Covid pandemic and supply chain limitations

The Covid pandemic continued to affect and complicate the Mikron Group's business, particularly in the area of services. In response to the pandemic, regulatory requirements had to continue to be met and extensive precautionary measures needed to be taken. During the current year, Mikron's business was also impeded by the uncertain availability of raw materials and supplier parts.

Group Management

There were significant changes in Mikron Group's Board of Directors and Management during the year under review. At the 2021 Annual General Meeting, Paul Zumbühl, Mikron Board member since 2018, took over from Heinrich Spoerry as Chairman of the Board of Directors, and on June 1, 2021, Marc Desrayaud succeeded Bruno Cathomen as CEO of the Mikron Group. The 55-year-old Frenchman has worked for different Swiss companies. After management positions at ABB, Rieter Textile Machinery and Autoneum, Marc Desrayaud held various posts at Oerlikon Balzers Coating AG since 2012.

At the Mikron Group's 2022 Annual General Meeting, long-serving Board members Dr. Eduard Rikli and Patrick Kilchmann will not be standing for re-election for another term of office. As their successors, the Board of Directors proposes the election of Alexandra Bendler and Hans-Christian Schneider. Industrial engineer Alexandra Bendler is a member of the Group Executive Board responsible for Business Group Europe at automotive supplier Autoneum. Hans-Christian Schneider has been CEO of the Ammann Group in Langenthal since 2013.

Development of key figures

Order intake and net sales

The Mikron Group reported order intake of CHF 305.7 million in 2021, representing an increase of 14.4% compared with the prior year (CHF 267.3 million).

Posting annual net sales of CHF 289.5 million, the Mikron Group exceeded the prior-year's result of CHF 257.8 million by 12.3%. Europe remains Mikron's most important market, with approximately 50% of total net sales in 2021 (2020: 46%). Making up a share of 33%, North America remains in second place (previous year: 37%). The strongest market segment is by far the pharmaceutical and medtech sector at 56% (previous year: 56%). The automotive industry contributed 11% (prior year: 14%) to total net sales.

Order backlog and capacity utilization

At CHF 176.7 million, the Mikron Group's order backlog at the end of 2021 was 9.3% higher than the prior-year figure. Capacity utilization in the Mikron Automation segment and in the Mikron Tool division was high during the whole year. In the Mikron Machining division, on the other hand, low demand in the first half of the year led to some spare capacity, which was managed with adjusted working hours. In the final months of the year under review, Mikron Machining's capacities were subsequently also well-utilized.

Profitability

In the 2021 financial year, the Mikron Group succeeded in significantly improving its EBIT and profit. Compared with the previous year, Mikron increased its EBIT from CHF -4.7 million (before restructuring costs) to CHF 17.6 million and turned its yearly loss of CHF -22.1 million into a profit of CHF 17.0 million. The Group thus achieved an EBIT margin for 2021 of 6.1%. The successfully completed restructuring measures made a significant contribution to this improvement. Profit per share for the year 2021 came to CHF 1.04 (prior year: loss of CHF -1.35).

Financial result, income taxes and profit

The financial result improved compared to the previous year and amounted to CHF -0.9 million (2020: CHF -2.3 million), CHF 0.6 million of which was related to net exchange rate gains (prior year: CHF -1.1 million). Interest on and valuation of bonds to optimize financial results were netted against other financial expenses such as fees for bank guarantees. Profit before taxes amounted to CHF 16.7 million (prior year: CHF -23.1 million), on which income taxes of CHF -0.3 million (prior year: CHF -1.0 million) were booked. The tax expense was distorted by the capitalization of previously not recognized tax-loss carry-forwards.

Investment property

The investment property in Nidau (Switzerland) generated net income of CHF -0.4 million (prior year: CHF -0.7 million) including an impairment of CHF 0.4 million based on an update to the third-party market value assessment performed at the end of 2021. The non-operating result excludes the financing costs of the mortgage (repaid in 2021, prior year: CHF 9.0 million). Most of the vacancy of about 60% could be rented out starting December 2021.

Balance sheet, financing and equity ratio

Overall, the Mikron Group's balance sheet remains very strong. Mikron is free of net debt and reports a healthy equity ratio.

Cash and cash equivalents plus current financial assets of CHF 54.5 million significantly exceed interest-bearing liabilities of CHF 7.7 million. The net cash position remained at a high CHF 46.6 million or 16% of net sales (prior year: 6%).

Net working capital reduced to CHF -2.0 million from CHF 22.8 in the prior year.

Totaling CHF 135.4 million, non-current assets increased by CHF 23.0 million. In line with strategy, investments of CHF 21.0 million (prior year: CHF 12.0 million) were made in production equipment and a building extension for the automation and machining business and a number of IT projects to improve efficiency and security. The total amount of expenditure for new product development and enhancements (capitalized and non-capitalized) was about 2.5% of net sales. Amortization and depreciation totaled CHF 9.1 million (prior year: CHF 10.4 million). The long-term financial liabilities of CHF 5.6 million mainly relate to finance leases for production equipment and the mortgage for one production facility.

Since June 2020, Mikron has been able to draw on a CHF 50.0 million credit agreement with a bank consortium which is available for bank guarantees to secure advance payments from customers and for fixed advances that are currently not being used. An additional CHF 20.0 million of the mortgage can be drawn under this credit agreement for two production sites in Switzerland. The credit agreement will expire at the end of June 2024 and requires Mikron to achieve certain key financial figures (covenants). The Group met these by a comfortable margin. The renewal of the credit agreement has been secured with the existing partner banks. The "COVID-19" and a "COVID-19 plus" loan facility in Switzerland were cancelled and repaid in 2021.

In 2021, shareholders' equity rose to CHF 165.1 million. This represents a strong equity ratio of 55% (prior year: 53%). Despite the increase of the balance sheet total the equity ratio increased by 2% due to the net profit of the year.

Cash flow

Mikron Group's improved earnings situation also contributed to a marked increase in cash flows. Cash flow from operating activities stood at CHF 50.7 million (2020: CHF 9.2 million.) It includes down payments and progress payments from customer projects in the amount of CHF 218.3 million. A total of CHF 20.4 million (prior year: CHF 15.3 million) was used for investment in non-current assets. A net profit led to an operational free cash flow (excl. changes in financial assets) of CHF 31.1 million (prior year: CHF -5.8 million).

Cash flow from financing activities amounted to CHF -17.4 million in the year under review (prior year: CHF 2.5 million), mainly stemming from the repayment of mortgages and of financial leases.

Distribution to shareholders

At the General Meeting on 27 April 2022, the Board of Directors of the Mikron Group will propose a distribution to the shareholders of CHF 0.24 per share.

Share performance

At the end of 2021, the share price stood at CHF 7.70 (prior year: CHF 5.40 per share). The precise share performance is available at all times on the Mikron Group website. Based on the year-end share price, the Mikron Group is valued at CHF 128.7 million.

Corporate Financial Statements of Mikron Holding AG

Mikron Holding AG is the legal owner (directly or indirectly) of all subsidiaries of the Mikron Group, the owner of the Mikron trademark and the treasury center for the Mikron Group. The CFO and a small Group finance team are employed by the operating Swiss company, and costs are charged back to Mikron Holding AG. Excluding the net finance result of CHF 28.7 million (prior year: CHF -25.7 million), the trademark fees charged to the companies nearly covered the costs incurred. In the 2021 financial year, a dividend income of CHF 0.1 million from subsidiaries was booked (2020: CHF 4.5 million).

The financial statements of Mikron Holding AG show a very high equity ratio of 96%.

Innovation and key investments

Several development projects continued in 2021. In the year under review, a total of CHF 6.6 million (prior year: CHF 6.5 million) was invested in the development or enhancement of new products or product platforms. These figures include capitalized research and development expenses, personnel expenses, material costs and other operating expenses, and represent 2.3% of net sales (prior year: 2.5% of net sales). This does not include daily innovation activities, which are triggered by customer projects and are required to develop new specific assembly or machining processes.

Mikron Automation business segment

The Mikron Automation business segment performed very well in the year under review. Demand from its most important sales market, the pharmaceutical and medtech industries, remained sound at all times. Capacity utilization was very good throughout the course of the year. Locations in Asia still benefited from orders related to corona test devices. Compared to 2020, when restructuring costs and losses related to the Berlin location had a negative impact, profitability of the business segment improved markedly.

Key figures of Mikron Automation

At CHF 176.7 million, the Mikron Automation business segment exceeded net sales for the 2020 financial year (CHF 161.7 million) by 9.3%. At CHF 170.5 million, Mikron Automation's order intake reached almost the high level of 2020 (CHF 171.5 million). The resulting order backlog of CHF 115.6 million at the end of 2021 was 6.3% lower than that of the end of 2020. Mikron Automation posted EBIT of CHF 15.8 million (2020: CHF 9.1 million before restructuring costs) and an EBIT margin of 8.9% (2020: 5.6% before restructuring costs).

42% of Mikron Automation's sales came from Europe, 42% from North America and 13% from Asia. The business segment again significantly strengthened its market position in the pharmaceutical and medical technology industry. 91% of sales came from this area in 2021.

Innovations and continuous improvements

In 2021, the Mikron Automation business segment systematically continued its various product development projects. The sustained demand from the pharmaceutical and medtech industries confirms the decision to expand the building in Boudry was the right one. Mikron officially opened its state-of-the-art Next Factory at the end of November. The 7,800 m² expansion gave the now 15,000 m² factory a completely new look: a Smart Office offers a collaborative and innovative working environment for the engineering of customer projects. A new 3,900 m² hall is entirely dedicated to the fine-tuning and qualification of Mikron's assembly solutions. Mikron Boudry has also completely reorganized the manufacturing processes and material flow.

Mikron Machining solutions business segment

In the Machining Solutions business segment, the two divisions Mikron Machining and Mikron Tool developed quite differently in the 2021 financial year. Whereas Mikron Tool posted a sales record in the year under review, in the first half of the year Mikron Machining was still suffering from low demand and low-capacity utilization. In the second half of the year, however, the division succeeded in winning some strategically important orders for new applications. These came, for example, from the watch industry, the connector industry, and the automotive industry, outside the combustion engine sector. Based on its good order backlog at the end of 2021, Mikron Machining is confident that it will be able to significantly improve its currently still unsatisfactory earnings situation in 2022.

Mikron Tool 2021 achieved its best sales and order intake ever. In the first half of the year in particular, many customers wanted to replenish their inventories. But tool orders also remained stable in the second half of the year. The machine investments of recent years in Agno (Switzerland) and the complete focus on tool production in Rottweil (Germany) paid off.

Key figures of Mikron Machining Solutions

At CHF 112.9 million, the Mikron Machining Solution business segment exceeded net sales for the 2020 financial year (CHF 96.3 million) by 17.2%. Mikron Machining Solutions' order intake rose to CHF 135.4 million (2020: CHF 96.0 million, +41%). The resulting order backlog of CHF 61.1 million at the end of 2021 was 59.9% higher than that of the end of 2020. Mikron Machining Solutions posted EBIT of CHF 2.5 million (2020: CHF -13.6 million before restructuring costs) and an EBIT margin of 2.2%.

63% of Mikron Machining Solutions' sales came from Europe (2020: 62%), 17% from North America (2020: 19%) and 17% from Asia (2020: 17%). The business segment achieved 22% of its net sales in the automotive industry, 15% in the consumer goods industry, 12% in the writing industry, and 12% in the industrial and building industries.

Innovations and continuous improvements

In 2021, Mikron Machining continued with the further development of its rotary transfer machine platform Mikron MultiX. The award-winning platform offers Mikron's customers entirely new options. Individual platform elements can be easily combined to meet specific needs. The consolidation of production in one building in Agno with an optimized layout has led to leaner processes and efficiency improvements.

Mikron Tool further advanced its product development strategy and launched additional products for stainless steels and heat-resistant alloys.

Customer satisfaction

The Mikron Group focuses on the needs of its customers, with the aim of establishing and cultivating strong, long-term relationships with them. All strategic and operational initiatives and activities are triggered by Mikron's mission to increase customers' industrial productivity. As in previous years, Mikron actively contacts customers to systematically ask for their opinion and feedback. Customer feedback conveys a very positive picture overall. Besides high-performance turn-key production systems and excellent "Crazy" Tools, Mikron offers its customers a broad range of after-sales services fostering long-term partnerships. Mikron asks for and receives suggestions for improvements and refinements in its strategic planning in the form of targeted initiatives, product and process enhancements, and investments in new product developments.

Sustainability

The Mikron Group acknowledges its responsibility towards people and the environment. Its Sustainability Report is guided by the globally recognized principles of the Global Reporting Initiative (GRI). The Group's aim in this respect is to ensure transparent, standardized, and comparable reporting. More details see pages 38 to 39. The full report is available on the website at Sustainability (mikron.com).

Employees

Mikron operates in a demanding, highly cyclical and global market, and is exposed to globally active and locally specialized competitors. The key to success is highly skilled and motivated employees who are willing to assume responsibility and work together constructively. This allows the Group to respond to the rapid changes, diverse customer requests and complexity inherent in the business. About every two years, an independent consultancy for personnel and organizational development assesses the level of employee satisfaction.

Mikron aims to attract and retain employees with the right level of technical qualifications who are able to work in dynamic interdisciplinary teams, have a broad set of language skills, and are willing to travel and work abroad – even if this was only possible to a very limited extent in 2021. Mikron continued to invest in training and education and conducted numerous virtual seminars. New apprentices and trainees were taken on, and the management and leadership training program as well as specific project managers' training continued. With very few exceptions, all employees were trained on how to comply with our Code of Conduct.

As at the end of the 2021 financial year, the Mikron Group overall numbered 1,327 employees (FTEs), representing a decrease of -0.3% (prior year: 1,331 employees). The completion of restructuring measures in the Mikron Machining Division in Agno (Switzerland) and Rottweil (Germany) and the closure of the Berlin site led to a reduction in headcount, while high capacity utilization at Mikron Automation's main sites produced an increase.

The number of apprentices could be kept at a high level of 91 employees (94 at the end of 2021). Around 65% of the workforce is employed at the companies in Switzerland, approximately 17% in the US, 9% in the European Union, and 9% in Asia.

Employees' remuneration is based on their role, performance, specific knowledge, or value to Mikron (languages, special technological expertise) and experience. Men and women are paid equally for performing equal work. Women account for around 10% of Mikron staff and most of them perform tasks in internal service functions. The economic performance and regional differences of the individual companies are also taken into account. It is Mikron's aim to compensate its employees fairly and in a comparable way to similar internationally active companies.

Outlook

Compared to the beginning of 2021, the Mikron Group is entering the 2022 financial year in a much stronger position, with a sound cost structure, a solid order backlog in both business segments and a good demand trend in all key sales markets. Mikron is aiming for a further profitability improvement in the current year. A forecast for fiscal year 2022 remains difficult. This is due on the one hand to the unpredictable development in connection with the Corona pandemic and the war in the Ukraine and on the other hand to the uncertain availability of raw materials and supplier parts.

Business model and strategy

Mikron Group

Led by the vision of "creating value with passion for precision" and Mikron's mission statement, the Board of Directors periodically reviews the Group's strategy. Unchanged from the targets communicated in the last few years, the Board of Directors expects the Mikron Group to improve profitability to an EBIT margin of 5-7%, while growing sales in the magnitude of 5% annually on average.

Mikron's business model provides a solid foundation to successfully navigate through the current external environment, including the challenges posed by the corona pandemic. Customer needs are at the heart of Mikron's business model. The Group offers its know-how to realize best solutions for its customers. In doing so, it builds on the following strengths.

Technical reference in its markets

Mikron strives to be the technology leader in all its markets.

Global partner

Proximity to its customers around the globe is a prerequisite to meet local requirements.

Skilled employees

The key to success is the employees with their competencies, skills, experience and drive for innovation.

First-class service

Continuously supporting customers' production and finding solutions to their needs throughout the whole life cycle is crucial.



Innovation

The systematic development of new solutions for the future is a prerequisite for mastering the challenges ahead. Value creation is the overriding goal of our Group to help build a better world for customers, employees, and shareholders. Based on customer-oriented leadership, our solutions create value for society by improving efficiency, quality, productivity, and sustainability. Continuous dialog with key stakeholders enables us to address their needs and gain insights into changing market requirements, future trends, and global developments. This helps Mikron understand the benefits stakeholders seek and respond quickly with appropriate solutions.

Embedded in the Group's strategy, the business segments are well positioned:

Mikron Machining Solutions

Mikron Machining Solutions' strategic objectives are to strengthen its leadership position in the rotary transfer machining niche, expand the service business by introducing additional services and addressing the whole installed machine base, and grow the cutting tool business. The business segment consists of the two divisions Mikron Machining and Mikron Tool. As an innovative technology leader, the Machining Solutions business segment offers its customers the best performing solution for high-volume production. In its niche, Mikron Machining competes mainly against other transfer machines, transfer center and multi-spindle machining center manufacturers. Over time, exposure to the European market will be reduced as newly developed products are rolled out. The business segment wants its customers to recognize its divisions Mikron Machining and Mikron Tool as inter-

national providers with the capability to adapt their innovative products quickly to specific needs and to execute projects efficiently with globally aligned key processes.

Mikron Automation

Mikron Automation's strategy aims to provide customers with scalable and customized assembly systems – from the first idea to the highest-performance solutions. Mikron's expertise and proven track record guarantee the best productivity for assembling customers' products throughout the lifecycle. As the partner of choice for global blue-chip customers from the pharmaceutical and med-tech industries, it aims to maintain its leadership position in Europe and the US and to strengthen the footprint in Asia. Other customer segments such as the automotive industry, consumer goods and electronics are expected to contribute to its growth. Aligned processes, world-class project execution and in-depth experience of validation and obtaining all the required approvals (especially FDA) enable the Automation business segment to carry out projects across several sites and thus also deliver projects worth up to CHF 30 million.

The Mikron values

Six values guide Mikron's management and staff in their daily behavior and serve as a common basis to do business and develop the company:

Skilled and motivated employees

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

Market and customer focus

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

Quality

Quality is all-encompassing. Mikron employees work 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 regularly informed of key developments 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 information.

Risk management

Mikron monitors and carefully evaluates the handling of strategic, financial and operational risks. Equally, the company accounts for risks related to compliance as well as political and regulatory changes.

A holistic risk management process under the lead of the Group CFO ensures that risks with a potentially relevant impact on the business and financial situation as well as mitigation actions to handle those risks are regularly reviewed and presented to the Group Management and Board of Directors. The functioning of the risk management process as well as the main risks are described in the Corporate Governance Report (page 50), while the financial risk management is outlined in the Financial Report (pages 77 to 79).

Brand management

The Mikron Group actively manages its umbrella brand and sub-brands. Both the Automation and Machining business segments usually attend trade fairs all over the world, where they present their range of systems, products and solutions. This was not possible in the 2021 financial year, which was dominated by the Covid crisis. Mikron maintained customer contact in 2021 in both business segments primarily via digital channels and held various webinars, among other things. The Group also uses various brochures, a state-of-the-art website including videos, a YouTube channel and an iPhone/iPad application as brand management tools.

Corporate Social Responsibility

Mikron's commitment to sustainability

Back in 2017, the Mikron Group started to develop a tailored Corporate Social Responsibility strategy. Since 2020, it has been systematically pursuing the corresponding goals and consistently recording results.

With a clear commitment to sustainable thinking and action, Mikron is improving people's quality of life and conserving our natural resources. Four indicators guide Mikron on its path toward sustainability: Workplace, Environment, Marketplace and Innovation. The framework for this is provided by the Mikron Group's Corporate Values, Code of Conduct, and certifications (ISO 9001, ISO 14001, and ISO 45001).

Mikron implements its ambitious goals with great energy: The driving force behind this is an interdisciplinary team of professionals from different departments such as Human Resources, Quality, Supply, Marketing and others, as well as representatives from the Management Board.

You can read more about the comprehensive measures and endeavors implemented at the various sites in Mikron's detailed **Sustainability Report 2020**.

Three illustrative examples show how Mikron is integrating sustainability into everyday life in a committed, individual and site-specific way:

1. Mikron Boudry

The Next Factory constructed in Boudry in 2021 marks the start of the sustainability goals for the entire Group: The new buildings represent changes in work processes, habits, and mindsets. From the very beginning of this project, social aspects have been taken into consideration through the lens of three workstreams: mobility and smart offices, carbon footprint reduction, and digitalization continuity.



2. Mikron Tool Agno

By using chillers for cooling production oil and the production environment, Mikron will save 3 million kWh in 15 years. The site plans to install a new building heating system by the end of 2022. The water used to cool down the oil will be used for heating.



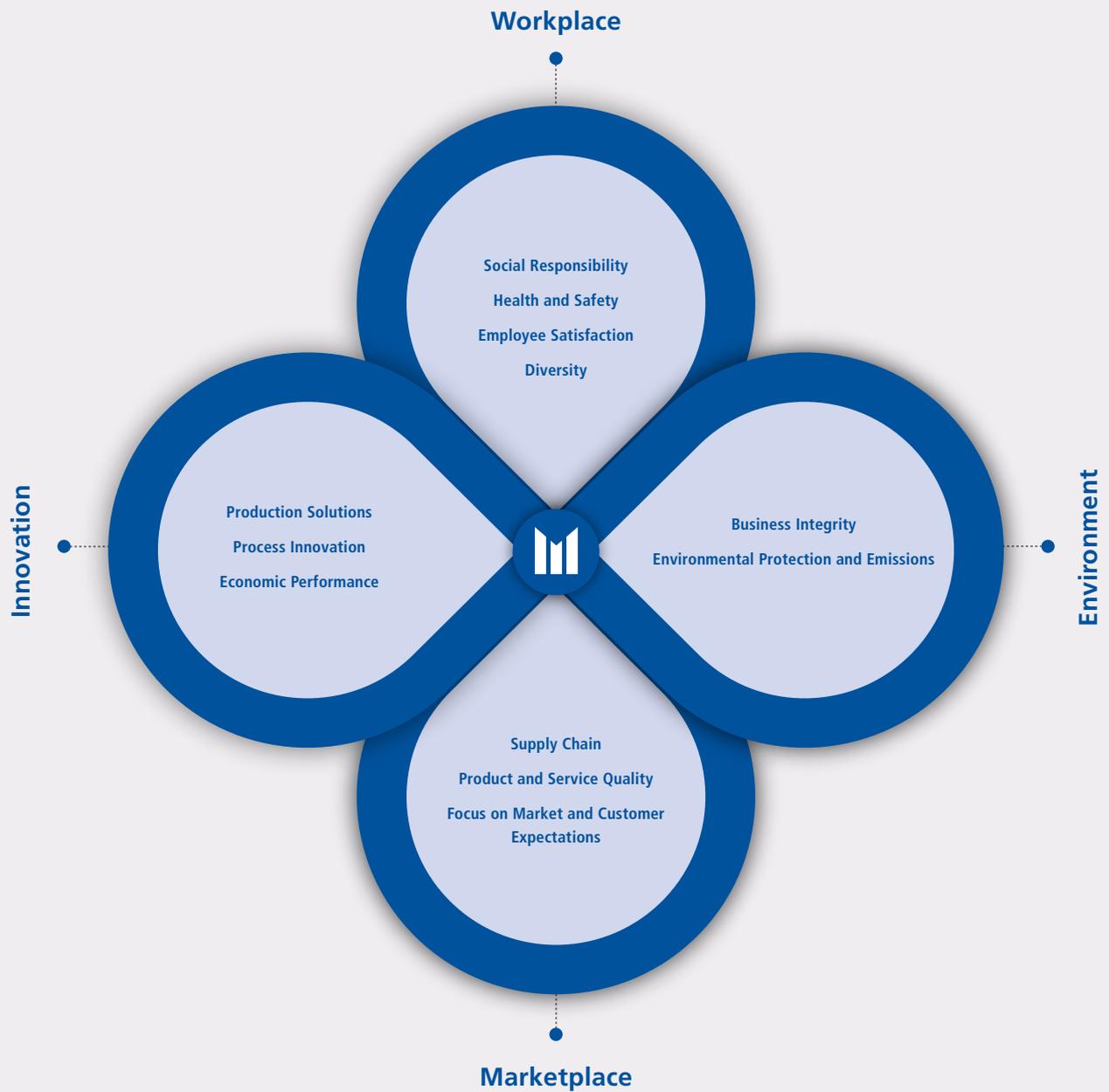
3. Mikron Corp. Denver

The example from the USA shows just how individual sustainability efforts can be. The Mikron site in Denver is taking a new approach to recycling, allowing employees and community members to take large G05 shipping crates and wooden pallets for personal projects. Mikron Corp. Denver has also donated pallets to a Boy Scout Camp and a local farmer. Finally, it also saves wood from going into landfills.



Broad-based into a future worth living

The Mikron Group views its commitment to sustainability through the following four indicators:



“Sustainability along the entire value chain: from the start when we source materials until the final step when Mikron's machines or tools reach their customers. And that's not all, because as a long-term partner we ensure that our commitment to sustainability continues during the after-sales services to our customers.”

Luigi Rancan,
CSR Manager and the Mikron Group's Chief Legal Advisor

Corporate Governance Report

Corporate Governance

The corporate governance report describes the main principles and regulations regarding the management and control of the Mikron Group and how these principles and regulations were established in detail by the company's senior management. The report is in compliance with the SIX Swiss Exchange guidelines last revised as of 1 October 2021 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

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 2021 had a market capitalization of CHF 128.7 million. The Mikron Group is organized by segments. For the purposes of reporting, two business segments and the Corporate Service organization have been identified.

The segments are structured according to market, 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 10 active companies worldwide. The corporate structure and the companies are listed on page 118 of the Annual Report. 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 2021, hold 3% or more of the voting rights of Mikron Holding AG.

Shareholders	31.12.2021		31.12.2020	
	Number of shares of CHF 0.10 par value each		Number of shares of CHF 0.10 par value each	
Ammann Group Holding AG	6,999,700	41.9%	6,996,335	41.9%
Rudolf Maag	2,348,588	14.1%	2,348,588	14.1%
Thomas Matter	588,044	3.5%	< 3%	< 3%
Alfons Niedhart	514,092	3.1%	< 3%	< 3%
Public shareholders	6,065,177	36.2%	7,128,731	42.6%
Board of Directors and Group Management	197,143	1.2%	239,090	1.4%
Total	16,712,744	100.0%	16,712,744	100.0%

Further information on the corporate structure is given on page 118. Changes in significant shareholdings since 1 January 2021 have been communicated to SIX Stock Exchange in accordance with regulations and published on the following website:

<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

Cross-shareholdings

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

Capital structure

The Mikron Group's capital as at 31 December 2021

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

Changes in capital over the last three years

		Number of shares	Par value in CHF	Ordinary capital in CHF
2019	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
2020	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
2021	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 General Meetings. Voting rights may be exercised only after the shareholder has been entered as a shareholder with voting rights in Mikron Holding AG's share register. All shares have equal dividend rights.

Participation and dividend right certificates

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

Limits on transferability and nominee registrations

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

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

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

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

Convertible bonds and options

There are no convertible bonds or options outstanding.

Board of Directors

Members of the Board of Directors

The company's Board of Directors consists of 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 2021:



Paul Zumbühl
Dipl. Ing., MBA, AMP.
Swiss, born in 1957.
Chairman, non-executive.
First elected 2018,
elected until 2022.

From 1988 to 1994 Paul Zumbühl held several management positions and was Managing Director in the Sarna Group, Switzerland. From 1994 until the end of 1999 he was Head of the Mikron Plastics Technology division and a member of Group Management of the Mikron Group. From January 2000 until the end of April 2021, he was the CEO of the Interroll Worldwide Group and has served as its Chairman of the Board of Directors since May 2021. He is also Chairman of Schlatter Industries AG, Schlieren/Zurich. Paul Zumbühl has been a member of the Board of Directors of the Mikron Group since 2018 and Chairman since 2021.



Eduard Rikli
Dipl. Ing., ETH,
Dr. sc. techn. ETH.
Swiss, born in 1951.
Vice-Chairman,
non-executive.
First elected 2010,
elected until 2022.

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 Brüttsch/Ruegger and is also a member of the Board of Directors of a number of SMEs. Eduard Rikli also sits on the Board of Trustees of Technopark Zurich and Technorama.



Patrick Kilchmann
Dipl. phys. ETH,
lic. oec. HSG.
Swiss, born in 1958.
Member, non-executive.
First elected 2011,
elected until 2022.

Patrick Kilchmann was a member of the Executive Board of Sulzer AG, Winterthur from 1999 to 2002. 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 is a member of the Board of Directors of Transmission Technology Holding AG, Zug, selFrag AG, Kerzers and Landert Group AG, Bülach.



Andreas Casutt
Dr. iur., LL.M.
Swiss, born in 1963.
Member, non-executive.
First elected 2013,
elected until 2022.

Andreas Casutt joined the law firm Niederer Kraft Frey AG in Zurich in 1993 and was made a partner in 2002. He served as the firm's managing partner from 2006 to 2014. His practice focuses on corporate law, contract law, mergers & acquisitions and stock exchange law. Andreas Casutt studied law and received his Ph.D. from the University of Zurich (Switzerland) and completed an LL.M. program at the University of Michigan, Ann Arbor (USA). He is Chairman of the Board of Directors of Siegfried Holding AG as well as various privately held companies including maxon international ag and Bendura Bank AG.



Hans-Michael Hauser
MSc Physics, MSc Mathematics, Engineer, MBA.
German, born in 1970.
Member, non-executive.
First elected 2016,
elected until 2022.

Hans-Michael Hauser worked for the Boston Consulting Group (BCG) as Partner and Managing Director in Munich and Zurich from 1995 to 2015. In this function he was responsible for establishing and expanding BCG's consultancy business in the industrial and technology segment amongst other tasks. Since 2015, he has been helping companies to develop and launch digital business models through ML Insights AG, the company he founded himself.

Elections and terms of office

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

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

Duties

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

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

The Board of Directors has the following non-transferable and irrevocable duties according to the Articles of Association:

- To ultimately direct the Group and issue the necessary directives; namely, to develop the Group's strategic objectives and determine the means of achieving these objectives, to set out the business policy, establishment, acquisition, disposal and liquidation of subsidiaries, mergers and de-mergers
- To determine the Group's organizational structure and to approve the Code of Business Conduct
- To organize the accounting, the internal control system (ICS), the financial control and the financial planning as well as to perform a risk assessment
- To appoint and recall persons entrusted with the management and representation of the Company and to grant signatory powers
- To ultimately supervise the persons entrusted with the management of the Group, in particular with respect to compliance with the law, the Articles of Association, and other regulations and directives
- To prepare the business report as well as the General Meeting and to implement the latter's resolutions
- To prepare the compensation report
- To inform the judge in the event of over-indebtedness
- To pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares
- To pass resolutions confirming increases in share capital and regarding the amendments to the Articles of Association entailed thereby
- To examine compliance with the legal requirements regarding the appointment, election and the professional qualifications of the auditors
- To execute agreements pursuant to Art. 12, 36 and 70 of the Merger Act.

In addition, the Board of Directors is assigned the following significant duties and competencies under the Organizational Rules (www.mikron.com/or):

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

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

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

Procedures

The Board of Directors convenes as often as business requires but at least once every quarter. During the 2021 business year, the Board held eight meetings which partially have been held virtually due to corona restriction. The physical meetings lasted between three and nine hours, and the virtual meetings between one hour and five hours. Except for one meeting, where one member was not attending, all meetings of the Board of Directors in the year under review were attended by all members.

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 medium-term planning are approved at the final meeting of the year.

The members of Group Management attended all physical meetings.

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

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

The Board of Directors adopts resolutions and conducts elections based upon a majority of the votes cast, irrespective of abstentions. In the event of a tie, the Chairman has the casting vote. At the Chairman's request or, in his absence, that of the Vice-Chairman, resolutions of the Board of Directors may also be adopted by circular in the form of a letter, fax or e-mail, unless any member requests that the matter be discussed at a meeting.

Committees

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

Audit Committee

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

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

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

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

The members of the Audit Committee in the year under review were the Board members Eduard Rikli (Chairman) and Hans-Michael Hauser. The Audit Committee meets two to five times each year. Three meetings were held in the 2021 business year, each lasting two to five hours. All members attended the meetings. The Chairman as well as the CFO and CEO (if needed) on behalf of Group Management attended the meetings in a consultative capacity. 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.

At its first 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 yearend close.

Remuneration Committee

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

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

The Remuneration Committee has the following duties:

- To submit proposals to the Board of Directors regarding the compensation scheme of the Mikron Group and to issue corresponding regulations (details are given on pages 59 to 64)
- To propose to the full Board of Directors targets for Group Management
- To submit proposals to the full Board of Directors regarding the approval of the individual compensation of the Chairman of the Board of Directors, the other members of the Board of Directors as well as the maximum individual aggregate compensation of the CEO
- To determine, subject to and within the scope of the overall compensation approved by the General Meeting, the individual compensation (fixed, variable and long-term compensation) of the other members of the Executive Management as well as their further terms of employment and titles
- To propose to the full Board of Directors amendments to the Articles of Association with respect to the compensation scheme for members of Group Management.

The members of the Remuneration Committee in the year under review were the Board members Patrick Kilchmann (Chairman) and Andreas Casutt. The Remuneration Committee meets one to five times each year, usually in December and after the results for the financial year have been prepared. Two meetings were held in the 2021 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, business segment 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 medium-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 heads of the three divisions report to the CEO and CFO at the business review meeting on the operating performance, the status of sales activities and the progress on plans to increase profits and implement strategy. These reports are presented in summary form at meetings of the Board of Directors.
- By request, other managers from outside Group Management and external consultants will attend meetings of the Board of Directors and Group Management to report on their areas of responsibility or special projects.
- Between the meetings of the Board of Directors, internal and external reports are submitted in advance to the Board of Directors.
- A risk matrix is drawn up in the divisions based on a Group template and updated at least once a year. It quantifies risks based on their likelihood of occurrence and the potential impact on the Group's EBIT. A consolidated matrix is reported to the Board of Directors once a year. It notes the report and approves control measures in relation to the key risks. The operational risks are normally discussed once a month at Group Management meetings. 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. EY has been given a mandate to perform the internal audit function and is supported in executing the audits by Group Finance & Controlling.
- 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 Group Management.

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

Risk management

The Mikron Group applies a consistent Group-wide risk assessment system which covers strategic, financial, and operational risks. All identified risks are given a rating (based on the probability of occurrence and the 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

- Mikron operates in highly cyclical markets resulting in a volatile order intake and capacity utilization. Market fluctuations may result from numerous factors beyond the influence of the Group. By offering a diversified product portfolio and operating in different regions and markets, the Group tries to mitigate these risks.
- 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. The Group may agree to product specifications, quality and delivery times that are difficult to achieve in certain cases. 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. Close cooperation and transparent communication with customers make it possible to quickly identify problems and correct them.
- The Group invests significantly in R&D while the development and industrialization of new products takes several years. Changing markets or customer requirements as well as failure of innovations may lead to obsolete products, missed opportunities or even losses. The Group systematically assesses long-term economic and technical trends in all its relevant markets and takes these into consideration when approving innovation and investment programs.

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 segment head Automation.

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

Group Management

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

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

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

Chief Executive Officer (CEO)

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

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

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

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

Chief Financial Officer (CFO)

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

The CFO manages the Group's strategic planning process, as well as its medium-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.

The Group's IT function reports to the CFO.

Business segment heads

The business segment heads manage their respective business 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 segment achieves its operational and strategic targets. Purchasing, production and sales are organized along segmental lines and report to the segment heads.

The following table provides information on each of the members of Group Management as at 31 December 2021:

	<p>Marc Desrayaud Master in Electronics (Université de Lyon), Master in Industrial Marketing (IDRAC Lyon) French, born in 1965 CEO, Head Mikron Machining Solutions Joined 2021</p>	<p>Marc Desrayaud took over as CEO of the Mikron Group effective June 1, 2021. After working in management positions at ABB, Rieter Textile Machinery and Autoneum, Marc Desrayaud has held various positions at Oerlikon Balzers Coating AG since 2012, most recently as Head of Business Unit Balzers Industrial Solutions.</p>
	<p>Rolf Rihs Dipl. Ing. ETH Swiss, born in 1963 Head of Mikron Automation COO Mikron Group Joined 2002</p>	<p>Rolf Rihs took over as head of the Mikron Automation business segment in 2002, prior to which he worked for the Sulzer Group for eight years in various regions and functions. He was previously a consultant at Helbling Management Consulting working on numerous projects for well-known Swiss companies. Rolf Rihs is a member of the Swissmem specialist group "Assembly and factory automation" and member of the Board of Directors of "Chambre de commerce de Neuchâtel".</p>
	<p>Javier Perez Freije Dr. oec., dipl. Wirt. Ing. Spanish, born in 1975 CFO Mikron Group Joined 2018</p>	<p>Javier Perez Freije joined the Mikron Group as its Chief Financial Officer in 2018. His previous positions include Head of Controlling for a division of the Swiss industrial group Rieter, CFO of the American business unit of the Swiss automotive supplier Autoneum, and CFO of Netstal-Maschinen AG.</p>

Management contracts

There are no management contracts.

Compensation

Basic principles

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

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

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

The members of Group Management receive a fixed compensation, a lump sum for expenses as well as a short-term incentive bonus in cash and a long-term incentive in blocked shares.

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

No loans may be granted to members of governing bodies. Individuals have no right to say when the Remuneration Committee and/or the Board of Directors are to address the matter of their compensation.

Further information on the compensation paid to members of the Board of Directors and Group Management can be found in the Compensation Report on pages 59 to 64.

Additional amount of compensation for new members of Group Management

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

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

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

Resolutions

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

1. the compensation of the Board of Directors for the term of office until the next Annual General Meeting;
2. an additional compensation of the Board of Directors for the preceding business year;

3. the maximum overall compensation of Group Management (fixed and performance-based components) that may be paid in the subsequent business year;
4. the allocation of a number of shares to the members of Group Management for the subsequent business year as per the long-term incentive plan;
5. possible additional compensation payable to the members of Group Management for the preceding business year.

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

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

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

Permitted additional activities

The members of the Board of Directors and Group Management may perform additional functions in the senior management or administrative bodies of legal units obliged to register themselves in a Swiss commercial register or a foreign equivalent thereof and which are not controlled by the Company, do not control the Company or do not constitute pension funds insuring employees of the Mikron Group. Additional functions of the Group Management are subject to the approval of the Chairman of the Board of Directors. The permitted additional activities are outlined in the Articles of Association under Art. 24.

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 or her person or his or her entitlement to the shares or if, when acting in a fiduciary capacity, he or she supplies no information or false information regarding the person of the trustor.

Shareholders' rights

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

Voting-right restrictions and representation

Mikron does not impose any voting-right restrictions, except for nominees (see page 43).

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

Convocation of the General Meeting and agenda

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

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

Entries in the share register

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

Quorums at the General Meeting

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

Changes of control and defence measures

Duty to make an offer

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

Clauses on changes of control

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

Auditors

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

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

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

Auditing fees and additional fees

In the 2021 business year, fees of CHF 374,000 for services rendered by PwC in connection with auditing the 2021 annual financial statements and the compensation report of Mikron Holding AG and its subsidiaries and the consolidated financial statements of the Mikron Group were expensed (2020: CHF 358,000).

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 21,000 (2020: CHF 11,000) were paid to the auditors in the year under review for non-audit-related services (tax consulting).

Supervisory and control instruments pertaining to the audit

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

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

To ensure independence, the lead auditor is replaced every seven years, which last occurred in 2015. For further information regarding supervisory and control instruments, please see the chapter entitled "Audit Committee" on page 47.

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 2021
Announcement of the annual results/Publication of the Annual Report	11 March 2022
Annual Media and Analyst Conference	11 March 2022
Annual General Meeting	27 April 2022
End of the first six months of the business year	30 June 2022
Announcement of the semi-annual results	20 July 2022

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 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 91 610 62 09) or e-mail (ir.mma@mikron.com).

Compensation Report

Compensation Report

The Compensation Report contains information on the compensation policy, compensation programs and processes for determining the compensation paid to the Board of Directors and Group Management of the Mikron Group. It also provides detailed information on compensation paid in 2021. The Compensation Report satisfies the transparency requirements set out in the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).

Compensation Policy

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

The compensation policy applied to members of the Board of Directors is described in detail on pages 53 and 54 of the Corporate Governance Report. The table below sets out the principles of this compensation policy. There are no changes in the principles compared to the prior year.

Fair and transparent

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

Results- and performance-based

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

Long-term incentive

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

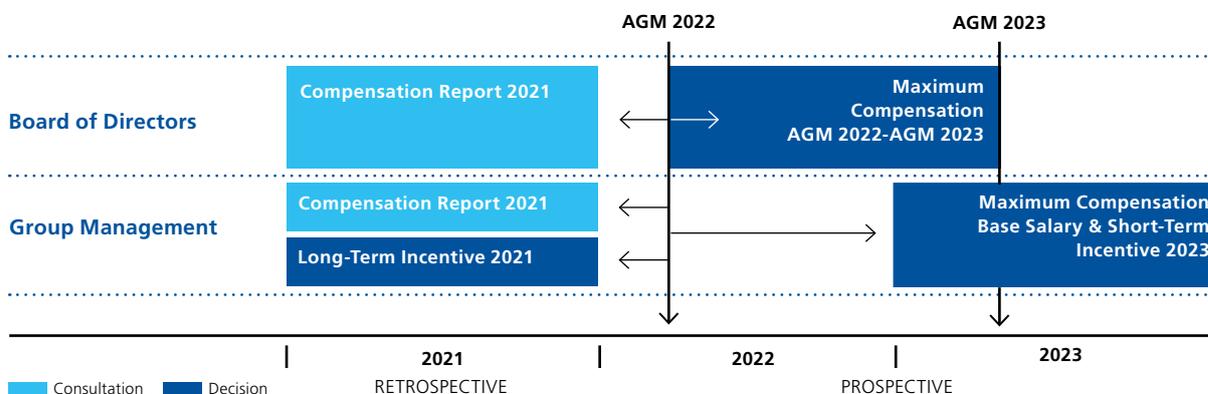
Geared to the labor market

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

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

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

The compensation of the Board of Directors and Group Management decided on by the General Meeting refers to the following periods in time:



Governance

The General Meeting elects individually at least two but not more than four members of the Board of Directors as members of the Remuneration Committee. The term of office of the members of the Remuneration Committee is one year and ends at the next ordinary General Meeting. Re-election is possible.

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

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

Compensation for the year 2021

Compensation to members of the Board of Directors

In scope of audit opinion	CHF 1,000	Base compensation		Compensation in shares		Social security and other expenses		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
	P. Zumbühl, Chairman**	108	38	68	18	13	9	189	65
H. Spoerry, Chairman**	2	16	0	0	3	15	5	31	
E. Rikli, Vice-Chairman	51	44	27	18	10	11	88	73	
P. Kilchmann*, Member	40	35	22	18	5	5	67	58	
A. Casutt, Member	41	38	22	18	8	9	71	65	
H-M. Hauser, Member	41	38	22	18	8	9	71	65	
Total	283	209	161	90	47	58	491	357	

* P. Kilchmann's compensation is settled through Ammann Group.
 ** P. Zumbühl was elected successor as Chairman of the Board of Directors in April 2021.

Members of the Board of Directors receive a fixed compensation in cash and a fixed amount converted into a number of shares blocked for at least 3 years. Furthermore, a lump sum is paid out as compensation for expenses in accordance with the regulations, which have been approved by the tax authorities. In April 2021, the General Meeting approved a total remuneration payable to the Board of Directors for the period up to the next meeting of a maximum of CHF 550,000. The remuneration disclosed in the table above covers the respective fiscal year and is not equal to the period between the Annual General Meetings. In the period between the Annual General Meetings the total of CHF 550,000 was not exceeded.

Compensation to Group Management

In scope of audit opinion	CHF 1,000	R. Rihs, COO Automation		B. Cathomen, CEO		Total compensation of Group Management	
		2021	2020	2021	2020	2021	2020
	Fixed compensation	334	399	1,116	993		
Short-term incentive*	85	105	480	221			
Pension and benefits	136	148	412	362			
Total fixed compensation and short-term incentive	555	652	2,008	1,576			
Total approved by previous General Meetings**			1,850	1,850			
Long-term incentive		39		82			
Pension and benefits		3		6			
Total approved long-term incentive***		42		88			
Long-term incentive to be approved by General Meeting 2022	102		173				
Pension and benefits	8		13				
Total to be approved by General Meeting	110		186				
Total compensation	665	694	2,194	1,664			

* Any difference between the variable compensation accrued in the previous year and the amount actually paid out is included in the current year's variable compensation disclosure.
 ** The pre-approved maximum compensation does not include an additional CHF 1,000,000 at the discretion of the Board of Directors as per the by-laws of the Mikron Holding AG for joining members of Group Management. In 2021 the exceeding amount of CHF 158,000 is fully attributable to the newly hired CEO Marc Desrayaud. The General Meeting does not vote on this additional amount.
 *** The disclosed compensation 2020 is identical with the prior-year annual report. The value of the LTI compensation for the Group Management valued as per the share transfer date is CHF 105,000 (CHF 49,000 for the CEO) instead of the disclosed CHF 88,000 (CHF 42,000 for the CEO).

Group Management is composed of the CEO, CFO and the Head of the Mikron Automation business segment. These persons are employed at Mikron Switzerland AG, Langenthal. The compensation is booked applying the Accrual principle.

Members of Group Management receive a fixed compensation paid in 13 instalments and a short-term incentive. The short-term incentive is set by the Board of Directors within the boundaries approved by the General Meeting. The target incentive is significantly below the maximum allowed by the Articles of Association. The table below shows the short-term incentive as a percentage of the fixed compensation for 2021:

	Effective	Maximum set by Board of Directors	Maximum allowed as per Articles of Association
B. Cathomen, CEO			
Short-term incentive	38%	44%	
Total	38%	44%	100%
Other members			
Short-term incentive	28%	28%	
Total	28%	28%	75%

Furthermore, a lump sum is paid out as compensation for expenses in accordance with the regulations, which have been approved by the tax authorities. Expenses that are not covered by the lump sum compensation for expenses pursuant to the expense regulations of the Company are reimbursed against presentation of the relevant receipts. This additional compensation for expenses actually incurred does not need to be approved by the General Meeting. Payments are made in cash. Furthermore, members of Group Management are provided with company vehicles which may also be used for private travel. Expenditure for pension and social security includes employer contributions to social insurance and to the pension fund and senior management pension fund.

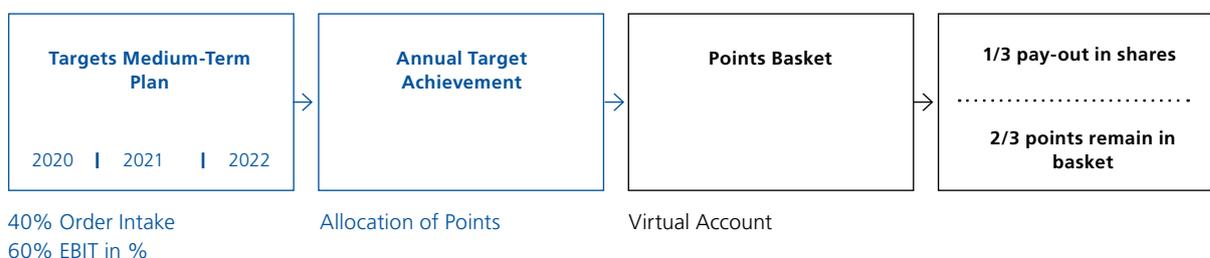
In April 2020, the General Meeting approved a total fixed compensation and short-term incentive which may be paid to Group Management during the 2021 financial year of maximum CHF 1,850,000, excluding the long-term incentive plan with separate approval. In April 2021, the amount of CHF 1,900,000, excluding the long-term incentive plan with separate approval, was approved, and may be paid out during the 2022 financial year.

The individual targets of the short-term incentive plan for Group Management reflect the importance of the targets depending on the role of the individual. The achievement is measured against qualitative and quantitative targets. The targets are defined by the Board of Directors at the beginning of the performance period on an annual basis. In extraordinary circumstances, the targets may be modified within the period at the discretion of the Board of Directors or the Remuneration Committee. The targets for the year 2021 were as follows:

	B. Cathomen	M. Desrayaud*	J. Perez Freije	R. Rihs
Order intake (Group and/or segment)	10%		–	5%
Sales (Group and/or segment)	10%		10%	20%
EBIT (Group and/or segment)	40%		35%	30%
Strategic programs and internal initiatives	35%		25%	35%
Other Group financial targets	–		15%	–
Individual targets	–		15%	10%
Total	100%		100%	100%

* contractually fixed lump sum for 2021 and 2022.

An additional long-term incentive in the form of shares in the company may be provided to the members of Group Management. A total of 15,228 shares were distributed during the year 2021 as approved by the 2021 General Meeting. For the target achievement of the long-term incentive plan, the order intake and operating profit (EBIT excluding the investment property) as a percentage of the sales of the year are compared with the expectations as per the medium-term plan. In addition to the points carried forward from the prior year, a maximum of 150 bonus points, representing a target achievement of 150%, are awarded to the points basket and a maximum -50 points are deducted from the points basket, if the threshold of 0% target achievement is reached. At the end of each year, after the allocation or deduction of the yearly points, one third of the total is converted into a corresponding number of shares. The shares are transferred to the members after approval by the General Meeting and are blocked for a period of at least three years. The Board of Directors will propose to the next General Meeting to approve an allocation of 22,509 shares to the members of Group Management as long-term-incentive compensation for 2021. The share price for the valuation at year-end was CHF 7.70. The remaining two thirds of the total are carried forward to the next year.



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

In scope of audit opinion

	31.12.2021		31.12.2020	
	Number of shares	Voting power	Number of shares	Voting power
Board of Directors				
P. Zumbühl, Chairman	61,963	0.37%	51,290	0.31%
H. Spoerry, Chairman	n/a	n/a	18,675	0.11%
E. Rikli, Vice-Chairman	33,827	0.20%	29,500	0.18%
A. Casutt, Member	11,365	0.07%	8,000	0.05%
H.-M. Hauser, Member	11,365	0.07%	8,000	0.05%
Group Management				
B. Cathomen, CEO	n/a	n/a	62,867	0.38%
M. Desrayaud, CEO	9,775	0.06%	n/a	n/a
R. Rihs, COO	49,617	0.30%	44,858	0.27%
J. Perez Freije, CFO	19,231	0.12%	15,900	0.10%

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

Report of the Statutory Auditor

Report of the statutory auditor to the General Meeting of Mikron Holding AG

Biel

We have audited the remuneration report of Mikron Holding AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'in scope of audit opinion' on pages 61 to 64 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Mikron Holding AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Norbert Kühnis
Audit expert
Auditor in charge



Astrit Mehmeti
Audit expert

Bern, 9 March 2022

PricewaterhouseCoopers AG, Bahnhofplatz 10, Postfach, CH-3001 Bern, Switzerland
Telefon: +41 58 792 75 00, Telefax: +41 58 792 75 10, www.pwc.ch

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

Mikron Group

Financial Report 2021

67	Consolidated Financial Statements 2021 of the Mikron Group
71	Notes to the Consolidated Financial Statements 2021 of the Mikron Group
96	Report of the Statutory Auditor on the Consolidated Financial Statements
101	5-Year Financial Summary
102	Alternative Performance Measures
105	Information on Share Capital

Consolidated Financial Statements 2021 of the Mikron Group

Consolidated income statement

CHF 1,000	Note	2021		2020	
Net sales	4.1	289,455	100%	257,819	100%
Change in work in progress/finished goods		-8,220		-2,684	
Capitalized own production		0		0	
Material costs and subcontractors	4.2	-87,775		-94,473	
Personnel expenses	4.3	-121,762		-124,328	
Other operating income	4.4	1,833		1,433	
Other operating expenses	4.4	-46,394		-46,459	
Depreciation of tangible assets	5.5	-8,114		-8,304	
Amortization of intangible assets	5.6	-1,014		-2,127	
Recycling of goodwill	6.4	0		-962	
Operating result		18,009	6.2%	-20,085	-7.8%
Financial result	4.5	-850		-2,289	
Ordinary result		17,159	5.9%	-22,374	-8.7%
Non-operating result	4.6	-444		-687	
Profit/loss before taxes		16,715	5.8%	-23,061	-8.9%
Income taxes	4.7	295		986	
Profit/loss		17,010	5.9%	-22,075	-8.6%
Net earnings per share – undiluted		1.04		-1.35	
Net earnings per share – diluted		1.04		-1.35	

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

Consolidated balance sheet

CHF 1,000	Note	31.12.2021		31.12.2020	
Current assets					
Cash and cash equivalents		54,107		38,420	
Current financial assets	5.1	427		2,021	
Accounts receivable	5.2	19,618		18,959	
Inventories	5.3	53,440		56,085	
Net assets from customer projects	5.4	28,642		38,514	
Other current receivables		4,109		4,917	
Prepaid expenses		4,303		5,770	
Total current assets		164,646	54.9%	164,686	59.4%
Non-current assets					
Tangible assets	5.5	87,724		75,644	
Intangible assets	5.6	3,603		3,758	
Investment property	5.7	27,515		27,912	
Deferred tax assets	5.9	16,551		5,126	
Total non-current assets		135,393	45.1%	112,440	40.6%
Total assets		300,039	100.0%	277,126	100.0%
Current liabilities					
Short-term financial liabilities	5.10	2,109		14,205	
Accounts payable		16,968		20,362	
Net liabilities from customer projects	5.4	55,049		41,625	
Short-term provisions	5.11	15,198		16,463	
Other current liabilities		2,716		3,360	
Accrued expenses	5.12	22,183		19,593	
Total current liabilities		114,223	38.1%	115,608	41.7%
Long-term liabilities					
Long-term financial liabilities	5.10	5,604		10,116	
Long-term provisions	5.11	750		818	
Deferred tax liabilities	5.9	14,392		5,065	
Total long-term liabilities		20,746	6.9%	15,999	5.8%
Shareholders' equity					
Share capital	5.13	1,671		1,671	
Treasury shares		-2,601		-3,212	
Capital reserves		96,516		95,595	
Retained earnings		69,484		51,465	
Total shareholders' equity		165,070	55.0%	145,519	52.5%
Total liabilities and shareholders' equity		300,039	100.0%	277,126	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	Goodwill recognized	Translation adjustments	
Balance at 01.01.2020		1,671	-3,658	95,830	77,729	-962	-1,390	169,220
Loss 2020					-22,075			-22,075
Translation adjustments							-3,046	-3,046
Recycling in connection with the discontinuation of Mikron Berlin GmbH	6.4					962	247	1,209
Change in treasury shares	5.13		446	-235				211
Balance at 31.12.2020		1,671	-3,212	95,595	55,654	0	-4,189	145,519
Profit 2021					17,010			17,010
Translation adjustments							1,008	1,008
Change in treasury shares	5.13		611	-190				421
Share-based compensation				1,111			1	1,112
Balance at 31.12.2021		1,671	-2,601	96,516	72,664	0	-3,180	165,070

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

Consolidated statement of cash flow

CHF 1,000	Note	2021	2020
Cash flow from operating activities			
Profit/loss		17,010	-22,075
Depreciation and amortization	5.5, 5.6	9,128	10,431
Recycling of goodwill	6.4	0	962
Revaluation of investment property	5.7	397	503
Net gain (-) / loss (+) on sale of non-current assets	4.4	-220	115
Changes in provisions	5.11	-1,231	7,021
Changes in deferred taxes	4.7, 5.9	-2,029	-2,442
Share-based compensation	4.3, 5.13	1,111	0
Other non-cash items		862	434
Movement in accounts receivable		-604	2,450
Movement in inventories		2,867	4,077
Movement in net assets/liabilities from customer projects		23,471	4,302
Movement in accounts payable		-4,146	3,203
Movement in other receivables and prepaid expenses		2,339	-733
Movement in other current liabilities and accrued expenses		1,786	927
Cash flow from operating activities		50,741	9,175
Cash flow from investing activities			
Investments in tangible assets	5.5	-19,517	-14,382
Divestments of tangible assets	5.5	724	328
Investments in intangible assets	5.6	-838	-946
Divestments of intangible assets	5.6	4	0
Investments in financial assets	5.1	-187	0
Divestments of financial assets	5.1	2,000	4,000
Interest received		26	101
Cash flow from investing activities		-17,788	-10,899
Cash flow from financing activities			
Increase (+)/repayment (-) of financial liabilities		-15,049	5,125
Repayment (-) of finance lease liabilities		-1,890	-2,136
Interest paid		-414	-479
Cash flow from financing activities		-17,353	2,510
Effect of exchange rate changes on cash and cash equivalents		87	-358
Net cash flow		15,687	428
Increase (+)/decrease (-) of cash and cash equivalents		15,687	428
Cash and cash equivalents at beginning of period		38,420	37,992
Cash and cash equivalents at end of period		54,107	38,420

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

Notes to the Consolidated Financial Statements 2021 of the Mikron Group

1. General information

1.1 Business operations

Mikron Holding AG and its subsidiaries (together the Mikron Group) develop, produce and market highly precise, productive, and adaptable automation solutions, machining systems and cutting tools. Rooted in the Swiss culture of innovation, the Group is a global leading partner to companies in the automotive, pharmaceutical, medtech, consumer goods, writing instruments and watchmaking industries.

The two business segments, Mikron Automation and Mikron Machining Solutions are based in Switzerland (Boudry and Agno). Additional production sites are located in the USA, in Germany, Singapore, China and Lithuania. Mikron Holding AG shares are traded on SIX Swiss Exchange (MIKN). The Mikron Group employs a total workforce of around 1,300.

1.2 Basis of preparation

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

1.3 Events after the balance sheet date

The Board of Directors approved the consolidated financial statements at its meeting of 9 March 2022. The approval of the consolidated financial statements by the Annual General Meeting is scheduled for 27 April 2022.

2. Significant accounting policies

2.1 Consolidation

2.1.1 Scope and method of consolidation

The consolidated financial statements include Mikron Holding AG, Biel, and all Swiss and foreign subsidiaries which the parent company, directly or indirectly, controls either by holding more than 50% of the voting rights or by some other form of control. These entities are fully consolidated. All intercompany transactions and relations between the consolidated companies are offset against each other and eliminated. Profits on intercompany transactions are eliminated. Capital consolidation is based on the purchase method applied to the annual financial statements of all consolidated entities, prepared as at December 31 and determined according to uniform accounting policies. The Mikron Group does not have any shareholdings with voting power of less than 50% (prior year: none). The list of Group companies can be found on page 118. In the year under review there were no changes (prior year: two) in the group of consolidated companies. The merge of the four Swiss entities into one had no impact on the scope of consolidation.

2.1.2 Acquisition of Group companies

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

2.2 Business segment reporting

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

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

- The Mikron Machining Solutions segment comprises the two divisions Mikron Machining and Mikron Tool. The Mikron Machining division is the leading supplier of customized, highly productive machining systems for the manufacturing of complex high-precision components made of metal such as turbocharger housings, injection nozzles and ballpoint pen tips. The Mikron Tool division develops and produces the therefore necessary high-performance cutting tools. These are regarded as some of the best in the world and are also used on other manufacturers' machines. To date, Mikron Machining Solutions has developed and commissioned over 7,000 machining systems. Its international customers operate in the following industries: automotive, electronics and telecommunications, medtech, consumer goods, construction/building and pneumatics and hydraulics. Mikron Machining Solutions employs around 500 people and is headquartered in Agno (Switzerland). It also has sites in Rottweil (Germany), Monroe (USA) and Shanghai (China).
- Mikron Automation is the leading partner for scalable and customized assembly systems – from the first idea to the highest performance solutions. Mikron's expertise and proven track record guarantee the most productive solution to assemble customer products at each stage of their lifecycle. To date, Mikron Automation has installed more than 3,500 assembly and testing systems worldwide. Its international customers operate in the following markets: pharmaceutical, medtech, automotive, electrical/electronics, consumer goods and construction/building. Mikron Automation currently employs around 800 people and is headquartered in Boudry (Neuchâtel), a region that is regarded as the heart of the Swiss watchmaking industry. It also has sites in Kaunas (Lithuania), Denver (USA), Singapore and Shanghai (China).
- The Corporate Service segment reports information on Mikron's holding, management and finance companies. The Corporate Service supports the individual Group companies as well as the Board of Directors and Group Management in their management and control functions. It also reports income and expenses related to a non-operating industrial property, which is fully leased to third parties. Eliminations on Group level are presented together with the Corporate Service.

2.3 Foreign currency translation

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

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

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

Currency	Average rate 2021	Average rate 2020	Closing rate 31.12.2021	Closing rate 31.12.2020
1 EUR	1.08	1.07	1.04	1.08
1 USD	0.92	0.94	0.92	0.89
1 SGD	0.68	0.68	0.68	0.67
1 CNY	0.14	0.14	0.14	0.14

2.4 Disclosure of related party transactions

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

2.5 Assets and liabilities

2.5.1 Cash and cash equivalents

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

2.5.2 Financial assets

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

2.5.3 Receivables

Receivables are carried at nominal value. A provision for bad debt risks is established for cases where the Group faces an objective risk of not collecting the outstanding amount. Factors such as information on financial difficulties being experienced by the debtor and overdue payments (more than 30 days overdue) are used to assess whether or not there is a bad debt risk. Changes in provisions are recognized as other operating expenses.

2.5.4 Inventories

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

2.5.5 Customer projects

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

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

Immediate provision is recognized in the income statement for present or foreseeable losses on customer projects.

2.5.6 Tangible assets

Property consists of production and office buildings. Tangible assets are measured at historical 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 straight-line 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	2–7

2.5.7 Intangible assets

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

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

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

2.5.8 Investment property

Property held as a financial investment includes production and office buildings which are rented out to third parties. Investment properties are reported at market value. The Mikron Group currently owns a property in Nidau, Switzerland, with a market value of CHF 27.5 million as at 31 December 2021. The fair value of the property is reviewed annually as per the balance sheet date and adjusted if necessary. Revaluations are recognized in the income statement.

2.5.9 Impairment of non-current assets

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

2.5.10 Lease contracts

Agreements that substantially transfer all the risks and rewards of ownership to the lessee are accounted for 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 measured at nominal values.

2.5.12 Financial liabilities

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

2.5.13 Provisions

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

2.5.14 Deferred taxes

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

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

2.5.15 Employee benefits

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

2.6 Income statement

2.6.1 Revenue recognition

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

Pro rata net sales and profits on projects for customer 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.

Service sales are recognized when the intervention has been completed.

2.7 Share-based payments

No share purchase-plan is in place for Mikron Group employees. The Board of Directors is granted a fixed amount converted into shares as part of the annual compensation which are blocked for at least three years. A performance-based number of shares, measured against the financial medium-term plan, are granted to Group Management and other key personnel at no consideration, refer to note 4.3. The shares to be granted under the long-term incentive plan are valued with the year-end share-price for accrual purposes and re-valued with the share-price at the grant date. The shares under the long-term incentive plan are transferred to Group Management after approv-

al by the General Meeting and are blocked for a period of at least three years. Refer to note 5.13 for shares granted to Group Management and the Board of Directors.

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

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

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

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

CHF 1,000	Possible shift in currency rates	Impact on net earnings		Impact on shareholders' equity from translation adjustments	
		2021	2020	2021	2020
Euro (CHF/EUR)	-10%	-292	-529	-207	302
US dollar (CHF/USD)	-10%	-1,047	-1,139	-3,743	-3,118

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 2021 and 2020 respectively, no derivative financial instruments were being held to hedge any interest rate risks.

3.3 Price risks

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

3.4 Credit risks

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

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

3.5 Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities, and the ability to close out market positions. The required flexibility in funding for the project business of the Group is primarily achieved via adequate liquidity reserves. As at the end of the year, significant headroom

(cash and cash equivalents, current financial assets and unused credit facilities) is available to the Mikron Group. A credit agreement worth CHF 50.0 million with a bank consortium exists, which is available for bank guarantees to secure advance payments from customers and for fixed advances. Under the credit agreement, it is also possible to additionally draw mortgage on two production facilities of up to CHF 20.0 million, of which none was drawn as at 31 December 2021 (prior year: none). At 31 December 2021, guarantees of CHF 21.2 million (prior year: CHF 28.2 million) were issued. The "COVID-19" loan and "COVID-19 plus" loan at one production site in Switzerland were repaid and cancelled in 2021 (prior year: CHF 3,0 million were drawn). The mortgage on the investment property has been repaid (prior year: CHF 9.0 million) and replaced with a secured credit line of CHF 10.0 million, of which nothing was drawn.

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

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

CHF 1,000	Note	Maturity				Total and interest rate by currency					
		Less than 1 year	1–3 years	3–5 years	Over 5 years	CHF	%	EUR	%	USD	%
At 31.12.2020											
Bank borrowings	5.10	12,156	4,474	1300	600	14,500	1.2			4,030	3.7
Finance lease liabilities	5.10	1,854	2,967	775	0	3,621	2.0	1,975	2.1		
Derivative financial instruments (notional amount)	6.1	18,046	0	0	0						
Total		32,056	7,441	2,075	600						
At 31.12.2021											
Bank borrowings	5.10	400	800	800	1,600	3,600	1.0				
Finance lease liabilities	5.10	1,709	2,254	150	0	2,929	1.9	1,184	2.0		
Derivative financial instruments (notional amount)	6.1	14,152	0	0	0						
Total		16,261	3,054	950	1,600						

4. Details of the consolidated income statement

4.1 Net sales

CHF 1,000	2021	2020
Automation and machining systems (from customer projects)	185,429	181,005
Automation and machining systems (other)	30	216
Cutting tools	52,586	39,973
Service	51,410	36,625
Total net sales	289,455	257,819

4.2 Material costs and subcontractors

CHF 1,000	2021	2020
Raw materials and components	-83,508	-89,975
Subcontractors	-4,267	-4,498
Total material costs and subcontractors	-87,775	-94,473

4.3 Personnel expenses

CHF 1,000	2021	2020
Salaries and wages	-103,675	-105,524
Social charges	-12,026	-12,781
Pension expenses	-6,061	-6,023
Total personnel expenses	-121,762	-124,328

The shares granted to Group Management in 2021 amounted to a total of CHF 0.3 million. For the number of shares allocated in 2021 refer to note 5.13. The Board of Directors will propose to the next Annual General Meeting an allocation of 22,509 shares to the members of Group Management as long-term incentive compensation related to the financial year 2021. The allocation of 38,684 shares to the other key personnel after the next Annual General Meeting was approved by the remuneration committee. The share price for the valuation at year-end was CHF 7.70. A total amount of CHF 1.1 million was expensed against equity (refer also to note 2.7).

In 2021, a total of CHF 1.2 million of short-time work compensation and government support was received (prior year: CHF 9.8 million).

4.4 Other operating income and expenses

CHF 1,000	2021	2020
Gain on sale of non-current assets	319	120
Other income	1,514	1,313
Total other operating income	1,833	1,433
Production- and project-related expenses, including shipping	-17,253	-11,984
Marketing and sales	-3,998	-3,854
Real estate	-7,527	-8,875
Personnel-related expenses, including company cars	-3,970	-4,393
Information technology	-6,017	-6,046
Capital and other taxes (excl. income taxes)	-944	-672
Loss on sale of non-current assets	-99	-235
Other expenses	-6,586	-10,400
Total other operating expenses	-46,394	-46,459

The project-related expenses include the change in provision for future losses from customer projects (see note 5.4).

4.5 Financial result

CHF 1,000	2021	2020
Financial income	3,676	2,709
Financial expenses	-4,526	-4,998
Total financial result	-850	-2,289
Interest income	26	101
Interest expenses	-414	-479
Total interest result	-388	-378
Exchange gains	3,649	2,602
Exchange losses	-3,046	-3,745
Other financial income	1	6
Other financial expenses	-1,066	-774
Total other financial result	-462	-1,911
Total financial result	-850	-2,289

4.6 Non-operating result

CHF 1,000	2021	2020
Rental income	748	694
Income from property-related services	663	529
Total non-operating income	1,411	1,223
Owner-related expenses	-712	-613
Expenses for property-related services	-746	-794
Total non-operating expenses	-1,458	-1,407
Revaluation	-397	-503
Total non-operating result	-444	-687

4.7 Income taxes

CHF 1,000	2021		2020	
Current income tax	-1,734		-1,456	
Deferred income tax	2,029		2,442	
Total income taxes	295		986	
Earnings before taxes	16,715		-23,061	
Income tax at average tax rates	-3,477	21%	4,381	19%
Income tax at other rates	83		1,842	
Impact of non-capitalized loss carry-forwards	-6,957		-7,380	
Release of / capitalization of tax losses	11,052		-54	
Tax credits	572		1,948	
Change in tax rate	-573		-64	
Other taxable effects	-405		313	
Total income taxes	295	-2%	986	4%

The applicable tax rate for the Group is 21% (prior year: 19%). This corresponds to the average income tax rates of the individual Group companies in each jurisdiction.

4.8 Restructuring costs

In 2021 there was no restructuring. The restructuring initiated in the prior year by Mikron Group's Board of Directors to discontinue the machine business in Rottweil and to redimension the machine business in Agno in the Mikron Machining Solutions business segment as well as to discontinue the automotive industry related operations in Berlin in the Mikron Automation business segment were on track and all costs covered by existing provisions.

CHF 1,000	2021	2020
Inventory write-off	0	-2,559
Work in progress write-off	0	-1,519
Termination benefits	0	-5,953
Operating expenses	0	-4,262
Additional depreciation and amortization of fixed assets	0	-802
Recycling of goodwill	0	-962
Restructuring costs impacting the operating result	0	-16,057
Recycling of translation adjustments	0	-247
Restructuring costs impacting the financial result	0	-247

5. Details of the consolidated balance sheet

5.1 Financial assets

CHF 1,000	Note	31.12.2021	31.12.2020
Bonds		0	2,021
Other current financial receivables		187	0
Derivative financial instruments	6.1	240	0
Total current financial assets		427	2,021

All previously held bonds expired and were repaid (prior year: CHF 2.0 million). The bonds comprised Swiss franc bonds.

5.2 Accounts receivable

CHF 1,000	31.12.2021	31.12.2020
Accounts receivable	20,254	19,638
Allowance for doubtful accounts	-636	-679
Total accounts receivable	19,618	18,959

As at the balance sheet date, accounts receivable (including allowance for doubtful accounts) past due for 30 days and more amounted to CHF 2.6 million (prior year: CHF 2.2 million).

5.3 Inventories

CHF 1,000	31.12.2021	31.12.2020
Raw materials and components	22,854	21,575
Work in progress	14,613	17,924
Finished and trading goods	14,906	16,968
Prepayments to suppliers	4,844	3,661
Prepayments from customers	-3,777	-4,043
Total inventories	53,440	56,085

The provision for slow-moving inventories amounts to CHF 21.1 million (prior year: CHF 20.2 million).

5.4 Customer projects

CHF 1,000	31.12.2021	31.12.2020
Projects in progress – costs incurred	157,846	165,733
Recognized profits less recognized losses	34,020	42,627
Prepayments from customers	-218,273	-211,471
Total net assets and liabilities from customer projects	-26,407	-3,111
Net assets from customer projects	28,642	38,514
Net liabilities from customer projects	-55,049	-41,625
Total net assets and liabilities from customer projects	-26,407	-3,111

The stage of completion, determined by the costs incurred to date compared to the total estimated costs, was approximately 54% on 31 December 2021 (prior year: approximately 57%). At the balance sheet date, the Mikron Group had 220 projects in progress (prior year: 192 projects) with an average volume of CHF 1.6 million (prior year: CHF 1.9 million). As at 31 December 2021 there were no retentions by customers (prior year: none).

5.5 Tangible assets

CHF 1,000	Undeveloped real estate	Real estate	Machinery	Equipment and installations	Down pay- ments and assets under construction	Others	Total
At cost							
Balance at 01.01.2020	3,601	88,853	80,836	21,691	7,735	3,414	206,130
Additions	0	161	-74	343	11,173	27	11,630
Transfers	0	0	4,640	1,343	-5,877	0	106
Disposals	0	-29	-2,895	-2,645	0	-36	-5,605
Translation adjustments	-38	-1,030	-231	-230	-38	-57	-1,624
Balance at 31.12.2020	3,563	87,955	82,276	20,502	12,993	3,348	210,637
Additions	0	446	1,357	644	17,916	321	20,684
Transfers	0	150	1,063	8	-1,358	83	-54
Disposals	0	-553	-2,834	-2,759	0	-347	-6,493
Translation adjustments	13	343	-436	6	0	-53	-127
Balance at 31.12.2021	3,576	88,341	81,426	18,401	29,551	3,352	224,647
Accumulated depreciation							
Balance at 01.01.2020	0	-57,949	-53,298	-18,574	0	-2,528	-132,349
Depreciation	0	-1,896	-4,874	-1,352	0	-182	-8,304
Disposals	0	28	2,555	2,553	0	27	5,163
Translation adjustments	0	148	135	175	0	39	497
Balance at 31.12.2020	0	-59,669	-55,482	-17,198	0	-2,644	-134,993
Depreciation	0	-1,904	-3,995	-2,053	0	-162	-8,114
Transfers	0	0	225	-225	0	0	0
Disposals	0	465	2,488	2,687	0	347	5,987
Translation adjustments	0	-56	212	5	0	36	197
Balance at 31.12.2021	0	-61,164	-56,552	-16,784	0	-2,423	-136,923
Net book value							
Balance at 31.12.2020	3,563	28,286	26,794	3,304	12,993	704	75,644
Balance at 31.12.2021	3,576	27,177	24,874	1,617	29,551	929	87,724
Of which finance leases							
Balance at 31.12.2020	0	0	8,548	0	0	0	8,548
Balance at 31.12.2021	0	0	4,830	0	0	0	4,830

At the balance sheet date, the Group had entered into CHF 0.3 million of capital commitments to purchase tangible assets (prior year: CHF 2.8 million). In the depreciation of the financial year 2021, no depreciation from the restructuring measures taken were included (prior year: CHF 0.4 million).

In 2021, the Group acquired tangible assets of CHF 0.5 million (prior year: none) on a financial leasing basis.

5.6 Intangible assets

CHF 1,000	Capitalized development costs	Software	Assets under construction	Others	Total
At cost					
Balance at 01.01.2020	3,633	21,107	719	364	25,823
Additions	0	422	363	0	785
Transfers	0	38	-144	0	-106
Disposals	0	-721	0	0	-721
Translation adjustments	-111	-117	0	0	-228
Balance at 31.12.2020	3,522	20,729	938	364	25,553
Additions	0	134	671	0	805
Transfers	0	351	-297	0	54
Disposals	0	-348	0	0	-348
Translation adjustments	17	-46	0	0	-29
Balance at 31.12.2021	3,539	20,820	1,312	364	26,035
Accumulated amortization					
Balance at 01.01.2020	-3,346	-16,899	0	-354	-20,599
Amortization	-287	-1,830	0	-10	-2,127
Disposals	0	721	0	0	721
Translation adjustments	111	99	0	0	210
Balance at 31.12.2020	-3,522	-17,909	0	-364	-21,795
Amortization	0	-1,014	0	0	-1,014
Disposals	0	348	0	0	348
Translation adjustments	-17	46	0	0	29
Balance at 31.12.2021	-3,539	-18,529	0	-364	-22,432
Net book value					
Balance at 31.12.2020	0	2,820	938	0	3,758
Balance at 31.12.2021	0	2,291	1,312	0	3,603
Of which finance leases					
Balance at 31.12.2020	0	0	0	0	0
Balance at 31.12.2021	0	0	0	0	0

At the balance sheet date, the Group had not entered into capital commitments to purchase intangible assets (prior year: none). In the amortization of the financial year 2021, no amortization from the restructuring measures taken were included (prior year: CHF 0.4 million).

5.7 Investment property

CHF 1,000	2021	2020
Balance at 1 January	27,912	28,415
Revaluation	-397	-503
Balance at 31 December	27,515	27,912
Original acquisition cost	43,374	43,374

The Mikron Group is the owner of a property in Switzerland (land and building) that is 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 2021. The discounted cash flow method was used for the valuation. The valuation with the discounted cash flow method was supported by an additional valuation of the ongoing development project. A discount rate of 3.9% was applied (prior year: 5.0%).

At the balance sheet date, the Group had no (prior year: none) capital commitment in relation to the investment property.

5.8 Employee benefits

All employees in Switzerland are insured through the Mikron pension fund, which is a foundation under Swiss law and legally 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 31.12.2020	Economic part of the organization		Change from prior year in the current result for the period	Contributions concerning the business period	Pension expenses 2020
		31.12.2020	31.12.2019			
Pension institutions without surplus/deficit	0	0	0	0	-4,890	-4,890
Total	0	0	0	0	-4,890	-4,890

CHF 1,000	Surplus/deficit 31.12.2021	Economic part of the organization		Change from prior year in the current result for the period	Contributions concerning the business period	Pension expenses 2021
		31.12.2021	31.12.2020			
Pension institutions without surplus/deficit	0	0	0	0	-4,770	-4,770
Total	0	0	0	0	-4,770	-4,770

The information on the economic benefit as at 31 December 2021 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 2020. As at 31 December 2020, the Mikron pension fund reported a coverage rate of 117.9% (prior year: 117.1%). According to the pension fund's provisional accounts, the coverage rate is expected to have increased by about +5% in the 2021 financial year. The number of active insureds increased in 2021 by about +1% (prior year: decrease of about -10%). Contributions matched pension expenses during the relevant reporting period.

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

5.9 Deferred taxes

CHF 1,000	2021	2020
Statement of changes in deferred tax liabilities		
Balance at 1 January	5,065	6,071
Set-up and reversal of temporary differences	8,766	-1,056
Change in tax rate	573	64
Translation adjustments	-12	-14
Balance at 31 December	14,392	5,065
Statement of changes in deferred tax assets		
Balance at 1 January	5,126	4,048
Change in capitalized tax loss carry-forwards	11,322	-505
Set-up and reversal of temporary differences and change in tax credits	-30	1,874
Change in tax rate	0	0
Translation adjustments	133	-291
Balance at 31 December	16,551	5,126

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

The deferred tax assets of CHF 16.6 million (prior year: CHF 5.1 million) result from accumulated tax loss carry-forwards that were capitalized, valuation differences and available tax credits. Due to uncertainties that future taxable profit will be available to offset against these assets, tax loss carry-forwards amounting to CHF 15.2 million (prior year: CHF 110.5 million) were not capitalized. Applying local tax rates results in a maximum potential tax benefit from non-capitalized tax loss carry-forwards of CHF 3.4 million (prior year: CHF 24.0 million).

5.10 Financial liabilities

CHF 1,000	Note	31.12.2021	31.12.2020
Short-term financial liabilities			
Bank borrowings		400	12,156
Finance lease liabilities		1,709	1,854
Derivative financial instruments	6.1	0	195
Total short-term financial liabilities		2,109	14,205
Long-term financial liabilities			
Bank borrowings		3,200	6,374
Finance lease liabilities		2,404	3,742
Total long-term financial liabilities		5,604	10,116

The investment property and four of the production facilities were mortgaged for liquidity management purposes. The mortgage on one production facility was drawn down, while the draw-down of the mortgage for two further production facilities will happen only when cash needs arise. Additionally, there is a secured credit line on the investment property. Details of the mortgages are given in note 6.2. The leasing liabilities relate to purchased machines used in production.

CHF 1,000	31.12.2021	31.12.2020
Financial liabilities, expiring		
– not later than 1 year	2,109	14,205
– later than 1 year but not later than 3 years	3,054	7,441
– later than 3 years	2,550	2,675
Total financial liabilities	7,713	24,321

The credit agreement with a bank consortium (refer to note 3.5) was signed in June 2020 and is valid until June 2024. The agreement secures financing in the form of bank guarantees (avals) and provides potentially required liquidity at standard market conditions. The contractual covenants have been met since the commencement of the agreement.

5.11 Provisions

CHF 1,000	Warranties	Employee incentive	Future costs for projects	Restructuring	Others	Total
Short-term provisions						
Balance at 01.01.2020	2,673	458	5,642	126	892	9,791
Additions	3,263	157	1,308	7,909	1,563	14,200
Utilization	-1,359	-411	-557	-2,059	0	-4,386
Reversal	-1,067	-38	-1,991	0	-179	-3,275
Reclassification long-/short-term	0	178	0	0	0	178
Translation adjustments	-16	-2	-100	74	-1	-45
Balance at 31.12.2020	3,494	342	4,302	6,050	2,275	16,463
Additions	2,113	0	5,233	0	1,676	9,022
Utilization	-805	-342	-786	-4,366	0	-6,299
Reversal	-2,374	0	-1,390	0	-10	-3,774
Reclassification long-/short-term	0	0	0	-142	0	-142
Translation adjustments	-22	0	20	-68	-2	-72
Balance at 31.12.2021	2,406	0	7,379	1,474	3,939	15,198
Long-term provisions						
Balance at 01.01.2020	0	509	0	0	0	509
Additions	0	11	0	630	0	641
Reversal	0	-159	0	0	0	-159
Reclassification long-/short-term	0	-178	0	0	0	-178
Translation adjustments	0	-3	0	8	0	5
Balance at 31.12.2020	0	180	0	638	0	818
Reversal	0	-180	0	0	0	-180
Reclassification long-/short-term	0	0	0	142	0	142
Translation adjustments	0	0	0	-30	0	-30
Balance at 31.12.2021	0	0	0	750	0	750

Warranty provisions are related to sales of products and services and are based on experience. The employee incentive provision was related to the long-term incentive plan. As the long-term incentive plan is now fully share-based, the provision was released, and the costs directly recognized against equity. Future costs relate to customer projects with final acceptance where remaining work is outstanding before the warranty period starts. The restructuring provision is related to expected costs until the end of the settlement of the obligations from employments and other contracts. The other provision is materially related to expected costs from legal risks of projects.

5.12 Accruals

CHF 1,000	31.12.2021	31.12.2020
Accrued expenses	21,617	19,552
Current income tax payables	566	41
Total accrued expenses	22,183	19,593

The accrued expenses of CHF 21.6 million (prior year: CHF 19.6 million) mainly consist of accruals in relation to employees' annual leave entitlements, overtime and bonus totaling CHF 12.3 million (prior year: CHF 11.8 million). Additionally, there were outstanding trade payables, and accrued income taxes of CHF 0.5 million (prior year: CHF 0.3 million).

5.13 Shareholders' equity

Share capital

The share capital as at 31 December 2021 amounts to CHF 1.7 million (prior year: CHF 1.7 million) and consists of 16,712,744 registered shares with a par value of CHF 0.10 per share.

As at 31 December 2021, there are two shareholders with investments of more than 5% in voting rights (Ammann Group Holding AG, Berne 41.9%; Mr. Rudolf Maag, Binningen, 14.1%). No other single shareholder holds 5% or more of the voting rights.

Treasury shares

In 2021 the company granted 39,129 treasury shares to Group Management (prior year: 26,935) and 25,095 treasury shares to the Board of Directors (prior year: 20,000) at no consideration, sold no shares (prior year: none) and acquired no treasury shares (prior year: none). At 31 December 2021 Mikron Holding AG, Biel owned 273,651 treasury shares (prior year: 337,875 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 -0.1 million (prior year: CHF -0.8 million) on loans with equity character in foreign currencies (EUR and SGD) were posted directly to shareholders' equity.

6. Other notes

6.1 Derivative financial instruments

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

CHF 1,000	Replacement value		Contract equivalent	Contract equivalent by due date			
	positive	negative		0–3 months	3–12 months	1–5 years	over 5 years
Balance at 31.12.2020	0	195	18,046	16,381	1,665	0	0
Balance at 31.12.2021	240	0	14,152	8,126	6,026	0	0

All instruments are mainly denominated in euros and US dollars.

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

6.2 Assets pledged as security for liabilities

CHF 1,000	31.12.2021	31.12.2020
Real estate (including investment property) pledged as security for liabilities	73,198	59,397
Collateral securities – nominal	90,200	97,114
Loans and mortgages utilized	3,600	18,530
Other assets pledged as security for liabilities	81,830	63,548
Finance lease liabilities (machinery, licenses)	4,113	5,596

As part of the financing arrangements the borrower notes for the investment property and one production facility in Switzerland were deposited as collateral for underlying mortgage agreements which were partially called off.

The credit limits made available by the bank consortium were secured by guarantees of CHF 77.0 million. Additionally, the existing borrower notes were deposited as collateral for two production facilities in Switzerland.

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

6.3 Off-balance sheet lease commitments

CHF 1,000	31.12.2021	31.12.2020
Off-balance sheet lease commitments, payable		
– not later than 1 year	2,542	3,714
– later than 1 year but not later than 3 years	2,489	3,496
– later than 3 years but not later than 5 years	1,286	1,718
– later than 5 years	2,764	3,138
Total off-balance sheet lease commitments	9,081	12,066

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

6.4 Goodwill offset against shareholders' capital

CHF 1,000	2021	2020
At cost		
Balance at 1 January	0	962
Disposals	0	-962
Balance at 31 December	0	0
Accumulated amortization		
Balance at 1 January	0	-962
Disposals	0	962
Balance at 31 December	0	0
Theoretical value 31 December	0	0

The goodwill resulted from the acquisition of IMA Automation Berlin GmbH (now: Mikron Berlin GmbH) on 1 March 2012. The operations at Mikron Berlin GmbH materially ceased as at 31 December 2020 and the company will be discontinued. The related goodwill amortization was recycled into the income statement in 2020.

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	2021	2020
Other operating expenses	-26	-26

CHF 1,000	31.12.2021	31.12.2020
Other current receivables and prepaid expenses	6	6
Accounts payable	5	6
Other current liabilities and accrued expenses	1	0

The Mikron pension fund owns no shares (prior year: none) of Mikron Holding AG.

6.6 Impairment test on Group level

The Group's equity of CHF 164.7 million exceeded the Group's market capitalization of CHF 128.7 million at 31 December 2021 (prior year: CHF 90.2 million). An impairment test was performed using a discounted cash flow model with assumptions approved by the Group's Board of Directors. The impairment test supported the equity of the Group as a whole. An additional impairment test was performed for the Mikron Machining division. The test showed that the value of the division's fixed assets is covered by its recoverable amount.

7. Information by segment

7.1 Information by business segment

CHF 1,000	Machining Solutions		Automation		Corporate / Eliminations		Total Group	
	2021	2020	2021	2020	2021	2020	2021	2020
Net sales – third party	112,773	96,188	176,682	161,631	0	0	289,455	257,819
Net sales – Group	88	134	10	20	-98	-154	0	0
Total net sales	112,861	96,322	176,692	161,651	-98	-154	289,455	257,819
Operating result	2,509	-21,556	15,796	1,109	-296	362	18,009	-20,085
Earnings before interest and taxes (EBIT)	2,509	-21,556	15,796	1,109	-740	-325	17,565	-20,772

CHF 1,000	Machining Solutions		Automation		Corporate / Eliminations		Total Group	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Assets excluding cash and cash equivalents and current financial assets	112,711	117,010	154,779	136,759	-21,985	-17,084	245,505	236,685
Cash and cash equivalents	8,302	5,461	12,015	13,950	33,790	19,009	54,107	38,420
Current financial assets	0	0	0	0	427	2,021	427	2,021
Total assets	121,013	122,471	166,794	150,709	12,232	3,946	300,039	277,126

7.2 Information by geographical segment

CHF 1,000	Net sales	
	2021	2020
Switzerland	18,651	14,969
Europe	126,428	102,360
North America	94,136	96,117
Asia/Pacific	42,670	31,228
Others	7,570	13,145
Total net sales	289,455	257,819

8. Net earnings per share

8.1 Weighted average number of shares

Number	2021	2020
Issued shares at 1 January	16,712,744	16,712,744
Issued shares at 31 December	16,712,744	16,712,744
of which treasury shares	-273,651	-337,875
Adjusted for weighted average	-25,974	-13,850
Weighted average number of shares – basic	16,413,119	16,361,019
Effect of dilution	0	0
Weighted average number of shares – diluted	16,413,119	16,361,019

8.2 Computation of earnings per share

CHF 1,000, except for per share information	2021	2020
Net earnings	17,010	-22,075
Weighted average number of shares – basic	16,413,119	16,361,019
Net earnings per share – undiluted	1.04	-1.35
Weighted average number of shares – diluted	16,413,119	16,361,019
Net earnings per share – diluted	1.04	-1.35

Report of the statutory auditor

to the General Meeting of Mikron Holding AG

Biel

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Mikron Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated balance sheet as at 31 December 2021, consolidated statement of shareholders' equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 67 to 95 and 118) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 1'950'000

We performed full scope audits at three legal entities. These legal entities are located across two countries.

Collectively, the components at which full scope audit work was performed accounted for 73% of consolidated net sales.

As key audit matters the following areas of focus have been identified:

- Application of percentage-of-completion method to customer projects
- Impairment assessment of long-lived assets

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due

PricewaterhouseCoopers AG, Bahnhofplatz 10, Postfach, CH-3001 Bern, Switzerland
Telefon: +41 58 792 75 00, Telefax: +41 58 792 75 10, www.pwc.ch

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

to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1'950'000
Benchmark applied	Consolidated net sales
Rationale for the materiality benchmark applied	We chose consolidated net sales as benchmark to determine our overall group audit materiality, because, in our view, net sales is an important key performance indicator for a business that has had volatile results in the past.

We agreed with the Audit Committee that we would report to them misstatements above CHF 150'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the legal and divisional structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group is structured along two segments Mikron Machining Solutions and Mikron Automation and three divisions Mikron Automation, Mikron Tool and Mikron Machining, operating in Switzerland, Germany, North America and Asia. The Group financial statements are a consolidation of 13 reporting units, comprising the Group's businesses and centralised functions.

We conducted full scope audit work at three legal entities. Our full scope audit scope addressed 73% of the Group's net sales. Supplemental audit procedures were performed at Group level.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Application of percentage-of-completion method to customer projects

Key audit matter	How our audit addressed the key audit matter
In 2021, Mikron Group realized net sales of CHF 185 million arising from customer projects in both its Machining and Automation divisions.	We obtained an understanding of the relevant processes and control activities (including budgeting, monitoring of projects and month-end procedures), and tested selected controls for effectiveness.
The recognition of profits on such contracts in accordance with Swiss GAAP FER 22 "Long term contracts" is based on the stage of completion under the contract activity. This is measured by reference to the proportion of actual contract costs incurred at balance sheet date relative to the estimated total cost of the contract at completion.	On a sample base, we tested the customer projects and their treatment in the consolidated financial statements as follows:



The measurement of profits on customer projects recognized at the balance sheet date is a key audit matter because of the significance of net sales and costs impacted and the level of judgment involved in estimating the forecasted costs and net sales under these contracts.

An inappropriate application of the percentage-of-completion method could result in a material variance in the amount of profit or loss recognized at the balance sheet date and thus also in the current period.

Refer to notes 2.5.5 "accounting policy for customer projects", note 4.1 "net sales" and note 5.4 "customer projects" of the consolidated financial statements 2021.

- We reconciled estimated total net sales to contractual arrangements;
- We tested significant projects (high value or high risk projects) completed in 2021 to compare the total cost incurred with previous estimates to assess accuracy of estimates;
- We performed procedures to test the allocation of personnel, machining and material costs to corresponding projects;
- We tested prepayments and payments received from customers and the allocation to the corresponding projects;
- We tested the project valuation calculations and reconciled applicable information to the general ledgers;
- We inquired of project managers to gain a more indepth understanding of the portfolio of projects and related risks, and to challenge management's assumptions and estimates applied in the valuation of these projects.

We were able to satisfy ourselves that the estimates applied and the assumptions made by management were sufficiently reasonable and supportable to justify the recognition and measurement of the profits associated with customer projects.

Impairment assessment of long-lived assets

Key audit matter

We focused on this area because the carrying amount of consolidated equity at 31 December 2021 exceeds Mikron Group's stock market capitalization.

Responding to this impairment indicator, management assessed the Group's long-lived assets for impairment at group and Cash-Generating Unit Level.

We focused on this area because the impairment assessment involves significant judgments and estimates to be made in respect of the cash flow forecast and in particular, the determination of significant assumptions, including discount rates and rates of long-term sales and cost growth and by determining the net selling price of long-lived assets.

Refer to the Group's accounting policy summarized in note 2.5.9, "Impairment of non-current assets", and note 6.6 "Impairment test on Group level" of the consolidated financial statements 2021.

How our audit addressed the key audit matter

We assessed management's impairment test based on recoverable amount as follows:

- We assessed management's medium-term cash flow forecasts, as derived from its business plans and approved by the Board of Directors while considering accuracy of past management forecasts. We further assessed the determination of the long-term sales and cost growth rates applied underlying the impairment test by comparison to economic and industry forecasts
- We analyzed and challenged management's assessment of the Group's future results by performing sensitivity analyses;
- We assessed weighted average cost of capital applied in the calculation, based on a comparison with observable data where readily available;



-
- We re-performed the mathematical accuracy of the impairment tests;
 - We assessed the key assumptions used to determine net selling price of long-lived assets by involving our internal specialists.

Overall, we consider the measurement inputs and assumptions used by Management to be in line with our expectations and we are of the view that these are a reasonable basis for impairment testing purposes.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG



Norbert Kühnis
Audit expert
Auditor in charge



Astrit Mehmeti
Audit expert

Bern, 9 March 2022



5-Year Financial Summary

in CHF million, except number of employees	2021		2020		2019		2018		2017	
Key performance data										
Order intake ¹⁾	305.7		267.3		288.5		362.3		278.9	
Net sales	289.5		257.8		327.6		314.7		248.5	
Order backlog ¹⁾	176.7		161.6		157.4		195.7		157.2	
Research and development	6.6		6.5		10.4		11.6		8.8	
Number of employees (end of year) ¹⁾	1,327		1,331		1,486		1,398		1,275	
Investments incl. acquisitions of subsidiaries – net	21.0		12.0		18.5		15.9		10.2	
Earnings										
EBITDA ¹⁾ , as % of net sales	27.1	9.4%	-8.9	-3.5%	22.9	7.0%	22.2	7.1%	11.2	4.5%
EBIT ¹⁾ , as % of net sales	17.6	6.1%	-20.8	-8.1%	14.1	4.3%	13.9	4.4%	2.8	1.1%
Operating result, as % of net sales	18.0	6.2%	-20.1	-7.8%	14.0	4.3%	12.7	4.0%	1.3	0.5%
Ordinary result, as % of net sales	17.2	5.9%	-22.4	-8.7%	13.5	4.1%	11.7	3.7%	0.8	0.3%
Profit/loss for the year, as % of net sales	17.0	5.9%	-22.1	-8.6%	8.8	2.7%	12.2	3.9%	1.2	0.5%
Cash flow										
Cash flow from operating activities (incl. changes in net working capital), as % of net sales	50.7	17.5%	9.2	3.6%	7.3	2.2%	20.1	6.4%	15.6	6.3%
Operating free cash flow (prior to acquisitions and changes in current financial assets) ¹⁾	31.1		-5.8		-3.5		8.2		7.0	
Balance sheet										
Balance sheet total	300.0		277.1		289.5		289.5		265.7	
Current assets	164.6		164.7		178.0		185.0		170.5	
Non-current assets	135.4		112.4		111.5		104.5		95.2	
Current liabilities	114.2		115.6		103.6		110.0		95.7	
Long-term liabilities	20.7		16.0		16.6		15.2		12.7	
Shareholders' equity, as % of balance sheet total	165.1	55.0%	145.5	52.5%	169.2	58.5%	164.3	56.8%	157.3	59.2%

1) Alternative performance measures, see pages 102 to 104, or www.mikron.com/apm

Alternative Performance Measures

In external communications, Mikron discloses performance measures that are not defined in Swiss GAAP FER. The description and, where applicable, the calculation from performance measures as per Swiss GAAP FER are listed below. All values listed in CHF 1,000.

Order intake

Order intake includes all customer orders for goods and services received from customers, irrespective of whether the goods and services have been delivered or not. Blanket orders are only recognized as order intake when the goods are being called off.

Order backlog

The order backlog represents that part of the cumulative past order intake that has not yet been recognized as sales at the current balance sheet date. The order backlog equals the amount of sales that will, applying the current exchange rates of the orders, be realized when all open customer orders are concluded. The order backlog of customer projects managed applying the percentage of completion method corresponds to the order intake less the accrued sales according to the stage of completion of each project.

EBITDA

The earnings before interest, taxes, depreciation and amortization (EBITDA) represent the total of the operating and non-operating result, adding back the depreciation for tangible assets, the amortization for intangible assets and the revaluation of the investment property.

EBITDA	2021	2020	Reference
Operating result	18,009	-20,085	Consolidated income statement
+ Non-operating result	-444	-687	Consolidated income statement
+ Depreciation of tangible assets	8,114	8,304	Consolidated income statement
+ Amortization of intangible assets	1,014	2,127	Consolidated income statement
+ Recycling of goodwill	0	962	Consolidated income statement
+ Revaluation investment property	397	503	Note 5.7
EBITDA	27,090	-8,876	

EBIT

The earnings before interest and taxes (EBIT) represent the total of the operating and non-operating result.

EBIT	2021	2020	Reference
Operating result	18,009	-20,085	Consolidated income statement
+ Non-operating result	-444	-687	Consolidated income statement
EBIT	17,565	-20,772	
+ Restructuring costs	0	16,057	Note 4.8
Adjusted EBIT	17,565	-4,715	

Operating free cash flow

The operating free cash flow represents the total of the cash flow from operating activities and the cash flow from investing activities, the latter excluding the investments in and divestments of financial assets.

Operating free cash flow	2021	2020	Reference
Cash flow from operating activities	50,741	9,175	Consolidated statement of cash flow
+ Cash flow from investing activities	-17,788	-10,899	Consolidated statement of cash flow
– Investments in financial assets	-187	0	Consolidated statement of cash flow
– Divestments of financial assets	2,000	4,000	Consolidated statement of cash flow
– Interest received	26	101	Consolidated statement of cash flow
Operating free cash flow	31,114	-5,825	

Free cash flow

The free cash flow represents the total of the cash flow from operating activities and the cash flow from investing activities.

Free cash flow	2021	2020	Reference
Cash flow from operating activities	50,741	9,175	Consolidated statement of cash flow
+ Cash flow from investing activities	-17,788	-10,899	Consolidated statement of cash flow
Free cash flow	32,953	-1,724	

Net working capital

The net working capital is the net amount of the current assets and the current liabilities that stand in relation to the business activities.

Net working capital	2021	2020	Reference
Accounts receivable	19,618	18,959	Consolidated balance sheet
+ Inventories	53,440	56,085	Consolidated balance sheet
+ Net assets from customer projects	28,642	38,514	Consolidated balance sheet
+ Other current receivables	4,109	4,917	Consolidated balance sheet
+ Prepaid expenses	4,303	5,770	Consolidated balance sheet
– Accounts payable	16,968	20,362	Consolidated balance sheet
– Net liabilities from customer projects	55,049	41,625	Consolidated balance sheet
– Short-term provisions	15,198	16,463	Consolidated balance sheet
– Other current liabilities	2,716	3,360	Consolidated balance sheet
– Accrued expenses	22,183	19,593	Consolidated balance sheet
Net working capital	-2,002	22,842	

Net debt

The net debt compares financial assets and financial liabilities.

Net debt	2021	2020	Reference
– Cash and cash equivalents	54,107	38,420	Consolidated balance sheet
– Current financial assets	427	2,021	Consolidated balance sheet
+ Derivative financial instruments	240	0	Note 5.1
+ Short-term financial liabilities	2,109	14,205	Consolidated balance sheet
– Derivative financial instruments	0	195	Note 5.10
+ Long-term financial liabilities	5,604	10,116	Consolidated balance sheet
Net debt	-46,581	-16,315	

Equity ratio

The equity ratio corresponds to the Group's total equity divided by the balance sheet total.

Equity ratio	2021	2020	Reference
Total shareholders' equity	165,070	145,519	Consolidated balance sheet
Total assets	300,039	277,126	Consolidated balance sheet
Equity ratio	55.0%	52.5%	

Number of employees

The number of employees is the total of the full-time equivalent of all employees. The total head-count is higher than the Group's full-time equivalent as not all employees are working full-time.

Information on Share Capital

	2021	2020	2019	2018	2017
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
Key figures per share in CHF²⁾					
Profit/loss	1.04	-1.35	0.54	0.74	0.07
Cash flow from operating activities	3.09	0.56	0.45	1.21	0.94
Shareholders' equity	10.06	8.89	10.37	9.90	9.41
Distribution to shareholders	0.00	0.00	0.20	0.05	0.05
Share price SIX Swiss Exchange					
At 31 December	7.70	5.40	6.76	6.76	7.30
High/low close during business year	8.08–5.30	6.58–4.20	9.26–6.02	10.45–6.40	7.61–5.80

1) All shares are entitled to dividends/distributions.

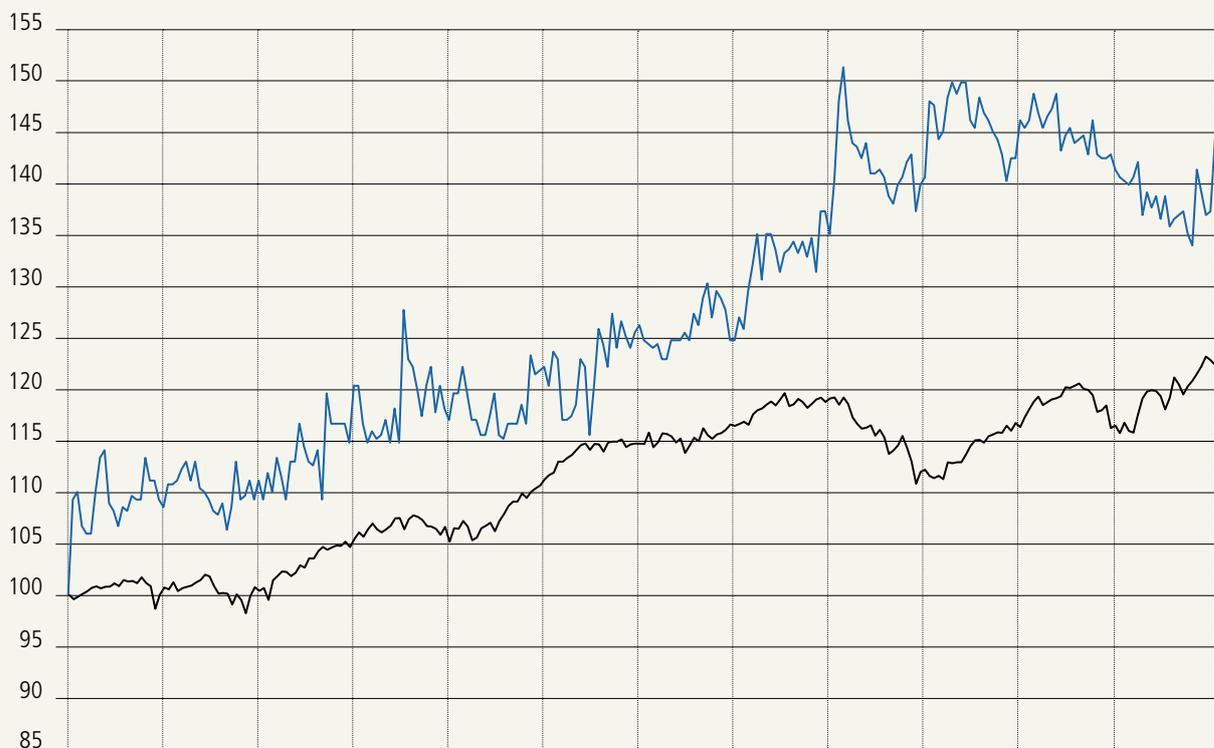
2) Based on the weighted average number of shares

Trading volume (daily average)

In the 2021 fiscal year the average daily trade volume was 8,026 shares (prior year: 5,537 shares).

Share performance

as %



1.1.2021

31.12.2021

— Mikron shares
— Swiss Performance Index

Mikron Holding AG

Financial Report 2021

- 107** Financial Statements 2021 of Mikron Holding AG
- 109** Notes to the Financial Statements 2021 of Mikron Holding AG
- 113** Proposed appropriation of retained earnings and capital reserves
- 114** Report of the Statutory Auditor on the Financial Statements
- 118** Group Companies/ Investments Mikron Holding AG

Financial Statements 2021 of Mikron Holding AG

Profit and loss statement

CHF 1,000	Note	2021	2020
Services and other income		2,941	2,621
Other operating expenses		-3,091	-3,315
Earnings before interest and taxes		-150	-694
Income from revaluation of investments and loans	2	29,779	0
Other financial income	3	1,813	7,839
Total financial income		31,592	7,839
Expenses from revaluation of investments and loans	2	-1,459	-30,218
Other financial expenses	3	-1,475	-3,363
Total financial expenses		-2,934	-33,581
Profit/loss before taxes		28,508	-26,436
Direct taxes		-6	-23
Profit/loss for the year		28,502	-26,459

Balance sheet

CHF 1,000	Note	31.12.2021	31.12.2020
Current assets			
Cash and cash equivalents and short-term investments with a quoted market price		33,297	20,657
Short-term interest-bearing receivables		7,149	9,271
<i>Due from Group companies</i>		7,149	9,271
Other current receivables		473	497
<i>Due from third parties</i>		261	51
<i>Due from Group companies</i>		212	446
Accrued income and prepaid expenses		962	988
Total current assets		41,881	31,413
Non-current assets			
Investments	2, 4	71,116	63,390
Financial assets		13,535	53,444
<i>Loans to Group companies</i>	2, 5	13,535	53,444
Total non-current assets		84,651	116,834
Total assets		126,532	148,247
Current liabilities			
Short-term interest-bearing liabilities		3,772	49,893
<i>Due to Group companies</i>		3,772	49,893
Other short-term liabilities		283	254
<i>Due to third parties</i>		21	229
<i>Due to Group companies</i>		262	25
Accrued expenses and deferred income		519	1,036
Total current liabilities		4,574	51,183
Long-term liabilities			
Long-term interest-bearing liabilities		0	4,029
<i>Due to Group companies</i>		0	4,029
Total long-term liabilities		0	4,029
Total liabilities		4,574	55,212
Shareholders' equity			
Share capital		1,671	1,671
Legal reserves		95,901	95,901
<i>Reserves from capital contribution</i>		95,901	95,901
Loss/profit carried forward		-1,515	25,134
Profit/loss for the year		28,502	-26,459
Treasury shares		-2,601	-3,212
Total shareholders' equity	6	121,958	93,035
Total liabilities and shareholders' equity		126,532	148,247

Notes to the Financial Statements 2021 of Mikron Holding AG

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

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Significant financial statement items are accounted for as follows:

Principle of prudence and relationship with fiscal regulations

For replacement purposes and to ensure the long-term prosperity of the undertaking, additional depreciation and valuation adjustments may be made. For the same purposes, the cancellation of depreciation and valuation adjustments that are no longer justified may be dispensed with.

Recognition of revenue

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

Services and other income

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

Other operating expenses

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

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

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

Loans to and loans from Group companies

Loans to Group companies are valued at cost less impairment and loans from Group companies at their nominal value. For entities with negative equity as per the valuation of the investment and impairment in the same extent is recognized on the respective loans to those Group companies. The short-/long-term classification is evaluated on the expected cash flows of the individual companies. Maturities of third-party financing contracts in the individual Group companies are taken into consideration.

Investments

Investments exclusively comprise investments in Group companies and are reported at cost less impairments. The assessment of the recoverable amount of these investments is based on the individual equity value of the subsidiaries measured in accordance with Swiss GAAP FER.

Foreign currencies

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

Currency	Average rate 2021	Closing rate 31.12.2021
1 EUR	1.08	1.04
1 USD	0.92	0.92
1 SGD	0.68	0.68
1 CNY	0.14	0.14

The exchange rates used for balance sheet items are the rates prevailing on 31 December; the exchange rates used for transactions conducted during the course of the year and for items in the profit and loss statement are set on a monthly basis. As an indication the unweighted average rates for the 2021 financial year are disclosed.

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

CHF 1,000	2021	2020
Revaluation of investments and loans	29,779	0
Total financial income from investments and loans	29,779	0
Revaluation of investments and loans	-1,459	-30,218
Total financial expenses from investments and loans	-1,459	-30,218
Net financial income/expenses from investments and revaluation of loans	28,320	-30,218

3. Other financial income and expenses

CHF 1,000	2021	2020
Interest income from Group companies	818	2,626
Interest income from third parties	21	97
Foreign exchange gains	843	649
Other financial income	131	4,467
Total other financial income	1,813	7,839
Interest expense to Group companies	-151	-243
Interest expense to third parties	-15	-7
Foreign exchange losses	-639	-2,416
Other financial expenses	-670	-697
Total other financial expenses	-1,475	-3,363
Net other financial income	338	4,476

4. Major investments

Please refer to page 118.

5. Subordinated loan

Loans to Group companies include subordinated loans amounting to CHF 6.1 million (prior year: CHF 39.0 million).

6. Statement of shareholders' equity

CHF 1,000	Share capital	Reserves from capital contribution	Treasury shares	Loss/profit carried forward	Shareholders' equity
Balance at 31.12.2019	1,671	96,501	-3,658	25,368	119,282
Loss 2020				-26,459	-26,459
Proceeds/payments for change in treasury shares			446	-234	212
Balance at 31.12.2020	1,671	95,901	-3,212	-1,325	93,035
Profit 2021				28,502	28,502
Proceeds/payments for change in treasury shares		0	611	-190	421
Balance at 31.12.2021	1,671	95,901	-2,601	26,987	121,958

In 2021 the company granted 39,129 treasury shares to Group Management (prior year: 26,935) and 25,095 treasury shares to the Board of Directors (prior year: 20,000) at no consideration, sold no shares (prior year: none) and acquired no treasury shares (prior year: none). At 31 December 2021 Mikron Holding AG, Biel owned 273,651 treasury shares (prior year: 337,875 shares).

7. Significant shareholders and their investment

As at 31 December 2021, there are two shareholders with investments of more than 5% in voting rights (Ammann Group Holding AG, Berne 41.9%; Mr. Rudolf Maag, Binningen 14.1%). No other single shareholder holds 5% or more of the voting rights. Ammann Group Holding AG is represented on the Board of Directors by Mr. Kilchmann.

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

	31.12.2021		31.12.2020	
	Number of shares	Voting power	Number of shares	Voting power
Board of Directors				
P. Zumbühl, Chairman	61,963	0.37%	51,290	0.31%
H. Spoerry, Chairman	n/a	n/a	18,675	0.11%
E. Rikli, Vice-Chairman	33,827	0.20%	29,500	0.18%
A. Casutt, Member	11,365	0.07%	8,000	0.05%
H.-M. Hauser, Member	11,365	0.07%	8,000	0.05%
Group Management				
B. Cathomen, CEO	n/a	n/a	62,867	0.38%
M. Desrayaud, CEO	9,775	0.06%	n/a	n/a
R. Rihs, COO	49,617	0.30%	44,858	0.27%
J. Perez Freije, CFO	19,231	0.12%	15,900	0.10%

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

Collateral for third-party liabilities

CHF 1,000	31.12.2021	31.12.2020
Guarantees in favor of bank syndicate	77,000	77,000
Guarantees for Group companies	23,041	20,763

10. Number of employees

In 2021 and 2020 the number of full-time equivalents did not exceed 10 on an annual average basis.

Proposed appropriation of retained earnings and capital reserves

Retained earnings

The Board of Directors proposes to the Annual General Meeting of Shareholders that the profit carried forward of CHF 27.0 million for the year ended 31 December 2021 be appropriated as follows:

CHF 1,000	2021	2020
Loss/profit carried forward at the beginning of the period	-1,325	25,368
Shortfall in proceeds from sale of treasury shares	-190	-234
Profit/loss for the year	28,502	-26,459
Profit/loss carried forward available to the General Meeting	26,987	-1,325

CHF 1,000	2021 Motion of the Board of Directors	2020 Resolution of the General Meeting
Profit/loss carried forward available to the General Meeting	26,987	-1,325
Distribution to shareholders	-1,973	0
Carried forward	25,014	-1,325

Reserves from capital contribution

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

CHF 1,000	2021 Motion of the Board of Directors	2020 Resolution of the General Meeting
Reserves from capital contribution	95,901	95,901
Allocation to voluntary retained earnings and distribution to shareholders	-1,973	0
Carried forward	93,928	95,901

Report of the statutory auditor

to the General Meeting of Mikron Holding AG

Biel

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Mikron Holding AG, which comprise the profit and loss statement, the balance sheet as at 31 December 2021 and notes for the year then ended, including a summary of accounting principles.

In our opinion, the financial statements (pages 107 to 113 and 118) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 1'200'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

- Risk of impairment of investments in subsidiaries and loans to group companies.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

PricewaterhouseCoopers AG, Bahnhofplatz 10, Postfach, CH-3001 Bern, Switzerland
Telefon: +41 58 792 75 00, Telefax: +41 58 792 75 10, www.pwc.ch

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

error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 1'200'000
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark to determine our overall audit materiality, because, in our view, this metric is the most relevant factor when assessing a holding company which has limited operating activities, and which holds mainly investments in subsidiaries and loans to group companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 100'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk of impairment of investments in subsidiaries and loans to group companies

Key audit matter	How our audit addressed the key audit matter
<p>At 31 December 2021, the carrying values of the company's investments and loans to group companies amount to CHF 71.1 million and CHF 13.5 million, respectively. We focused our audit on these assets because of the materiality of the account balances, the judgment involved in the assessment of recoverability of these assets and in light of the financial performance of certain subsidiaries pertaining to Mikron's Machining division that has been performing below management's expectations in recent years. Further, the carrying amount of equity at 31 December 2021 exceeds Mikron Holding's stock market capitalization.</p> <p>Responding to these impairment indicators, management has assessed the recoverability of the company's loans to group companies and investments in subsidiaries.</p> <p>This impairment assessment, which was approved by the Board of Directors, involves significant judgment. It is based on an analysis of the respective equity of the subsid-</p>	<p>Based on materiality and our risk assessment, we tested management's assessment of the recoverability of selected investments and loans as follows:</p> <ul style="list-style-type: none"> We analyzed and challenged management's assessment of the businesses' future results, as reflected in the corresponding budgets and business forecasts; We obtained evidence of the approval of the mid-term plan by the Board of Directors; We re-performed management's assessment of recoverability of loans to and investments in subsidiaries; We reconciled the information used in the tests to underlying data records and accounting systems.



ary at balance sheet date, their past results and medium-term business forecasts.

Refer to the company's accounting principles summarized in note 1 of the Financial Statements 2021.

Based on our audit work we assess management's impairment assessments adequate considering the relevant facts and circumstances.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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 and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Norbert Kühnis
Audit expert
Auditor in charge



Astrit Mehmeti
Audit expert

Bern, 9 March 2022



Group Companies/ Investments Mikron Holding AG

Local Currency 1,000	Activity	Currency	Share capital		Shareholding direct		Shareholding indirect	
			2021	2020	2021	2020	2021	2020
Switzerland								
Mikron Holding AG, Biel	1	CHF	1,671	1,671				
Mikron Switzerland AG, Langenthal	1, 2, 3	CHF	12,000	12,000	100%	100%		
Germany								
Mikron GmbH Rottweil, Rottweil	2, 3	EUR	383	383	100%	100%		
Mikron Berlin GmbH, Berlin	2, 3	EUR	515	515	100%	100%		
Lithuania								
UAB Mikron Kaunas, Kaunas	2, 3	EUR	400	400	100%	100%		
Singapore								
Mikron Singapore Pte. Ltd., Singapore	2, 3	SGD	6,781	6,781	100%	100%		
P.R. China								
Mikron Industrial Equipment (Shanghai) Co., Ltd., Shanghai	2, 3	CNY	26,238	26,238			100%	100%
Mikron Tool (Shanghai) Co., Ltd., Shanghai	2, 3	CNY	403	403	100%	100%		
USA								
Mikron Corp. Denver, Englewood	2, 3	USD	10	10			100%	100%
Mikron Corp. Monroe, Monroe	3	USD	3,500	3,500	100%	100%		

Activity

- 1 = Management/Service
2 = Production/Development
3 = Sales/Service

