



Annual Report **2014**

Most Preferred Partner for Sensing and Control

About Micronas

Micronas (SIX Swiss Exchange: MASN), the most preferred partner for sensing and control serves all major automotive electronics customers worldwide, many of them in long-term partnerships for lasting success. While the holding company is headquartered in Zurich

(Switzerland), operational headquarters are based in Freiburg (Germany). Currently, the Micronas Group employs around 900 persons. For more information about Micronas and its products, please visit **www.micronas.com**.

Über Micronas

Micronas (SIX Swiss Exchange: MASN), bevorzugter Partner für Sensing und Control, zählt alle bedeutenden Hersteller der Automobil-elektronik weltweit zu ihren Kunden, viele davon in einer dauerhaften, auf gemeinsamen Erfolg ausgerichteten Partnerschaft. Sitz der Holding

ist in Zürich (Schweiz), der operative Hauptsitz befindet sich in Freiburg (Deutschland). Derzeit beschäftigt die Micronas Gruppe rund 900 Mitarbeiter. Weitere Informationen über die Micronas Gruppe und ihre Produkte erhalten Sie unter **www.micronas.com**.

Key figures as at December 31, 2014

- around 900 employees
- CHF 158 million net sales

Kennzahlen per 31. Dezember 2014

- rund 900 Mitarbeiter
- CHF 158 Millionen Netto-Umsatz

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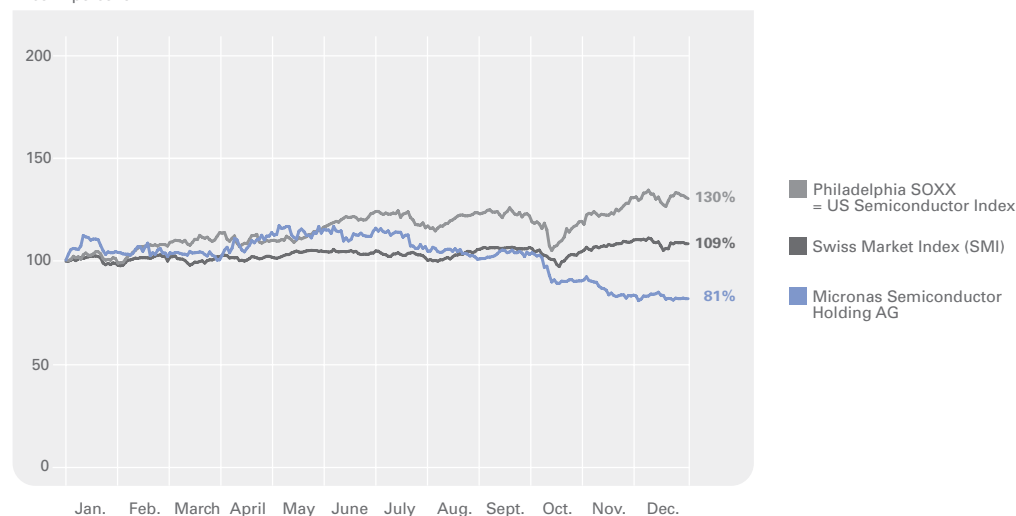
Key figures at a glance

Abschluss auf einen Blick

Micronas Group	2014 CHF 1000	2013 CHF 1000	Micronas Gruppe
Net sales	158 450	151 919	Netto-Umsatzerlöse
EBIT	6 392	8 082	EBIT
EBITDA	18 060	19 415	EBITDA
Profit for the period	3 448	6 635	Gewinn der Geschäftsperiode
Profit per share in CHF	0.12	0.23	Ergebnis pro Aktie in CHF
Shareholders' equity	109 762	129 843	Eigenkapital
Equity ratio in percent	36.9	42.8	Eigenkapitalquote in Prozent
Cash, cash equivalents and short-term financial cash deposits	151 361	170 407	Flüssige Mittel und kurzfristige Festgeldanlagen
Cash flow from operating activities	3 230	10 597	Cash Flow aus Geschäftstätigkeit

Share performance 1.1. – 31.12.2014

Price in percent



Key dates

20th ordinary Shareholders' Meeting	March 27, 2015, 10 a.m., Zurich, Technopark
Quarterly key figures Q1/2015	April 23, 2015
Half-year results 2015	July 23, 2015
Quarterly key figures Q3/2015	October 22, 2015

Termine

20. ordentliche Generalversammlung	27. März 2015, 10.00 Uhr, Zürich, Technopark
Quartalskennzahlen Q1/2015	23. April 2015
Halbjahresabschluss 2015	23. Juli 2015
Quartalskennzahlen Q3/2015	22. Oktober 2015

Annual Report 2014

Micronas Group

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Letter to shareholders

Ladies and Gentlemen

Micronas has met its sales and profit forecasts for the 2014 financial year. The worldwide automotive industry performed positively in the first half of the year, but flattened off slightly in the second. Our automotive business followed suit. Meanwhile, our industrial activities generated above-average growth. Earnings were influenced above all by temporary start-up costs for new products, all of which were manufactured on the 8-inch line at the Freiburg production facility. For Micronas the switch from 6- to 8-inch production and the launch of new and innovative products are valuable steps towards long-term productivity gains and sustained margin improvements. The changeover to euro-denominated invoicing for Japanese customers, which was initiated some years ago, progressed as planned. On average, 35 percent of Japanese sales were invoiced in euros in 2014, and this share will be increased to approximately 75 percent over the next twelve months.

Slight sales growth – Margins influenced by temporary start-up costs for new products – Financing structure remains healthy

In the 2014 financial year, consolidated net sales at Micronas Group increased 4.3 percent over the previous year to CHF 158.5 million. If sales are adjusted to exclude the discontinued dashboard controllers, the increase was 8.1 percent. The main contributors to this growth were the Asia region with CHF 92.9 million of sales and 3.5 percent sales growth, and Europe with CHF 51.6 million and 2.1 percent. In Europe, thanks to a targeted strategic expansion of marketing and sales operations, sales growth excluding the old dashboard controllers came to more than 15 percent. The gross margin for the year under review was 31.8 percent of sales, compared with 32.2 percent in the prior year. A total of CHF 27.9 million was spent on research and development. R&D spending as a percentage of sales reached 17.6 percent. Operating profit (EBIT) slipped from the previous year's CHF 8.1 million to CHF 6.4 million. This gives an EBIT margin for 2014 of 4.0 percent of sales, which is also slightly lower than the prior-year figure of 5.3 percent. In addition to the start-up costs for new products, currency influences also affected the gross and EBIT margins.

After the financial result and taxes, profit for the 2014 financial year came to CHF 3.4 million, compared with CHF 6.6 million in 2013. Earnings per share stood at CHF 0.12. On December 31, 2014, Micronas reported cash, cash equivalents and short-term cash deposits of CHF 151.4 million. This represents a change of CHF 19.0 million over the prior year. This fall is due on the one hand to the investment required for the 8-inch rampup in the manufacturing areas, and on the other hand to the construction of a combined heat and power plant that cost around CHF 5 million. Influenced by the adjustment of pension reserves to the lower level of interest rates, shareholders' equity was reduced by CHF 20.1 million to CHF 109.8 million as at the end of 2014. This left the equity ratio at a still solid 36.9 percent.

Core business Automotive – Growth for Hall sensors and embedded motor controllers – New innovative product developments strengthen product portfolio

In automotive electronics Micronas focuses on a wide range of applications associated with the powertrain, the car interior, and car safety and comfort. These systems use either very simple Hall switches to detect a position, or very complex linear 2D and 3D Hall-effect

sensors to measure distance traveled or rotational movement. Micronas also offers embedded controllers that represent the most highly integrated system-on-chip solutions available on the market for motor control tasks.

The Automotive segment generated sales of CHF 147.8 million in the 2014 financial year, which is 2.9 percent up over 2013. After adjusting for changes in the euro-yen exchange rate, growth was 5.9 percent. Sales of our Hall sensor products were 5.7 percent higher than in the prior year, the adjusted growth was 8.9 percent. Controller sales were slightly lower overall owing to the discontinuation of the old dashboard controllers, but sales of our new embedded motor controllers more than doubled compared to 2013. Operating profit (EBIT) for the Automotive segment, which was also influenced by start-up costs for new products, reached CHF 6.7 million in the year under review, or 4.5 percent of segment sales.

During 2014, we strengthened our portfolio of Hall sensors for the automotive market – already the biggest range in the world – with the addition of new products that will all be manufactured on our 8-inch line.

Our newest linear Hall sensor (HAC 830) with integrated capacitors eliminates the need for a PCB (printed circuit board), thus reducing system costs for various applications. The integrated capacitors also increase EMC (electromagnetic compatibility) performance, and thus reliability, in applications such as throttle valves and turbochargers. The new HAL 24xy family of sensors facilitates the measurement of greater distances and the use of smaller magnets, delivering system-side cost advantages when used in sophisticated automotive and industrial applications. These products are used in gear mechanisms and for determining positions in leveling controls. In 2014 both linear sensor products were already being manufactured on the 8-inch line.

We also continued to expand our 2D/3D angle sensor product line last year with our second-generation 3D HAL technology (HAL 37xy family), which offers even greater precision when measuring angles. Thanks to their improved performance, these sensors can be used, for example, to detect clutch position or adjust headlight range.

The automotive industry is currently introducing the new worldwide ISO 26262 “Functional Safety” standard. The first ISO 26262-compliant Hall switch family (HAL 15xy) by Micronas,

which comes in a space-saving SOT23 package, was announced last year and met with great anticipation on the market. Over 100 customers have already been sent 18 different sample varieties of the HAL 15xy family. Production is scheduled to begin in mid-2015. This family of Hall switches is the only one to date that can fulfill the automotive industry’s increasingly challenging safety requirements with regard to function and process monitoring.

In addition to our Hall sensors, during the course of 2014 we also introduced the second generation of our highly integrated system-on-chip solutions (embedded motor controllers). This innovative product family offers an unparalleled level of integration and flexibility for controlling brushed (BDC) and brushless (BLDC) direct current motors and step motors. As electrification and the number of comfort and convenience functions in cars rise, the number of small electric motors required is also going up. Our customers increasingly want to use electronic controls for these motors. With their greater integration, our new system-on-chip solutions save space – a very important requirement – while their greater control efficiency allows the use of smaller motors without compromising performance. This all helps to reduce the

weight of the system as a whole, which ultimately cuts the car's fuel consumption and emissions even further.

Industrial segment – Double-digit sales growth – Internal focus optimized

The sensor and controller solutions produced by Micronas are also suitable for industrial applications, such as robot controllers and production automation. Our products are also used in building, home and office automation as well as in a variety of household goods. Hall sensors are used in many different machines where there is a need to measure positions, linear and rotational movements or electric current.

Bernhard Huber, Vice President Sales and Industrial, began his job at Micronas on April 1, 2014. With the aim of continuing the Industrial segment's development and building up a second main business, the internal focus, including the gas sensor area, was optimized. Owing to the delay in the introduction of a new type of fire alarm, the segment is now concentrating more on supporting our key customers' other ongoing development projects.

In 2014 sales by the Industrial segment increased by a pleasing 28.1 percent compared

with the prior year, reaching CHF 10.7 million. The segment thus accounted for 6.7 percent of Group sales last year. The segment's operating result (EBIT) accounted for CHF – 0.3 million, following an operating loss of CHF 1.1 million in 2013.

Production – Transition from 6- to 8-inch wafer line – Greater efficiency thanks to much higher number of chips per wafer

Capacity utilization at the Freiburg manufacturing plant, which includes both front-end and back-end activities, stood at around 85 percent when calculated over the year as a whole.

In terms of front-end operations, 2014 was marked by the move in volume production from the 6-inch to the 8-inch wafer line. This transition will continue over the next few years. The efficiency gains produced by the 8-inch line result from the much higher number of chips that can be produced per wafer; the increase in process costs is relatively small.

In the back-end area, additional test systems were acquired for 8-inch products, which can fulfill the complex test requirements in magnetic fields and in extremes of temperature. Further Hall test lines and the first line for embedded controllers were transferred last year to our plant in Scotland.

In July the combined heat and power plant was put into operation at our site in Freiburg. The plant includes two redundant modules and can cover more than 30 percent of the Company's electricity requirements. At expected utilization levels, the combined heat and power plant achieves overall efficiency of more than 90 percent for generation of electricity, heat and cold. Long-term success depends on the ability to marry care for the environment with profitability. These energy-saving measures not only reduce our operating costs, but also cut overall CO₂ emissions by 6000 tons a year.

**Quality – the top priority at Micronas –
Continuous quality improvement to meet
rising customer demands**

Thanks to the superior design of our sensors and embedded controllers, our decades of experience with Hall technology and the efficiency of our own production sites, we can offer quality that meets the very highest standards. We don't just meet the stringent expectations of the automotive industry, but strive to exceed them.

The introduction last year of an optimized software-based process, called MVPAT (multi-variate part average testing), marked another milestone in our long-term quality strategy. This process not only increased the likelihood of detecting latent errors, but also helps us carry out tests more cost-efficiently. A whole range of measures taken to further optimize the circuit designs in our products (Design for Excellence) allowed us to achieve the primary goal of increasing ESD (electro-static discharge) robustness in all new sensors.

**Changes in the Micronas Board of Directors
and Management Board**

The Micronas Board of Directors will propose to the Company's next ordinary Shareholders' Meeting that it elect Stefanie Kahle-Galonske to the Board. She would replace Dr. Stefan Wolf, who will not be standing for re-election. Mrs. Kahle-Galonske, a German citizen who lives in Switzerland, worked in various management positions at semiconductor companies between 1997 and 2012.

As announced in May 2014 Günter Hoppe stepped down from his position as CFO on September 15, 2014, to be replaced by the new Micronas CFO Daniel Wäger. Mr. Hoppe retired altogether at the end of October 2014.

Outlook

The Board of Directors will propose to the forthcoming Shareholders' Meeting that it distribute CHF 0.05 per registered share to Micronas shareholders. The Board of Directors has also decided to carry out a share buyback worth up to CHF 20 million. The buyback program starts in March 2015 and will end on December 31, 2016, at the latest. The shares purchased by the Company can either be used in conjunction with future acquisitions or for treasury management purposes.

An uncompromising commitment to quality and functional safety, excellent logistics and many years of keeping to delivery deadlines are core components that mark Micronas out as a reliable partner in its markets. The ongoing electrification of motor vehicles will continue to drive demand for the highly efficient control and highly integrated sensor systems that are used in a growing number of applications. With the addition to our product portfolio of the innovative products announced last year, and with the switch to 8-inch production, we firmly believe that we will increase our growth and earnings and strengthen our position in the automotive electronics and industrial markets.

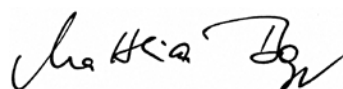
Thank you

In the name of the Board of Directors and Management we would like to express our sincere gratitude to you, our valued shareholders, for the confidence you have placed in us. We would like to thank our customers, suppliers and other business partners for the good work we did together in 2014. Finally, we would like to thank our employees very much for the great work they do every day.

February 26, 2015



Heinrich W. Kreutzer
Chairman



Matthias Bopp
Chief Executive Officer

Aktionärsbrief

Sehr geehrte Damen und Herren

Micronas konnte im Geschäftsjahr 2014 die prognostizierten Umsatz- und Gewinnerwartungen erfüllen. Im ersten Halbjahr entwickelte sich der weltweite Automobilmarkt positiv, flachte aber in der zweiten Jahreshälfte leicht ab. Entsprechend gestaltete sich auch der Verlauf unseres Automobilgeschäfts. Überproportionales Wachstum konnten wir in unserem Industriebereich generieren. Auf der Ertragsseite beeinflussen vor allem die temporären Anlaufkosten neuer Produkte das Ergebnis, welche alle auf der 8-Zoll-Linie in der Produktion in Freiburg gefertigt werden. Die Umstellung von 6 auf 8 Zoll sowie der Fertigungsanlauf von neuen innovativen Produkten sind für Micronas wertvolle Schritte in Richtung langfristige Produktivitätssteigerung und nachhaltige Margenverbesserung. Die in den Vorjahren initiierte Umstellung auf Euro-Fakturierung an unsere japanischen Kunden konnte wie geplant fortgesetzt werden. Im Durchschnitt sind im Geschäftsjahr 2014 bereits 35 Prozent des Japan-Umsatzes in Euro fakturiert worden und dieser Anteil wird sich in den nächsten zwölf Monaten auf etwa 75 Prozent erhöhen.

Leichtes Umsatzwachstum – Margen beeinflusst durch temporäre Anlaufkosten neuer Produkte – weiterhin gesunde Finanzierungsstruktur

Der konsolidierte Netto-Umsatzerlös der Micronas Gruppe erreichte im Geschäftsjahr 2014 einen Wert von CHF 158.5 Millionen, was gegenüber dem Vorjahr einem Wachstum von 4.3 Prozent entspricht. Bereinigt man den Umsatz ohne die auslaufenden Dashboard-Controller, so konnte dieser sogar um 8.1 Prozent gesteigert werden. Zu diesem Wachstum haben vor allem die Regionen Asien mit CHF 92.9 Millionen Umsatzanteil und 3.5 Prozent Umsatzsteigerung sowie Europa mit CHF 51.6 Millionen und 2.1 Prozent Wachstum beigetragen. In Europa hat sich dank gezielten strategischen Ausbaus von Marketing und Vertrieb der bereinigte Umsatz ohne die alten Dashboard-Controller um mehr als 15 Prozent gesteigert. Die Bruttomarge stellte sich im Berichtsjahr bei 31.8 Prozent des Umsatzes ein, verglichen mit 32.2 Prozent im Vorjahr. Für Forschung und Entwicklung wurden insgesamt CHF 27.9 Millionen aufgewendet. Der prozentuale Umsatzanteil der F&E-Aufwendungen erreichte 17.6 Prozent. Der Betriebsgewinn (EBIT) lag mit CHF 6.4 Millionen unter dem Vorjahreswert von CHF 8.1 Millionen. Die EBIT-Marge für das

Geschäftsjahr 2014 ergab somit 4.0 Prozent des Umsatzes, was gegenüber dem Vorjahr mit einem Wert von 5.3 Prozent ebenfalls einem leichten Rückgang entspricht. Neben den Anlaufkosten neuer Produkte haben auch Währungseinflüsse die Brutto- und EBIT-Margen belastet.

Nach Finanzergebnis und Steuern resultierte für das Geschäftsjahr 2014 ein Gewinn von CHF 3.4 Millionen, verglichen mit CHF 6.6 Millionen im Vorjahr. Der Gewinn pro Aktie betrug CHF 0.12. Per 31. Dezember 2014 weist Micronas in ihren Büchern flüssige Mittel und kurzfristige Festgeldanlagen in Höhe von CHF 151.4 Millionen aus. Gegenüber dem Vorjahr entspricht dies einer Veränderung von CHF 19.0 Millionen. Dieser Rückgang ist einerseits auf nötige Investitionen für den 8-Zoll-Ramp in den Fertigungsbereichen, aber auch auf den Bau eines Blockheizkraftwerkes im Wert von ca. CHF 5 Millionen zurückzuführen. Beeinflusst durch die Anpassung der Pensionsrückstellungen an das gesunkene Zinsniveau reduzierte sich auch das Eigenkapital um CHF 20.1 Millionen und betrug CHF 109.8 Millionen per Ende 2014. Die Eigenkapitalquote stellte sich somit bei einem nach wie vor soliden Wert von 36.9 Prozent ein.

Kerngeschäft Automotive – Wachstum bei den Hall-Sensoren und embedded Motor Controllern – neue innovative Produktentwicklungen zur Stärkung des Produktportfolios

In der Automobilelektronik bedient Micronas eine Vielzahl von Anwendungen im Antriebsstrang und Fahrzeuginnenraum sowie im Bereich der Sicherheit und des Komforts im Fahrzeug. Solche Systeme verwenden einerseits recht einfache Hall-Schalter, um eine Position zu erfassen, andererseits erfordern sie sehr komplexe lineare, 2D- und 3D-Hall-Sensoren für die Messung einer Wegstrecke bzw. einer Drehbewegung. Zusätzlich bietet Micronas mit ihren embedded Controllern die bislang höchstintegrierten System-on-Chip-Lösungen für Motorsteuerungsaufgaben am Markt an.

Das Segment Automotive generierte im Geschäftsjahr 2014 einen Umsatz von CHF 147.8 Millionen, was ein Wachstum gegenüber dem Vorjahr von 2.9 Prozent ergibt. Währungsbereinigt um den Euro-Yen-Kurs betrug das Wachstum 5.9 Prozent. Der Umsatz mit unseren Hall-Sensor-Produkten konnte gegenüber dem Vorjahr um 5.7 Prozent, währungsbereinigt um 8.9 Prozent, gesteigert

werden. Insgesamt war er bei den Controllern wegen des Auslaufens der alten Dashboard-Controller zwar leicht rückläufig, der Umsatz mit unseren neuen embedded Motor Controllern konnte jedoch gegenüber dem Vorjahr mehr als verdoppelt werden. Der Betriebsgewinn (EBIT) für das Segment Automotive, zusätzlich beeinflusst durch die Anlaufkosten neuer Produkte, erreichte im Berichtsjahr CHF 6.7 Millionen oder 4.5 Prozent des Automotive-Umsatzes.

Unser weltweit grösstes Produktportfolio an Hall-Sensoren für den Automobilmarkt haben wir im abgelaufenen Geschäftsjahr durch neue Produkte, welche zukünftig allesamt auf unserer 8-Zoll-Linie gefertigt werden, weiter gestärkt.

Unser neuester Linear-Hall-Sensor (HAC 830) mit integrierten Blockkondensatoren ermöglicht Anwendungen ohne Leiterplatte und reduziert damit die Systemkosten. Zusätzlich erhöhen die integrierten Blockkondensatoren wie bei der Drosselklappe oder dem Turbolader die EMV-(elektronische Verträglichkeit)-Performance und steigern damit die Zuverlässigkeit. Die Sensoren der neuen HAL 24xy-Familie erlauben die Messung grösserer Distanzen sowie die Verwendung kleinerer Magnete und bieten somit Systemseitige Kostenvorteile beim Einsatz in

anspruchsvollen Anwendungen im Automobil und in der Industrie. Diese Produkte werden in Getriebestellern oder auch zur Positions-erkennung in Niveauregulierungen eingesetzt. Im abgelaufenen Jahr konnten beide Linear-Sensor-Produkte bereits auf der 8-Zoll-Linie gefertigt werden.

Auch unsere 2D-/3D-Winkelsensorik-Produktlinie haben wir im letzten Jahr mit der zweiten Generation unserer 3D HAL-Technologie (HAL 37xy-Familie) mit nochmals gesteigerter Genauigkeit bei der Winkelmessung weiter ausgebaut. Aufgrund ihrer Leistungsfähigkeit können diese Sensoren beispielsweise zur Erfassung der Kupplungsposition im Getriebe oder bei der Leuchtweitenregulierung eingesetzt werden.

Die Automobilindustrie führt derzeit weltweit die neue Norm „Funktionale Sicherheit“ (ISO 26262) ein. Die erste ISO 26262-konforme Hall-Schalter-Familie von Micronas (HAL 15xy) im platzsparenden SOT23-Gehäuse, welche ebenfalls im Berichtsjahr angekündigt worden ist, findet sehr grossen Anklang am Markt. Es wurden bereits mehr als 100 Kunden mit über 18 Varianten dieser HAL 15xy-Familie bemustert. Der Produktionsstart ist für Mitte 2015 geplant. Als bislang einzige Schalter-Familie sind diese Hall-Sensoren in der Lage, die immer anspruchsvoller werdenden Sicher-

heitsanforderungen der Automobilindustrie hinsichtlich Funktions- und Prozessüberwachung zu erfüllen.

Neben unseren Hall-Sensoren haben wir im Laufe des Jahres 2014 auch unsere zweite Generation der hochintegrierten System-on-Chip-Lösungen (embedded Motor Controller) vorgestellt. Diese innovative Produktfamilie bietet eine bislang am Markt einzigartige Integrationstiefe und Flexibilität, sowohl bei der Ansteuerung bürstenbehafteter (BDC) und bürstenloser (BLDC) Gleichstrommotoren als auch bei Schrittmotoren. Getrieben durch die steigende Elektrifizierung und durch die stetig zunehmende Anzahl der Komfortfunktionen im Auto steigt die Anzahl von kleinen Elektromotoren kontinuierlich weiter an. Unsere Kunden setzen dazu vermehrt elektronische Steuerungen für diese Antriebe ein. Unsere neuen System-on-Chip-Lösungen sorgen dabei mit ihrer hohen Integration für eine wichtige Platzersparnis und ermöglichen durch eine effizientere Ansteuerung die Verwendung von kleineren Motoren bei gleichbleibender Leistung. Damit tragen sie zur Gewichtsreduktion des Gesamtsystems bei, womit letztendlich der Kraftstoffverbrauch und auch die Emissionen des Fahrzeugs weiter gesenkt werden.

Segment Industrial – zweistelliges Umsatzwachstum – interne Ausrichtung optimiert

Auch für industrielle Anwendungen eignen sich Sensor- und Controller-Lösungen von Micronas, zum Beispiel bei der Robotersteuerung oder der Fertigungsautomatisierung. Daneben werden unsere Produkte auch in der Gebäude-, Heim- und Büro-Automation und in den unterschiedlichsten Haushaltsgeräten verbaut. Hall-Sensoren finden sich in vielen Maschinen, in denen es notwendig ist, die Position, Linear- oder Drehbewegungen sowie elektrische Ströme zu messen.

Bernhard Huber, Vice President Sales und Industrial, hat seine Tätigkeit bei Micronas am 1. April 2014 aufgenommen. Mit dem Ziel, Industrial weiter voranzutreiben und neben dem Hauptgeschäft Automotive ein zweites Standbein aufzubauen, wurde die interne Ausrichtung inklusive des Gassensor-Bereichs optimiert. Durch die Verzögerung bei der Einführung neuartiger Brandmelder konzentriert man sich nun verstärkt auf den Support anderer laufender Entwicklungsprojekte unserer Leitkunden.

Der Umsatz des Segments Industrial konnte im Geschäftsjahr 2014 gegenüber dem Vorjahr um erfreuliche 28.1 Prozent gesteigert werden und erreichte CHF 10.7 Millionen. Somit steuerte dieses Segment im vergangenen Jahr bereits 6.7 Prozent des Gruppenumsatzes bei. Das Betriebsergebnis (EBIT) erreichte CHF – 0.3 Millionen, nachdem im Geschäftsjahr 2013 noch ein Betriebsverlust von CHF 1.1 Millionen ausgewiesen worden war.

Produktion – Übergang von 6- auf 8-Zoll-Waferlinie – Effizienzsteigerung durch deutlich höhere Stückzahlen pro Wafer

Die Auslastung der Freiburger Fertigungsanlagen, welche sowohl Frontend- als auch Backend-Aktivitäten beinhaltet, lag über das gesamte Berichtsjahr gerechnet bei ca. 85 Prozent.

Im Frontend war das Geschäftsjahr 2014 durch die Volumenverlagerung von der 6-Zoll- auf die 8-Zoll-Waferlinie geprägt. Dieser Übergang wird sich auch in den kommenden Jahren fortsetzen. Der Effizienzgewinn aus der 8-Zoll-Linie resultiert aus den deutlich höheren Stückzahlen der Chips, welche pro Wafer produziert werden können, dem gegenüber stehen lediglich unterproportional höhere Prozesskosten.

Im Backend wurden für die neuen 8-Zoll-Produkte zum Beispiel weitere Prüfsysteme angeschafft, welche die komplexen Testanforderungen im Magnetfeld und bei extrem tiefen und hohen Temperaturen erfüllen. Weitere Hall-Testlinien und auch die erste Linie für die embedded Controller wurden im vergangenen Jahr in unser Werk in Schottland transferiert.

Im Juli wurde das Blockheizkraftwerk mit Kraft-Wärme-Kälte-Kopplung am Standort Freiburg in Betrieb genommen. Aus diesem Kraftwerk mit zwei redundanten Modulen werden ca. 30 Prozent des Strombedarfs von Micronas gedeckt. Bei der vorgesehenen Auslastung erreicht das Blockheizkraftwerk einen Gesamtwirkungsgrad für Strom-, Wärme- und Kälteerzeugung von über 90 Prozent. Umweltschutz und Wirtschaftlichkeit müssen für einen langfristigen Erfolg ineinandergreifen. Mit diesen Massnahmen zur Energieeinsparung senken wir nicht nur unsere Betriebskosten, sondern sorgen für eine jährliche Gesamteinsparung von über 6000 Tonnen CO₂.

**Qualität – bei Micronas oberste Priorität –
kontinuierliche Qualitätsverbesserung
durch steigende Kundenanforderungen**

Das überlegene Design unserer Sensoren und embedded Controller, jahrzehntelange Erfahrung im Bereich der Hall-Technologie und kurze Wege durch unsere standort eigene Produktion ermöglichen es uns, einen Qualitätsstandard zu bieten, der den höchsten Anforderungen gerecht wird. Wir halten uns nicht nur an die strikten Forderungen der Automobilindustrie, sondern streben danach, diese zu übertreffen.

Mit der Einführung eines optimierten, softwarebasierten Verfahrens, genannt MVPAT (Multi-Variate Part Average Testing), wurde im abgelaufenen Jahr ein weiterer Meilenstein unserer langfristigen Qualitätsstrategie erreicht. Dieses Verfahren vergrössert nicht nur die Detektionswahrscheinlichkeit von latenten Fehlern, sondern hilft auch, kosteneffizienter zu testen. Aus einem ganzen Spektrum von Massnahmen zur weiteren Schaltungsdesignoptimierung unserer Produkte (Design for Excellence) konnte ein vorrangiges Ziel, die Erhöhung der ESD-(elektrostatische Entladung)-Robustheit, in allen neuen Sensoren realisiert werden.

**Wechsel im Micronas Verwaltungsrat und
im Management Board**

Zur nächsten ordentlichen Generalversammlung wird der Micronas Verwaltungsrat vorschlagen, Frau Stefanie Kahle-Galonske in den Verwaltungsrat zu wählen. Sie soll Dr. Stefan Wolf ersetzen, der nicht mehr zur Wiederwahl zur Verfügung stehen wird. Frau Kahle-Galonske ist deutsche Staatsbürgerin, wohnt in der Schweiz und war in den Jahren 1997 bis 2012 in verschiedenen Führungspositionen von Halbleiterunternehmen tätig.

Wie bereits im Mai 2014 kommuniziert, hat Günter Hoppe seine CFO-Position per 15. September 2014 an Daniel Wäger, neuer CFO bei Micronas, abgegeben. Herr Hoppe hat Ende Oktober 2014 seinen Ruhestand angetreten.

Ausblick

Der Verwaltungsrat wird der kommenden Generalversammlung vorschlagen, CHF 0.05 pro Namenaktie an die Micronas Aktionäre auszuschütten. Zudem hat der Verwaltungsrat beschlossen, einen Aktienrückkauf im Umfang von maximal CHF 20 Millionen durchzuführen. Das Aktienrückkaufprogramm beginnt im März 2015 und wird spätestens am

31. Dezember 2016 beendet. Die Aktien im Besitz der Gesellschaft können im Zusammenhang mit zukünftigen Akquisitionen oder für Treasury-Management-Zwecke verwendet werden.

Das kompromisslose Bekenntnis zu Qualität und zu funktionaler Sicherheit, eine exzellente Logistik und die langjährige Liefertreue sind Kernkompetenzen, die Micronas als zuverlässigen Partner in ihrem Marktumfeld auszeichnen. Die fortschreitende Elektrifizierung des Fahrzeuges wird auch in Zukunft die Nachfrage nach hocheffizienten Steuerungs- und hochintegrierten Sensorsystemen für eine wachsende Anzahl von Anwendungen vorantreiben. Mit der Erweiterung unseres Produktportfolios durch die im vergangenen Jahr angekündigten innovativen Produkte sowie mit der Umstellung auf 8 Zoll sind wir davon überzeugt, in Zukunft unsere Wachstums- und Ertragswerte zu steigern und unsere Marktposition in der Automobil-elektronik und im industriellen Umfeld zu festigen.

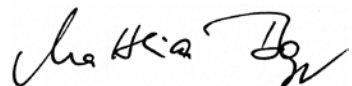
Dank

Wir danken Ihnen, sehr geehrte Aktionärinnen und Aktionäre, im Namen des Verwaltungsrats und des Managements ganz herzlich für Ihr Vertrauen, das Sie uns entgegengebracht haben. Wir bedanken uns bei unseren Kunden, Lieferanten und weiteren Geschäftspartnern für die gute Zusammenarbeit im abgelaufenen Jahr. Unseren Mitarbeiterinnen und Mitarbeitern möchten wir ein grosses Dankeschön für ihren täglichen Einsatz aussprechen.

26. Februar 2015



Heinrich W. Kreutzer
Präsident



Matthias Bopp
Chief Executive Officer

Corporate governance

The corporate governance report records the principles and conduct of management and supervision at the highest management level of the Micronas Group. Micronas meets the requirements of the "Swiss Code of Best Practice for Corporate Governance", which has been in force since July 1, 2002, and updated in 2007 and 2014, and the corporate governance guidelines of the SIX Swiss Exchange in force since October 1, 2014.

Mindful that effective, transparent and systematically implemented principles of corporate governance make an important contribution to the Micronas Group's success and to increasing company value, we are sensitive to the justified expectations and demands of our stakeholders concerning responsible management. At Micronas, the way the leadership and management of the Company are organized and function in practice is clearly regulated, in particular with regard to the division of responsibilities and powers among the decision-making bodies, namely the Board of Directors, Management and Shareholders' Meeting, as well as to accountability in respect of decisions taken. The Board of Directors works through efficient committees: a Nomination and Compensation Committee and a Risk and Audit Committee. In addition, specific topics are reviewed by a special internal auditor from time to time.

As we at Micronas see it, the core issue of good corporate governance is that it responds to our shareholders' concern for prudent corporate policies and efficient deployment of resources, including an effective system of checks and balances. In this respect, the Code of Conduct of Micronas, including implementing guidelines, helps to ensure that all Micronas employees act in a responsible manner. The Code of Conduct is available under **www.micronas.com/en/investor/corporate-governance/documents-pdf**.

In pursuance of these aims, the Micronas Group maintains an open information and communication policy toward shareholders, financial markets and interested sections of the public. Transparency and continuity in our dealings with investors – over and above what is legally required – are underpinned by comprehensive year-end financial statements, semiannual financial statements in the form of a letter to the shareholders and quarterly financial updates for the first and the third quarter through respective press releases and constant updating of the relevant information on our website.

Implementation of Minder Rules at Micronas

The Ordinance Against Excessive Compensation in listed companies (Verordnung gegen übermässige Vergütungen bei börsenkotierten Gesellschaften) has come into effect on January 1, 2014 (the "Ordinance"). However, transitional rules allow an implementation until December 31, 2015.

Micronas has implemented most of the changes requested by the Ordinance at the Shareholders' Meeting held on March 21, 2014:

- The Board of Directors proposed to the Shareholders' Meeting amendments to the Articles of Incorporation (see the new Articles of Incorporation under www.micronas.com/en/investor/corporate-governance/documents-pdf).
- The Shareholders' Meeting elected the Chairman of the Board of Directors, the members of the Nomination and Compensation Committee as well as the independent proxy holder.
- There were neither a representative of the Company nor proxy holders of deposited shares.
- It was possible to instruct the independent proxy holder by way of electronic proxies.

Some of the points introduced by the Ordinance have already been implemented many years ago:

- Micronas has been electing its members of the Board of Directors for a term of one year in an individual election.
- Top Management contracts did and do not have a fixed term and their termination period is not exceeding 12 months.
- No termination/severance payments were/are made.

Following the Shareholders' Meeting, the Board of Directors amended the existing Company regulations in its meeting of April 15, 2014, accordingly, in particular the Business Rules, the Charter of the Nomination and Compensation Committee and the Charter of the Risk and Audit Committee (see the respective regulations under www.micronas.com/en/investor/corporate-governance/documents-pdf).

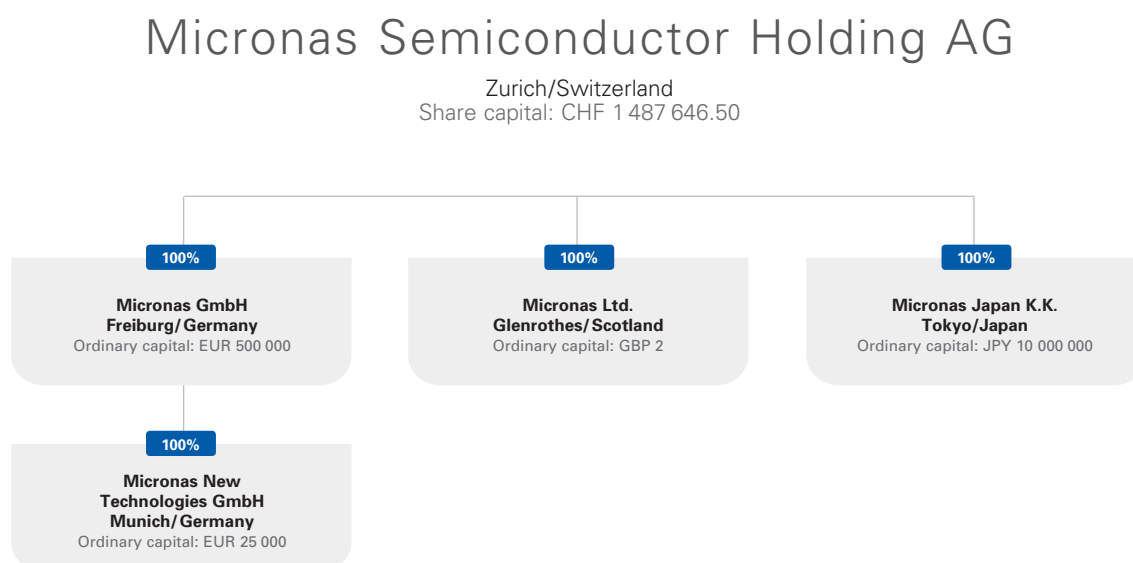
Finally, the Shareholders' Meeting 2015 regarding the business year 2014 will vote on the compensation of the Board and Top Management based on a separate Compensation Report audited by the Company's auditors, thus rounding up the implementation of the Minder Rules at Micronas.

Group structure and shareholders

Group structure as at December 31, 2014

The registered shares of Micronas Semiconductor Holding AG with registered office in Zurich (the "Company") are listed on the main board of the SIX Swiss Exchange (Swiss security number 1233742, ISIN CH0012337421). As at December 31, 2014, the market capitalization is CHF 168 996 642.40.

The Company and its direct and indirect subsidiaries ("Micronas" or "Micronas Group" or "Group") design, manufacture and sell Hall sensors and embedded controllers for smart actuators for automotive and industrial electronics.



This Group structure comprises the operationally active companies of the Micronas Group. To see the complete Group structure, please refer to pages 77 to 79 of the Financial Report 2014.

Shareholders as at December 31, 2014

As at December 31, 2014, the disposable holdings (i.e. shares that have not been registered in the share register) amounted to 12 756 391 registered shares or 42.87 percent of the shares issued.

Shareholder structure of registered shares

Diversification	Number of shareholders	Number of shares
> 1 000 000	3	6 106 089
100 001 – 1 000 000	6	2 699 837
10 001 – 100 000	106	2 724 835
1 001 – 10 000	1 384	3 894 770
1 – 1 000	3 921	1 571 008

Registered shareholders by country

Country	Number of shareholders	Number of shares
Switzerland	5 261	8 247 988
Germany	54	114 813
Great Britain	12	5 598 064
Rest of Europe	73	2 138 864
USA	4	856 647
Rest of world	16	40 163

Registered shareholders by shareholder category

Category	Number of shareholders	Number of shares
Persons	5 231	6 353 516
Companies	86	658 695
Funds	35	5 055 570
Foundations	13	31 468
Pension funds	18	157 427
Insurance companies	3	351 325
Banks	34	4 388 538

As at December 31, 2014, the Company is aware of the following shareholders holding 3 percent or more of the capital and/or voting rights of the Company:

Shareholder	Registered office	Number of shares	Percentage
Nortrust Nominees Ltd. ¹	London, Great Britain	2 745 123	9.23
RBC Dexia Investor Services Trust ¹	London, Great Britain	2 351 874	7.90
Sparinvest Holdings SE ²	Luxembourg	1 583 383	5.33
Brandes Investment Partners, L.P. ²	San Diego, USA	1 509 430	5.08
Black Creek Investment Management Inc. ²	Toronto, Canada	1 495 070	5.04
Highclere International Investors LLP ²	London, Great Britain	915 388	3.08
Wellington Management Company, LLP ²	Boston, USA	901 175	3.03

¹ Nortrust Nominees Ltd. and RBC Dexia Investor Services Trust are acting in their capacity as nominees for other investors. The above figures (number of shares and percentages) conform to the figures as at December 31, 2014.

² The above figures (number of shares and percentages) conform to the figures contained in the respective notifications to the Company and the Disclosure Office of the SIX Swiss Exchange; they may not be accurate as at December 31, 2014.

Detailed information on notifications regarding the disclosure of shareholdings can be downloaded from www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html?fromDate=19980101&issuer=10137.

Cross-shareholdings

As at December 31, 2014, there are no cross-shareholdings.

Capital structure

Capital

As at December 31, 2014, the share capital of the Company registered in the Commercial Register is CHF 1 486 396.50 divided into 29 727 930 fully paid registered shares with a nominal value of CHF 0.05 each. Taking into account the options exercised, the share capital of the Company is CHF 1 487 646.50 divided into 29 752 930 fully paid registered shares with a nominal value of CHF 0.05 each.

Authorized and conditional capital in particular

Authorized capital

The Company has no authorized capital.

Conditional capital

According to its Articles of Incorporation, the Company has a conditional capital of a maximum of CHF 36 608.50. The share capital of the Company will be increased through the issuance of a maximum of 732 170 fully paid registered shares with a nominal value of CHF 0.05 each by the exercise of option rights which are granted to the employees and members of the Board of Directors of the Company or Group companies according to a stock option plan to be prepared by the Board of Directors, subject to the approval of the Shareholders' Meeting with respect to options granted to members of the Board of Directors and the Micronas Group Management. Preemptive rights of shareholders are suspended. Taking into

account the options exercised, the conditional capital of the Company as at December 31, 2014, is CHF 35 358.50 divided into 707 170 fully paid registered shares with a nominal value of CHF 0.05 each.

Changes in capital

The following table summarizes the development of the share capital registered in the Commercial Register since January 1, 2011:

Date	Share capital in CHF	Number of shares	Nominal value in CHF
March 5, 2012	1 483 834.00	29 676 680	0.05
Feb. 18, 2013	1 486 334.00	29 726 680	0.05
Feb. 26, 2014	1 486 396.50	29 727 930	0.05

For information regarding changes in equity since December 31, 2012, please refer to page 67 of the Financial Report 2014.

Participation certificates and dividend-right certificates

There are no participation or dividend-right certificates.

Limitations on transferability and nominee registrations

The registered shares of the Company may be transferred without restrictions. Nominee entries as shareholders with voting rights up to and below 3 percent of the registered shares of the Company are permitted without restrictions.

Nominees will be registered in the share register with the right to vote 3 percent or more of the registered shares of the Company, provided the nominees have entered into a nominee agreement with the Company and disclose to the Company the names, addresses, nationality (for legal entities the registered office) and shareholdings of all those beneficial owners for whose account a nominee holds 0.5 percent or more of the registered shares of the Company.

Convertible bonds and options

There are no convertible bonds outstanding.

According to the stock option plan of the Company, the Board of Directors may, at its sole discretion, grant options to employees and members of the Board of Directors of the Company or Group companies to acquire registered shares in the Company, however subject to the approval of the Shareholders' Meeting. One registered share may be acquired for each option. The options may not be traded. Registered shares to be delivered based on options granted will be purchased by the Company on the SIX Swiss Exchange or made available from the conditional capital

The purpose of the stock option plan is to motivate the managerial staff of the Company and its subsidiaries to contribute to the success of the Company by their special performance and to encourage them to acquire share ownership in the Company.

The exercise price of the options corresponds to the closing price of the registered shares on the

SIX Swiss Exchange on the day of the grant of the options, which is usually a day in January or July determined by the Board of Directors at its preceding meeting. All options are subject to lock-up periods (for further details on options please refer to the chapter on compensation, shareholdings and loans, on pages 40 to 41, and to pages 80 and 114 of the Financial Report 2014.

It is a condition precedent for the exercise of the options (1) that the beneficiary of the options is, in general, employed by the Company or a Group company or is a member of the Board of Directors of the Company on the first day of the respective exercise period and (2) that no bankruptcy or attachment proceedings regarding the private assets of the beneficiary and no insolvency proceedings have been initiated or completed.

Without the prior consent of the Board of Directors of the Company, beneficiaries are not allowed to buy and sell registered shares of the Company received upon the exercise of options, other registered shares of the Company and derivatives relating to the Company's registered shares during a period of 30 calendar days prior to the date of publication of the annual, semiannual and quarterly financial information. Furthermore, the Board of Directors may decide to prohibit the trading in securities of the Company within the trading windows for important reasons.

Board of Directors



Members of the Board of Directors



Heinrich W. Kreutzer, born 1949 and German citizen, was elected as a member of the Board of Directors of the Company at the ordinary Shareholders' Meeting of March 3, 2006, and appointed Chairman of the Board of Directors on November 27, 2009. His remaining term lasts until the ordinary Shareholders' Meeting regarding the business year 2014.

Heinrich Kreutzer is a non-executive Board member. He was neither a member of the Management of the Company or its subsidiaries nor had significant business connections with the Company or its subsidiaries in the business years 2010 to 2014.

Education: Master in both electrical engineering and economic sciences.

Professional background: independent management consultant (since 2006), Kabel Deutschland GmbH, Munich, Managing Director (2004 – 2006), Alcatel, Stuttgart, Chief Operating Officer (COO) and Chief Technology Officer (CTO) (1999 – 2003), Alcatel Switching Systems Division, Stuttgart, Vice President (1997 – 2000), Alcatel Microelectronics, Brussels, member of the Supervisory Board (1995 – 2001), General Telephone & Electronics (GTE), Waltham, consultant engineer (1980), Heinrich-Hertz-Institute, Berlin, group and project manager (1975 – 1984).



Lucas A. Grolimund, born 1966 and Swiss citizen, was elected as a member of the Board of Directors of the Company at the extraordinary Shareholders' Meeting of November 27, 2009. His remaining term lasts until the ordinary Shareholders' Meeting regarding the business year 2014.

Lucas Grolimund is a non-executive Board member. He was neither a member of the Management of the Company or its subsidiaries nor had significant business connections with the Company or its subsidiaries in the business years 2010 to 2014.

Education: diploma master in electrical engineering from the Swiss Federal Institute of Technology, Zurich, Master of Science from Stanford University and MBA from INSEAD, Fontainebleau.

Professional background: independent advisor (since 2009), Cicor Technologies AG, Zurich, CEO (2007 – 2009), Schlatter Holding AG, Schlieren, CEO (2003 – 2007), Gate Gourmet International AG, Opfikon, CFO and Executive Vice President (2000 – 2003), McKinsey&Company, Zurich, consultant (1995 – 2000).



Dr. Dieter G. Seipler, born 1946 and German citizen, was elected as a member of the Board of Directors of the Company at the extraordinary Shareholders' Meeting of November 27, 2009. His remaining term lasts until the ordinary Shareholders' Meeting regarding the business year 2014.

Dieter Seipler is a non-executive Board member. He was neither a member of the Management of the Company or its subsidiaries nor had significant business connections with the Company or its subsidiaries in the business years 2010 to 2014.

Education: Ph.D. in physics from the Technical University in Darmstadt.

Professional background: Mann + Hummel Holding, Ludwigsburg, CEO (2001 – 2009), Kolbenschmidt Pierburg AG, Neuss, CEO and deputy CEO of Rheinmetall AG (1998 – 2001), Robert Bosch GmbH, several activities in Germany and Spain (1977 – 1998).



Dr. Stefan Wolf, born 1961 and German citizen, was elected as a member of the Board of Directors of the Company at the extraordinary Shareholders' Meeting of November 27, 2009. His remaining term lasts until the ordinary Shareholders' Meeting regarding the business year 2014.

Stefan Wolf is a non-executive Board member. He was neither a member of the Management of the Company or its subsidiaries nor had significant business connections with the Company or its subsidiaries in the business years 2010 to 2014.

Education: Ph.D. in law from the University of Tübingen.

Professional background: ElringKlinger AG, Dettingen/Erms, CEO (since 2006), ElringKlinger AG, Dettingen/Erms, several positions such as speaker and chief representative of the Managing Board, head of human resources and divisional head of legal department (1997 – 2005), law firm Thümmel, Schütze and Partners, Stuttgart, attorney-at-law (1994 – 1997).

Other activities and vested interests outside of Micronas Group

Heinrich W. Kreutzer is a member of the Supervisory Board of ASM International AG, Almere, and holds memberships in Boards of Directors of other non-listed companies.

Lucas A. Grolimund is a member of the Board of Comet Holding AG, Flamatt.

Dr. Dieter G. Seipler is the Chairman of the Supervisory Board of Weber-Hydraulik GmbH, Güglingen.

Dr. Stefan Wolf is a member of the Board of Fielmann AG, Hamburg, Chairman of the Supervisory Board of NORMA Group AG, Maintal, member of the Supervisory Board of Allgaier Werke GmbH, Uhingen, President of the Employer's Association "Südwestmetall" and member of the Management Board of VDA (German Association of the Automotive Industry).

Elections and terms of office

The members of the Board of Directors are elected by the Shareholders' Meeting by individual vote for a term of one year lasting until and including the next ordinary Shareholders' Meeting. Re-election is permitted. Election proposals are normally submitted by the Board of Directors upon recommendation of the Nomination and Compensation Committee. The Shareholders' Meeting elects yearly:

- Individually the members of the Board of Directors;
- The Chairman of the Board of Directors; and
- Individually the members of the Nomination and Compensation Committee, who must be members of the Board of Directors.

Should the Board of Directors not have a Chairman, the Board of Directors shall nominate a Chairman from amongst its members until the end of the following ordinary Shareholders' Meeting.

Mandates outside the Micronas Group

Members of the Board of Directors may hold up to five compensated mandates in public listed companies and up to ten compensated mandates in other legal entities.

The Board of Directors intends to propose to the next ordinary Shareholders' Meeting to reduce the number of compensated mandates of Board members in public listed companies to three (Chairman) and four (members of the Board of Directors), respectively.

Internal organizational structure

The Board of Directors constitutes itself, subject to mandatory competences of the Shareholders' Meeting. It chooses a Vice Chairman and a secretary. The latter need not be a Board member.

Meetings of the Board of Directors are called by the Chairman and, if the Chairman is unavailable, by the Vice Chairman or the secretary as often as required by the business, but at least four times every year. Normally, an additional two-day strategy meeting is held each year.

Resolutions and elections of the Board of Directors are passed and carried out in Board meetings by the majority of the votes cast. The Chairman has the deciding vote. The Board of Directors can validly pass resolutions if a majority of its members is present at the Board meeting. Members who attend the meeting simultaneously by interactive voice or voice and video transmission are deemed to be present. These quorum requirements do not apply to resolutions taken in connection with capital increases.

Resolutions may also be passed without a meeting of the Board of Directors by way of circular resolution. The procedure for adopting circular resolutions shall be the responsibility of the Chairman of the Board of Directors.

Committees

The following committees are established:

Committee	Members
Nomination and Compensation Committee	Dr. Dieter G. Seipler ¹ Heinrich W. Kreutzer
Risk and Audit Committee	Lucas A. Grolimund ¹ Dr. Stefan Wolf

¹ Chair of the committee.

The Nomination and Compensation Committee

consists of at least two members of the Board of Directors elected by the Shareholders' Meeting. The term of office expires with conclusion of the following ordinary Shareholders' Meeting. Re-election is permitted. When the Nomination and Compensation Committee is not complete, the Board of Directors may elect the lacking members for the remaining term of office. The Nomination and Compensation Committee prepares, together with the CEO, all relevant matters in the areas of human resources and compensation for the Board meetings. The committee does not have any competence to take decisions; duties and competencies of the Board of Directors according to the organizational rules and the law are vested in the Board of Directors as a whole. The committee supports the Board of Directors in its supervisory and controlling functions and supervises the implementation of Board resolutions within the said areas of activities. Meetings are held at least twice a year. The charter of the Nomination and Compensation Committee is available under www.micronas.com/en/investor/corporate-governance/documents-pdf.

The Risk and Audit Committee consists of at least two members of the Board of Directors designated by the Board of Directors. The Risk and Audit Committee prepares, together with the CFO, all relevant matters in the areas of financial planning and financial controlling, compliance with laws and regulations as well as risk management for the Board meetings. The committee does not have any competence to take decisions; duties and competencies of the Board of Directors according to the organizational rules and the law are vested in the Board of Directors as a whole. The committee supports the Board of Directors in the supervision of the accounting and the financial reporting and in its controlling functions regarding compliance with legal provisions and the existence of suitable internal controlling structures. The committee supervises the implementation of Board resolutions within the said areas of activities as well as the auditors. Meetings are held at least twice a year, the CFO and representatives of the auditors being present. The charter of the Risk and Audit Committee is available under www.micronas.com/en/investor/corporate-governance/documents-pdf.

Meeting frequency and duration

In the business year 2014, seven physical and telephone conference meetings of the Board of Directors, including a two-day strategy meeting, two meetings of the Nomination and Compensation Committee and four meetings of the Risk and Audit Committee took place. Normally a meeting lasts approximately half a day. The following chart summarizes the meeting participation of the members:

Members of the Board of Directors	Board of Directors ¹	Nomination and Compensation Committee	Risk and Audit Committee ²
Heinrich W. Kreutzer	8	2	
Lucas A. Grolimund	9 ³		4
Dr. Dieter G. Seipler	8	2	
Dr. Stefan Wolf	3		4

¹ Furthermore, the Board of Directors took several circular resolutions.

² The auditors attended the Risk and Audit Committee meetings two times.

³ This figure includes the resolution regarding the confirmation of the capital increase out of the conditional capital taken on February 17, 2014, in front of a notary public.

Definition of areas of responsibility

The Board of Directors is ultimately responsible for the general policies and management of the Company and the supervision of the persons entrusted with the management. The responsibility for the day-to-day business has been delegated by the Board of Directors

to the CEO pursuant to organizational rules. The CEO is responsible for the organization of the Management Board as well as for all its subdivisions. The organizational rules are available under **www.micronas.com/en/investor/corporate-governance/documents-pdf**. All members of the Board of Directors are non-executive members who are independent of the Micronas Group.

The Board of Directors has the following responsibilities:

- Ultimate direction of the Company and the power to issue the necessary directives;
- Setting up the organizational structure of the Company;
- Structuring of the accounting system, the financial controlling and the financial planning, to the extent they are relevant to the management of the Company;
- Employment and dismissal of persons entrusted with the management and representation of the Company;
- Supervision of all persons entrusted with the management, in particular with respect to their abiding by the law, the Articles of Incorporation, the organizational rules and the directives of the Board of Directors;
- Drafting of the business report, preparation of the Shareholders' Meetings and implementation of the resolutions of the Shareholders' Meetings;
- Notification of the judge in case of over-indebtedness;
- Resolutions on further business dealings as defined in the organizational rules, e.g. determination of signatory powers;
- Decision on matters allocated to the Board of Directors by law.

The CEO has the following responsibilities:

- Collection of data and facts necessary for the decision-making of the Board of Directors in accordance with the organizational rules, the law or the Articles of Incorporation;
- Representation of the interests of the Company toward third parties (banks, other enterprises, investors, press, public);
- Preparation of business plans and budgets;
- Supervision of financial matters such as cash management, bookkeeping, invoicing and receipt of payments;
- Handling of human resource matters;
- Reporting on the ongoing business to the Board of Directors according to the organizational rules, thereby allowing the Board of Directors to properly carry out its supervising duties;
- Any other duties delegated by the Board of Directors.

Information and control instruments vis-à-vis the Micronas Group Management

The division of responsibilities between the Board of Directors and the CEO is set forth in the organizational rules. The supervision of the CEO by the Board of Directors is based in particular on the following reports submitted by the CEO to the Board of Directors on a regular basis:

- Participation of the CEO in meetings of the Board of Directors and committees regarding specified agenda items upon invitation of the Board of Directors or the respective committee;
- Monthly consolidated interim financial statements including key figures;
- Monthly information on market and business developments including key accounts and other special projects;
- Detailed interim reports on business developments, risk management, etc., to be submitted to every meeting of the Board of Directors;
- Annual and semiannual consolidated financial statements.

On a monthly basis, the Board of Directors receives from the management information system (MIS) all relevant financial information relating to the Micronas Group, such as the consolidated profit and loss statement, the balance sheet and the cash flow statement, the consolidated profit and loss statement for the segments as well as comments with respect to the most important changes and differences compared to the budget and the rolling

forecast. In addition, reports of the marketing, sales and operations activities are prepared, including information on the Company as well as information on markets, customers and competitors. With respect to the product development activities detailed progress reports on projects are presented.

The risk controller compiles a standardized risk report on a quarterly basis. The 15 most important risks are continuously observed through risk management. The risk report contains verbal and graphical information relating to the most important changes and any material newly discovered risks, if any. The risks are classified with respect to their probability and their possible effects on the operating profit. The material risk factors are determined by the owners of the respective risks on a yearly basis or ad hoc, if necessary, and reviewed and approved by the Management Board and the Risk and Audit Committee. The internal control system is regularly evaluated in the course of the risk management; any findings are documented and commented in the quarterly and monthly reporting (for further details regarding the risk management process please refer to page 114 of the Financial Report 2014).

From time to time, usually once per year, the Board of Directors organizes an internal audit through an independent consultant on a special topic to be determined by the Board of Directors. The respective report of the internal auditor, including its recommendations, is discussed in Board meetings and the Board of Directors decides on any measures to be implemented based on such report.

Management Board

Members of the Management Board

Micronas Group Management



Matthias Bopp, born 1964 and German citizen, has acted as the CEO of the Micronas Group since January 1, 2010.

Education: diploma in electrical engineering at the University of Kaiserslautern.

Professional background: General Manager of Radio Frequency and Automotive division of Atmel Automotive GmbH, Heilbronn, General Manager of the business center communications and Director of the technical center of the business center communications of Atmel Germany GmbH.



Daniel Wäger, born 1964 and Swiss citizen, has acted as the CFO of the Micronas Group since September 15, 2014.

Education: EMBA from the Instituto de Empresa, Madrid, lic. rer. pol. from the University of Bern.

Professional background: CFO of Wäertsilä Switzerland Ltd, Winterthur, and Benninger Group, Uzwil, Vice President Finance of Schott Pharmaceutical Systems, St. Gallen, several positions at Schott Group in Germany and Switzerland, head of finance and administration of Ringier Czech Republic, Prague, several positions at Von Roll Group in Germany and Switzerland.

Group Managing Board



Dr. Dirk Behrens, born 1965 and German citizen, has been with Micronas since March 1, 2012, as Vice President Automotive.

Education: Ph.D. in electrical engineering from Leibniz University of Hannover and B.S. in economics from the University of Hagen.

Professional background: CEO and founder of Dresden Microdisplay GmbH, a Dresden-based start-up developing OLED microdisplays, Executive Vice President at ZMD AG, Senior Director marketing EMEA at ATI Technologies, now AMD, Senior Director business group marketing Automotive, Industrial and Multimarket (AIM) at Infineon Technologies, before that six years' work in Silicon Valley, California, with different roles in marketing and sales, business development, strategic marketing and 32-bit microcontroller development.



Wolfgang Bossinger, born 1963 and German citizen, has been with Micronas since April 2005 as head of backend engineering and since April 2010 as Vice President Quality.

Education: advanced degree in physics from the University of Ulm.

Professional background: various management positions in the international LCD business of AEG, Ulm, manager contract manufacturing and manager process development for Philips' LCoS Microdisplay Systems, Briarcliff, NY, and Böblingen.



Dr. Holger Eggers, born 1963 and German citizen, has been with Micronas since October 1997. Entering Micronas he was employed as technology engineer followed by different leading positions of engineering groups in the Micronas wafer fab in Freiburg. In 2002 he was appointed manager of the Micronas wafer fab and since June 2009 he has acted as Vice President Operations Frontend.

Education: diploma in physics (applied solid-state physics) and a Ph.D. in natural sciences (applied solid-state physics) from the University of Hamburg.

Professional background: research engineer at the University of Hamburg.



Klaus Heberle, born 1953 and German citizen, has been with Micronas since October 1997. At first he was employed as Marketing Director of the Automotive division and in 1999 as Vice President Automotive of the Micronas Group. Since March 1, 2012, he has taken charge of the newly established Innovation Center as Chief Innovation Officer.

Education: Bachelor in electronics from Fachhochschule Furtwangen.

Professional background: head of the concept department at VDO, Babenhausen.



Bernhard Huber, born 1962 and German citizen, has been with Micronas since April 1, 2014, as Vice President Sales and Industrial.

Education: Diploma of electronics of University of applied science in Munich.

Professional background: Vice President Power and Analog of the Analog and Power Products business line at ZMDI, Dresden, and Milpitas, California, Director distribution sales Europe, Director marketing and distribution and Marketing Director Industrial and Generic Market at Infineon, Munich, industrial computing engineer at Kontron, Munich, and design engineer and field application engineer at Seagate, Munich.



Jürgen Kurz, born 1959 and German citizen, has been with Micronas since March 2005 as head of Human Resources and since June 2007 as Vice President Human Resources.

Education: degree in education, specializing in commerce, from the University of Mainz.

Professional background: head of human resources of the division Radio Frequency and Automotive of Atmel Group, Heilbronn, head of human resources of the division IC at Temic Semiconductor, Heilbronn, head of human resources of the division Industry at debis Systemhaus, Stuttgart, personnel officer at Mercedes-Benz, Woerth.



Wilfried Lowinski, born 1957 and German citizen, has been with Micronas since October 1997. At first he was employed in the Operations Backend and since 1998 as Vice President Operations Backend.

Education: Master in mechanical engineering from the Technical University of Karlsruhe, Master in economics from the Technical University of Pforzheim.

Professional background: head of CNC programming and mechanical production at IWK Verpackungstechnik GmbH, Karlsruhe.

Other activities and vested interests outside of Micronas Group

Matthias Bopp is a member of the Board of Directors of X-FAB Silicon Foundries SE, Tessenderlo.

No other member of the Management Board is engaged outside of the Micronas Group. However, the members of the Management Board are holding positions in governing bodies of subsidiaries of the Company.

Mandates outside the Micronas Group

Members of the Micronas Group Management may hold one compensated mandate in a public listed company and up to two compensated mandates in other legal entities, subject to the preapproval of the Board of Directors.

Management contracts

There are no management contracts.

Compensation, shareholdings and loans

Content and method of determining the compensation and the shareholding programs

The Board of Directors proposes to the Shareholders' Meeting for approval the compensation of the members of the Board of Directors and the Micronas Group Management upon recommendation of the Nomination and Compensation Committee. The compensation shall be determined in such a way that it represents an appropriate salary which encourages performance-oriented working. The principles of remuneration are laid down in Art. 31 et seq of the Articles of Incorporation. The option plan shall give long-term incentives and support an increase of the share price. The options allocated are only of value if the share price increases and exceeds the exercise price during the vesting period.

The members of the Board of Directors receive a compensation in accordance with their involvement and their responsibility, i.e. the Chairman receives a higher compensation than the Board members. The compensation comprises of a fixed Board member fee in cash and may include, from time to time, options to acquire registered shares in the Company according to the Company's stock option plan (for a description of the major terms of the stock option plan please refer to the section on convertible bonds and options on page 25). For additional activities of Board members within the Micronas Group, for example as a Board committee member or as a member of a

Supervisory Board of a Group company, no separate compensation is paid. No special meeting attendance fee is paid to the Board members (for details please refer to pages 54 and 55 of the Compensation Report 2014).

In determining the compensation of the members of the Micronas Group Management, their tasks and performance as well as business and market developments are considered. The compensation comprises of the salary (fixed component), a bonus (variable short-term component), a discretionary special bonus and, from time to time, options (variable long-term component) to acquire registered shares in the Company according to the Company's stock option plan (for a description of the terms of the stock option plan please refer to the section on convertible bonds and options on page 25). The salary, the bonus and the special bonus are paid in cash.

The payment of the bonus to the members of the Micronas Group Management is dependent on the achievement of certain budgeted figures, currently EBIT and liquidity. Such targets are set before the start of the business year in question. As a consideration for the fulfillment of special targets to be defined by the Board of Directors before the start of the respective business year, such as design wins, working capital or special measures, a discretionary special bonus may be awarded. Overall, the amount of the bonus component (bonus plus special bonus) equals about the amount of the fixed component provided the maximum bonus and special bonus is earned.

The payment of the bonus to the members of the Group Managing Board is dependent on the achievement of firm-wide objectives ($\frac{2}{3}$) on the one hand and personal objectives ($\frac{1}{3}$) on the other hand. On a firm level, the achievement of certain budgeted figures, currently EBIT and liquidity, is relevant. The personal objectives depend on the function and duties of the respective member. All targets are set before the start of the business year in question. Overall, the amount of the bonus component is about $\frac{2}{3}$ of the amount of the fixed component provided the maximum bonus is earned.

For further information please refer to pages 51 to 58 of the Compensation Report and page 114 of the Financial Report 2014.

Rules in the Articles of Incorporation

Profit-related remuneration and securities

The Board of Directors may make the level of remuneration of members of the Board of Directors or the Micronas Group Management partially dependent on the achievement of targets. Such targets may be based, inter alia, on the success of the Company (turnover, operating results, EBITDA and/or profit of the group and/or part of a group), on the stock exchange price or on agreed upon personal goals.

The Company may allocate to the members of the Board of Directors and the Micronas Group Management securities, conversion and subscription rights as well as other rights, in relation to the securities, as part of their remuneration. When securities, conversion and subscription rights as well as other rights, in relation to the securities, are allocated, the amount of the remuneration corresponds to the value of the allocated shares or rights, respectively, at the time of the allocation, whereby conditions precedent and conditions subsequent do not influence the date of allocation. The Board of Directors may determine a blocking period for the holding of the shares or rights, respectively, and may determine when and to what extent the beneficiaries acquire a presuppositionless and unconditional legal claim and under which conditions possible blocking periods subside and the beneficiaries acquire a presuppositionless and unconditional legal claim immediately, respectively (e.g. a change of control, substantial restructuring or termination of the employment

relationship). The Board of Directors may also postpone or otherwise restrict and determine under which preconditions shares or rights to securities, respectively, expire (e.g. termination of the employment relationship). The Board of Directors determines the details in a set of company regulations.

The allocation of securities, conversion and subscription rights as well as other rights, in relation to the securities, which are allocated to the members of the Board of Directors and the Micronas Group Management in their capacity as shareholder of the Company (e.g. subscription rights in a capital increase or options in a capital reduction), are not considered as remuneration and do not fall under this provision.

Supplement amount

A supplement amount in accordance with Art. 19 of the Ordinance is available for members of the Micronas Group Management which join after the maximum overall amount has been approved. The supplement amount may in the case of a new CEO and/or CFO not be higher than 20 percent above the amount which the previous CEO or CFO, respectively, was entitled to based on the approval by the Shareholders' Meeting for the respective business year.

Loans, credit facilities and pension benefits

Loans and credit facilities will not be granted to the members of the Board of Directors and the Micronas Group Management.

The members of the Board of Directors and the Micronas Group Management receive pension benefits within the scope of Swiss and foreign pension benefit plans and similar plans of the Company or its group companies, respectively. The benefits to the policy holders and the employer's contributions result from the aforementioned plans or regulations, respectively.

The Company makes the regulatory contributions to the benefit plans and similar plans. In the event of illness or accident of a member of the Board of Directors or the Micronas Group Management, the Company may continue to pay its remuneration in the scope of a regulatory regulation issued by the Board of Directors or insurance payments, respectively. In connection with early retirement or termination of an employment or mandate relationship, the Company may make additional payments to the pension fund in accordance with regulations established by the Board of Directors or a Board of Directors' resolution.

The payment of pension benefits by the Company, a group company or a third person to the persons for which the Company or a group company has made payments which were approved by the Shareholders' Meeting or has made provisions, do not have to be approved by the Shareholders' Meeting at the time of the payment of such benefits.

Approval of the remuneration by the Shareholders' Meeting

The Shareholders' Meeting approves on a yearly basis, in general at the ordinary Shareholders' Meeting, separately the remuneration package of the members of the Board of Directors for the period up to the next ordinary Shareholders' Meeting and the Micronas Group Management for the current business year. The vote of the Shareholders' Meeting has binding effect. When the Shareholders' Meeting refuses the approval of the maximum overall amount for the Board of Directors and/or the Micronas Group Management, the Board of Directors may make a new motion or new motions, respectively, at the same Shareholders' Meeting or convene a new Shareholders' Meeting. The Board of Directors determines the respective procedure.

Shareholders' participation rights

Shareholders' participation and protection rights

Shareholders of Swiss corporations have extensive participation and protection rights. The participation rights include, in principle, the right to participate in Shareholders' Meetings, the right to express opinions and the right to vote. The protection rights include, among others, rights of inspection and information, the right to a special audit, the right to convene a Shareholders' Meeting, the right to have matters put on the agenda, the right to challenge resolutions and the right to raise claims regarding responsibility.

Voting-rights restrictions and representation

There are no restrictions regarding voting rights (with respect to nominees please refer to page 24, to the section limitations on transferability and nominee registrations). A shareholder may, by written power, be represented at the Shareholders' Meeting by an independent proxy holder or a person who need not be a shareholder. The Board of Directors decides on the validity of the proxy.

The Shareholders' Meeting elects an independent proxy holder. Natural or legal persons or partnerships are eligible for election. The term of office expires with conclusion of the following ordinary Shareholders' Meeting. Re-election is permitted. The current independent proxy holder is KBT Treuhand AG Zurich with registered office in Zurich.

The Shareholders' Meeting may recall the independent proxy holder to the end of the Shareholders' Meeting. In case the Company does not have an independent proxy holder, such independent proxy holder is elected by the Board of Directors for the next Shareholders' Meeting.

The independent proxy holder must exercise the transferred voting rights as instructed. He refrains from voting when he has not received instructions.

The Board of Directors determines the requirements for the proxies and instructions. It may define the details in company regulations and may also determine, in particular, under which preconditions instructions are validly issued to the independent proxy holder in compliance with legal requirements. Additionally it may waive the requirement of a qualified electronic signature.

The Board of Directors ensures that the shareholders have the possibility to issue instructions to the independent proxy holder for every motion in the convocation and to issue general instructions for new motions within the matters under discussion (including those in connection with a rejection of the remuneration according to Art. 18 para. 2 of the Articles of Incorporation) as well as motions on items for which no proper notice has been given (motion to convene an extraordinary Shareholders' Meeting or to instigate a special audit).

Statutory quorums

The Articles of Incorporation of the Company do not provide for any majority requirements greater than those required by law to pass resolutions and carry out elections.

Convocation of the Shareholders' Meeting

Notice regarding the Shareholders' Meeting is given by the Board of Directors, or if necessary by the auditors, at least 20 days before the day of the meeting in the publication vehicles of the Company and by mail to the addresses of the shareholders entered in the share register.

Inclusion of items on the agenda

The notice shall contain matters put on the agenda by the Board of Directors as well as the proposals thereto.

The agenda shall also contain such matters and proposals by shareholders holding shares of at least 3 percent of the registered share capital which were submitted to the Board of Directors before the convocation.

Proposals regarding matters not duly announced may be discussed upon resolution by the Shareholders' Meeting. A resolution, however, may only be passed at the next Shareholders' Meeting with the exception of proposals requesting that an extraordinary Shareholders' Meeting be held or a special audit be made.

Within the scope of the matters on the agenda, proposals can be made without prior notice.

Entries in the share register

Any entry as a shareholder in the share register requires proof of acquisition of the registered share or the creation of usufruct. The Company certifies the entry in the share register on the share certificate if such certificate has been issued.

From the day the notice of the Shareholders' Meeting is sent out until the day following the Shareholders' Meeting, no entry into the share register is made.

Changes of control and defense measures

Duty to make an offer

The Company has decided that an acquirer is obliged to make an offer according to Art. 32 and 52 of the Swiss Stock Exchange Act of March 24, 1995. The threshold is not raised.

Clauses on changes of control

In the event of a merger, quasi-merger, takeover of the Company or substantial parts of the Company by third parties (share or asset deal) as well as similar transactions, the beneficiaries of options granted according to the Stock Option Plan have the right to sell back all allotted and not yet exercised options to the Company within 60 days after the public announcement of the respective event. The purchase price amounts to the difference between (1) the average closing price of the shares of the Company on the SIX Swiss Exchange on the ten trading days following the public announcement of the event and (2) the exercise price of the options. The opening of insolvency proceedings against the Company as well as the decision to liquidate the Company or similar events shall be treated in the same way.

In the event of a merger, quasi-merger, takeover of the Company or substantial parts of the Company by third parties (share or asset deal) as well as similar transactions, the employment agreements between Micronas group companies and the members of the Micronas Group Management may be terminated by either party as of the date of the closing of such a transaction without observing a notice period.

Auditors

Duration of the mandate and term of office of the lead auditor

The statutory auditors are KPMG AG, Zurich. The statutory auditors are elected every year by the Shareholders' Meeting.

The audit of the financial statements 2014 has been conducted by KPMG AG.

The lead auditor, Herbert Bussmann, was responsible for the auditing mandate for the first time with respect to the 2012 financial statements.

Auditing fees

In 2014 the auditors billed to the Company and Group companies for their services an aggregate auditing fee of CHF 188 (000).

Additional fees

In 2014 the statutory auditors and affiliated parties billed to the Company and Group companies for additional services an aggregate amount of CHF 146 (000), including audit-related fees of CHF 45 (000), fees for tax advice of CHF 88 (000) and other advisory work of CHF 13 (000).

Information instruments pertaining to an external audit

The statutory auditors are supervised by the Risk and Audit Committee. The Risk and Audit Committee (see also Board of Directors, Committees on page 31) ensures that it is fully informed of the activities of the external audit by way of a number of measures:

- The Risk and Audit Committee meets at least four times per year and the auditors are invited to two meetings. In such meetings the preparation of the audit regarding the annual financial statements as well as the results of such audit are presented and discussed. The auditors report in writing on the preparation and results of its quarterly and yearly procedures;
- The Risk and Audit Committee also verifies the independence of the auditors vis-à-vis the Company and the Micronas Group Management;
- The CFO is the point of entry for the auditors at the Company; he participates in the meetings with the Risk and Audit Committee and the auditors, if appropriate;
- The statutory auditors are elected every year by the Shareholders' Meeting upon proposal of the Board of Directors and on recommendation of the Risk and Audit Committee.

Information policy

The Company publishes the consolidated financial statements in the Annual Report according to International Financial Reporting Standards (IFRS), and semiannually in the form of a letter to the shareholders, respectively. Quarterly financial updates for the first and the third quarter will be communicated through respective press releases. In addition, the Company provides regular information through press conferences, analyst presentations and Shareholders' Meetings. Detailed information for shareholders and investors can be downloaded at any time from **www.micronas.com/en/investor**. The investor events of the Micronas Group are available online at **www.micronas.com/en/investor/financial-information/investor-events**.

The modalities regarding the distribution of ad hoc notices (so-called push and pull system) have been implemented according to the Directive on Ad hoc Publicity of the SIX Swiss Exchange under **www.micronas.com/en/investor/financial-information/ad-hoc-notices-registration**.

Official announcements of the Company are published in the Swiss Official Gazette of Commerce. Publications in connection with reporting requirements regarding the maintenance of the listing of the registered shares are issued in conformity with the listing rules of the SIX Swiss Exchange (**www.six-exchange-regulation.com/regulation/listing_rules_en.html**).

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Compensation Report

This first Compensation Report of Micronas Semiconductor Holding AG (the “Company”) provides information on the remuneration system and the compensation paid to the members of the Board of Directors and the Micronas Group Management for the business year 2014. The content and scope of information provided is in line with the provisions of the ordinance against excessive compensation in listed companies (Verordnung gegen übermässige Vergütungen bei börsenkotierten Gesellschaften) (the “Ordinance”) which has come into effect on January 1, 2014, as well as the revised Directive on Information relating to Corporate Governance of the SIX Swiss Exchange in force since October 1, 2014, and the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*, which has been revised in 2014.

Remuneration principles

The compensation shall be determined in such a way that it represents an appropriate salary which encourages performance-oriented working. The principles of remuneration are laid down in Art. 31 et seq of the Articles of Incorporation. The option plan shall give long-term incentives and support an increase of the share price. The options allocated are only of value if the share price increases and exceeds the exercise price during the vesting period.

The compensation system has the following objectives:

- Attract and hold highly qualified employees and management;
- Provide for a fair and competitive compensation;
- Align the Company’s interests with the interests of the employees and management as well as the Board of Directors and the shareholders;
- Balance the Company’s short-term and long-term goals;
- Motivate the managerial staff of the Company and its subsidiaries by way of the stock option plan to contribute to the success of the Company by their special performance and to encourage them to acquire share ownership in the Company.

Authority and determination of compensation

The Board of Directors proposes to the Shareholders’ Meeting for approval the compensation of the members of the Board of Directors and the Micronas Group Management upon recommendation of the Nomination and Compensation Committee.

Section I.8 of the Company’s business rules provides that no member of the Board of Directors shall participate in the deliberations and resolutions on matters which affect, or reasonably might affect, the interests of that member or of a person close to that member. This includes resolutions on a Board member’s own compensation.

The Shareholders' Meeting approves on a yearly basis, in general at the ordinary Shareholders' Meeting, separately the remuneration package of the members of the Board of Directors for the period up to the next ordinary Shareholders' Meeting and the Micronas Group Management for the current business year. The vote of the Shareholders' Meeting has binding effect. When the Shareholders' Meeting refuses the approval of the maximum overall amount for the Board of Directors and/or the Micronas Group Management, the Board of Directors may make a new motion or new motions, respectively, at the same Shareholders' Meeting or convene a new Shareholders' Meeting. The Board of Directors determines the respective procedure.

The Nomination and Compensation Committee consists of at least two members of the Board of Directors elected by the Shareholders' Meeting. The term of office expires with conclusion of the following ordinary Shareholders' Meeting. Re-election is permitted. When the Nomination and Compensation Committee is not complete, the Board of Directors may elect the lacking members for the remaining term of office. The Nomination and Compensation Committee prepares, together with the CEO, all relevant matters in the areas of human resources and compensation for the Board meetings. The committee does not have any competence to take decisions; duties and competencies of the Board of Directors according to the organizational rules and the law are vested in the Board of Directors as a whole. The committee supports the Board of Directors in its supervisory and controlling functions and supervises the implementation of Board resolutions within the

said areas of activities. Meetings are held at least twice a year. The charter of the Nomination and Compensation Committee is available under www.micronas.com/en/investor/corporate-governance/documents-pdf.

Compensation of the members of the Board of Directors

Content and method of determining the compensation

The members of the Board of Directors receive a compensation in accordance with their involvement and their responsibility, i.e., the Chairman receives a higher compensation than the Board members. The compensation comprises of a fixed Board member fee in cash and may include, from time to time, options to acquire registered shares in the Company according to the Company's stock option plan (for a description of the major terms of the stock option plan please refer to the section on page 56 on the stock option plan and participation in the Company). For additional activities of Board members within the Micronas Group, for example as a Board committee member or as a member of a Supervisory Board of a Group company, no separate compensation is paid. No special meeting attendance fee is paid to the Board members.

Total compensation of the members of the Board of Directors

The four members of the Board of Directors received total compensation of CHF 511 000 in 2014 (2013: CHF 550 000). Of this amount CHF 393 000 (2013: CHF 393 000) were fixed. The options were valued at CHF 100 000 (2013: CHF 140 000) and the social security contributions amounted to CHF 18 000 (2013: CHF 17 000) (for details see the tables on pages 54 and 55).

There are no material differences in the total compensation the members of the Board of Directors received in 2014 compared to 2013.

For details regarding the stock option plan please refer to page 56 of the Compensation Report on the stock option plan and participation in the Company.

Compensation of the Micronas Group Management

Content and method of determining the compensation

In determining the compensation of the members of the Micronas Group Management, their tasks and performance as well as business and market developments are considered. The compensation comprises of the salary (fixed component), a bonus (variable short-term component), a discretionary special bonus and, from time to time, options (variable long-term

component) to acquire registered shares in the Company according to the Company's stock option plan (for a description of the terms of the stock option plan please refer to the section on page 56 on the stock option plan and participation in the Company). The salary, the bonus and the special bonus are paid in cash.

The payment of the bonus to the members of the Micronas Group Management is dependent on the achievement of certain budgeted figures, currently EBIT and liquidity. Such targets are set before the start of the business year in question. As a consideration for the fulfillment of special targets to be defined by the Board of Directors before the start of the respective business year, such as design wins, working capital or special measures, a discretionary special bonus may be awarded. Overall, the amount of the bonus component (bonus plus special bonus) equals about the amount of the fixed component provided the maximum bonus and special bonus is earned.

The payment of the bonus to the members of the Micronas Group Management is dependent on the achievement of firm-wide objectives ($\frac{2}{3}$) on the one hand and personal objectives ($\frac{1}{3}$) on the other hand. On a firm level, the achievement of certain budgeted figures, currently EBIT and liquidity, is relevant. The personal objectives depend on the function and duties of the respective member. All targets are set before the start of the business year in question.

Total compensation of the members of the Micronas Group Management

The three members of the Micronas Group Management received total compensation of CHF 1 328 000 in 2014 (2013: CHF 1 019 000). Of this amount CHF 652 000 (2013: CHF 570 000) were fixed and CHF 327 000 (2013: CHF 166 000) were variable. The options were valued at CHF 140 000 (2013: CHF 197 000) and the remaining positions amounted to CHF 209 000 (2013: CHF 86 000) (for details see the tables on pages 54 and 55).

In 2014, the proportion between firm-wide objectives and personal objectives was 64 to 36 percent for the CEO, 45 to 55 percent for the former CFO and 100 percent firm-wide objectives for the new CFO.

In 2014, the variable compensation of the Micronas Group Management corresponded to 50 percent of the fixed compensation.

While the former CFO, Günter Hoppe, retired on October 31, 2014, the new CFO, Daniel Wäger, started his engagement on September 15, 2014. As a consequence, this overlap of the employment agreements of the CFOs is a main reason for the increase in the total compensation of the Micronas Group Management in 2014 compared to 2013. Furthermore, the CEO, Matthias Bopp, received a one-time deferred compensation of CHF 121 000.

For details regarding the stock option plan please refer to page 56 on the stock option plan and participation in the Company.

Supplement amount

The Articles of Incorporation provide for the possibility for the Shareholders' Meeting to resolve a supplement amount in accordance with Art. 19 of the Ordinance that is available for members of the Micronas Group Management which join after the maximum overall amount has been approved. The supplement amount may in the case of a new CEO and/or CFO not be higher than 20 percent above the amount which the previous CEO or CFO, respectively, was entitled to, based on the approval by the Shareholders' Meeting for the respective business year.

Since the Shareholders' Meeting will vote on the compensation of the Micronas Group Management at the next ordinary Shareholders' Meeting for the first time, no supplement amount has been resolved yet.

Overview on the compensation of the members of the Board of Directors and the Micronas Group Management

Compensation of the Board of Directors and the Micronas Group Management 2014

CHF 1000	Remu- neration fix	Remu- neration variable	Granted options Number	Fair value	Private use of company car	Pension fund and social security contri- butions	Health care and accident insurance contri- butions	Total
Board of Directors								
Heinrich W. Kreutzer	160	0	20 000	40	0	10	0	210
Lucas A. Grolimund	80	0	10 000	20	0	5	0	105
Dr. Dieter G. Seipler	78	0	10 000	20	0	3	0	101
Dr. Stefan Wolf	75	0	10 000	20	0	0	0	95
Total Board of Directors	393	0	50 000	100	0	18	0	511
Micronas Group Management								
Matthias Bopp, CEO	413	220	50 000	100	15	154	5	907
Daniel Wäger, CFO (since Sept. 15, 2014)	64	35	0	0	3	10	0	112
Günter Hoppe, CFO (until Sept. 14, 2014)	175	72	20 000	40	10	8	4	309
Total Micronas Group Management	652	327	70 000	140	28	172	9	1 328

Compensation of the Board of Directors and the Micronas Group Management 2013

CHF 1000	Remu- neration fix	Remu- neration variable	Granted Number	options Fair value	Private use of company car	Pension fund and social security contri- butions	Health care and accident insurance contri- butions	Total
Board of Directors								
Heinrich W. Kreutzer	160	0	20 000	56	0	8	0	224
Lucas A. Grolimund	80	0	10 000	28	0	5	0	113
Dr. Dieter G. Seipler	78	0	10 000	28	0	4	0	110
Dr. Stefan Wolf	75	0	10 000	28	0	0	0	103
Total Board of Directors	393	0	50 000	140	0	17	0	550
Micronas Group Management								
Matthias Bopp, CEO	378	133	50 000	141	15	32	5	704
Günter Hoppe, CFO	192	33	20 000	56	12	17	5	315
Total Micronas Group Management	570	166	70 000	197	27	49	10	1 019

Stock option plan and participation in the Company

According to the stock option plan of the Company, the Board of Directors may, at its sole discretion, grant options to employees and members of the Board of Directors of the Company or Group companies to acquire registered shares in the Company, however subject to the approval of the Shareholders' Meeting. One registered share may be acquired for each option. The options may not be traded. Registered shares to be delivered based on options granted will be purchased by the Company on the SIX Swiss Exchange or made available from the conditional capital.

As a rule, the exercise price of the options corresponds to the closing price of the registered shares on the SIX Swiss Exchange on the day of the grant of the options, which is usually a day in January or July determined by the Board of Directors at its preceding meeting. All options are subject to lockup periods (for further details on options please refer to the table on page 57).

It is a condition precedent for the exercise of the options (1) that the beneficiary of the options is, in general, employed by the Company or a Group company or is a member of the Board of Directors of the Company on the first day of the respective exercise period and (2) that no bankruptcy or attachment proceedings regarding the private assets of the beneficiary and no insolvency proceedings have been initiated or completed.

Without the prior consent of the Board of Directors of the Company, beneficiaries are not allowed to buy and sell registered shares of the Company received upon the exercise of options, other registered shares of the Company and derivatives relating to the Company's registered shares during a period of 30 calendar days prior to the date of publication of the annual, semiannual and quarterly financial information. Furthermore, the Board of Directors may decide to prohibit the trading in securities of the Company within the trading windows for important reasons.

In the event of a merger, quasi-merger, takeover of the Company or substantial parts of the Company by third parties (share or asset deal) as well as similar transactions, the beneficiaries of options granted according to the stock option plan have the right to sell back all allotted and not yet exercised options to the Company within 60 days after the public announcement of the respective event. The purchase price amounts to the difference between (1) the average closing price of the shares of the Company on the SIX Swiss Exchange on the ten trading days following the public announcement of the event and (2) the exercise price of the options. The opening of insolvency proceedings against the Company as well as the decision to liquidate the Company or similar events shall be treated in the same way.

In the event of a merger, quasi-merger, takeover of the Company or substantial parts of the Company by third parties (share or asset deal) as

well as similar transactions, the employment agreements between Micronas group companies and the members of the Micronas Group Management may be terminated by either party as of the date of the closing of such a transaction without observing a notice period.

The below table shows the number of shares and options held by the Board of Directors and the Micronas Group Management. The shareholding consists of shares purchased and shares allocated based on options exercised.

Number of shares and options held by the Board of Directors and the Micronas Group Management

	Number of shares	Number of options					Total
		2011	2012	2013	2014	2015	
Board of Directors							
Heinrich W. Kreutzer Chairman of the Board of Directors	0	20 000	20 000	20 000	20 000	20 000	100 000
Lucas A. Grolimund Member of the Board of Directors	0	10 000	10 000	10 000	10 000	10 000	50 000
Dr. Dieter G. Seipler Member of the Board of Directors	0	10 000	10 000	10 000	10 000	10 000	50 000
Dr. Stefan Wolf Member of the Board of Directors	0	10 000	10 000	10 000	10 000	10 000	50 000
Micronas Group Management							
Matthias Bopp Chief Executive Officer	0	50 000	50 000	50 000	50 000	70 000	270 000
Daniel Wäger Chief Financial Officer	2 000	0	0	0	0	25 833	25 833

Options series	Date of issue	Exercise start	Expiration date	Exercise price
2011	Jan. 3, 2011	Jan. 1, 2014	Dec. 31, 2016	11.90
2012	Jan. 3, 2012	Jan. 1, 2015	Dec. 31, 2017	6.74
2013	Jan. 3, 2013	Jan. 1, 2016	Dec. 31, 2018	8.59
2014	Jan. 3, 2014	Jan. 1, 2017	Dec. 31, 2019	7.00
2015	Jan. 3, 2015	Jan. 1, 2018	Dec. 31, 2020	7.00

Compensation to former members of the Board of Directors and the Micronas Group Management

The employment relationship with the former CFO, Günter Hoppe, ended on October 31, 2014 due to Günter Hoppe's retirement. The compensation of Günter Hoppe in 2014 can be seen in the table on pages 54.

Compensation, loans and credits to related parties

No compensation and no loans or credits have been paid or granted to related parties of members of the Board of Directors and the Micronas Group Management in 2014 and 2013.

Loans and credits to the members of the Board of Directors and the Micronas Group Management

The Articles of Incorporation of the Company state that loans and credit facilities cannot be granted to the members of the Board of Directors and the Micronas Group Management. Accordingly, as of December 31, 2014 and 2013, no loans or credits were granted to current or former members of the Board of Directors and the Micronas Group Management.

Report of the statutory auditor on the Compensation Report to the ordinary Shareholders' Meeting of Micronas Semiconductor Holding AG, Zurich

We have audited the accompanying Compensation Report of Micronas Semiconductor Holding AG for the year ended December 31, 2014. The audit was limited to the information according to articles 14–16 of the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies contained in the tables Compensation of the Board of Directors and the Micronas Group Management 2013 and 2014 on pages 54 to 55 of the Compensation Report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation 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 accompanying Compensation 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 Compensation 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 Compensation 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 Compensation 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 Compensation 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 Compensation Report for the year ended December 31, 2014, of Micronas Semiconductor Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, February 12, 2015

Herbert Bussmann

Licensed Audit Expert
(Auditor in charge)

Roman Wenk

Licensed Audit Expert

Five-year comparison

Micronas Group

Consolidated figures	2014 CHF 1000	2013 CHF 1000	2012 CHF 1000	2011 CHF 1000	2010 CHF 1000
Net sales	158 450	151 919	168 465	158 799	190 268
Cost of sales	- 108 079	- 102 945	- 100 963	- 99 612	- 126 068
Margin	50 371	48 974	67 502	59 187	64 200
in % of net sales	31.8	32.2	40.1	37.3	33.7
Research and development expenses	- 27 932	- 27 752	- 28 948	- 28 376	- 24 106
Marketing and sales expenses	- 10 530	- 9 891	- 10 285	- 8 468	- 8 798
Administrative and general expenses	- 6 042	- 5 590	- 6 228	- 6 473	- 8 012
Other operating income (+) and expenses (-), net	525	2 341	2 188	1 001	1 406
Operating profit before impairment and restructuring	6 392	8 082	24 229	16 871	24 690
Impairment and restructuring	0	0	0	3 751	1 437
Operating profit	6 392	8 082	24 229	20 622	26 127
in % of net sales	4.0	5.3	14.4	13.0	13.7
Financial income (+) and expenses (-), net, foreign exchange gains and losses, net	- 2 932	- 1 362	- 11 245	- 17 731	- 18 167
Other income (+) and expenses (-), net	0	105	105	114	110
Profit before tax	3 460	6 825	13 089	3 005	8 070
in % of net sales	2.2	4.5	7.8	1.9	4.2
Income taxes	- 12	- 190	6 205	8 503	- 1 373
Profit for the period	3 448	6 635	19 294	11 508	6 697
Attributable to:					
Shareholders of the parent	3 448	6 635	19 294	11 508	6 697
Capital expenditures	20 409	10 547	8 702	19 056	5 464
Total assets	297 699	303 151	297 776	281 000	280 309
Shareholders' equity	109 762	129 843	125 607	131 000	122 670
Cash flow from operating activities	3 230	10 597	23 594	19 888	- 2 007
Average number of employees	923	903	894	884	891
Number of employees at year-end	929	912	893	879	873

Key performance benchmarks

Micronas Group

	2014 in %	2013 in %	2012 in %	2011 in %	2010 in %
Return on equity (ROE)¹	2.9	5.2	15.0	9.1	5.4
Return on assets (ROA)²	2.6	3.8	9.8	9.9	5.7
Equity ratio³	36.9	42.8	42.2	46.6	43.8
Current ratio⁴	998.0	939.2	877.7	698.2	740.7

¹ ROE $\frac{\text{Profit for the period} \times 100}{\text{Shareholders' equity (average)}}$

³ Equity ratio $\frac{\text{Shareholders' equity} \times 100}{\text{Total assets}}$

² ROA $\frac{\text{Profit for the period} + \text{Interest income and expenses, net,} \times 100}{\text{Total assets (average)}}$

⁴ Current ratio $\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$

Key share data

Micronas Group

31.12.2014		
Number of registered shares (nominal value CHF 0.05)		29 752 930
Nominal capital	CHF 1000	1 488
EBIT per share¹	CHF	0.22
Profit per share²	CHF	0.12
Shareholders' equity per share	CHF	3.72
Share price and market capitalization SIX Swiss Exchange		
Share price		
High	CHF	8.20
Low	CHF	5.60
Year-end	CHF	5.68
Market capitalization³		
High	CHF 1000	243 974
Low	CHF 1000	166 616
Year-end	CHF 1000	168 997

¹ EBIT per share $\frac{\text{Operating profit for the period}}{\text{Number of shares (average for the year)}}$

³ Calculation based on listed shares as at December 31, 2014

² Earnings per share $\frac{\text{Profit for the period}}{\text{Number of shares (average for the year)}}$

Financial Report 2014

Micronas Group

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Micronas Semiconductor Holding AG

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Consolidated statement of comprehensive income

	Note	2014 CHF 1000	2013 CHF 1000
Net sales		158 450	151 919
Cost of sales		– 108 079	– 102 945
Margin		50 371	48 974
in % of net sales		31.8	32.2
Research and development expenses		– 27 932	– 27 752
Marketing and sales expenses		– 10 530	– 9 891
Administrative and general expenses		– 6 042	– 5 590
Other operating income	7	1 332	3 006
Other operating expenses	8	– 807	– 665
Operating profit		6 392	8 082
in % of net sales		4.0	5.3
Financial income	10	2 470	7 143
Financial expenses	11	– 5 481	– 7 011
Foreign exchange gains/losses		79	– 1 494
Other income	12	0	105
Profit before tax		3 460	6 825
Income taxes	13	– 12	– 190
Profit for the period		3 448	6 635
in % of net sales		2.2	4.4
Attributable to:			
Shareholders of the parent		3 448	6 635
Other comprehensive income	14		
Items that are not reclassified subsequently to profit or loss			
Remeasurement on pension obligations		– 22 231	– 3 581
Income tax effect		2 260	438
		– 19 971	– 3 143
Items that are or may be reclassified subsequently to profit or loss			
Translation adjustment		– 1 245	471
Gain/loss of valuation of available-for-sale financial assets		– 219	171
Gain/loss on cash flow hedge		– 2 118	659
Income tax effect		646	– 214
		– 2 936	1 087
Other comprehensive income for the period, net of tax		– 22 907	– 2 056
Total comprehensive income for the period		– 19 459	4 579
Attributable to:			
Shareholders of the parent		– 19 459	4 579
Weighted average number of issued and outstanding shares		29 495 950	29 483 763
Earnings per share in CHF – undiluted	36	0.12	0.23
Weighted average number of issued and outstanding shares for calculation of earnings per share – diluted		29 526 627	29 527 661
Earnings per share in CHF – diluted	36	0.12	0.22

Consolidated statement of financial position

Assets	Note	31.12.2014 CHF 1000	31.12.2013 CHF 1000
Non-current assets			
Property, plant and equipment	15	59 331	51 111
Intangible assets	16	3 971	4 605
Investments	17	11 038	11 257
Other long-term assets		344	530
Deferred tax assets	18	21 208	18 685
Total non-current assets		95 892	86 188
Current assets			
Inventories	19	33 520	26 933
Accounts receivable – trade	20	14 589	12 692
Other current assets	21	1 549	3 596
Short-term financial investments	22	62 989	72 164
Cash and cash equivalents	23	89 160	101 578
Total current assets		201 807	216 963
Total assets		297 699	303 151

Shareholders' equity and liabilities

Shareholders' equity			
Issued capital	24	1 488	1 486
Additional paid-in capital		498 220	498 844
Treasury shares	25	– 9 430	– 9 430
Other reserves		– 53 460	– 30 553
Retained deficit		– 327 056	– 330 504
Equity attributable to shareholders of the parent		109 762	129 843
Long-term liabilities			
Pension obligations	26	165 302	146 961
Other long-term provisions	27	2 331	3 163
Other long-term liabilities		82	83
Total long-term liabilities		167 715	150 207
Current liabilities			
Accounts payable – trade	28	9 219	11 394
Short-term provisions	27	1 565	2 518
Income tax payable		25	20
Other current liabilities	29	9 413	9 169
Total current liabilities		20 222	23 101
Total liabilities		187 937	173 308
Total shareholders' equity and liabilities		297 699	303 151

Consolidated statement of cash flows

Operating activities

	Note	2014 CHF 1000	2013 CHF 1000
Profit before tax		3 460	6 825
Depreciation and amortization	9	11 668	11 333
Interest income (–) and expense (+), net (excl. interest portion of discounted long-term provisions and liabilities)	10, 11	– 315	– 366
Fair value gains (–) and losses (+) on derivative financial instruments	10, 11	– 1 469	– 4 935
Gain on disposal of fixed assets		– 455	– 73
Share compensation expense	37	741	918
Foreign exchange gains and losses		– 538	– 69
Benefits paid to pensioners	26	– 6 786	– 6 574
Change in other long-term assets, provisions and liabilities		5 298	2 704
Change in inventories		– 7 175	– 367
Change in accounts receivable – trade and other current assets		175	– 2 905
Change in accounts payable – trade, short-term provisions and other current liabilities		– 1 558	4 426
Income taxes paid (–) and received (+)		184	– 320
Cash flow from operating activities		3 230	10 597

Investing activities

Capital expenditures	15, 16	– 20 409	– 10 547
Short-term financial investments ¹	22	5 720	– 47 077
Interest received		346	332
Proceeds from disposal of fixed assets		587	107
Cash flow from investing activities		– 13 756	– 57 185

Financing activities

Increase in issued capital and additional paid-in capital		111	213
Distribution to shareholders		– 1 474	– 1 474
Interest paid		0	0
Cash flow from financing activities		– 1 363	– 1 261
Exchange effect on cash		– 529	1 279
Change in cash and cash equivalents		– 12 418	– 46 570
Cash and cash equivalents at end of period		89 160	101 578
Cash and cash equivalents as at January 1		101 578	148 148
Change in cash and cash equivalents		– 12 418	– 46 570

¹ During 2014 and 2013, cash equivalents have been invested in short-term financial cash deposits with a maturity of more than three months up to one year. Please refer to note 22.

Consolidated statement of changes in equity

		Equity attributable to the shareholders of the parent							Total
CHF 1000	Note	Issued capital	Additional paid-in capital	Treasury shares	Cash flow hedge reserve	Available-for-sale reserve	Remeasurements on pension obligations	Foreign currency translation reserve	
Balance as at 31.12.2012		1 484	499 189	- 9 430	1 218	- 234	- 28 167	- 1 314	125 607
Profit for the period								6 635	6 635
Other comprehensive income	14				659	171	- 3 581	471	- 2 280
Income tax effect	14				- 214		438		224
Total comprehensive income for the period					445	171	- 3 143	471	4 579
Distribution to shareholders			- 1 474						- 1 474
Exercise of share options	37	2	211						213
Share compensation expense	37		918						918
Balance as at 31.12.2013		1 486	498 844	- 9 430	1 663	- 63	- 31 310	- 843	129 843
Profit for the period								3 448	3 448
Other comprehensive income	14				- 2 118	- 219	- 22 231	- 1 245	- 25 813
Income tax effect	14				646		2 260		2 906
Total comprehensive income for the period					- 1 472	- 219	- 19 971	- 1 245	- 19 459
Distribution to shareholders			- 1 474						- 1 474
Exercise of share options	37	2	109						111
Share compensation expense	37		741						741
Balance as at 31.12.2014		1 488	498 220	- 9 430	191	- 282	- 51 281	- 2 088	109 762

Notes to the consolidated financial statements

1. General

Micronas Semiconductor Holding AG is domiciled in Technopark, Technoparkstrasse 1, CH-8005 Zurich (Switzerland). The operative headquarters of the Micronas Group are located in Freiburg im Breisgau (Germany). Micronas is known and recognized in the automotive and industrial business as a reliable global partner for intelligent, sensor-based system solutions. Micronas offers a variety of Hall sensors and embedded controllers for smart actuators for automotive and industrial applications, such as drivetrains, chassis frames, engine management and convenience functions.

2. Accounting principles

General information

The consolidated financial statements of the Micronas Group are presented in Swiss francs (CHF). They have been prepared in accordance with International Financial Reporting Standards (IFRS). The Board of Directors authorized the financial statements for issue on February 12, 2015. The financial statements are subject to shareholder approval at the ordinary Shareholders' Meeting scheduled for March 27, 2015.

Future new and revised standards

The Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be mandatory from January 1, 2015, which the Group has not yet applied. Based on the analysis to date, the Group does not anticipate that these will have a material impact on the Group's overall results and financial position. The Group is also assessing other new and revised standards which are not mandatory until after 2015, notably IFRS 9 "Financial instruments" and IFRS 15 "Revenues from contracts with customers".

Significant accounting estimates

In the process of applying the Group's accounting policies Management has made estimates for the determination of key assumptions concerning the future and key sources of uncertainty at the balance sheet date. Such estimates have a significant impact on the carrying amounts, beside the measurement of fair values, as discussed below.

Impairment of non-financial assets

The Group assesses whether there are indicators of impairment for all non-financial assets at each reporting date. Indefinite-life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, Management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences and for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant Management judgment is required to determine

the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits in the next five years together with future tax planning strategies.

Pensions

The defined benefit obligation and cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, longer or shorter life spans of participants, and other changes in the factors being assessed. These differences could impact on the assets or liabilities recognized in the balance sheet in future periods.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield, and making assumptions about them.

Notes to the consolidated financial statements

Additionally the measurement of provisions and contingent liabilities require a significant use of accounting estimates. For more details please refer to note 26 and note 27.

Principles of consolidation

The consolidated financial statements include the parent company and all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of companies acquired are included in the Group accounts from the date of acquisition. Acquisitions of operations are accounted for using the acquisition method.

Companies in which Micronas owns between 20 and 50 percent of the voting rights or has significant influence by other means (associates) are accounted for under the equity method. Companies in which Micronas has no significant influence are recorded at fair value. If the fair value cannot be determined reliably, they are recorded at cost.

All intragroup balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full.

Net sales

Net sales represent the fair value of goods sold less sales taxes and certain sales-related expenses. Revenue is recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the goods.

Foreign currency translation

The functional currency of Group companies in Euroland is the euro. For most other Group companies the functional currency is the local currency. Transactions in foreign currencies are recorded in the functional currency at the exchange rate prevailing on the dates of the transaction. Financial assets and liabilities in foreign currencies are valued in the functional currency at the exchange rates of the balance sheet date. Translation differences, except for those of equity loans, are recognized in the profit and loss statement. Translation differences of equity loans are recorded in other comprehensive income.

The reporting currency of the Micronas Group is the Swiss franc (CHF), because the ultimate parent company is domiciled in Switzerland and listed on the SIX Swiss Exchange. Assets and liabilities of subsidiaries which are denominated in foreign currencies are translated to Swiss francs using the exchange rates of the balance sheet date. For translation of the profit and loss

statement the average exchange rates for the year are used. Translation differences resulting from the consolidation of foreign currency-denominated financial statements are recorded in other comprehensive income.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not measured at fair value through profit or loss, directly attributable transaction costs.

Financial investments

Available-for-sale financial assets are measured at fair value subsequent to initial recognition. Gains and losses on remeasurement to fair value are recognized in equity except for impairment losses, which are included in profit and loss.

Held-for-trading financial assets are measured at fair value subsequent to initial recognition. Gains and losses on remeasurement to fair value are included in profit and loss.

Treasury shares

Treasury shares are carried at cost in shareholders' equity. Gains and losses resulting from transactions with treasury shares are recorded directly in additional paid-in capital.

Inventories

Raw materials are carried at the lower of cost or net realizable value. Cost is determined by the first-in first-out method. Work in progress and finished goods of own production are carried at the lower of production cost or net realizable value. Production costs include direct labor costs, material costs and the allocable portion of production overhead. Resale finished goods are carried at the lower of purchase cost or net realizable value.

Accounts receivable

Accounts receivable are carried at initial fair value adjusted for expected losses to the extent not secured through letter of credit or credit insurance.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the

Notes to the consolidated financial statements

debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired accounts receivable are derecognized when they are assessed as uncollectible.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts with banks and short-term deposits with an initial maturity of three months and less.

Fixed assets

Fixed assets (property, plant and equipment) are valued at their historical acquisition cost, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the expected useful lives. The expected useful lifetimes for the current and comparative years are as follows:

Buildings	25 years
Fixtures	10 to 13 years
Machinery	5 years
Other fixed assets	3 to 7 years

Intangible assets

Micronas capitalizes development costs if all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The capitalized development costs are carried at their cost, less accumulated amortization and any accumulated impairment losses. Amortization is calculated on a straight-line basis over the expected useful lives and commences when the asset is available for use. The expected useful life is five years.

All intangible assets have a finite useful life. They are valued at their historical acquisition cost, less accumulated amortization and any accumulated impairment losses. Amortization is calculated on a straight-line basis over the expected useful lives. The amortization rates are 20 percent for computer software and 15 to 20 percent for other licenses.

Leases

Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income.

Pension benefit plans

Pension benefit plans exist in the form of state-run pension plans and various additional pension schemes of the Group companies. Unfunded defined benefit plans exist for one German Group company for employees that have joined the company prior to January 1, 2003. They are not affected by the volatility of the stock markets. The annual pension costs of the defined benefit plans are charged to personnel expenses with exception of the interest portion. The interest portion is

charged to financial expenses. Service costs and net interest amount on the net defined benefit obligation are recognized in profit or loss, whereas the remeasurements of the net defined benefit liability are recognized in other comprehensive income. Changes in liabilities for unfunded defined benefit plans are based on actuarial valuations using the projected unit credit method.

The annual pension costs of the Group's defined contribution plans are charged to personnel expenses.

Provisions

Provisions are recognized as either long-term or short-term. If Micronas has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Long-term provisions are discounted to reflect the present value, using a pretax discount rate that reflects current market assessment of time value of money and the risk specific to the liability.

From time to time, the Micronas Group may be involved in demands, claims and threatened litigation that arise in the normal course of our business. The Micronas Group recognizes a provision for asserted intellectual property rights infringements based on the probable outcome of each case as of each balance sheet date.

Notes to the consolidated financial statements

Financial liabilities

Short-term financial liabilities comprise of accounts payable and other current liabilities which are measured at amortized cost. Long-term financial liabilities are measured at amortized cost using the effective interest rate method.

Other income

Government grants related to assets are recorded as deferred income and recognized as non-operating income over the life of the respective assets. Grants related to income or expense items are presented as a credit in the statement of comprehensive income under other income.

Income taxes

The consolidated financial statements include current income taxes, which are based on the taxable result of the Group companies, calculated according to local tax rules, and deferred taxes. Deferred taxes are provided on all temporary differences between the tax base and accounting base of assets and liabilities included in the Group accounts.

Deferred taxes are calculated under the balance sheet liability method at the rates of tax expected to prevail when the temporary differences reverse. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized on all deductible temporary differences and on unused taxable losses carried forward provided that it is probable that sufficient future taxable income will be available in the near future to realize the deferred tax assets.

Deferred taxes relating to items recognized in other comprehensive income are recognized in other comprehensive income and not in the profit and loss statement.

Operating segment information

For Management purposes, the Group is organized in two reportable segments, the business divisions Automotive and Industrial.

The Automotive division develops, manufactures and sells sensors and embedded motor controllers used in the automotive industry.

The Industrial division develops, manufactures and sells sensors and embedded motor controllers used in the industrial industry.

Share-based payments

The Group issues equity-settled share-based payments to the Board of Directors, certain members of the Management and certain key employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest, and adjusted for the effect of non-market-based vesting conditions. The fair value of the options is determined by the Enhanced American Model, a binomial model, which includes the Modified Grant Date Method as requested by IFRS 2. The expected volatility has been calculated based on a historic and long-term volatility. The expected life used in the model has been adjusted, based on the Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Financial risk management policy

The Micronas Group's principal financial instruments mainly comprise cash and cash equivalents. The main purpose of these financial instruments is to supply sufficient financial means

for the Group's operations. Significant financial risks are hedged on a case-by-case basis. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, risk of losses from bad debts and foreign currency risk. A credit risk from other financial assets, which comprise cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty with a maximum exposure to the carrying amount of these instruments.

Interest rate risk

As there are no major bank loans and short-term deposits, there is no interest rate risk.

Liquidity risk

Presently a liquidity risk does not exist for the Micronas Group owing to the high amount of cash and cash equivalents.

Risk assessment

The Board of Directors dealt with the material risks, assessed the risks according to Art. 663b cl. 12 of the Swiss Code of Obligations and discussed required actions.

Notes to the consolidated financial statements

Risk of losses from bad debts

The risk of losses from bad debts is covered by a defined securing strategy. The Micronas Group directives cover its receivables. Most of the receivables with our customers are secured through letter of credit or credit insurance. In addition, credit limits and constant monitoring minimize the risk of losses from bad debts.

Foreign currency risk / hedge accounting

The foreign currency risk mainly results from a transactional currency exposure arising from sales or purchases in currencies other than the unit's functional currency. These are mainly in JPY and USD. Micronas uses financial instruments including currency forwards and currency options to hedge up to two-thirds of the expected net currency exposure for up to eighteen months. Hedge derivatives are identified according to the nature of the underlying either as a cash flow hedge or as a fair value hedge, and are valued at cost on the trade date. During subsequent reassessments, the change in fair value is either recognized in the statement of comprehensive income (fair value hedge) or against equity (cash flow hedge). When option contracts are identified as cash flow hedges, a distinction is made between the contract's time value and its intrinsic value. At the valuation date, the change in the time value is recognized in the statement of comprehensive income and the change in the intrinsic value against other comprehensive income.

As soon as the underlying becomes operative and the hedge can be considered as effective, the fair values of the underlying and the hedge are determined and the change in value is recognized in the statement of comprehensive income. In the case of cash flow hedges the change in value recognized in other comprehensive income for the prior periods is transferred to the income statement.

The Group has applied hedge accounting during the year ended December 31, 2014, and during the year ended December 31, 2013.

Capital management

The Group manages its capital with the aims of ensuring adequate liquidity, strong credited rating and a healthy ratio of equity to debt capital. The Board of Directors reviews the capital structure every three months, addressing capital costs and associated risk. The Group aims at an equity ratio of at least 40 percent.

Based on the annual result 2014 and the business conditions, Micronas proposes to distribute CHF 0.05 per share to the shareholders, totaling CHF 1 476 (000) from the capital contribution reserve.

3. Group structure

At November 7, 2013, Micronas decided to concentrate the research and development activities at the two German sites and initiated the closedown of Micronas Villach Halbleiterentwicklungs GmbH, Austria. The operational activity has abandoned in Villach at the end of 2013. At January 21, 2014, the company was renamed to BEDI GmbH.

In January 2014, Micronas Malaysia Sdn Bhd was liquidated.

Effective April 24, 2014, Micronas Semiconductor R&D (Shanghai) Co. Ltd. was liquidated.

Notes to the consolidated financial statements

Information about the Group companies is listed below: (% of shares refers to both, capital and voting rights)

Micronas Semiconductor Holding AG

Zurich, Switzerland
Activity: management of participations

Micronas GmbH

Freiburg, Germany
Ordinary capital: EUR 500 000
Activity: development, production, marketing and sales
% of shares: 100

Micronas Semiconductors, Inc.

San Jose, USA
Ordinary capital: USD 2
% of shares: 100

Micronas Ltd.

Glenrothes, Scotland
Ordinary capital: GBP 2
Activity: production
% of shares: 100

Micronas USA, Inc.

Santa Clara, USA
Ordinary capital: USD 10 000
% of shares: 100

Micronas Japan K.K.

Tokyo, Japan
Ordinary capital: JPY 10 000 000
Activity: marketing and sales support
% of shares: 100

Micronas Hong Kong & China Ltd.¹

Hong Kong, PRC
Ordinary capital: HKD 10 000
% of shares: 100

¹ Companies in process of liquidation.

Micronas Mantel1 GmbH

Freiburg, Germany
 Ordinary capital: EUR 25 000
 % of shares: 100

BEDI GmbH¹

Villach, Austria
 Ordinary capital: EUR 35 000
 % of shares: 100

Micronas Mantel2 GmbH

Freiburg, Germany
 Ordinary capital: EUR 25 000
 % of shares: 100

WIS Technologies Shanghai Ltd.¹

Shanghai, PRC
 Ordinary capital: USD 200 000
 % of shares: 100

Micronas New Technologies GmbH

Haar, Germany
 Ordinary capital: EUR 25 000
 Activity: development, sales support
 % of shares: 100

Notes to the consolidated financial statements

4. Currency exchange rates

Average rates

Consolidated statement of comprehensive income,
consolidated statement of cash flows

	2014	2013
1 EUR	1.2137	1.2317
1 GBP	1.5105	1.4538
1 USD	0.9579	0.9247
100 JPY	0.8650	0.9580

Year-end rates

Consolidated statement of financial position

	2014	2013
1 EUR	1.2030	1.2269
1 GBP	1.5368	1.4719
1 USD	0.9894	0.8886
100 JPY	0.8250	0.8440

5. Personnel expenses

	2014 CHF 1000	2013 CHF 1000
Wages and salaries	70 231	67 062
Social expenses	11 859	10 958
Share compensation expense	741	918
Pension expenses for defined benefit plans excluding interest expense	1 262	1 306
Pension expenses for defined contribution plans	348	328
Other	177	116
Total personnel expenses	84 618	80 688

The compensation of the Board of Directors and the Micronas Group Management is comprised of:

CHF 1000	Short-term employee benefits	Post- employment benefits	Share-based payment	Total
Board of Directors				
2014	393	18	100	511
2013	393	17	140	550
Micronas Group Management				
2014	1 016	172	140	1 328
2013	773	49	197	1 019
Total				
2014	1 409	190	260	1 839
2013	1 166	66	337	1 569

Management compensation disclosures required under Swiss law are presented in the Compensation Report on pages 54 and 55.

6. Number of employees

	2014	2013
Production	668	649
Research and development	103	108
Quality management	32	32
Marketing and sales	52	50
Administration and general	74	73
Number of employees at year-end	929	912
Average number of employees	923	903

7. Other operating income

	2014 CHF 1000	2013 CHF 1000
Income from rental and services	658	943
Gain on disposal of fixed assets	455	73
Release of restructuring provisions ¹	105	0
Income from release of time-barred liabilities	21	777
Release of mostly Consumer-related liabilities	0	577
All other	93	636
Total other operating income	1 332	3 006

¹ Closedown of Micronas Villach Halbleiterentwicklungs GmbH, Austria.

8. Other operating expenses

Expenses from write-off license	- 607	0
Capital tax	- 109	- 61
Specific allowance for bad debt	- 74	0
Restructuring ¹	0	- 244
Allowance for doubtful debt	0	- 300
All other	- 17	- 60
Total other operating expenses	- 807	- 665

¹ Closedown of Micronas Villach Halbleiterentwicklungs GmbH, Austria.

9. Depreciation and amortization

Land and buildings	1 330	1 357
Machinery and equipment	7 196	7 310
Other fixtures, fittings, tools and office equipment	2 002	2 228
Intangible assets	1 140	438
Total depreciation and amortization	11 668	11 333

Depreciation and amortization are allocated to the functional line items of the consolidated statement of comprehensive income according to the classification of the assets. Amortization of intangible assets is mainly included in cost of sales and research and development expenses.

Notes to the consolidated financial statements

10. Financial income

	2014 CHF 1000	2013 CHF 1000
Interest income ¹	315	369
Income from derivative financial instruments ²	2 155	6 774
Other financial income	0	0
Total financial income	2 470	7 143

¹ Relates to loans and receivables. Please refer to note 30.

² Relates to cash flow hedges. Please refer to note 30.

11. Financial expenses

Interest expenses ¹	0	- 3
Interest portion of pension expense	- 4 685	- 4 933
Interest portion of other discounted long-term provisions and liabilities	- 85	- 192
Expenses from financial instruments at fair value through profit and loss ²	- 686	- 1 839
Other financial expenses	- 25	- 44
Total financial expenses	- 5 481	- 7 011

¹ Relates to financial liabilities measured at amortized cost. Please refer to note 30.

² Relates to cash flow hedges. Please refer to note 30.

12. Other income

Grants related to income ¹	0	105
Total other income	0	105

¹ The grants related to income refer to research and development activities.

13. Income taxes

	2014 CHF 1000	2013 CHF 1000
Accrued tax current year (current income tax)	- 26	- 29
Accrued tax prior-year adjustments – other	24	- 26
Deferred income taxes	- 10	- 135
Total income taxes	- 12	- 190
Detail of deferred income taxes		
Loss carry forwards used	56	- 64
Recognition of previously unrecognized tax losses	1 711	5 970
Change in recognized temporary differences	- 1 750	- 6 415
Tax rate change	- 27	374
Total deferred income taxes	- 10	- 135
Profit before tax	3 460	6 825
Applicable tax rate in % ¹	29.6	29.8
Applicable income tax charge	- 1 025	- 2 032
Tax effect on non-deductible or non-taxable items	4 395	4 775
Unrecognized tax losses current year	- 3 394	- 2 986
Recognition of tax effect of previously unrecognized tax losses ²	1 711	5 970
Change in recognized deductible temporary differences	- 1 711	- 6 337
Utilization of previously unrecognized tax losses	15	72
Tax rate change	- 27	374
Prior-year adjustments	24	- 26
Total income taxes	- 12	- 190
Effective tax rate in %	0.3	2.8

¹ The applicable income tax rate is the normalized average of the tax rates of the respective individual tax jurisdictions. Due to the different weights of the respective local tax rates and individual taxable results of Group companies, the calculated applicable income tax rate has changed.

² The capitalization of deferred tax assets relating to loss carry forwards reflects Management's assessment of the probability that sufficient future taxable income will be generated in the German subsidiary in the next five years.

Notes to the consolidated financial statements

14. Other comprehensive income

	2014 CHF 1000	2013 CHF 1000
Cash flow hedges		
Gains/losses arising for the period	- 2 118	659
Income tax effect	646	- 214
Total cash flow hedges	- 1 472	445
Available-for-sale financial asset		
Net change in fair value	- 219	171
Total available-for-sale financial asset	- 219	171
Remeasurement on pension obligations		
Remeasurement on pension obligations	- 22 231	- 3 581
Income tax effect	2 260	438
Total remeasurement on pension obligations	- 19 971	- 3 143
Exchange difference on translating foreign operations		
Other exchange differences on translating foreign operations	- 1 245	471
Total foreign exchange gains and losses	- 1 245	471
Total other comprehensive income	- 22 907	- 2 056

15. Property, plant and equipment

	Land and buildings	Machinery and equipment	Other fixtures, fittings, tools and office equipment	Total 2014
Gross amount				CHF 1000
Balance, beginning of year	40 434	426 676	105 976	573 086
Additions	654	18 291	873	19 818
Disposals and retirements	0	– 17 830	– 2 193	– 20 023
Transfers	10	– 96	86	0
Translation adjustments	– 659	– 6 920	– 2 044	– 9 623
Balance, end of year	40 439	420 121	102 698	563 258
Accumulated depreciation				
Balance, beginning of year	18 141	406 109	97 725	521 975
Additions	1 330	7 196	2 002	10 528
Disposals and retirements	0	– 17 709	– 2 182	– 19 891
Translation adjustments	– 238	– 6 554	– 1 893	– 8 685
Balance, end of year	19 233	389 042	95 652	503 927
Balance net, end of year	21 206	31 079	7 046	59 331

Gross amount				2013
Balance, beginning of year	39 785	415 550	105 879	561 214
Additions	84	7 970	835	8 889
Disposals and retirements	0	– 2 685	– 2 373	– 5 058
Transfers	0	– 18	18	0
Translation adjustments	565	5 859	1 617	8 041
Balance, end of year	40 434	426 676	105 976	573 086
Accumulated depreciation				
Balance, beginning of year	16 581	395 871	96 365	508 817
Additions	1 357	7 310	2 228	10 895
Disposals and retirements	0	– 2 684	– 2 340	– 5 024
Translation adjustments	203	5 612	1 472	7 287
Balance, end of year	18 141	406 109	97 725	521 975
Balance net, end of year	22 293	20 567	8 251	51 111

Above balances include buildings, machinery and equipment in the course of construction in the amount of CHF 6 247 (000) in 2014 and CHF 3 554 (000) in 2013.

The fire insurance value was CHF 913 057 (000) in 2014 and CHF 904 702 (000) in 2013.

Notes to the consolidated financial statements

16. Intangible assets

	Capitalized development cost	Acquired technology, licenses and software	Total 2014
Gross amount			CHF 1000
Balance, beginning of year	5 265	62 551	67 816
Additions	353	238	591
Disposals and retirements	0	– 57	– 57
Translation adjustments	– 106	– 1 220	– 1 326
Balance, end of year	5 512	61 512	67 024
Accumulated amortization			
Balance, beginning of year	3 762	59 449	63 211
Additions	249	891	1 140
Disposals and retirements	0	– 57	– 57
Translation adjustments	– 76	– 1 165	– 1 241
Balance, end of year	3 935	59 118	63 053
Balance net, end of year	1 577	2 394	3 971

Gross amount			2013
Balance, beginning of year	4 120	61 059	65 179
Additions	1 085	573	1 658
Disposals and retirements	0	– 18	– 18
Translation adjustments	60	937	997
Balance, end of year	5 265	62 551	67 816
Accumulated amortization			
Balance, beginning of year	3 567	58 273	61 840
Additions	140	298	438
Disposals and retirements	0	– 18	– 18
Translation adjustments	55	896	951
Balance, end of year	3 762	59 449	63 211
Balance net, end of year	1 503	3 102	4 605

17. Investments

In 2011, Micronas acquired a stake in X-FAB Group, classified as available-for-sale financial asset through equity, and recorded an investment of CHF 11.3 million. In 2014 a valuation loss of CHF 0.2 million (2013: a valuation gain of CHF 0.2 million) was recorded in other

comprehensive income. X-FAB is a leading analog/mixed-signal foundry group manufacturing silicon wafers for analog-digital integrated circuits (mixed-signal ICs). Matthias Bopp, CEO of the Micronas Group, is a member of the Board of Directors of X-FAB.

18. Deferred tax assets

	2014 CHF 1000	2013 CHF 1000
Amount, beginning of year	18 685	18 349
Income tax recorded through profit and loss ¹	– 10	– 135
Income tax effect recorded in other comprehensive income	2 906	224
Translation adjustments	– 373	247
Balance, end of year	21 208	18 685
Deferred tax assets, gross		
Temporary differences on		
– Tangible fixed assets	201	267
– Intangible assets	404	2 329
– Other non-current assets	43	37
– Long-term provisions and liabilities	8 258	5 906
– Other current assets/liabilities	11	8
Losses carried forward	13 217	11 654
Total deferred tax assets, gross – end of year	22 134	20 201
thereof offset with deferred tax liabilities	– 926	– 1 516
Deferred tax assets in consolidated statement of financial position	21 208	18 685
Deferred tax liabilities, gross		
Temporary differences on		
– Tangible fixed assets	155	114
– Other current assets/liabilities	771	1 402
Total deferred tax liabilities, gross – end of year	926	1 516
thereof offset with deferred tax assets	926	1 516

¹ Please refer to note 13.

As at December 31, 2014, the Company had approximately CHF 81 million in non-recognized net operating losses for trade income tax and CHF 112 million for corporate income tax carried forward in Germany and CHF 906 million in non-recognized net operating losses carried forward in Switzerland. In Switzerland non-recognized losses carried forward of CHF 281 million expire 2015, CHF 368 million expire 2016, CHF 238 million expire 2017 and non-recognized losses carried forward of CHF 20 million expire 2018.

Notes to the consolidated financial statements

19. Inventories

	2014 CHF 1000	2013 CHF 1000
Materials and supplies		
measured at cost	5 481	3 367
measured at net realizable value	0	0
Work in progress		
measured at cost	22 025	17 994
measured at net realizable value	0	0
Finished goods of own production		
measured at cost	5 243	5 404
measured at net realizable value	771	168
Resale finished goods		
measured at cost	0	0
measured at net realizable value	0	0
Total inventories	33 520	26 933
Amount of inventories recognized as a cost of sales during the period	99 593	96 808
Amount of any write-down of inventories recognized as an expense during the period	3 650	1 147
Amount of reversal of write-downs recognized as a reduction in the amount of inventories recognized as expense in the period	160	1 145

This reversal was recognized following sales of previously written-down inventories.

20. Accounts receivable – trade

Trade receivables, net	14 589	12 692
Total receivables, net	14 589	12 692

Trade receivables are non-interest-bearing and are generally on 30 to 60 days' term. As at December 31, 2014, trade receivables at nominal value of CHF 73 (000) were impaired and fully provided for. At December 31, 2013, no trade receivables were impaired.

Allowance for credit losses

Balance, beginning of year	0	0
Additions	73	0
Uses	0	0
Reversals	0	0
Translation adjustments	0	0
Balance, end of year	73	0

As at December 31, the analysis of trade receivables that were past due but not impaired is as follows:

CHF 1000	Total	Neither past due nor impaired	Past due but not impaired				
			until 30 days	31–60 days	61–90 days	91–120 days	> 120 days
2014	14 589	13 846	644	99	0	0	0
2013	12 692	11 762	807	123	0	0	0

As at December 31, 2014, about 96 percent (December 31, 2013, about 95 percent) of the accounts receivable – trade were secured through credit insurance or letter of credit.

21. Other current assets

	2014 CHF 1000	2013 CHF 1000
Prepaid expenses and accrued income	672	1 919
Tax receivables	388	1 405
Advancement combined heat and power unit	313	0
Deposits	17	34
Research premium	0	102
Other	159	136
Total other current assets	1 549	3 596

22. Short-term financial investments

Derivative financial instruments	788	3 335
Short-term financial cash deposits with a maturity of more than three months up to one year ¹	62 201	68 829
Total short-term financial investments	62 989	72 164

¹ Short-term financial cash deposits have an initial maturity of three up to twelve months. Comparing to shorter terms the interest rates are generally higher.

The short-term financial investments are entered into with banks and financial-institution counterparties, which are rated with upper-medium grade by Morgan Stanley, Moody's and Fitch ratings.

Short-term financial cash deposits

Opening balance	68 829	21 749
Additions/deductions	– 5 334	46 928
Translation adjustments	– 1 294	152
Short-term financial cash deposits, end of period	62 201	68 829
Short-term financial cash deposits, end of period	62 201	68 829
Cash and cash equivalents, end of period	89 160	101 578
Cash and cash equivalents and short-term cash deposits, end of period	151 361	170 407

Notes to the consolidated financial statements

23. Cash and cash equivalents

	2014 CHF 1000	2013 CHF 1000
Cash on hand	7	6
Current accounts with banks	64 229	68 168
Short-term deposits with an initial maturity of three months or less	24 924	33 404
Total cash and cash equivalents	89 160	101 578

The cash and cash equivalents are held with banks and financial-institution counterparties, which are rated with upper-medium grade by Morgan Stanley, Moody's and Fitch ratings.

Cash and cash equivalents earn interest at floating rates. A cash portion of CHF 842 (000) (2013: CHF 1 350 (000)) is pledged to ensure claims of members of the early retirement program. Management uses this economic option to save bank fees. All other cash and cash equivalents are not restricted and available for use.

24. Issued capital

The issued and fully paid share capital of Micronas Semiconductor Holding AG comprises:

	Number	31.12.2014 CHF 1000	Number	31.12.2013 CHF 1000
Opening balance	29 727 930	1 486	29 676 680	1 484
Exercise of share options	25 000	2	51 250	2
Balance, end of year	29 752 930	1 488	29 727 930	1 486

Conditional capital

The Articles of Incorporation provide for a conditional capital (according to Art. 653 of the Swiss Code of Obligations) of a maximum of CHF 35 358.50 through the issuance of a maximum of 707 170 registered shares with a nominal value of CHF 0.05 each by the exercise of option rights granted or to be granted to the members of the Board of Directors, to certain members of the Management and certain key personnel of the Company or Group companies. The adoption of the Articles of Incorporation resulting from the option exercise in 2014 will be registered in the first quarter 2015.

As at December 31, 2014, the Company is aware of the following shareholders holding 3 percent or more of the capital and/or voting rights of the Company:

	2014	2013
Nortrust Nominees Ltd., London, Great Britain ¹	9.23%	5.96%
RBC Dexia Investor Services Trust, London, Great Britain ¹	7.90%	6.74%
Sparinvest Holding SE, Luxembourg ²	5.33%	5.35%
Brandes Investment Partners, L.P., San Diego, USA ²	5.08%	3.02%
Black Creek Investment Management Inc., Toronto, Canada ²	5.04%	5.04%
Highclere International Investors LLP, London, Great Britain ²	3.08%	n.a.
Wellington Management Company, LLP, Boston, USA ²	3.03%	n.a.
FIL Limited, Hamilton, Bermuda ²	n.a.	4.98%
Chase Nominees Ltd., London, Great Britain ¹	n.a.	3.20%

¹ Nortrust Nominees Ltd. and RBC Dexia Investor Services Trust are acting in their capacity as nominees for other investors. The above percentages conform to the figures as at December 31, 2014.

² The above percentages conform to the figures contained in the respective notifications to the Company and the Disclosure Office of the SIX Swiss Exchange; they may not be accurate as at December 31, 2014.

25. Treasury shares

	Number	2014 CHF 1000	Number	2013 CHF 1000
Opening balance	242 188	9 430	242 188	9 430
Balance, end of year	242 188	9 430	242 188	9 430
Average purchase price in CHF		38.94		38.94

26. Unfunded defined benefit obligations

The Group provides benefit to most of its German employees for the period after they have retired. The pension arrangements are governed by the German Occupational Pensions Act ('BetrAVG'). These arrangements are unfunded and the Group pays the pensions to the retired employees directly from own financial resources. The benefits provided are dependent on the length of employment and the salary of the employee concerned. The plans are non-contributory for employees. As this plans are unfunded plans, they are not affected by the volatility of the stock markets.

The Group contributes two different benefit plans:

Plan A

Individual retirement plans for members of the Management Board and executive officers.

Plan B

Unfunded defined benefit plans for employees that have joined the Company prior to January 1, 2003.

The plans, in Germany typical, expose the Group to actuarial risks such as interest rate risk, longevity risk, salary risk and pension growth risk.

Discount rate risk

A decrease in the discount rate will increase the plan liability.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase of the salaries of the plan participants will increase the plan's liability.

Pension growth risk

The present value of the defined benefit plan liability is calculated by the estimated post-retirement pension growth rate. An increase of the post-retirement pension growth rate will increase the plan's liability.

The following table shows a reconciliation from the opening balances to the closing balances for unfunded defined benefit obligations and its components:

	2014 CHF 1000	2013 CHF 1000
Present value of obligations, beginning of year	146 961	141 549
Included in profit or loss		
Interest cost	4 685	4 933
Current service cost	1 262	1 306
	5 947	6 239
Included in OCI		
Remeasurement (gains)/losses:		
Unrecognized actuarial (gains)/losses arising from:		
– Demographic assumptions	– 599	– 403
– Financial assumptions	22 830	3 984
– Experience adjustment	0	0
	22 231	3 581
Other		
Benefits paid	– 6 786	– 6 574
Translations adjustments	– 3 051	2 166
	– 9 837	– 4 408
Net liability recognized in the balance sheet	165 302	146 961

The interest portion is charged to financial expenses.

The Group expects to pay CHF 6.9 million to its pensioners in 2015.

Notes to the consolidated financial statements

Actuarial assumptions

The following were the principal assumptions at the reporting date:

	2014 Germany	2013 Germany
Discount rate per annum	1.97%	3.30%
Salary increase per annum	2.0%	2.0%
Post-retirement pension increases	1.67%	2.00%

Assumptions of staff turnover and retirement rates have been based on the experience of similar retirement schemes. Regarding future mortality the Heubeck 2005 G mortality tables have been used.

The current longevity underlying the values of the defined benefit obligation at the reporting date were as follows:

	2014	2013
Longevity at age 65 for current pensioners		
Males	18.4	18.3
Females	22.5	22.4
Longevity at age 65 for members at current age 45		
Males	21.1	21.0
Females	25.0	24.9
Weighted average duration of defined benefit obligation		
Plan A	11.8	11.3
Plan B	16.1	15.2

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

December 31, 2014

CHF 1000

	Unfunded defined benefit obligation	
	Increase	Decrease
Discount rate (1% movement)	- 22 201	28 380
Future salary growth (0.5% movement)	32	- 34
Future post-retirement pension growth (0.5% movement)	11 693	- 10 565

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

27. Other provisions

2014 CHF 1000	Balance, beginning of year	Charge to costs and expenses	Reversal of provisions	Usage, payments	Other	Translation adjustments	Balance, end of year
Restructuring	1 039	99	– 47	– 953	0	45	183
Jubilee	1 559	191	0	– 249	0	– 30	1 471
Warranty	664	358	– 248	– 121	0	– 13	640
Loss on pending business	451	0	0	– 40	0	– 8	403
Early retirement	1 503	136	0	– 873	0	– 23	743
Other	465	40	– 5	– 35	0	– 9	456
Total other provisions	5 681	824	– 300	– 2 271	0	– 38	3 896
Thereof short-term provisions	2 518	457	– 300	– 1 128	0	18	1 565
Thereof long-term provisions	3 163	367	0	– 1 143	0	– 56	2 331

2013 CHF 1000							
Restructuring	1 709	259	– 316	– 640	0	27	1 039
Jubilee	1 701	135	– 6	– 298	0	27	1 559
Warranty	688	555	– 413	– 177	0	11	664
Loss on pending business	238	453	0	– 243	0	3	451
Early retirement	4 006	133	– 669	– 2 038	0	71	1 503
Other	590	35	– 131	– 15	0	– 14	465
Total other provisions	8 932	1 570	– 1 535	– 3 411	0	125	5 681
Thereof short-term provisions	2 579	1 264	– 852	– 1 074	563	38	2 518
Thereof long-term provisions	6 353	306	– 683	– 2 337	– 563	87	3 163

Jubilee provision is set up for anniversary payments to employees. The recorded liability is determined using the projected unit credit method based on the valuation performed by an external party. The valuation has been calculated using a discount rate of 2.14 percent in 2014 and 3.3 percent in 2013 and the Heubeck 2005 G mortality tables. The employees receive a fixed anniversary payment from the Company on their 25th and 40th anniversary. The charge to costs and expenses includes CHF 46 (000) (2013: CHF 54 (000)) interest expense.

The warranty provision relates to estimated costs to be incurred to repair or replace faulty products. The estimate is determined based on the actual sales volume and past experience. It is expected that the warranty reserve will be used in the next year.

The early retirement provision is based on legal regulations, agreements with workers' council and past experience. The long-term portion is discounted over four years at a discount rate of 1.03 percent in 2014 and 2.05 percent in 2013. The provision is expected to be used pro rata up to the year 2019. The charge to costs and expenses includes CHF 38 (000) (2013: CHF 133 (000)) interest expense.

Based on the current knowledge of the Management, the outcome of any settlement of a legal proceeding and resulting liabilities in excess of what has been provided for are not likely to be material.

Notes to the consolidated financial statements

28. Accounts payable – trade

Accounts payable – trade are non-interest-bearing and are normally settled on 30 to 45 days' term.

29. Other current liabilities

	2014 CHF 1000	2013 CHF 1000
Accrued expenses	5 536	6 265
Accrued social expenses	2 348	2 426
Advances from customers	1 154	196
VAT payable	315	244
Other	60	38
Total other current liabilities	9 413	9 169

30. Financial instruments

2014
CHF 1000

Financial assets and liabilities aggregated by category in accordance with IAS 39:

Net carrying amount	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Derivatives part of a hedging relationship
Assets				
Investments	0	11 038		
Other long-term assets ¹	92	0		147
Accounts receivable	14 589	0		
Other current assets ¹	489	0		
Short-term financial investments				
– Short-term cash deposits	62 201	0		
– Derivatives				788
Cash and cash equivalents	89 160	0		
Liabilities				
Other long-term liabilities			0	
– Derivatives with a hedging relationship				0
Accounts payable – trade			9 219	
Other current liabilities ²			4 134	
– Derivatives with a hedging relationship				0
Total	166 531	11 038	13 353	935

2013
CHF 1000

Net carrying amount

Assets				
Investments	0	11 257		
Other long-term assets ¹	94	0		278
Accounts receivable	12 692	0		
Other current assets ¹	1 548	0		
Short-term financial investments				
– Short-term cash deposits	68 829	0		
– Derivatives				3 334
Cash and cash equivalents	101 578	0		
Liabilities				
Other long-term liabilities			0	
– Derivatives with a hedging relationship				0
Accounts payable – trade			11 394	
Other current liabilities ²			3 854	
– Derivatives with a hedging relationship				0
Total	184 741	11 257	15 248	3 612

¹ Tax receivables not included.² Accrued personnel expenses and tax-related items not included.

The difference between the carrying value less allowances of financial assets and liabilities and their fair value is not material.

Notes to the consolidated financial statements

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group held the following financial instruments measured at fair value (CHF 1000):

		Total	Level 1	Level 2	Level 3
Assets measured at fair value					
Available-for-sale financial assets	2014	11 038	0	0	11 038
	2013	11 257	0	0	11 257
Derivatives part of a hedging relationship ¹	2014	935	0	935	0
	2013	3 612	0	3 612	0

¹ Derivatives part of a hedging relationship consists in 2014 to short-term financial investments of CHF 788 000 (31.12.2013: CHF 3 334 000) and to other long-term assets of CHF 147 000 (31.12.2013: CHF 278 000).

In 2014 and 2013, there were no transfers between level 1, level 2 and level 3 financial instruments.

Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Forward exchange contracts	Forward exchange contracts are valued using a market comparison technique: The fair values are based on quoted or otherwise observable prices for similar instruments at the balance sheet date. Forward exchange contracts are included in level 2.	n.a.	n.a.
Available-for-sale financial instruments	The Group considers the present value of discounted cash flows using the risk-adjusted discount rates.	<ul style="list-style-type: none"> – Forecast annual revenue growth rate – Forecast EBITDA – Discount factor based on post-tax WACC 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> – the annual revenue growth rate were higher (lower); – the EBITDA were higher (lower); – the discount factor was (higher) lower. <p>Generally, a change in the annual revenue growth rate is accompanied by a directional similar change in EBITDA margin.</p>

Level 2 – forward exchange contracts designated as cash flow hedges

At December 31, 2014, the Group held foreign exchange contracts designated as cash flow hedge of expected future sales to customers. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit or loss in financial expenses. The terms of the foreign exchange contracts have been negotiated to meet the terms of the expected future sales. The cash flow hedges of the expected future sales were effective at December 31, 2014, and a loss of CHF 2 118 (000) (2013: a gain of CHF 659 (000)) has been recorded in other comprehensive income in respect of these contracts.

Level 3 – reconciliation of fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values:

	2014 CHF 1000	2013 CHF 1000
Level 3 fair value, beginning of year	11 257	11 086
Valuation gain included in OCI	0	171
Valuation loss included in OCI	- 219	0
Level 3 fair value, end of year	11 038	11 257

Level 3 fair values – sensitivity analysis

For the fair values of financial assets – available for sale, reasonable possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have had following effects:

CHF 1000	OCI, net of tax	
	Increase	Decrease
Long-term growth rate (0.5% movement)	922	- 790
WACC (Weighted Average Cost of Capital) (0.5% movement)	- 1 041	1 214

Notes to the consolidated financial statements

31. Foreign exchange and interest sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in the euro, US dollar and yen exchange rate, with all other variables held constant, of loss before tax and equity:

	Currency	Increase/ decrease in FX rate	Effect on profit before tax CHF 1000	Effect on equity CHF 1000
2014	EUR	20%	9 098	21 166
	EUR	- 20%	- 9 098	- 21 166
	USD	10%	616	562
	USD	- 10%	- 616	- 562
	JPY	20%	190	107
	JPY	- 20%	- 190	- 107
2013	EUR	5%	2 320	4 236
	EUR	- 5%	- 2 320	- 4 236
	USD	5%	291	294
	USD	- 5%	- 291	- 294
	JPY	20%	636	383
	JPY	- 20%	- 636	- 383

The sensitivity refers to the financial instruments (assets and liabilities) held by the Company in foreign currencies at year-end 2014 and 2013.

As a result of the volatile financial market in 2014, the sensitivity rates have been adjusted for the purpose of assessing foreign currency risk. The sensitivity rates have been determined based on the exchange rate fluctuations during the year 2014 and Management's best estimation.

According to accounting principles the Group recorded foreign exchange differences of equity loans directly in shareholders' equity net of taxes.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of loss before tax and equity through the impact on current cash accounts with banks and short-term deposits:

	Currency	Increase/ decrease in basis points	Profit/loss before tax CHF 1000
2014	EUR	0.2%	277
	EUR	- 0.2%	- 277
	USD	0.2%	13
	USD	- 0.2%	- 13
2013	EUR	0.2%	312
	EUR	- 0.2%	- 312
	USD	0.2%	11
	USD	- 0.2%	- 11

As a result of the volatile financial market the sensitivity basis points have been adjusted for the current year for the purpose of analyzing interest rate risk. The sensitivity basis points have been determined based on the average interest rate movements during the year 2014.

32. Maturity profile of financial liabilities

The table below summarizes the maturity profile of the financial liabilities on contractual undiscounted payments (CHF 1000):

	Total	Due within 1 year	Due in 2nd year	Due in 3rd year	Due in 4th year	Due in 5th year and thereafter
December 31, 2014						
Other non-interest-bearing liabilities	4 134	4 134	0	0	0	0
Derivatives	0	0	0	0	0	0
Accounts payable – trade	9 219	9 219	0	0	0	0
Total	13 353	13 353	0	0	0	0
December 31, 2013						
Other non-interest-bearing liabilities	3 854	3 854	0	0	0	0
Derivatives	0	0	0	0	0	0
Accounts payable – trade	11 394	11 394	0	0	0	0
Total	15 248	15 248	0	0	0	0

Notes to the consolidated financial statements

33. Operating segment and geographical information

2014
CHF 1000

Operating segments	Automotive	Industrial	Group
Net sales	147 775	10 675	158 450
in % of total net sales	93.3	6.7	100.0
Margin	46 230	4 141	50 371
in % of sales	31.3	38.8	31.8
EBITDA	17 116	944	18 060
in % of sales	11.6	8.8	11.4
Depreciation and amortization	10 420	1 248	11 668
Operating profit/loss	6 696	- 304	6 392
in % of sales	4.5	- 2.8	4.0
Financial income			2 470
Financial expenses			- 5 481
Foreign exchange losses			79
Other income			0
Profit before tax			3 460
Income taxes			- 12
Profit for the period			3 448
in % of net sales			2.2
Capital expenditures ¹	19 234	1 175	20 409
Segment assets	104 715	6 696	111 411
EBITDA in % of segment assets	16.3	14.1	16.2
Investments			11 038
Other non-current assets			21 552
Other current assets			1 549
Short-term financial investments			62 989
Cash and cash equivalents			89 160
Total assets			297 699
Segment liabilities (accounts payable – trade)	8 673	546	9 219
Headcount, end of period	879	50	929

2013
CHF 1000

Operating segments	Automotive	Industrial	Group
Net sales	143 584	8 335	151 919
in % of total net sales	94.5	5.5	100.0
Margin	45 805	3 169	48 974
in % of sales	31.9	38.0	32.2
EBITDA	19 895	- 480	19 415
in % of sales	13.9	- 5.8	12.8
Depreciation and amortization	10 755	578	11 333
Operating profit	9 140	- 1 058	8 082
in % of sales	6.4	- 12.7	5.3
Financial income			7 143
Financial expenses			- 7 011
Foreign exchange losses			- 1 494
Other income			105
Profit before tax			6 825
Income taxes			- 190
Profit for the period			6 635
in % of net sales			4.4
Capital expenditures ¹	10 112	435	10 547
Segment assets	90 617	4 724	95 341
EBITDA in % of segment assets	22.0	- 10.2	20.4
Investments			11 257
Other non-current assets			19 215
Other current assets			3 596
Short-term financial investments			72 164
Cash and cash equivalents			101 578
Total assets			303 151
Segment liabilities (accounts payable – trade)	10 836	558	11 394
Headcount, end of period	866	46	912

¹ Capital expenditures = investments in tangible and intangible assets and capitalized development costs.

EBITDA: operating profit before depreciation and amortization.

Notes to the consolidated financial statements

Geographical information

The geographical information relates to the following regions:

in %	Segment assets		Capital expenditures	
	2014	2013	2014	2013
Total	100.0	100.0	100.0	100.0
Germany	97.8	97.9	93.6	93.6
Great Britain	2.2	2.1	6.4	6.4
Rest of Europe	0.0	0.0	0.0	0.0
Rest of world	0.0	0.0	0.0	0.0

Group	2014		2013	
	Net sales, CHF 1000	in % of total net sales	Net sales, CHF 1000	in % of total net sales
Europe	51 569	32.6	50 485	33.2
Germany	31 846	20.1	27 832	18.3
Switzerland	144	0.1	57	0.0
Hungary	6 242	3.9	5 638	3.7
Czech Republic	3 245	2.0	3 651	2.4
France	2 129	1.3	5 775	3.8
Rest of Europe	7 963	5.2	7 532	5.0
Asia	92 867	58.6	89 755	59.1
Japan	79 852	50.4	78 941	52.0
China	9 410	5.9	7 850	5.2
South Korea	1 607	1.0	2 096	1.4
Rest of Asia	1 998	1.3	868	0.5
America	13 841	8.7	11 487	7.6
USA	10 284	6.5	8 983	5.9
Rest of America	3 557	2.2	2 504	1.7
Other	173	0.1	192	0.1
Total net sales	158 450	100.0	151 919	100.0

The sales information above is based on the invoicing destination of the customer.

Operating segment net sales by product	2014 CHF 1000	2013 CHF 1000
Automotive		
Hall-effect sensors	140 882	133 228
Controllers	6 893	10 356
Net sales	147 775	143 584
Industrial		
Sensors	10 675	8 335
Net sales	10 675	8 335

Net sales in the Automotive segment include the major customers

Customer 1	58 533	53 212
Customer 2	12 014	13 270
Customer 3	11 732	9 873

Net sales reported above represent revenues generated from external customers. There were no inter-segment sales in 2014 and 2013.

Notes to the consolidated financial statements

34. Operating leases

The actual leasing payments and future commitments for non-cancelable operating lease contracts are as follows:

CHF 1000	2014		2013	
Leasing payments during period	2014	4 988	2013	4 868
Future lease commitments			2014	4 785
	2015	3 680	2015	3 484
	2016	1 415	2016	1 270
	2017	472	2017	325
	2018	290	2018	162
	2019	266		
	Thereafter	222	Thereafter	284
Total future lease commitments		6 345		10 310

At the Freiburg facility a lease contract for an on-site nitrogen generator exists. The lease expires in September 2016. A renewal option exists. The extension of the lease renews for another two years each if the contract will not be terminated six months prior to the expiration date of the lease term.

At the Freiburg facility several lease contracts for software tools exist. The leases expire between 2015 and 2016. No renewal or purchase options exist.

35. Other financial commitments

	2014 CHF 1000	2013 CHF 1000
Orders for machinery and equipment	2 666	6 427
Orders for research and development projects	334	247
Obligations to foundries/external assembly	340	0

36. Earnings per share

The key figures of the earnings per share are determined as follows:

	2014	2013
Earnings per share in CHF – undiluted		
Profit for the period attributable to the shareholders of the parent in CHF 1000	3 448	6 635
Weighted average number of issued and outstanding shares	29 495 950	29 483 763
Earnings per share in CHF – undiluted	0.12	0.23
Earnings per share in CHF – diluted		
Profit for the period attributable to the shareholders of the parent in CHF 1 000	3 448	6 635
Weighted average number of issued and outstanding shares for calculation of earnings per share – undiluted	29 495 950	29 483 763
Dilution: share options	30 677	43 898
Weighted average number of issued and outstanding shares for calculation of earnings per share – diluted	29 526 627	29 527 661
Earnings per share in CHF – diluted	0.12	0.22

Notes to the consolidated financial statements

37. Share-based payments

The Company has a share option scheme for the members of the Board of Directors, certain members of the Management and certain key personnel. Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant. Under

the plans, options vest based on continued service up to three years and have a contractual life up to six years. As a rule, the unvested options forfeit immediately if the option holder leaves the Company. The vested options forfeit ten days after they leave.

Details of the share options outstanding are as follows:

	2014		2013	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	1 093 750	8.02	831 250	8.08
Issued	345 000	7.53	342 500	7.48
Exercised	– 25 000	4.44	– 51 250	4.16
Forfeited	– 90 000	8.27	– 7 500	8.08
Expired	0	0.00	– 21 250	10.85
Outstanding at the end of the year	1 323 750	7.95	1 093 750	8.02
Exercisable at the end of the year	320 000	8.78	65 000	4.62

In the year 2014, 25 000 options have been exercised with an average share price of CHF 7.24. In the year 2013, 51 250 options have been exercised with an average of CHF 8.20.

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.5 years (2013: 3.9 years) and a range of the exercise price from CHF 4.73 each to CHF 11.90 each.

In 2014, 120 000 options were granted on January 3 and 222 500 options were granted on July 1 with an estimated fair value of the options granted on those dates of CHF 2.00 and CHF 1.95.

In 2013, 120 000 options were granted on January 3 and 222 500 options were granted on July 1 with an estimated fair value of the options granted on those dates of CHF 2.82 and CHF 1.94.

Used actuarial assumptions:

	2014	2013
Expected option life in years	5.5 – 6.0	5.5 – 6.0
Expected forfeitures per year until vesting	4.0%	4.0%
Expected volatility	42.1% – 44.55%	46.8% – 51.6%
Share price at the grant date in CHF	7.00 – 7.81	6.88 – 8.59
Risk-free interest rate	0.19 – 0.61	0.28 – 0.56
Expected dividend	2.0%	2.0%
Weighted average fair value per options granted in CHF	1.95 – 2.00	1.94 – 2.82

The expected life used in the model has been adjusted, based on the Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognized total expenses in 2014 of CHF 741 (000) (2013: CHF 918 (000)) related to equity-settled share-based payment transactions during the year.

38. Subsequent events

On January 3, 2015, 145 833 options were issued to the members of the Board of Directors and to members of the Group Management at an exercise price of CHF 7.00 each. The options are exercisable between 2018 and 2020.

On January 15, 2015, the Swiss National Bank (SNB) abandoned minimum exchange rate against euro unexpectedly. The Swiss franc, held in check for more than three years by the central bank intervention, fell after the announcement

significantly. At the same time, the SNB added that it was further lowering the deposit rates. The amount reported in these financial statements does not reflect changes in foreign exchange rates after December 31, 2014. A significant change in exchange rates would cause a material foreign exchange transaction gain or loss. A possible impact of such changes is disclosed in note 31 – foreign exchange and interest sensitivity analysis.

Report of the statutory auditor on the consolidated financial statements to the ordinary Shareholders' Meeting of Micronas Semiconductor Holding AG, Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Micronas Semiconductor Holding AG, which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and notes on pages 64 to 107 for the year ended December 31, 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's

preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2014, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Zurich, February 12, 2015

KPMG AG

Herbert Bussmann

Licensed Audit Expert
(Auditor in charge)

Roman Wenk

Licensed Audit Expert

Additional information

Orders on hand

	2014 CHF 1000	2013 CHF 1000
Orders on hand, beginning of year	48 125	43 451
Net sales	158 450	151 919
Order intake	160 282	155 938
Translation adjustments	– 951	655
Orders on hand, end of year	49 006	48 125
Book-to-bill	1.01	1.03

Profit and loss statement

Income

	2014 CHF 1000	2013 CHF 1000
Valuation adjustments	0	2 000
Interest income from Group companies	1 096	1 110
Dividend income from Group companies	1 130	17
License fees from Group companies	1 588	1 523
Financial income	23	531
Other income	3	4
Total income	3 840	5 185

Expenses

Operating expenses	- 1 899	- 947
Personnel expenses	- 1 067	- 997
Loss on valuation of treasury shares	- 327	- 305
Amortization and valuation adjustments	- 48	0
Financial expenses	- 311	- 12
Total expenses	- 3 652	- 2 261
Result for the year	188	2 924

Balance sheet

Assets	Note	31.12.2014 CHF 1000	31.12.2013 CHF 1000
Non-current assets			
Machinery and equipment		6	5
Investments in Group companies		256 069	256 719
Other financial assets		11 038	11 086
Treasury shares	5	1 376	1 703
Total non-current assets		268 489	269 513
Current assets			
Accounts receivable from Group companies		769	759
Other accounts receivable		109	93
Accrued income and prepaid expenses		146	73
Cash and cash equivalents		50 387	50 727
Total current assets		51 411	51 652
Total assets		319 900	321 165
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	1 488	1 486
Capital contribution reserve			
– General legal reserve		111 512	112 877
– Reserve for treasury shares	6	9 430	9 430
Total capital contribution reserve		120 942	122 307
Unappropriated retained earnings, beginning of year		29 845	26 921
Result for the year		188	2 924
Unappropriated retained earnings, end of year		30 033	29 845
Total shareholders' equity		152 463	153 638
Long-term liabilities			
Provisions		166 334	166 334
Total long-term liabilities		166 334	166 334
Current liabilities			
Accounts payable to Group companies		13	25
Other accounts payable		68	88
Short-term liabilities and accrued expenses		1 022	1 080
Total current liabilities		1 103	1 193
Total liabilities		167 437	167 527
Total shareholders' equity and liabilities		319 900	321 165

Notes to the financial statements

1. Share capital

The issued and fully paid share capital of

Micronas Semiconductor Holding AG comprises:

	Number	31.12.2014 CHF 1000	Number	31.12.2013 CHF 1000
Opening balance	29 727 930	1 486	29 676 680	1 484
Exercise of share options	25 000	2	51 250	2
Balance, end of year	29 752 930	1 488	29 727 930	1 486

Conditional capital

The Articles of Incorporation provide for a conditional capital (according to Art. 653 of the Swiss Code of Obligations) of a maximum of CHF 35 358.50 through the issuance of a maximum of 707 170 registered shares with a nominal value of CHF 0.05 each by the exercise of option rights granted or to be granted to the members of the Board of Directors, to certain members of the Management and certain key personnel of the Company or Group companies. The adoption of the Articles of Incorporation resulting from the options exercise in 2014 will be registered in the first quarter of 2015.

As at December 31, 2014, the Company is aware of the following shareholders holding 3 percent or more of the capital and/or voting rights of the Company:

	2014	2013
Nortrust Nominees Ltd., London, Great Britain ¹	9.23%	5.96%
RBC Dexia Investor Services Trust, London, Great Britain ¹	7.90%	6.74%
Sparinvest Holding SE, Luxembourg ²	5.33%	5.35%
Brandes Investment Partners, L.P., San Diego, USA ²	5.08%	3.02%
Black Creek Investment Management Inc., Toronto, Canada ²	5.04%	5.04%
Highclere International Investors LLP, London, Great Britain ²	3.08%	n.a.
Wellington Management Company, LLP, Boston, USA ²	3.03%	n.a.
FIL Limited, Hamilton, Bermuda ²	n.a.	4.98%
Chase Nominees Ltd., London, Great Britain ¹	n.a.	3.20%

¹ Nortrust Nominees Ltd. and RBC Dexia Investor Services Trust are acting in their capacity as nominees for other investors.

The above percentages conform to the figures as at December 31, 2014.

² The above percentages conform to the figures contained in the respective notifications to the Company and the Disclosure Office of the SIX Swiss Exchange; they may not be accurate as at December 31, 2014.

2. Fire insurance value of fixed assets

	31.12.2014 CHF 1000	31.12.2013 CHF 1000
Machinery and equipment	300	300

3. Information on Group companies

Micronas Semiconductor Holding AG holds the following significant investments in Group companies:

Micronas GmbH

Freiburg, Germany
 Ordinary capital: EUR 500 000
 Activity: development, production, sales
 % of shares: 100

Micronas Ltd.

Glenrothes, Scotland
 Ordinary capital: GBP 2
 Activity: production
 % of shares: 100

Micronas Japan K.K.

Tokyo, Japan
 Ordinary capital: JPY 10 000 000
 Activity: marketing and sales support
 % of shares: 100

4. Release of silent reserves

In 2014, Micronas did not release any silent reserves (2013: CHF 2.0 million).

5. Treasury shares

	Number	2014 CHF 1000	Number	2013 CHF 1000
Opening balance	242 188	1 703	242 188	2 008
Loss on treasury shares	0	- 327	0	- 305
Balance, end of year	242 188	1 376	242 188	1 703

Treasury shares are carried at the market value at the balance sheet date.

6. Reserve for treasury shares

	31.12.2014 CHF 1000	31.12.2013 CHF 1000
Opening balance	9 430	9 430
Balance, end of year	9 430	9 430

The reserve for treasury shares is carried at average purchase price.

Notes to the financial statements

7. Risk assessment

The Micronas Semiconductor Holding AG is part of an integrated risk management process of the Micronas Group. Within this Group-wide risk management process the Board of Directors

dealt with the material risks, assessed the risks according to Art. 663b cl.12 of the Swiss Code of Obligations and discussed required actions.

8. Number of shares and options held by the Board of Directors and the Micronas Group Management

	Number of shares	Number of options					
		2011	2012	2013	2014	2015	Total
Board of Directors							
Heinrich W. Kreutzer Chairman of the Board of Directors	0	20 000	20 000	20 000	20 000	20 000	100 000
Lucas A. Grolimund Member of the Board of Directors	0	10 000	10 000	10 000	10 000	10 000	50 000
Dr. Dieter G. Seipler Member of the Board of Directors	0	10 000	10 000	10 000	10 000	10 000	50 000
Dr. Stefan Wolf Member of the Board of Directors	0	10 000	10 000	10 000	10 000	10 000	50 000
Micronas Group Management							
Matthias Bopp Chief Executive Officer	0	50 000	50 000	50 000	50 000	70 000	270 000
Daniel Wäger Chief Financial Officer	2 000	0	0	0	0	25 833	25 833

Options series	Date of issue	Exercise start	Expiration date	Exercise price
2011	Jan. 3, 2011	Jan. 1, 2014	Dec. 31, 2016	11.90
2012	Jan. 3, 2012	Jan. 1, 2015	Dec. 31, 2017	6.74
2013	Jan. 3, 2013	Jan. 1, 2016	Dec. 31, 2018	8.59
2014	Jan. 3, 2014	Jan. 1, 2017	Dec. 31, 2019	7.00
2015	Jan. 3, 2015	Jan. 1, 2018	Dec. 31, 2020	7.00

9. Subsequent events

On January 3, 2015, 145 833 options were issued to the members of the Board of Directors and to members of the Group Management at an exercise price of CHF 7.00 each. The options are exercisable between 2018 and 2020.

On January 15, 2015, the Swiss National Bank (SNB) abandoned minimum exchange rate against euro unexpectedly. The Swiss franc, held in check for more than three years by the central bank intervention, fell after the announcement

significantly. At the same time, the SNB added that it was further lowering the deposit rates. The amount reported in these financial statements does not reflect changes in foreign exchange rates after December 31, 2014. A significant change of 20 percent in exchange rates would cause foreign exchange transaction losses of the valuation of cash deposits in foreign currencies of CHF 9 million and investments held in euro of CHF 2 million.

Proposal of the Board of Directors

Appropriation of the unappropriated retained earnings

31.12.2014
CHF 1000

Unappropriated retained earnings, beginning of year	29 845
Result for the year	188
Unappropriated retained earnings, end of year	30 033

The Board of Directors is proposing to carry forward the profit and to distribute CHF 0.05 per share (totaling CHF 1 475 537.10) to the shareholders from the capital contribution reserve.

Report of the statutory auditor on the financial statements to the ordinary Shareholders' Meeting of Micronas Semiconductor Holding AG, Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Micronas Semiconductor Holding AG, which comprise the profit and loss statement, balance sheet, and notes on pages 110 to 115 for the year ended December 31, 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2014, comply with Swiss law and the Company's Articles of Incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's Articles of Incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, February 12, 2015

KPMG AG

Herbert Bussmann

Licensed Audit Expert
(Auditor in charge)

Roman Wenk

Licensed Audit Expert

