



## Annual Report **2015**



# 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](http://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](http://www.micronas.com)**.

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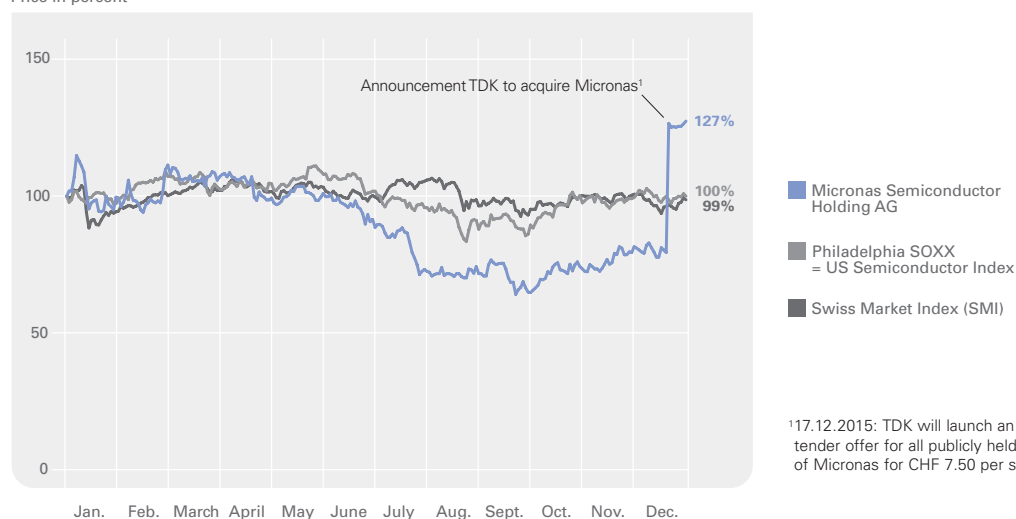
## Key figures at a glance

## Abschluss auf einen Blick

Micronas Group	2015 CHF 1000	2014 CHF 1000	Micronas Gruppe
Net sales	134 435	158 450	Netto-Umsatzerlöse
Operating profit before public tender offer expenses	546	6 392	Betriebsgewinn vor Aufwendungen öffentliches Kaufangebot
Operating profit/loss	– 1 738	6 392	Betriebsgewinn/-verlust
EBITDA	8 292	18 060	EBITDA
Profit/loss for the period	– 12 191	3 448	Gewinn/Verlust der Geschäftsperiode
Earnings per share in CHF	– 0.42	0.12	Ergebnis pro Aktie in CHF
Shareholders' equity	86 199	109 762	Eigenkapital
Equity ratio in percent	34.0	36.9	Eigenkapitalquote in Prozent
Cash, cash equivalents and short-term financial cash deposits	119 463	151 361	Flüssige Mittel und kurzfristige Festgeldanlagen
Cash flow from operating activities	– 725	3 230	Cash Flow aus Geschäftstätigkeit

## Share performance 1.1 – 31.12.2015

Price in percent



¹17.12.2015: TDK will launch an all cash public tender offer for all publicly held registered shares of Micronas for CHF 7.50 per share.

# Annual Report 2015

## Micronas Group

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# Letter to shareholders

## **Ladies and Gentlemen**

2015 was a difficult financial year for Micronas. Sales and earnings were strongly influenced by a variety of negative factors. In January 2015, the Swiss National Bank decided to abandon the minimum exchange rate between the Swiss franc and the euro. This meant that figures in the income statement and balance sheet were lower after conversion into the Group's accounting currency, the Swiss franc. The sharp decline in demand for cars in Japan, an important market for Micronas, weakened sales further in the year under review. On top of this, earnings were hit hard again in 2015 by the switch from 6- to 8-inch production, combined with the introduction of new manufacturing facilities and various new product launches and qualifications. Owing to the valuation of cash holdings denominated in foreign currencies, the net result was negative.

## **Takeover bid by TDK Corporation – As competence center for sensors, Micronas will be responsible within the combined company for magnetic sensors**

On December 17, 2015, TDK Corporation announced it was taking over Micronas in order to grow its magnetic sensor business. The Board of Directors of Micronas decided unanimously to support TDK's offer and to recommend that Micronas shareholders accept it. The Board of Directors and Management of Micronas firmly believe that a merger with TDK will bring considerable strategic, operational and financial benefits for Micronas.

Micronas is one of the leading companies for linear sensors in automotive applications, and offers the world's largest portfolio of Hall sensors for the automotive and industrial markets. Hall sensors are based on the "Hall effect", named after Edwin Hall. Using CMOS technology, Micronas monolithically integrates these sensors into electronic assemblies for such things as signal conditioning, analysis, power management and network interfaces. These products are most commonly used to measure angles, positions, velocities and currents.



TDK is one of the leading providers of read/write heads for magnetic hard drives based on the magneto-resistive effect (MR effect). TDK has begun to broaden its product portfolio to include MR sensors. These are used to measure magnetic fields in applications such as electronic compasses, path and angle measurement systems and small, potential-free current sensors.

From an operational standpoint, synergies are expected especially in front- and back-end production, procurement of raw materials, logistics and customer care. These synergies will also lead to an improved cost structure and thus to financial benefits.

Within the combined company it is envisaged that Micronas, as competence center for sensors, will assume responsibility for magnetic sensors and drive the global strategy for these.

### **Difficult financial year – Sales and earnings hurt by negative influences**

The Micronas Group's consolidated net sales for 2015 came to CHF 134.4 million, which is 15 percent lower than in the previous year. After adjusting for currency movements, calculated in euros, sales went down 3 percent. A gross margin of 27.4 percent of sales was achieved during the year under review, compared with 31.8 percent in the previous year. CHF 22.9 million was invested in research and development. As a percentage of sales, this R&D spending came to 17 percent. Operating profit before exceptional items amounted to CHF 0.5 million, down from CHF 6.4 million in 2014. The EBIT margin for the 2015 financial year was 0.4 percent of sales. Operating profit after exceptional items (expenses for the public tender offer by TDK) came to CHF –1.7 million.

The result for 2015 after financial income and taxes was a loss of CHF 12.2 million. This loss is due partly to the revaluation of euro-denominated cash holdings at Micronas Semiconductor Holding AG, which caused a book loss of CHF 3.7 million following the removal of the euro minimum rate. Earnings per share came to CHF –0.42. On

December 31, 2015, Micronas reported cash, cash equivalents and short-term financial cash deposits of CHF 119.5 million. Shareholders' equity came to CHF 86.2 million, giving an equity ratio of 34 percent.

**Main Automotive business – Sales weakened further by decline in demand in Japan**

The Automotive segment reported sales of CHF 125.3 million, which is 15 percent down on the previous year, though in euros the fall was only 3 percent. This decline was due mainly to the fall in demand for cars in Japan, a key sales market for Micronas. Domestic car sales in Japan were more than 10 percent lower in 2015 than in 2014, while exports by Japanese car manufacturers more or less stagnated year-on-year. Operating profit before exceptional items at the Automotive segment came to CHF –0.2 million, or –0.1 percent of sales. With a 93 percent share of sales, the Automotive segment continues to be Micronas Group's main business.

The Company's Hall-effect sensors are used to detect end positions or measure linear and angular movements in an extremely wide range of automotive applications relating to

safety and comfort, the chassis, bodywork and drive train.

During the year under review Micronas continued to expand its portfolio of Hall sensor products, focusing on safety and greater integration. The Company has announced solutions that very effectively meet the redundancy requirements of extremely critical applications such as pedals of all types, throttle valves, control and steering.

The first redundant linear Hall-effect sensor family (HAR 24xy), which is produced in packages less than a millimeter thick and which integrates two completely independent silicon chips, is particularly suitable for redundant automotive applications such as position detection for throttle controls and pedals, and exhaust gas recirculation (EGR). The announcement of the first member of the new embedded motor controller generation is another important step in securing new markets for our sensor-based solutions. Thanks to its integrated power bridges, this controller (HVC 4223F) offers a unique level of integration and unprecedented flexibility for the direct control of compact, cost-effective electric motors (BLDC, BDC and stepper



motors) in automotive applications. These applications include HVAC flaps, active radiator grills, pumps, air cooling fans and mechanical actuators in cornering lights. In the second half of the year we announced the addition of the dual-die option (HAR 37xy) to our direct angle Hall-effect sensor family. This integrates two automotive-qualified silicon dies into a single SOIC8 package to facilitate precise measurement of angles and positions in demanding automotive applications. These sensors can be used in the drive train to identify the clutch position or measure the vehicle level, as well as in many other applications.

**Industrial segment – New distribution partner taken on to increase sales**

The small Industrial segment, which contributes 7 percent of total sales, generated CHF 9.1 million of sales in 2015, down 15 percent on the previous year. Calculated in euros the decline was 2 percent. As in the past, almost all Industrial sales were made through our distribution partners. Operating profit before exceptional items was up from the previous year's CHF –0.3 million to CHF 0.7 million. The EBIT margin came to 8 percent.

In the industrial sector, Micronas concentrates on robotic control and production automation applications. Our sensors are also built into a wide variety of white goods, including washing machines and driers, induction hobs and heating and cooling systems. Hall sensors are used in almost all machines that need to measure positions, linear and rotational movements or electric current.

In order to increase sales by the Automotive and especially the Industrial segment, new contracts with distributors were signed during the year under review. Micronas and Rutronik expanded their longstanding partnership in Europe, and Rutronik is now Micronas Group's worldwide franchise partner. We also signed contracts with two more leading global catalog distributors: Digi-Key and Mouser. This means that customers now have the option of very quickly and easily ordering smaller quantities and samples from our extensive product range.

**Production – Focus on technology change combined with various new product launches and qualifications**

2015, like the prior year, was significantly affected by the switch we made at our front-end wafer fab in Freiburg from 6 to 8 inches, as well as by the change in the back-end to new production facilities and all the new product launches and qualifications this brought with it. Yields were stabilized following the strategic expansion of the 8-inch line, and in the back-end assembly and test areas, measures taken to improve efficiency were pursued consistently and implemented successfully. As a result, ca. 25 percent of all manufactured products were already being made on the 8-inch line in 2015.

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

**Highest quality processes, products and procedures – Permanent implementation in all areas**

For Micronas, quality is the most important thing, and we continuously and systematically apply this principle to our processes, products and procedures in all areas.

Our conception of quality is always checked against the applicable industry standards, laws and regulatory requirements, as well as against ever-greater customer requirements. In January and February 2015, ISO/TS 16949 monitoring audits were carried out successfully in Freiburg and Munich in Germany, as well as in Glenrothes, Scotland.

**Successful share buy-back program**

The share buy-back program announced on February 25, 2015, was carried out as planned, ending on December 15, 2015. A total of 1 493 838 shares, or 5.02 percent of total share capital, were repurchased.

**Outlook**

By merging with TDK, we gain access to resources that will allow us to develop innovative new products, combining TDK's MR know-how with Micronas Group's expertise in Hall sensors. We are very pleased to be part of TDK and look forward to working as TDK's sensor competence center.

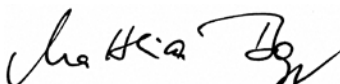
## Thanks

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 showed in us in 2015. We would like to thank our customers, suppliers and other business partners for the good work we have done together. We thank our employees for their dedication and hard work.

February 19, 2016



**Heinrich W. Kreutzer**  
Chairman



**Matthias Bopp**  
Chief Executive Officer

# Aktionärsbrief

## **Sehr geehrte Damen und Herren**

Das Geschäftsjahr 2015 war ein schwieriges Jahr für Micronas. Die Umsatz- und Ertragswerte wurden durch unterschiedliche negative Faktoren massgeblich beeinflusst. Im Januar 2015 hat die Schweizerische Nationalbank die Aufhebung des Mindestkurses des Schweizer Frankens zum Euro beschlossen. Entsprechend reduzierten sich die Werte der Erfolgsrechnung und der Bilanz durch die Umrechnung in die Konzernwährung Schweizer Franken. Der starke Rückgang der Pkw-Nachfrage in dem für Micronas wichtigen Land Japan hat den Umsatz im Berichtsjahr zusätzlich geschwächt. Hinzukommend hat die Umstellung von 6 auf 8 Zoll, verbunden mit neuen Fertigungsanlagen und mit diversen Produktneuanläufen und Qualifikationen, die Ertragswerte auch im abgelaufenen Jahr stark belastet. Auf Stufe Reingewinn musste durch die Bewertung der in Fremdwährung gehaltenen Geldbestände ein Verlust verzeichnet werden.

## **Übernahmeangebot von TDK Corporation – Micronas wird innerhalb des kombinierten Unternehmens als Sensor-Kompetenzzentrum die Verantwortung für magnetische Sensoren übernehmen**

Am 17. Dezember 2015 hat TDK Corporation die Übernahme von Micronas angekündigt, um im Geschäft mit Magnetsensoren weiter zu wachsen. Der Verwaltungsrat von Micronas hat einstimmig beschlossen, das Angebot von TDK zu unterstützen und es den Aktionären von Micronas zur Annahme zu empfehlen. Der Verwaltungsrat und das Management von Micronas sind der Überzeugung, dass eine Kombination mit TDK erhebliche strategische, operative und finanzielle Vorteile für Micronas beinhaltet.

Micronas gehört zu den führenden Firmen für lineare Sensoren in Automotive-Anwendungen und bietet das weltweit grösste Hall-Sensor-Portfolio für den Automobil- und Industriemarkt an. Hall-Sensoren basieren auf dem sog. Hall-Effekt, benannt nach Edwin Hall, und werden von Micronas in einer CMOS-Technologie monolithisch mit elektronischen Schaltungen wie Signalkonditionierung, Auswertung, Powermanagement und Netzwerkimterfaces integriert. Diese Produkte kommen besonders bei der

Winkel-, Positions-, Geschwindigkeits- und Strommessung zur Anwendung.

TDK gehört zu den führenden Firmen, die Schreib-Lese-Köpfe für magnetische Festplatten, basierend auf dem sog. magnetoresistiven Effekt, kurz MR-Effekt, anbieten. TDK hat begonnen, ihr Produktportfolio auch auf MR-Sensoren zu erweitern. Diese finden bei Applikationen in der Magnetfeldmessung, sei es als elektronischer Kompass, als Weg- und Winkelmesssystem oder als kleine, potenzialfreie Stromsensoren, Anwendung.

In operativer Hinsicht werden Synergien, insbesondere in der Produktion, sowohl im Frontend als auch im Backend, bei der Beschaffung von Rohmaterialien, in der Logistik und bei der Betreuung der Kunden erwartet. Diese Synergien werden auch zu einer Verbesserung der Kostenstrukturen führen und somit finanzielle Vorteile bringen.

Es ist geplant, dass Micronas innerhalb des kombinierten Unternehmens als Sensor-Kompetenzzentrum die Verantwortung für magnetische Sensoren übernehmen und die globale Strategie für solche Sensoren vorantreiben wird.

### **Schwieriges Geschäftsjahr – Umsatz- und Ertragswerte durch Negativeffekte beeinflusst**

Der konsolidierte Netto-Umsatzerlös der Micronas Gruppe betrug im Geschäftsjahr 2015 einen Wert von CHF 134.4 Millionen, was, verglichen mit dem Vorjahr, ein Umsatzrückgang von 15 Prozent ergibt. Währungsbereinigt, in Euro gerechnet, ist der Umsatz um 3 Prozent zurückgegangen. Im Berichtsjahr ist eine Bruttomarge von 27.4 Prozent des Umsatzes erreicht worden, verglichen mit 31.8 Prozent im Vorjahr. Für Forschung und Entwicklung wurden CHF 22.9 Millionen investiert. Der prozentuale Umsatzanteil der F&E-Aufwendungen betrug 17 Prozent. Der Betriebsgewinn vor Sondereinflüssen ist mit CHF 0.5 Millionen tiefer als im Vorjahr, wo er noch CHF 6.4 Millionen betrug, ausgefallen. Die EBIT-Marge für das Geschäftsjahr 2015 erreichte 0.4 Prozent des Umsatzes. Das Betriebsergebnis nach Sondereinflüssen (Aufwendungen für öffentliches Kaufangebot von TDK) betrug CHF –1.7 Millionen.

Für das Geschäftsjahr 2015 resultierte, nach Finanzergebnis und Steuern, ein Verlust von CHF 12.2 Millionen. Dieser Verlust ist auch auf die Bewertung der in Euro gehaltenen Geldbestände in der Micronas Semiconductor

Holding AG zurückzuführen, welche durch die Aufhebung des Euro-Mindestkurses einen Buchverlust von CHF 3.7 Millionen verursacht hat. Das Ergebnis pro Aktie betrug CHF – 0.42. Per 31. Dezember 2015 weist Micronas flüssige Mittel und kurzfristige Festgeldanlagen in Höhe von CHF 119.5 Millionen aus. Das Eigenkapital erreichte CHF 86.2 Millionen, was eine Eigenkapitalquote von 34 Prozent ergibt.

#### **Hauptgeschäft Automotive – Nachfrage- rückgang in Japan schwächt Umsatz zusätzlich**

Der Umsatz des Segments Automotive resultierte bei CHF 125.3 Millionen und ist gegenüber dem Vorjahr um 15 Prozent rückläufig, in Euro gerechnet resultierte ein leichter Rückgang von 3 Prozent. Diese Abnahme erklärt sich hauptsächlich durch den Rückgang der Pkw-Nachfrage in dem für Micronas wichtigen Land Japan. Die Inlandverkäufe sind dort im Geschäftsjahr 2015 verglichen mit dem entsprechenden Vorjahr um mehr als 10 Prozent eingebrochen. Auch die Exporte der japanischen Automobilhersteller sind gegenüber dem Geschäftsjahr 2014 mehrheitlich stagniert. Das Betriebsergebnis vor Sonderinflüssen des Segments Automotive lag bei CHF – 0.2 Millionen, was – 0.1 Prozent des Umsatzes entspricht. Mit 93 Prozent Umsatz-

anteil ist das Segment Automotive nach wie vor das Hauptgeschäft von Micronas.

Hall-Effekt-Sensoren von Micronas werden zur Endpositionserkennung oder zum Messen von linearen und angularen Bewegungen in einem äusserst breiten Anwendungsfeld für Chassis und Sicherheit, Karosserie und Komfort sowie für den Antriebsstrang im Auto eingesetzt.

Im Berichtsjahr hat Micronas ihr Hall-Sensor-Produktportfolio mit Fokus auf Sicherheit und höhere Integration weiter ausgebaut. So hat Micronas Lösungen angekündigt, welche sich hervorragend den Redundanzanforderungen von äusserst kritischen Applikationen wie alle Arten von Pedalen, Drosselklappen, Steuerung und Lenkung stellen.

Die erste redundante Linear-Hall-Sensorfamilie (HAR 24xy), welche in einem weniger als einem Millimeter flachen Gehäuse gefertigt wird und zwei vollkommen autarke Silizium-Chips integriert, eignet sich besonders für redundant ausgelegte Automobilanwendungen wie z. B. die Positionserkennung von Drosselklappen und Pedalen oder bei der Abgasrückführung (EGR). Die Ankündigung des ersten Mitglieds der neuen embedded Motor-Controller-Generation ist ein weiterer wichtiger Schritt, neue Märkte mit unseren sensorbasier-

ten Lösungen anzugehen. Aufgrund seiner integrierten Leistungsbrücken bietet dieser Controller (HVC 4223F) einen einzigartigen Integrationsgrad und eine beispiellose Flexibilität für die direkte Ansteuerung kompakter und kostengünstiger Elektromotoren (BLDC-, BDC- und Schrittmotoren) in Fahrzeuganwendungen, wie z. B. HVAC-Klappen, aktiver Kühlergrill, Pumpen, Luftkühlgebläse und mechanische Aktuatoren im Kurvenlicht. Im zweiten Halbjahr folgte die Ankündigung der Erweiterung unserer Direktwinkel-Hall-Effekt-Sensorfamilie durch die Dual-Die-Variante (HAR 37xy). Diese integriert zwei Automotive-qualifizierte Silizium-Dies in ein einziges SOIC8-Gehäuse für die präzise Messung von Winkeln und Positionen in anspruchsvollen Automobilanwendungen. Diese Sensoren können im Antrieb zum Erfassen der Kupplungsposition oder zur Fahrzeugniveau-Messung sowie in vielen anderen Anwendungen verwendet werden.

#### **Segment Industrial – neue Distributionspartner zur Steigerung des Umsatzes**

Das kleine Segment Industrial, welches 7 Prozent vom Gesamtumsatz beisteuerte, hat im Geschäftsjahr 2015 einen Umsatzanteil von CHF 9.1 Millionen erwirtschaftet. Verglichen mit dem Vorjahr resultierte ein Umsatzrückgang von 15 Prozent. In Euro gerechnet betrug dieser 2 Prozent. Nach wie

vor wird fast der gesamte Industrieumsatz über unsere Distributionspartner abgewickelt. Der Betriebsgewinn vor Sondereinflüssen lag mit CHF 0.7 Millionen über dem Vorjahreswert von CHF –0.3 Millionen. Die EBIT-Marge erreichte 8 Prozent.

Im industriellen Umfeld konzentriert sich Micronas zum Beispiel auf Anwendungsgebiete bei der Robotersteuerung oder der Fertigungsautomatisierung. Daneben werden unsere Sensoren auch in den unterschiedlichsten weissen Waren verbaut, beispielsweise in Waschmaschinen, Wäschetrocknern, Induktionsherden sowie in Heiz- und Kühlsystemen. Hall-Sensoren finden sich in fast jeder Maschine, in der es notwendig ist, Position, Linear-, Drehbewegungen oder Strom zu messen.

Um den Verkauf im Automobil- und vor allem im Industriebereich weiter zu steigern, wurden im Berichtsjahr neue Verträge mit Distributoren abgeschlossen. Micronas und Rutronik haben ihre langjährige Partnerschaft in Europa erweitert und Rutronik ist nun weltweiter Franchisepartner von Micronas. Darüber hinaus konnten wir mit Digi-Key und Mouser, weitere weltweit führende Katalog-Distributoren, Verträge unterzeichnen. Dadurch haben Kunden jetzt die Möglichkeit, auch



kleinere Stückzahlen und Muster unserer vielfältigen Produktpalette sehr schnell und einfach zu bestellen.

**Produktion – Schwergewicht auf Technologieumstellung verbunden mit diversen Produktneuanläufen und Qualifikationen**

Die Umstellung in unserer Waferfab in Freiburg, dem sogenannten Frontend, von 6 auf 8 Zoll und die Umstellung im Backend auf neue Fertigungsanlagen, welche diverse Produktneuanläufe und Qualifikationen mit sich bringen, prägten auch das Geschäftsjahr 2015. Beim strategischen Ausbau der 8-Zoll-Linie konnte die Ausbeute stabilisiert werden. Auch in den Backend-Bereichen Assembly und Test wurden die Massnahmen zur Effizienzverbesserung kontinuierlich verfolgt und erfolgreich umgesetzt. Im abgelaufenen Jahr sind daher bereits ca. 25 Prozent aller gefertigten Produkte auf der 8-Zoll-Linie produziert worden.

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

**Höchste Qualität für Prozesse, Produkte und Abläufe – permanente Umsetzung in allen Bereichen**

Für Micronas steht Qualität an oberster Stelle und für unsere Prozesse, Produkte und Abläufe setzen wir diese permanent und systematisch in allen Bereichen um.

Dieses Qualitätsverständnis wird kontinuierlich mit den normativen, gesetzlichen und behördlichen Anforderungen sowie mit den immer höher werdenden Kundenanforderungen abgeglichen. So sind im Januar und im Februar 2015 die Überwachungsaudits ISO/TS 16949 in Freiburg und München, Deutschland, sowie in Glenrothes, Schottland, erfolgreich durchgeführt worden.

**Erfolgreiches Aktienrückkaufprogramm**

Das Aktienrückkaufprogramm, welches am 25. Februar 2015 angekündigt wurde, konnte im abgelaufenen Jahr planmässig verfolgt werden. Am 15. Dezember 2015 wurde das Aktienrückkaufprogramm gestoppt. Es sind insgesamt 1 493 838 Aktien, was 5.02 Prozent des Aktienkapitals entspricht, zurückgekauft worden.

**Ausblick**

Mit der Kombination von TDK und Micronas werden wir Zugang zu den Ressourcen von TDK erhalten, welche uns erlauben werden, neue innovative Produkte zu entwickeln, die TDKs MR-Expertise und Micronas' Know-how mit Hall-Sensoren kombinieren werden. Wir freuen uns, Teil von TDK zu werden und zukünftig als Sensoren-Kompetenzzentrum von TDK tätig zu sein.

**Dank**

Wir danken Ihnen, sehr geehrte Aktionärinnen und Aktionäre, im Namen des Verwaltungsrats und des Managements ganz herzlich für Ihr Vertrauen, das Sie uns im abgelaufenen Geschäftsjahr entgegengebracht haben. Wir bedanken uns bei unseren Kunden, Lieferanten und weiteren Geschäftspartnern für die gute Zusammenarbeit. Bei unseren Mitarbeiterinnen und Mitarbeitern bedanken wir uns für ihren Einsatz und ihre tägliche Arbeit.

19. Februar 2016



**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](http://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, semi-annual 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.

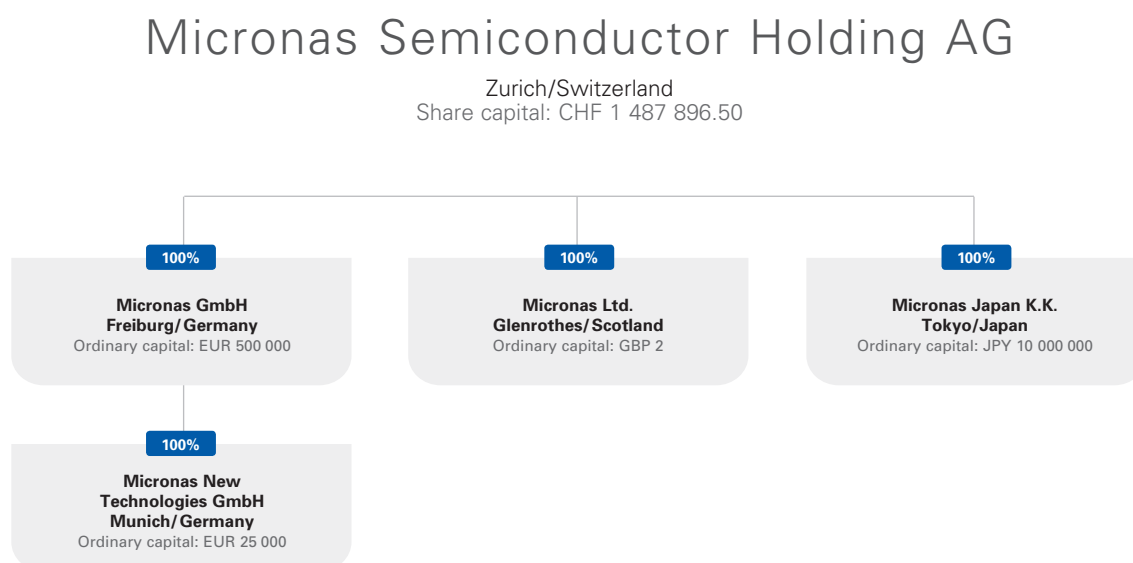
Micronas had implemented most of the changes requested by the Ordinance already at the Shareholders' Meeting held on March 21, 2014 and the Shareholders' Meeting held on March 27, 2015 voted on the compensation of the Board and Management Board based on a separate compensation report audited by the Company's auditors.

# Group structure and shareholders

## Group structure as at December 31, 2015

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 1 233 742, ISIN CH0012337421). As at December 31, 2015, the market capitalization is CHF 219 613 523.40.

The Company and its direct and indirect subsidiaries ("Micronas" or "Micronas Group" or "Group") design, manufacture and sell Hall sensors and embedded motor controllers 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 75 to 77 of the Financial Report 2015.

## Shareholders as at December 31, 2015

As at December 31, 2015, the disposable holdings (i.e. shares that have not been registered in the share register) amounted to 15 632 793 registered shares or 52.53 percent of the shares issued.

### Shareholder structure of registered shares

Diversification	Number of shareholders	Number of shares
> 1 000 000	2	3 612 790
100 001 – 1 000 000	9	3 235 959
10 001 – 100 000	107	2 692 902
1 001 – 10 000	1 132	3 290 665
1 – 1 000	3 328	1 292 821

### Registered shareholders by country

Country	Number of shareholders	Number of shares
Switzerland	4 448	8 798 617
Germany	46	535 547
Great Britain	10	2 620 617
Rest of Europe	60	1 534 767
USA	4	600 376
Rest of world	10	35 213

### Registered shareholders by shareholder category

Category	Number of shareholders	Number of shares
Persons	4 413	5 657 049
Companies	80	2 721 418
Funds	26	1 595 558
Foundations	9	35 428
Pension funds	11	103 488
Insurance companies	3	39 764
Banks	36	3 972 432

As at December 31, 2015, 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
Brandes Investment Partners, L.P. <sup>1</sup>	San Diego, USA	3 155 277	10.60
Nortrust Nominees Ltd. <sup>2</sup>	London, Great Britain	1 876 764	6.31
Micronas Semiconductor Holding AG	Zurich, Switzerland	1 736 026	5.83
Sparinvest Holdings SE <sup>1</sup>	Luxembourg	1 471 881	4.95
Wellington Management Group LLP <sup>1</sup>	Boston, USA	1 065 105	3.58
Oddo Meriten Asset Management <sup>1</sup>	Paris, France	1 000 000	3.36

<sup>1</sup> 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, 2015.

<sup>2</sup> Nortrust Nominees Ltd. is acting in its capacity as nominee for other investors. The above figures (number of shares and percentages) conform to the figures as at December 31, 2015.

Detailed information on notifications regarding the disclosure of shareholdings can be downloaded from [www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

## Cross-shareholdings

As at December 31, 2015, there are no cross-shareholdings.

# Capital structure

## Capital

As at December 31, 2015, the share capital of the Company registered in the Commercial Register is CHF 1 487 646.50 divided into 29 752 930 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 1 487 896.50 divided into 29 757 930 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 35 358.50. The share capital of the Company will be increased through the issuance of a maximum of 707 170 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, 2015, is CHF 35 108.50 divided into 702 170 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, 2012:

Date	Share capital in CHF	Number of shares	Nominal value in CHF
March 5, 2012	1 483 834.00	29 676 680	0.05
February 18, 2013	1 486 334.00	29 726 680	0.05
February 26, 2014	1 486 396.50	29 727 930	0.05
March 9, 2015	1 487 646.50	29 752 930	0.05

For information regarding changes in equity since December 31, 2013, please refer to page 65 of the Financial Report 2015.

## 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. The Share Registration Guidelines are available under **[www.micronas.com/en/investor/corporate-governance/documents-pdf](http://www.micronas.com/en/investor/corporate-governance/documents-pdf)**.

## 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, such grant may be 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 Board of Directors has decided that the Board members will not be granted any options as from 2016 and, instead, will be remunerated exclusively in cash.

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 38 to 39, and to page 118 of the Financial Report 2015).

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 2015.

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 2015.

**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 2015.

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 2015.

**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).



**Stefanie Kahle-Galonske**, born 1969 and German citizen, was elected as a member of the Board of Directors of the Company at the ordinary Shareholders' Meeting of March 27, 2015. Her remaining term lasts until the ordinary Shareholders' Meeting regarding the business year 2015.

Stefanie Kahle-Galonske is a non-executive Board member. She 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 2015.

**Education:** graduate economist of the Ruhr-University, Bochum, executive education at IMD, Lausanne.

**Professional background:** Markem Imaje (Dover Corporation), Geneva, Vice President and CFO (since March 2013), NXP Semiconductors, Eindhoven, the Netherlands, Vice President and business unit controller (2008 – 2012), several positions at NXP Semiconductors and Royal Philips in Finance and Internal Audit (1997 – 2008).



**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 2015.

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 2015.

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

**Professional background:** Mann+Hummel GmbH, 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).

## 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.

**Stefanie Kahle-Galonske** is the CFO of Markem-Imaje, an Operating Company of Dover Corporation in Geneva.

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

## 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 four compensated mandates in public listed companies (Chairman: three mandates) and up to ten compensated mandates in other legal entities.

## 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
<b>Nomination and Compensation Committee</b>	Dr. Dieter G. Seipler <sup>1</sup> Heinrich W. Kreutzer
<b>Risk and Audit Committee</b>	Lucas A. Grolimund <sup>1</sup> Stefanie Kahle-Galonske

<sup>1</sup> 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](http://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](http://www.micronas.com/en/investor/corporate-governance/documents-pdf).



## Meeting frequency and duration

In the business year 2015, ten 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 <sup>1</sup>	Nomination and Compensation Committee	Risk and Audit Committee <sup>2</sup>
Heinrich W. Kreutzer	10	2	
Lucas A. Grolimund	10 <sup>3</sup>		4
Stefanie Kahle-Galonske <sup>4</sup>	7		3
Dr. Dieter G. Seipler	10	2	

<sup>1</sup> Furthermore, the Board of Directors took one circular resolution.

<sup>2</sup> The auditors attended the Risk and Audit Committee meetings two times.

<sup>3</sup> This figure includes the resolution regarding the confirmation of the capital increase out of the conditional capital taken on March 6, 2015, in front of a notary public.

<sup>4</sup> Stefanie Kahle-Galonske was elected as a member of the Board of Directors at the ordinary Shareholders Meeting of March 27, 2015, replacing Dr. Stefan Wolf.

## 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](http://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.

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 Wärtsilä 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



**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 acted as Vice President Operations Frontend. On April 1, 2015, he was appointed Vice President Operations.

**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 in 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 design engineer at Kontron, Munich, 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.



## 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 23). However, the Board of Directors has decided that the Board members will not be granted any options as from 2016 and, instead, will be

remunerated exclusively in cash. 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 52 and 53 of the Compensation Report 2015).

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 23). 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 the Company's EBIT target ( $\frac{1}{3}$ ), functional objectives ( $\frac{1}{3}$ ) and personal objectives ( $\frac{1}{3}$ ). The functional and personal objectives depend on the function and duties of the respective member. Overall, the amount of the bonus component is about  $\frac{1}{2}$  of the amount of the fixed component provided the maximum bonus is earned.

For further information please refer to pages 49 to 56 of the Compensation Report and page 79 and 118 of the Financial Report 2015.

## 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 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 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, 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 22, 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 2015 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 2015, the auditors billed to the Company and Group companies for their services an aggregate auditing fee of CHF 235 (000).

## Additional fees

In 2015, the statutory auditors and affiliated parties billed to the Company and Group companies for additional services an aggregate amount of CHF 168 (000), including fees for tax advice of CHF 147 (000) and other advisory work of CHF 21 (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 29) 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](http://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](http://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](http://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 under **[www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/listing-rules/03\\_01-LR\\_en.pdf](http://www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/listing-rules/03_01-LR_en.pdf)**.

# Contact

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# Compensation Report

This 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 2015. 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](http://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 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 54 on the stock option plan and participation in the Company). However, the Board of Directors has decided that the Board members will not be granted any options as from 2016 and, instead, will be remunerated exclusively in cash. 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 455 000 in 2015 (2014: CHF 511 000). Of this amount CHF 390 000 (2014: CHF 393 000) were fixed. The options were valued at CHF 50 000 (2014: CHF 100 000) and the social security contributions amounted to CHF 15 000 (2014: CHF 18 000) (for details see the tables on pages 52 and 53).

There are no material differences in the total compensation the members of the Board of Directors received in 2015 compared to 2014.

For details regarding the stock option plan please refer to page 54 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 54 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 (1/2) on the one hand and personal objectives (1/2) 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.

An additional compensation has been granted to the two members of the Micronas Group Management, for the extra work in the context

of the public tender offer launched by TDK Corporation. The special compensation is part of the variable remuneration in 2015.

#### **Total compensation of the members of the Micronas Group Management**

The two members of the Micronas Group Management received total compensation of CHF 1 086 000 in 2015 (2014: CHF 1 328 000, including overlap with former CFO). Of this amount CHF 589 000 (2014: CHF 652 000) were fixed and CHF 312 000 (2014: CHF 327 000) were variable. The options were valued at CHF 97 000 (2014: CHF 140 000) and the remaining positions amounted to CHF 88 000 (2014: CHF 209 000) (for details see the tables on page 52 and 53).

In 2015, the variable compensation of the Micronas Group Management corresponded to 50 percent of the fixed compensation.

In 2015, the proportion between firm-wide objectives and personal objectives was 20 to 80 percent for the CEO and 17 to 83 for the CFO. The portion of personal objectives includes a discretionary special compensation in the course of the ongoing public tender offer by TDK. The target achievement of the firm-wide objectives amounted to 16 percent.

For details regarding the stock option plan please refer to page 54 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.

## 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 2015

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
<b>Board of Directors</b>								
Heinrich W. Kreutzer	157	0	20 000	20	0	7	0	<b>184</b>
Lucas A. Grolimund	80	0	10 000	10	0	5	0	<b>95</b>
Stefanie Kahle-Galonske		0	10 000	10	0	0	0	<b>10</b>
Dr. Dieter G. Seipler	78	0	10 000	10	0	3	0	<b>91</b>
Dr. Stefan Wolf	75	0	0	0	0	0	0	<b>75</b>
<b>Total Board of Directors</b>	<b>390</b>	<b>0</b>	<b>50 000</b>	<b>50</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>455</b>
<b>Micronas Group Management</b>								
Matthias Bopp, CEO	379	213	70 000	71	13	35	4	<b>715</b>
Daniel Wäger, CFO	210	99	25 833	26	11	25	0	<b>371</b>
<b>Total Micronas Group Management</b>	<b>589</b>	<b>312</b>	<b>95 833</b>	<b>97</b>	<b>24</b>	<b>60</b>	<b>4</b>	<b>1 086</b>



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

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
<b>Board of Directors</b>								
Heinrich W. Kreutzer	160	0	20 000	40	0	10	0	<b>210</b>
Lucas A. Grolimund	80	0	10 000	20	0	5	0	<b>105</b>
Dr. Dieter G. Seipler	78	0	10 000	20	0	3	0	<b>101</b>
Dr. Stefan Wolf	75	0	10 000	20	0	0	0	<b>95</b>
<b>Total Board of Directors</b>	<b>393</b>	<b>0</b>	<b>50 000</b>	<b>100</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>511</b>
<b>Micronas Group Management</b>								
Matthias Bopp, CEO	413	220	50 000	100	15	154	5	<b>907</b>
Daniel Wäger, CFO (since Sept. 15, 2014)	64	35	0	0	3	10	0	<b>112</b>
Günter Hoppe, CFO (until Sept. 14, 2014)	175	72	20 000	40	10	8	4	<b>309</b>
<b>Total Micronas Group Management</b>	<b>652</b>	<b>327</b>	<b>70 000</b>	<b>140</b>	<b>28</b>	<b>172</b>	<b>9</b>	<b>1 328</b>

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. Furthermore, the CEO, Matthias Bopp, received a one-time deferred compensation of CHF 121 000 in 2014.

## 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, such grant may be 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 Board of Directors has decided that the Board members will not be granted any options as from 2016 and, instead, will be remunerated exclusively in cash.

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 55).

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.

The Board of Directors has decided on December 16, 2015, to execute the accelerated vesting of the share options and to terminate the plan accordingly, upon announcement. All members of the Board of Directors and the two members of the Micronas Group Management have declared to sell all of the allotted and not yet exercised share options back to the Company. The accounting impact of the vesting is booked in 2015 whereas the settlement of the payments takes place in 2016.

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 following 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
Stefanie Kahle-Galonske Member of the Board of Directors	0	0	0	0	0	10 000	10 000
Micronas Group Management							
Matthias Bopp Chief Executive Officer	25 000	50 000	50 000	50 000	50 000	70 000	270 000
Daniel Wäger Chief Financial Officer	5 000	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

## 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, 2015 and 2014, no loans or credits were granted to current or former members of the Board of Directors and the Micronas Group Management.

## 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 2015 and 2014.

# 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 remuneration report of Micronas Semiconductor Holding AG of the year ended December 31, 2015 on pages 48 to 56.

## Responsibility of the Board of Directors

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

## Auditor's responsibility

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

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

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

## Opinion

In our opinion, the remuneration report for the year ended December 31, 2015 of Micronas Semiconductor Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Zurich, February 11, 2016

KPMG AG

## Herbert Bussmann

Licensed Audit Expert  
(Auditor in charge)

## Nicole Balmer Fröhlich

Licensed Audit Expert

# Five-year comparison

## Micronas Group

Consolidated figures	2015 CHF 1000	2014 CHF 1000	2013 CHF 1000	2012 CHF 1000	2011 CHF 1000
<b>Net sales</b>	<b>134 435</b>	<b>158 450</b>	<b>151 919</b>	<b>168 465</b>	<b>158 799</b>
Cost of sales	- 97 650	- 108 079	- 102 945	- 100 963	- 99 612
<b>Margin</b>	<b>36 785</b>	<b>50 371</b>	<b>48 974</b>	<b>67 502</b>	<b>59 187</b>
in % of net sales	27.4	31.8	32.2	40.1	37.3
Research and development expenses	- 22 940	- 27 932	- 27 752	- 28 948	- 28 376
Marketing and sales expenses	- 9 204	- 10 530	- 9 891	- 10 285	- 8 468
Administrative and general expenses	- 5 308	- 6 042	- 5 590	- 6 228	- 6 473
Other operating income (+) and expenses (-), net	1 213	525	2 341	2 188	1 001
<b>Operating profit before public tender offer expenses and restructuring</b>	<b>546</b>	<b>6 392</b>	<b>8 082</b>	<b>24 229</b>	<b>16 871</b>
Public tender offer expenses, impairment and restructuring	- 2 284	0	0	0	3 751
<b>Operating profit/loss</b>	<b>- 1 738</b>	<b>6 392</b>	<b>8 082</b>	<b>24 229</b>	<b>20 622</b>
in % of net sales	- 1.3	4.0	5.3	14.4	13.0
Financial income (+) and expenses (-), net, foreign exchange gains and losses, net	- 7 652	- 2 932	- 1 362	- 11 245	- 17 731
Other income (+) and expenses (-), net	0	0	105	105	114
<b>Profit/loss before tax</b>	<b>- 9 390</b>	<b>3 460</b>	<b>6 825</b>	<b>13 089</b>	<b>3 005</b>
in % of net sales	- 7.0	2.2	4.5	7.8	1.9
Income taxes	- 2 801	- 12	- 190	6 205	8 503
<b>Profit/loss for the period</b>	<b>- 12 191</b>	<b>3 448</b>	<b>6 635</b>	<b>19 294</b>	<b>11 508</b>
<b>Attributable to:</b>					
Shareholders of the parent	- 12 191	3 448	6 635	19 294	11 508
<b>Capital expenditures</b>	<b>13 497</b>	<b>20 409</b>	<b>10 547</b>	<b>8 702</b>	<b>19 056</b>
<b>Total assets</b>	<b>253 251</b>	<b>297 699</b>	<b>303 151</b>	<b>297 776</b>	<b>281 000</b>
<b>Shareholders' equity</b>	<b>86 199</b>	<b>109 762</b>	<b>129 843</b>	<b>125 607</b>	<b>131 000</b>
<b>Cash flow from operating activities</b>	<b>- 725</b>	<b>3 230</b>	<b>10 597</b>	<b>23 594</b>	<b>19 888</b>
Average number of employees	915	923	903	894	884
<b>Number of employees at year-end</b>	<b>919</b>	<b>929</b>	<b>912</b>	<b>893</b>	<b>879</b>

# Key performance benchmarks

## Micronas Group

	2015 in %	2014 in %	2013 in %	2012 in %	2011 in %
<b>Return on equity (ROE)<sup>1</sup></b>	<b>- 12.4</b>	2.9	5.2	15.0	9.1
<b>Return on assets (ROA)<sup>2</sup></b>	<b>- 3.4</b>	2.6	3.8	9.8	9.9
<b>Equity ratio<sup>3</sup></b>	<b>34.0</b>	36.9	42.8	42.2	46.6
<b>Current ratio<sup>4</sup></b>	<b>853.1</b>	998.0	939.2	877.7	698.2

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

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

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

<sup>4</sup> Current ratio  $\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$

# Key share data

## Micronas Group

31.12.2015		
<b>Number of registered shares (nominal value CHF 0.05)</b>		<b>29 757 930</b>
<b>Nominal capital</b>	CHF 1000	<b>1 488</b>
<b>EBIT per share<sup>1</sup></b>	CHF	<b>- 0.06</b>
<b>Profit/loss per share<sup>2</sup></b>	CHF	<b>- 0.42</b>
<b>Shareholders' equity per share</b>	CHF	<b>2.90</b>
<b>Share price and market capitalization SIX Swiss Exchange</b>		
<b>Share price</b>		
High	CHF	7.46
Low	CHF	3.71
Year-end	CHF	7.38
<b>Market capitalization<sup>3</sup></b>		
High	CHF 1000	221 994
Low	CHF 1000	110 402
Year-end	CHF 1000	219 614

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

<sup>3</sup> Calculation based on listed shares as at December 31, 2015

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





# Financial Report 2015

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# Consolidated statement of comprehensive income

	Note	2015 CHF 1000	2014 CHF 1000
<b>Net sales</b>		<b>134 435</b>	<b>158 450</b>
Cost of sales		– 97 650	– 108 079
<b>Margin</b>		<b>36 785</b>	<b>50 371</b>
in % of net sales		27.4	31.8
Research and development expenses		– 22 940	– 27 932
Marketing and sales expenses		– 9 204	– 10 530
Administrative and general expenses		– 5 308	– 6 042
Other operating income	8	1 639	1 332
Other operating expenses	9	– 426	– 807
<b>Operating profit before public tender offer expenses</b>		<b>546</b>	<b>6 392</b>
in % of net sales		0.4	4.0
Public tender offer expenses	10	– 2 284	0
<b>Operating profit/loss</b>		<b>– 1 738</b>	<b>6 392</b>
in % of net sales		– 1.3	4.0
Financial income	12	148	2 470
Financial expenses	13	– 3 326	– 5 481
Foreign exchange loss/gains		– 4 474	79
<b>Profit/loss before tax</b>		<b>– 9 390</b>	<b>3 460</b>
Income taxes	14	– 2 801	– 12
<b>Profit/loss for the period</b>		<b>– 12 191</b>	<b>3 448</b>
in % of net sales		– 9.1	2.2
<b>Attributable to:</b>			
Shareholders of the parent		– 12 191	3 448
<b>Other comprehensive income</b>	15		
<b>Items that are not reclassified subsequently to profit or loss</b>			
Remeasurement on pension obligations		953	– 22 231
Income tax effect		– 492	2 260
		<b>461</b>	<b>– 19 971</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Translation adjustment		– 4 450	– 1 245
Available-for-sale financial assets – net in fair value		598	– 219
Gain/(loss) on cash flow hedge		– 282	– 2 118
Income tax effect		115	646
		<b>– 4 019</b>	<b>– 2 936</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>– 3 558</b>	<b>– 22 907</b>
<b>Total comprehensive income for the period</b>		<b>– 15 749</b>	<b>– 19 459</b>
<b>Attributable to:</b>			
Shareholders of the parent		– 15 749	– 19 459
Weighted average number of issued and outstanding shares		28 908 175	29 495 950
<b>Earnings per share in CHF – undiluted</b>	37	<b>– 0.42</b>	<b>0.12</b>
Weighted average number of issued and outstanding shares for calculation of earnings per share – diluted		28 908 175	29 526 627
<b>Earnings per share in CHF – diluted</b>	37	<b>– 0.42</b>	<b>0.12</b>

# Consolidated statement of financial position

Assets	Note	31.12.2015 CHF 1000	31.12.2014 CHF 1000
<b>Non-current assets</b>			
Property, plant and equipment	16	57 204	59 331
Intangible assets	17	3 391	3 971
Investments	18	11 636	11 038
Other long-term assets		157	344
Deferred tax assets	19	15 878	21 208
<b>Total non-current assets</b>		<b>88 266</b>	<b>95 892</b>
<b>Current assets</b>			
Inventories	20	31 787	33 520
Accounts receivable – trade	21	11 869	14 589
Other current assets	22	1 788	1 549
Short-term financial investments	23	55 302	62 989
Cash and cash equivalents	24	64 239	89 160
<b>Total current assets</b>		<b>164 985</b>	<b>201 807</b>
<b>Total assets</b>		<b>253 251</b>	<b>297 699</b>

## Shareholders' equity and liabilities

<b>Shareholders' equity</b>			
Issued capital	25	1 488	1 488
Additional paid-in capital		497 740	498 220
Treasury shares	26	– 16 764	– 9 430
Other reserves		– 57 018	– 53 460
Retained deficit		– 339 247	– 327 056
<b>Equity attributable to shareholders of the parent</b>		<b>86 199</b>	<b>109 762</b>
<b>Long-term liabilities</b>			
Pension obligations	27	145 856	165 302
Long-term provisions	28	1 782	2 331
Other long-term liabilities		74	82
<b>Total long-term liabilities</b>		<b>147 712</b>	<b>167 715</b>
<b>Current liabilities</b>			
Accounts payable – trade	29	8 576	9 219
Short-term provisions	28	1 089	1 565
Income tax payable		15	25
Other current liabilities	30	9 660	9 413
<b>Total current liabilities</b>		<b>19 340</b>	<b>20 222</b>
<b>Total liabilities</b>		<b>167 052</b>	<b>187 937</b>
<b>Total shareholders' equity and liabilities</b>		<b>253 251</b>	<b>297 699</b>

# Consolidated statement of cash flows

## Operating activities

	Note	2015 CHF 1000	2014 CHF 1000
Profit/loss before tax		- 9 390	3 460
Depreciation and amortization	11	10 030	11 668
Interest income (-) and expense (+), net (excl. interest portion of discounted long-term provisions and liabilities)	12, 13	- 143	- 315
Fair value gains (-) and losses (+) on derivative financial instruments	12, 13	449	- 1 469
Gain on disposal of fixed assets		- 562	- 455
Share compensation expense	38	969	741
Foreign exchange gains and losses		122	- 538
Benefits paid to pensioners	27	- 5 981	- 6 786
Change in other long-term assets, provisions and liabilities		3 913	5 298
Change in inventories		- 1 589	- 7 175
Change in accounts receivable – trade and other current assets		1 172	175
Change in accounts payable – trade, short-term provisions and other current liabilities		231	- 1 558
Income taxes paid (-) and received (+)		54	184
<b>Cash flow from operating activities</b>		<b>- 725</b>	<b>3 230</b>

## Investing activities

Capital expenditures-property, plant and equipment	16	- 13 171	- 19 818
Capital expenditures-intangible assets	17	- 326	- 591
Short-term financial investments <sup>1</sup>	23	964	5 720
Interest received		140	346
Proceeds from disposal of fixed assets		565	587
<b>Cash flow from investing activities</b>		<b>- 11 828</b>	<b>- 13 756</b>

## Financing activities

Increase in issued capital and additional paid-in capital		23	111
Buy-back program treasury shares		- 7 334	0
Distribution to shareholders		- 1 472	- 1 474
<b>Cash flow from financing activities</b>		<b>- 8 783</b>	<b>- 1 363</b>
Exchange effect on cash		- 3 585	- 529
<b>Change in cash and cash equivalents</b>		<b>- 24 921</b>	<b>- 12 418</b>
Cash and cash equivalents at end of period		64 239	89 160
Cash and cash equivalents as at January 1		89 160	101 578
<b>Change in cash and cash equivalents</b>		<b>- 24 921</b>	<b>- 12 418</b>

<sup>1</sup> During 2015 and 2014, 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 23.

# Consolidated statement of changes in equity

		Equity attributable to the shareholders of the parent								
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	Retained deficit	Total
Balance as at 31.12.2013		1 486	498 844	– 9 430	1 663	– 63	– 31 310	– 843	– 330 504	129 843
Profit for the period									3 448	3 448
Other comprehensive income	15				– 2 118	– 219	– 22 231	– 1 245		– 25 813
Income tax effect	15				646		2 260			2 906
Total comprehensive income for the period					– 1 472	– 219	– 19 971	– 1 245	3 448	– 19 459
Distribution to shareholders			– 1 474							– 1 474
Exercise of share options	38	2	109							111
Share compensation expense	38		741							741
Balance as at 31.12.2014		1 488	498 220	– 9 430	191	– 282	– 51 281	– 2 088	– 327 056	109 762
Loss for the period									– 12 191	– 12 191
Other comprehensive income	15				– 282	598	953	– 4 450		– 3 181
Income tax effect	15				115		– 492			– 377
Total comprehensive income for the period					– 167	598	461	– 4 450	– 12 191	– 15 749
Distribution to shareholders			– 1 472							– 1 472
Exercise of share options	38	0	23							23
Buy-back program treasury shares	26			– 7 334						– 7 334
Share compensation expense	38		969							969
Balance as at 31.12.2015		1 488	497 740	– 16 764	24	316	– 50 820	– 6 538	– 339 247	86 199

# 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 11, 2016. The financial statements are subject to shareholder approval at the ordinary Shareholders' Meeting.

### 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 1 January 2016 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 27 and note 28.

## 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 pre-tax 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 controllers for smart actuators used in the automotive industry.

The Industrial division develops, manufactures and sells sensors and embedded controllers for smart actuators 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 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.

# Notes to the consolidated financial statements

## **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, 2015, and during the year ended December 31, 2014.

## **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 2015 and the business conditions, Micronas proposes no dividend be paid from the capital contribution reserve.

### 3. Group structure

In January 2014, Micronas Malaysia Sdn Bhd was liquidated.

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

Effective February 2, 2015, BEDI GmbH, Villach, Austria 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

## **WIS Technologies Shanghai Ltd.<sup>1</sup>**

Shanghai, PRC  
Ordinary capital: USD 200 000  
% 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.<sup>1</sup>**

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

<sup>1</sup> Companies in process of liquidation.



**Micronas Mantel1 GmbH**

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

**Micronas USA, Inc.**

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

**Micronas Mantel2 GmbH**

Freiburg, Germany  
Ordinary capital: EUR 25 000  
% 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

	2015	2014
1 EUR	1.0578	1.2137
1 GBP	1.4639	1.5105
1 USD	0.9557	0.9579
100 JPY	0.7910	0.8650

### Year-end rates

Consolidated statement of financial position

	2015	2014
1 EUR	1.0824	1.2030
1 GBP	1.4688	1.5368
1 USD	0.9908	0.9894
100 JPY	0.8220	0.8250

## 5. Abandon of euro cap in Switzerland

The appreciation of the Swiss franc following the Swiss National Bank's decision to abandon its minimum exchange rate policy against the euro had a negative impact on the level of reported net assets and comprehensive income as disclosed in Financial Report 2014 in note 38. The majority of assets and liabilities as well as income and expenses of the Group are denominated in euro. As a result of the EUR/CHF exchange rate decline by 13 percent, the translation into the Swiss reporting currency caused lower net sales in the amount of CHF 20 million, lower operating expenses of CHF 14 million and therefore a lower operating profit of CHF 1 million. The translation

into the Swiss reporting currency reduced total assets by CHF 27 million whereof the highest impact has been in the positions fixed assets, inventories (both through other comprehensive income), cash and cash equivalents as well as short-term financial investments (CHF 5 million through profit or loss). The liabilities have been affected by CHF 18 million, mainly due to the impact on the pension provision (through other comprehensive income). As an overall result equity has been reduced by CHF 9 million (whereof CHF 5 million through other comprehensive income).

## 6. Personnel expenses

	Note	2015 CHF 1000	2014 CHF 1000
Wages and salaries		62 301	70 231
Social expenses		10 639	11 859
Share compensation expense	38	969	741
Pension expenses for defined benefit plans excluding interest expense	27	1 321	1 262
Pension expenses for defined contribution plans		377	348
Other		155	177
<b>Total personnel expenses</b>		<b>75 762</b>	<b>84 618</b>

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
<b>Board of Directors</b>				
2015	390	15	50	<b>455</b>
2014	393	18	100	<b>511</b>
<b>Micronas Group Management</b>				
2015	901	88	97	<b>1 086</b>
2014	1 016	172	140	<b>1 328</b>
<b>Total</b>				
2015	1 291	103	147	<b>1 541</b>
2014	1 409	190	240	<b>1 839</b>

Management compensation disclosures required under Swiss law are presented in the Compensation Report on pages 52 and 53.

## 7. Number of employees

	2015	2014
Production	664	668
Research and development	101	103
Quality management	30	32
Marketing and sales	48	52
Administration and general	72	74
<b>Number of employees at year-end</b>	<b>915</b>	<b>929</b>
Average number of employees	919	923

# Notes to the consolidated financial statements

## 8. Other operating income

	2015 CHF 1000	2014 CHF 1000
Income from rental and services	677	658
Gain on disposal of fixed assets	562	455
Release of provisions	233	105
Income from release of time-barred liabilities	19	21
All other	148	93
<b>Total other operating income</b>	<b>1 639</b>	<b>1 332</b>

## 9. Other operating expenses

Customer safeguarding expense	– 258	0
Capital tax	– 107	– 109
Expenses from write-off license	0	– 607
Specific allowance for bad debt	0	– 74
All other	– 61	– 17
<b>Total other operating expenses</b>	<b>– 426</b>	<b>– 807</b>

## 10. Public tender offer expenses

TDK Corporation and Micronas Semiconductor Holding AG jointly announced on December 17, 2015, that the two companies have entered into a definitive agreement pursuant to which TDK will launch an all cash public tender offer for all

publicly held registered shares of Micronas for CHF 7.50 per share. In this context, expenses of CHF 2.3 million occur for financial and legal advice, due-diligence, vesting of the share options scheme and others.

## 11. Depreciation and amortization

	2015 CHF 1000	2014 CHF 1000
Land and buildings	1 164	1 330
Machinery and equipment	6 794	7 196
Other fixtures, fittings, tools and office equipment	1 568	2 002
Intangible assets	504	1 140
<b>Total depreciation and amortization</b>	<b>10 030</b>	<b>11 668</b>

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.

## 12. Financial income

Interest income <sup>1</sup>	143	315
Income from derivative financial instruments <sup>2</sup>	0	2 155
Other financial income	5	0
<b>Total financial income</b>	<b>148</b>	<b>2 470</b>

<sup>1</sup> Relates to loans and receivables. Please refer to note 31.

<sup>2</sup> Relates to cash flow hedges. Please refer to note 31.

## 13. Financial expenses

	Note		
Interest portion of pension expense	27	- 2 803	- 4 685
Unwind of discount on long-term provision and liabilities		- 40	- 85
Expenses from financial instruments at fair value through profit and loss <sup>1</sup>		- 449	- 686
Other financial expenses		- 34	- 25
<b>Total financial expenses</b>		<b>- 3 326</b>	<b>- 5 481</b>

<sup>1</sup> Relates to cash flow hedges. Please refer to note 31.

# Notes to the consolidated financial statements

## 14. Income taxes

	2015 CHF 1000	2014 CHF 1000
Accrued tax current year (current income tax)	- 25	- 26
Accrued tax prior-year adjustments – other	0	24
Deferred income taxes	- 2 776	- 10
<b>Total income taxes</b>	<b>- 2 801</b>	<b>- 12</b>
<b>Detail of deferred income taxes</b>		
Loss carry forwards used	23	56
Change in recognized deductible tax losses	- 2 314	1 711
Change in recognized deductible temporary differences	- 485	- 1 750
Tax rate change	0	- 27
<b>Total deferred income taxes</b>	<b>- 2 776</b>	<b>- 10</b>
<b>Profit/loss before tax</b>	<b>- 9 390</b>	<b>3 460</b>
Applicable tax rate in % <sup>1</sup>	12.3	29.6
<b>Applicable income tax charge</b>	<b>1 155</b>	<b>- 1 025</b>
Recognition of tax effect of previously unrecognized temporary differences	0	4 395
Unrecognized tax losses current year	- 1 156	- 3 394
Change in recognized deductible tax losses <sup>2</sup>	- 2 314	1 711
Change in recognized deductible temporary differences	- 485	- 1 711
Utilization of previously unrecognized tax losses	0	15
Tax rate change	- 1	- 27
Prior-year adjustments	0	24
<b>Total income taxes</b>	<b>- 2 801</b>	<b>- 12</b>
<b>Effective tax rate in %</b>	<b>- 29.8</b>	<b>0.3</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

## 15. Other comprehensive income

	2015 CHF 1000	2014 CHF 1000
<b>Cash flow hedges</b>		
Gains/losses arising for the period	- 282	- 2 118
Income tax effect	115	646
<b>Total cash flow hedges</b>	<b>- 167</b>	<b>- 1 472</b>
<b>Available-for-sale financial asset</b>		
Net change in fair value	598	- 219
<b>Total available-for-sale financial asset</b>	<b>598</b>	<b>- 219</b>
<b>Remeasurement on pension obligations</b>		
Remeasurement on pension obligations	953	- 22 231
Income tax effect	- 492	2 260
<b>Total remeasurement on pension obligations</b>	<b>461</b>	<b>- 19 971</b>
<b>Exchange difference on translating foreign operations</b>		
Other exchange differences on translating foreign operations	- 4 450	- 1 245
<b>Total foreign exchange gains and losses</b>	<b>- 4 450</b>	<b>- 1 245</b>
<b>Total other comprehensive income</b>	<b>- 3 558</b>	<b>- 22 907</b>

# Notes to the consolidated financial statements

## 16. Property, plant and equipment

	Land and buildings	Machinery and equipment	Other fixtures, fittings, tools and office equipment	<b>Total 2015</b>
<b>Gross amount</b>				<b>CHF 1000</b>
<b>Balance, beginning of year</b>	<b>40 439</b>	<b>420 121</b>	<b>102 698</b>	<b>563 258</b>
Additions	0	12 702	469	13 171
Disposals and retirements	0	– 6 281	– 1 860	– 8 141
Transfers	0	– 175	175	0
Translation adjustments	– 3 930	– 40 369	– 10 303	– 54 602
<b>Balance, end of year</b>	<b>36 509</b>	<b>385 998</b>	<b>91 179</b>	<b>513 686</b>
<b>Accumulated depreciation</b>				
<b>Balance, beginning of year</b>	<b>19 233</b>	<b>389 042</b>	<b>95 652</b>	<b>503 927</b>
Additions	1 164	6 794	1 568	9 526
Disposals and retirements	0	– 6 278	– 1 860	– 8 138
Translation adjustments	– 1 785	– 37 470	– 9 578	– 48 833
<b>Balance, end of year</b>	<b>18 612</b>	<b>352 088</b>	<b>85 782</b>	<b>456 482</b>
<b>Balance net, end of year</b>	<b>17 897</b>	<b>33 910</b>	<b>5 397</b>	<b>57 204</b>

<b>Gross amount</b>				<b>2014</b>
<b>Balance, beginning of year</b>	<b>40 434</b>	<b>426 676</b>	<b>105 976</b>	<b>573 086</b>
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
<b>Balance, end of year</b>	<b>40 439</b>	<b>420 121</b>	<b>102 698</b>	<b>563 258</b>
<b>Accumulated depreciation</b>				
<b>Balance, beginning of year</b>	<b>18 141</b>	<b>406 109</b>	<b>97 725</b>	<b>521 975</b>
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
<b>Balance, end of year</b>	<b>19 233</b>	<b>389 042</b>	<b>95 652</b>	<b>503 927</b>
<b>Balance net, end of year</b>	<b>21 206</b>	<b>31 079</b>	<b>7 046</b>	<b>59 331</b>

### Carrying amount of property, plant and equipment

Balance net, beginning of year 2014	22 293	20 567	8 251	51 111
Balance net, end of year 2014	21 206	31 079	7 046	59 331
<b>Balance net, end of year 2015</b>	<b>17 897</b>	<b>33 910</b>	<b>5 397</b>	<b>57 204</b>

Above balances include buildings, machinery and equipment in the course of construction in the amount of CHF 8 777 (000) in 2015 and CHF 6 247 (000) in 2014.



## 17. Intangible assets

	Capitalized development cost	Acquired technology, licenses and software	<b>Total 2015</b>
<b>Gross amount</b>			CHF 1000
<b>Balance, beginning of year</b>	<b>5 512</b>	<b>61 512</b>	<b>67 024</b>
Additions	303	23	326
Disposals and retirements		- 77	- 77
Translation adjustments	- 546	- 6 168	- 6 714
<b>Balance, end of year</b>	<b>5 269</b>	<b>55 290</b>	<b>60 559</b>
<b>Accumulated amortization</b>			
<b>Balance, beginning of year</b>	<b>3 935</b>	<b>59 118</b>	<b>63 053</b>
Additions	254	250	504
Disposals and retirements	0	- 77	- 77
Translation adjustments	- 389	- 5 923	- 6 312
<b>Balance, end of year</b>	<b>3 800</b>	<b>53 368</b>	<b>57 168</b>
<b>Balance net, end of year</b>	<b>1 469</b>	<b>1 922</b>	<b>3 391</b>

<b>Gross amount</b>			<b>2014</b>
<b>Balance, beginning of year</b>	<b>5 265</b>	<b>62 551</b>	<b>67 816</b>
Additions	353	238	591
Disposals and retirements	0	- 57	- 57
Translation adjustments	- 106	- 1 220	- 1 326
<b>Balance, end of year</b>	<b>5 512</b>	<b>61 512</b>	<b>67 024</b>
<b>Accumulated amortization</b>			
<b>Balance, beginning of year</b>	<b>3 762</b>	<b>59 449</b>	<b>63 211</b>
Additions	249	891	1 140
Disposals and retirements	0	- 57	- 57
Translation adjustments	- 76	- 1 165	- 1 241
<b>Balance, end of year</b>	<b>3 935</b>	<b>59 118</b>	<b>63 053</b>
<b>Balance net, end of year</b>	<b>1 577</b>	<b>2 394</b>	<b>3 971</b>

<b>Carrying amount of intangible assets</b>			
Balance net, beginning of year 2014	1 503	3 102	4 605
Balance net, end of year 2014	1 577	2 394	3 971
<b>Balance net, end of year 2015</b>	<b>1 469</b>	<b>1 922</b>	<b>3 391</b>

# Notes to the consolidated financial statements

## 18. 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. Due to a new fair value calculation, a valuation gain of net CHF 0.6 million was recorded in other comprehensive income

(2014: a valuation loss of CHF 0.2 million). 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.

## 19. Deferred tax assets

	2015 CHF 1000	2014 CHF 1000
<b>Amount, beginning of year</b>	<b>21 208</b>	<b>18 685</b>
Income tax recorded through profit and loss <sup>1</sup>	- 2 776	- 10
Income tax effect recorded in other comprehensive income	- 377	2 906
Translation adjustments	- 2 177	- 373
<b>Balance, end of year</b>	<b>15 878</b>	<b>21 208</b>
<b>Deferred tax assets, gross</b>		
Temporary differences on		
– Tangible fixed assets	70	201
– Intangible assets	196	404
– Other non-current assets	45	43
– Long-term provisions and liabilities	6 737	8 258
– Other current assets/liabilities	8	11
Losses carried forward	9 615	13 217
<b>Total deferred tax assets, gross – end of year</b>	<b>16 671</b>	<b>22 134</b>
thereof offset with deferred tax liabilities	- 793	- 926
<b>Deferred tax assets in consolidated statement of financial position</b>	<b>15 878</b>	<b>21 208</b>
<b>Deferred tax liabilities, gross</b>		
Temporary differences on		
– Tangible fixed assets	154	155
– Other current assets/liabilities	639	771
<b>Total deferred tax liabilities, gross – end of year</b>	<b>793</b>	<b>926</b>
thereof offset with deferred tax assets	793	926

<sup>1</sup> Please refer to note 14.

As at December 31, 2015, the Company had approximately CHF 91 million in non-recognized net operating losses for trade income tax and CHF 120 million for corporate income tax carried forward in Germany and CHF 724 million in non-recognized net operating losses carried forward in Switzerland. In Switzerland

non-recognized losses carried forward of CHF 281 million lapsed in 2015, CHF 367 million expire 2016, CHF 238 million expire 2017, non-recognized losses carried forward of CHF 20 million expire 2018 and non-recognized losses carried forward of CHF 99 million expire 2021.

## 20. Inventories

	2015 CHF 1000	2014 CHF 1000
<b>Materials and supplies</b>		
measured at cost	4 814	5 481
measured at net realizable value	0	0
<b>Work in progress</b>		
measured at cost	19 285	22 025
measured at net realizable value	0	0
<b>Finished goods of own production</b>		
measured at cost	7 688	5 243
measured at net realizable value	0	771
<b>Resale finished goods</b>		
measured at cost	0	0
measured at net realizable value	0	0
<b>Total inventories</b>	<b>31 787</b>	<b>33 520</b>
Amount of inventories recognized as a cost of sales during the period	91 279	99 593
Amount of any write-down of inventories recognized as an expense during the period	2 263	3 650
Amount of reversal of write-downs recognized as a reduction in the amount of inventories recognized as expense in the period	351	160

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

# Notes to the consolidated financial statements

## 21. Accounts receivable – trade

	2015 CHF 1000	2014 CHF 1000
Trade receivables, net	11 869	14 589
<b>Total receivables, net</b>	<b>11 869</b>	<b>14 589</b>

Trade receivables are non-interest-bearing and are generally on 30 to 60 days' term.

As at December 31, 2015, trade receivables at nominal value of CHF 66 (000) were impaired and fully provided for (December 31, 2014: CHF 73 (000)).

### Allowance for credit losses

<b>Balance, beginning of year</b>	<b>73</b>	<b>0</b>
Additions	0	73
Uses	0	0
Reversals	0	0
Translation adjustments	– 7	0
<b>Balance, end of year</b>	<b>66</b>	<b>73</b>

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
<b>2015</b>	<b>11 869</b>	11 294	575	0	0	0	0
<b>2014</b>	<b>14 589</b>	13 846	644	99	0	0	0

As at December 31, 2015, about 98 percent (December 31, 2014, about 96 percent) of the accounts receivable – trade were secured through credit insurance or letter of credit.

## 22. Other current assets

	2015 CHF 1000	2014 CHF 1000
Prepaid expenses and accrued income	447	672
Tax receivables	367	388
Advancement combined heat and power unit	0	313
Deposits	832	17
Other	142	159
<b>Total other current assets</b>	<b>1 788</b>	<b>1 549</b>

## 23. Short-term financial investments

	2015 CHF 1000	2014 CHF 1000
Derivative financial instruments	78	788
Short-term financial cash deposits with a maturity of more than three months up to one year <sup>1</sup>	55 224	62 201
<b>Total short-term financial investments</b>	<b>55 302</b>	<b>62 989</b>

<sup>1</sup> 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

<b>Opening balance</b>	<b>62 201</b>	<b>68 829</b>
Additions/deductions	– 725	– 5 334
Translation adjustments	– 6 252	– 1 294
<b>Short-term financial cash deposits, end of period</b>	<b>55 224</b>	<b>62 201</b>
Short-term financial cash deposits, end of period	55 224	62 201
Cash and cash equivalents, end of period	64 239	89 160
<b>Cash and cash equivalents and short-term cash deposits, end of period</b>	<b>119 463</b>	<b>151 361</b>

## 24. Cash and cash equivalents

Cash on hand	4	7
Current accounts with banks	54 244	64 229
Short-term deposits with an initial maturity of three months or less	9 991	24 924
<b>Total cash and cash equivalents</b>	<b>64 239</b>	<b>89 160</b>

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 98 (000) (2014: CHF 842 (000)) is pledged. The pledge in 2014 to ensure claims of members of the early retirement program was terminated in 2015. All other cash and cash equivalents are not restricted and available for use.

# Notes to the consolidated financial statements

## 25. Issued capital

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

	Number	31.12.2015 CHF 1000	Number	31.12.2014 CHF 1000
<b>Opening balance</b>	<b>29 752 930</b>	<b>1 488</b>	<b>29 727 930</b>	<b>1 486</b>
Exercise of share options	5 000	0	25 000	2
<b>Balance, end of year</b>	<b>29 757 930</b>	<b>1 488</b>	<b>29 752 930</b>	<b>1 488</b>

### 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 35 108.50 through the issuance of a maximum of 702 170 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 exercised in 2015 will be registered in the first quarter of 2016.

The 2014 proposed distribution of CHF 0.05 per registered share against reserves from capital contributions was paid out to Micronas shareholders at the beginning of April 2015.

As at December 31, 2015, 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	2015	2014
Brandes Investment Partners, L.P. <sup>1</sup>	San Diego, USA	10.60 %	5.08 %
Nortrust Nominees Ltd. <sup>2</sup>	London, Great Britain	6.31 %	9.23 %
Micronas Semiconductor Holding AG	Zurich, Switzerland	5.83 %	0.81 %
Sparinvest Holding SE <sup>1</sup>	Luxembourg	4.95 %	5.33 %
Wellington Management Company, LLP <sup>1</sup>	Boston, USA	3.58 %	3.03 %
Odo Meriten Asset Management <sup>1</sup>	Paris, France	3.36 %	n.a.
RBC Investor & Treasury Services <sup>2</sup>	London, Great Britain	n.a.	7.90 %
Black Creek Investment Management Inc. <sup>1</sup>	Toronto, Canada	n.a.	5.04 %
Highclere International Investors LLP <sup>1</sup>	London, Great Britain	n.a.	3.08 %

<sup>1</sup> The above figures (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, 2015.

<sup>2</sup> Nortrust Nominees Ltd. is acting in its capacity as nominee for other investors. The above figures (percentages) conform to the figures as at December 31, 2015.

## 26. Treasury share

The Board of Directors decided to carry out a share buy-back worth up to CHF 20 million. The buy-back program started in March 2015 and proceeded as planned, between March 10 and

December 15, 2015, a total of 1 493 838 shares were repurchased, equivalent to 5.02 percent of the Company's share capital. The buy-back program has been finished at December 16, 2015.

	Number	2015 CHF 1000	Number	2014 CHF 1000
<b>Opening balance</b>	<b>242 188</b>	<b>9 430</b>	<b>242 188</b>	<b>9 430</b>
Purchases	1 493 838	7 334	0	0
<b>Balance, end of year</b>	<b>1 736 026</b>	<b>16 764</b>	<b>242 188</b>	<b>9 430</b>
Average purchase price in CHF		9.66		38.94

## 27. 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:

	2015 CHF 1000	2014 CHF 1000
<b>Present value of obligations, beginning of year</b>	<b>165 302</b>	<b>146 961</b>
<b>Included in profit or loss</b>		
Interest cost <sup>1</sup>	2 803	4 685
Current service cost	1 321	1 262
	<b>4 124</b>	<b>5 947</b>
<b>Included in OCI</b>		
Remeasurement (gains)/losses:		
Unrecognized actuarial (gains)/losses arising from:		
– Demographic assumptions	– 465	– 599
– Financial assumptions	– 487	22 830
	<b>– 952</b>	<b>22 231</b>
<b>Other</b>		
Benefits paid	– 5 981	– 6 786
Translations adjustments	– 16 637	– 3 051
	<b>– 22 618</b>	<b>– 9 837</b>
<b>Net liability recognized in the balance sheet</b>	<b>145 856</b>	<b>165 302</b>

<sup>1</sup> The interest portion is charged to financial expenses.

The Group expects to pay CHF 6.3 million to its pensioners in 2016.

# Notes to the consolidated financial statements

## Actuarial assumptions

The following were the principal assumptions at the reporting date:

	2015 Germany	2014 Germany
Discount rate per annum	2.15%	1.97%
Inflation rate per annum	1.85%	0.00%
Salary increase per annum	2.00%	2.00%
Post-retirement pension increases	1.85%	1.67%

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:

	2015	2014
<b>Longevity at age 65 for current pensioners</b>		
Males	18.6	18.4
Females	22.6	22.5
<b>Longevity at age 65 for members at current age 45</b>		
Males	21.2	21.1
Females	25.1	25.0
<b>Weighted average duration of defined benefit obligation</b>		
Plan A	11.4	11.8
Plan B	15.9	16.1

## 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, 2015 CHF 1000	Unfunded defined benefit obligation	
	Increase	Decrease
Discount rate (1% movement)	- 19 033	24 230
Future salary growth (0.5% movement)	6	- 6
Future post-retirement pension growth (0.5% movement)	9 958	- 8 670

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.



## 28. Provisions

2015 CHF 1000	Balance, beginning of year	Charge to costs and expenses	Reversal of provisions	Usage, payments	Translation adjustments	Balance, end of year
Restructuring	183	0	– 87	– 18	– 14	64
Jubilee	1 471	123	0	– 93	– 147	1 354
Warranty	640	282	– 291	– 118	– 67	446
Loss on pending business	403	171	0	– 354	– 45	175
Early retirement	743	695	0	– 1 055	– 82	301
Other	456	137	0	– 29	– 33	531
<b>Total provisions</b>	<b>3 896</b>	<b>1 408</b>	<b>– 378</b>	<b>– 1 667</b>	<b>– 388</b>	<b>2 871</b>
Thereof short-term provisions	1 565	554	– 378	– 494	– 158	1 089
Thereof long-term provisions	2 331	854	0	– 1 173	– 230	1 782

<b>2014</b> CHF 1000						
Restructuring	1 039	99	– 47	– 953	45	183
Jubilee	1 559	191	0	– 249	– 30	1 471
Warranty	664	358	– 248	– 121	– 13	640
Loss on pending business	451	0	0	– 40	– 8	403
Early retirement	1 503	136	0	– 873	– 23	743
Other	465	40	– 5	– 35	– 9	456
<b>Total provisions</b>	<b>5 681</b>	<b>824</b>	<b>– 300</b>	<b>– 2 271</b>	<b>– 38</b>	<b>3 896</b>
Thereof short-term provisions	2 518	457	– 300	– 1 128	18	1 565
Thereof long-term provisions	3 163	367	0	– 1 143	– 56	2 331

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 2.01 percent in 2015 and 2.14 percent in 2014 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 26 (000) (2014: CHF 46 (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 1.04 percent in 2015 and 1.03 percent in 2014. The provision is expected to be used pro rata up to the year 2019. The charge to costs and expenses includes CHF 14 (000) (2014: CHF 38 (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

## 29. Accounts payable – trade

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

## 30. Other current liabilities

	2015 CHF 1000	2014 CHF 1000
Accrued expenses	5 666	5 536
Accrued social expenses	1 737	2 348
Public tender offer expenses	1 652	0
Advances from customers	183	1 154
VAT payable	374	315
Other	48	60
<b>Total other current liabilities</b>	<b>9 660</b>	<b>9 413</b>

## 31. Financial instruments

2015  
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
<b>Assets</b>				
Investments	0	11 636		
Other long-term assets <sup>1</sup>	109	0		0
Accounts receivable	11 869	0		
Other current assets <sup>1</sup>	973	0		
Short-term financial investments				
– Short-term cash deposits	55 224	0		
– Derivatives				78
Cash and cash equivalents	0	0		
<b>Liabilities</b>				
Other long-term liabilities			0	
– Derivatives with a hedging relationship				0
Accounts payable – trade			8 576	
Other current liabilities <sup>2</sup>			4 842	
– Derivatives without a hedging relationship				
– Derivatives with a hedging relationship				0
<b>Total</b>	<b>68 175</b>	<b>11 636</b>	<b>13 418</b>	<b>78</b>

<b>Net carrying amount</b>	2014 CHF 1000			
<b>Assets</b>				
Investments	0	11 038		
Other long-term assets <sup>1</sup>	92	0		147
Accounts receivable	14 589	0		
Other current assets <sup>1</sup>	489	0		
Short-term financial investments				
– Short-term cash deposits	62 201	0		
– Derivatives				788
Cash and cash equivalents	89 160	0		
<b>Liabilities</b>				
Other long-term liabilities			0	
– Derivatives with a hedging relationship				0
Accounts payable – trade			9 219	
Other current liabilities <sup>2</sup>			4 134	
– Derivatives without a hedging relationship				
– Derivatives with a hedging relationship				0
<b>Total</b>	<b>166 531</b>	<b>11 038</b>	<b>13 353</b>	<b>935</b>

<sup>1</sup> Tax receivables not included.

<sup>2</sup> 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
<b>Assets measured at fair value</b>					
Available-for-sale financial assets	<b>2015</b>	<b>11 636</b>	<b>0</b>	<b>0</b>	<b>11 636</b>
	2014	11 038	0	0	11 038
Derivatives part of a hedging relationship <sup>1</sup>	<b>2015</b>	<b>78</b>	<b>0</b>	<b>78</b>	<b>0</b>
	2014	935	0	935	0

<sup>1</sup> Derivatives part of a hedging relationship consists in 2015 to short-term financial investments of CHF 78 000 (31.12.2014: CHF 788 000) and to other long-term assets of CHF 0 (31.12.2014: CHF 147 000).

In 2015 and 2014, 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"> <li>– Forecast annual revenue growth rate</li> <li>– Forecast EBITDA</li> <li>– Discount factor based on post-tax WACC</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>– the annual revenue growth rate were higher (lower);</li> <li>– the EBITDA were higher (lower);</li> <li>– the discount factor were (higher) lower.</li> </ul> <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, 2015, 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, 2015, and a loss of CHF 282 (000) (2014: a loss of CHF 2 118 (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:

	2015 CHF 1000	2014 CHF 1000
<b>Level 3 fair value, beginning of year</b>	<b>11 038</b>	<b>11 257</b>
Valuation gain included in OCI	598	0
Valuation loss included in OCI	0	– 219
<b>Level 3 fair value, end of year</b>	<b>11 636</b>	<b>11 038</b>

**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)	864	922
WACC (Weighted Average Cost of Capital) (0.5% movement)	– 979	– 1 041

# Notes to the consolidated financial statements

## 32. 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 profit or loss before tax and equity:

	Currency	Increase/ decrease in FX rate	Effect on profit before tax CHF 1000	Effect on equity CHF 1000
<b>2015</b>	EUR	10%	3 074	21 837
	EUR	- 10%	- 3 074	- 21 837
	USD	10%	518	501
	USD	- 10%	- 518	- 501
	JPY	10%	108	56
	JPY	- 10%	- 108	- 56
<b>2014</b>	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

The sensitivity refers to the financial instruments (assets and liabilities) held by the Company in foreign currencies at year-end 2015 and 2014.

As a result of the volatile financial market in 2015, 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 2015 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 profit or 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
<b>2015</b>	EUR	<b>0.2%</b>	<b>213</b>
	EUR	<b>- 0.2%</b>	<b>- 213</b>
	USD	<b>0.2%</b>	<b>12</b>
	USD	<b>- 0.2%</b>	<b>- 12</b>
<b>2014</b>	EUR	0.2%	277
	EUR	- 0.2%	- 277
	USD	0.2%	13
	USD	- 0.2%	- 13

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 management best estimation.

### 33. 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
<b>December 31, 2015</b>						
Other non-interest-bearing liabilities	4 842	4 842	0	0	0	0
Derivatives	0	0	0	0	0	0
Accounts payable – trade	8 576	8 576	0	0	0	0
<b>Total</b>	<b>13 418</b>	<b>13 418</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>December 31, 2014</b>						
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
<b>Total</b>	<b>13 353</b>	<b>13 353</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Notes to the consolidated financial statements

## 34. Operating segment and geographical information

2015  
CHF 1000

Operating segments	Automotive	Industrial	Group
<b>Net sales</b>	<b>125 316</b>	<b>9 119</b>	<b>134 435</b>
in % of total net sales	93.2	6.8	100.0
<b>Margin</b>	<b>33 938</b>	<b>2 847</b>	<b>36 785</b>
in % of sales	27.1	31.2	27.4
<b>EBITDA</b>	<b>7 165</b>	<b>1 127</b>	<b>8 292</b>
in % of sales	5.7	12.4	6.2
Depreciation and amortization	9 453	577	10 030
<b>Operating profit before public tender offer expenses</b>	<b>- 155</b>	<b>701</b>	<b>546</b>
in % of sales	- 0.1	7.7	0.4
Public tender offer expenses	2 133	151	2 284
<b>Operating profit/loss</b>	<b>- 2 288</b>	<b>550</b>	<b>- 1 738</b>
in % of sales	- 1.8	6.0	- 1.3
Financial income			148
Financial expenses			- 3 326
Foreign exchange losses			- 4 474
<b>Loss before tax</b>			<b>- 9 390</b>
Income taxes			- 2 801
<b>Loss for the period</b>			<b>- 12 191</b>
in % of net sales			- 9.1
Capital expenditures <sup>1</sup>	12 828	669	13 497
<b>Segment assets</b>	<b>97 810</b>	<b>6 441</b>	<b>104 251</b>
EBITDA in % of segment assets	7.3	17.5	8.0
Investments			11 636
Other non-current assets			16 035
Other current assets			1 788
Short-term financial investments			55 302
Cash and cash equivalents			64 239
<b>Total assets</b>			<b>253 251</b>
Segment liabilities (accounts payable – trade)	8 034	542	8 576
Headcount, end of period	867	48	915



**2014**  
CHF 1000

<b>Operating segments</b>	Automotive	Industrial	<b>Group</b>
<b>Net sales</b>	<b>147 775</b>	<b>10 675</b>	<b>158 450</b>
in % of total net sales	93.3	6.7	100.0
<b>Margin</b>	<b>46 230</b>	<b>4 141</b>	<b>50 371</b>
in % of sales	31.3	38.8	31.8
<b>EBITDA</b>	<b>17 116</b>	<b>944</b>	<b>18 060</b>
in % of sales	11.6	8.8	11.4
Depreciation and amortization	10 420	1 248	11 668
<b>Operating profit/loss</b>	<b>6 696</b>	<b>- 304</b>	<b>6 392</b>
in % of sales	5.3	- 3.3	4.0
Financial income			2 470
Financial expenses			- 5 481
Foreign exchange gain			79
<b>Profit before tax</b>			<b>3 460</b>
Income taxes			- 12
<b>Profit for the period</b>			<b>3 448</b>
in % of net sales			2.2
Capital expenditures <sup>1</sup>	19 234	1 175	20 409
<b>Segment assets</b>	<b>104 715</b>	<b>6 696</b>	<b>111 411</b>
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
<b>Total assets</b>			<b>297 699</b>
Segment liabilities (accounts payable – trade)	8 673	546	9 219
Headcount, end of period	879	50	929

<sup>1</sup> 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	
	2015	2014	2015	2014
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Germany	96.3	97.8	80.6	93.6
Great Britain	3.6	2.2	19.4	6.4
Rest of world	0.1	0.0	0.0	0.0

Group	2015		2014	
	Net sales, CHF 1000	in % of total net sales	Net sales, CHF 1000	in % of total net sales
<b>Europe</b>	<b>46 732</b>	34.8	<b>51 569</b>	32.6
Germany	25 992	19.3	31 846	20.1
Switzerland	258	0.2	144	0.1
Hungary	9 787	7.3	6 242	3.9
France	3 026	2.3	2 129	1.3
Czech Republic	1 831	1.4	3 245	2.0
Rest of Europe	5 838	4.3	7 963	5.2
<b>Asia</b>	<b>76 381</b>	56.8	<b>92 867</b>	58.6
Japan	60 708	45.2	79 852	50.4
China	11 148	8.3	9 410	5.9
South Korea	3 258	2.4	1 607	1.0
Rest of Asia	1 267	0.9	1 998	1.3
<b>America</b>	<b>11 154</b>	8.3	<b>13 841</b>	8.7
USA	8 926	6.6	10 284	6.5
Rest of America	2 228	1.7	3 557	2.2
<b>Other</b>	<b>168</b>	0.1	<b>173</b>	0.1
<b>Total net sales</b>	<b>134 435</b>	<b>100.0</b>	<b>158 450</b>	<b>100.0</b>

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

Operating segment net sales by product	2015 CHF 1000	2014 CHF 1000
<b>Automotive</b>		
Hall-effect sensors	118 232	140 882
Controllers	7 084	6 893
<b>Net sales</b>	<b>125 316</b>	<b>147 775</b>
<b>Industrial</b>		
Sensors	9 119	10 675
<b>Net sales</b>	<b>9 119</b>	<b>10 675</b>

**Net sales in the Automotive segment include the major customers**

Customer 1	43 984	58 533
Customer 2	10 520	11 732
Customer 3	9 517	12 014

Net sales reported above represent revenues generated from external customers. There were no inter-segment sales in 2015 and 2014.

# Notes to the consolidated financial statements

## 35. Operating leases

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

CHF 1000	2015		2014	
Leasing payments during period	2015	3 814	2014	4 988
Future lease commitments			2015	3 680
	2016	3 472	2016	1 415
	2017	3 229	2017	472
	2018	3 006	2018	290
	2019	1 150	2019	266
	2020	1 063		
	Thereafter	56	Thereafter	222
<b>Total future lease commitments</b>		<b>11 976</b>		<b>6 345</b>

At the Freiburg facility a lease contract for an on-site nitrogen generator exists. The lease expires in January 2021. 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 2017 and 2018. No renewal or purchase options exist.

## 36. Other financial commitments

	2015 CHF 1000	2014 CHF 1000
Orders for machinery and equipment	4 372	2 666
Orders for research and development projects	402	334
Obligations to foundries/external assembly	229	340

### 37. Earnings per share

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

	2015	2014
<b>Earnings per share in CHF – undiluted</b>		
Profit/loss for the period attributable to the shareholders of the parent in CHF 1000	– 12 191	3 448
Weighted average number of issued and outstanding shares	28 908 175	29 495 950
<b>Earnings per share in CHF – undiluted</b>	<b>– 0.42</b>	<b>0.12</b>
<b>Earnings per share in CHF – diluted</b>		
Profit/loss for the period attributable to the shareholders of the parent in CHF 1000	– 12 191	3 448
Weighted average number of issued and outstanding shares for calculation of earnings per share – undiluted	28 908 175	29 495 950
Dilution: share options	0	30 677
Weighted average number of issued and outstanding shares for calculation of earnings per share – diluted	28 908 175	29 526 627
<b>Earnings per share in CHF – diluted</b>	<b>– 0.42</b>	<b>0.12</b>

# Notes to the consolidated financial statements

## 38. 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.

Triggered by the announcement of the public tender offer by TDK Corporation on December 17, 2015, the participants of the share option scheme have the right to sell the allotted and not yet exercised share options to the Company within 60 days. The Board of Directors has decided on December 16, 2015, to execute the accelerated vesting of the share options and to terminate the plan accordingly, upon announcement. The accounting impact of the vesting is booked in 2015 whereas the settlement of the payments takes place in 2016.

Details of the share options outstanding are as follows:	2015		2014	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
<b>Outstanding at the beginning of the year</b>	<b>1 323 750</b>	<b>7.95</b>	<b>1 093 750</b>	<b>8.02</b>
Issued	389 583	7.00	345 000	7.53
Exercised	– 5 000	4.73	– 25 000	4.44
Forfeited	– 121 250	7.86	– 90 000	8.27
Expired	– 31 250	4.73	0	0.00
<b>Outstanding at the end of the year</b>	<b>1 555 833</b>	<b>7.79</b>	<b>1 323 750</b>	<b>7.95</b>
Exercisable at the end of the year	553 750	8.63	320 000	8.78

In the year 2015, 5 000 options have been exercised with an average share price of CHF 6.14. In the year 2014, 25 000 options have been exercised with an average of CHF 7.24.

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.2 years (2014: 3.5 years) and a range of the exercise price from CHF 6.74 each to CHF 11.90 each.

In 2015, 145 833 options were granted on January 3 and 243 750 options were granted on July 1 with an estimated fair value of the options granted on those dates of CHF 1.01 and CHF 0.57.

In 2014, 120 000 options were granted on January 3 and 225 000 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.

Used actuarial assumptions:

	2015	2014
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	34.50% – 40.18%	42.1% – 44.55%
Share price at the grant date in CHF	7.00	7.00 – 7.81
Risk-free interest rate	0.0 – (0.43)	0.19 – 0.61
Expected dividend	2.0%	2.0%
Weighted average fair value per options granted in CHF	0.57 – 1.01	1.95 – 2.00

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 2015 of CHF 969 (000) (2014: CHF 741 (000)) related to equity-settled share-based payment transactions during the year.

### 39. Subsequent events

Micronas has entered a transaction agreement with TDK Corporation to combine its magnetic sensor business in December 2015. TDK has launched an all cash public tender offer for all publicly held registered shares of Micronas for CHF 7.50 per share on December 22, 2015. The regular offer period has started on January 12,

2016 and will last until February 10, 2016. The definitive notice of the interim result of the offer is planned on February 16, 2016. The transaction is expected to be completed in March 2016. Subsequently, a delisting of the SIX Swiss Exchange is anticipated.

# 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 62 to 107 for the year ended December 31, 2015.

### **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, 2015, 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 11, 2016

KPMG AG

**Herbert Bussmann**

Licensed Audit Expert  
(Auditor in charge)

**Nicole Balmer Fröhlich**

Licensed Audit Expert



## Additional information

### Orders on hand

	2015 CHF 1000	2014 CHF 1000
<b>Orders on hand, beginning of year</b>	<b>49 006</b>	<b>48 125</b>
Net sales	134 435	158 450
Order intake	132 102	160 282
Translation adjustments	– 4 964	– 951
<b>Orders on hand, end of year</b>	<b>41 709</b>	<b>49 006</b>
<b>Book-to-bill</b>	<b>0.98</b>	<b>1.01</b>

# Balance sheet

Assets	Note	31.12.2015 CHF 1000	31.12.2014 CHF 1000
<b>Current assets</b>			
Cash and cash equivalents		36 925	50 387
Other short-term receivables			
– from third parties		90	109
– from companies in which the entity holds an investment		661	769
Prepaid expenses and accrued income		37	146
<b>Total current assets</b>		<b>37 713</b>	<b>51 411</b>
<b>Total non-current assets</b>			
Financial assets		9 931	11 038
Investments in			
– Group companies	2.1	165 321	256 069
Plant, property and equipment		2	6
<b>Total non-current assets</b>		<b>175 254</b>	<b>267 113</b>
<b>Total assets</b>		<b>212 967</b>	<b>318 524</b>
<b>Liabilities and shareholders' equity</b>			
<b>Short-term liabilities</b>			
Trade accounts payable		60	68
Other short-term liabilities due to companies in which the entity holds an investment		0	13
Accrued expenses and deferred income		2 800	1 022
<b>Total short-term liabilities</b>		<b>2 860</b>	<b>1 103</b>
<b>Long-term liabilities</b>			
Long-term provisions		146 334	166 334
<b>Total long-term liabilities</b>		<b>146 334</b>	<b>166 334</b>
<b>Total liabilities</b>		<b>149 194</b>	<b>167 437</b>
<b>Shareholders' equity</b>			
Share capital	2.2	1 488	1 488
Legal capital reserves			
– Reserves from capital contribution	2.3	119 494	120 942
Voluntary retained earnings			
– Available earnings			
– Profit brought forward		30 033	29 845
– Profit/loss for the year		– 78 532	188
Treasury shares	2.4	– 8 710	– 1 376
<b>Total shareholders' equity</b>		<b>63 773</b>	<b>151 087</b>
<b>Total liabilities and shareholders' equity</b>		<b>212 967</b>	<b>318 524</b>

The presentation of the balance sheet at December 31, 2014, has been adjusted following changes from the new law on accounting and financial reporting contained in the 32nd title of the Swiss Code of Obligations (CO) that were adopted on January 1, 2015.

# Profit and loss statement

	Note	2015 CHF 1000	2014 CHF 1000
Dividend income	2.5	0	1 130
Other financial income		951	1 119
Other operating income	2.6	1 344	1 591
Non-operating income	2.7	20 000	0
<b>Total income</b>		<b>22 295</b>	<b>3 840</b>
Amortization and valuation adjustments	2.8	– 90 748	– 650
Other operating expenses	2.9	– 1 158	– 1 245
Personnel expenses		– 1 166	– 1 067
Depreciation on plant, property and equipment		– 3	– 4
Public tender offer expenses	2.11	– 1 820	0
Financial expenses	2.10	– 5 932	– 686
<b>Total expenses</b>		<b>– 100 827</b>	<b>– 3 652</b>
<b>Profit/loss for the year before taxes</b>		<b>– 78 532</b>	<b>188</b>
Direct taxes		0	0
<b>Profit/loss for the year</b>		<b>– 78 532</b>	<b>188</b>

The presentation of the profit and loss statement for the period ending 2014 has been adjusted following changes from the new law on accounting and financial reporting contained in the 32nd title of the Swiss Code of Obligations (CO) that were adopted on January 1, 2015.

# Notes to the financial statements

## 1. Principles

### 1.1 General aspects

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the Company's going concern, the Company's financial statements may be influenced by the creation and release of hidden reserves. In order to ensure comparability, prior-year figures in the balance sheet and the income statement have been adjusted to the new presentation of the Swiss Law on Accounting and Financial Reporting.

### 1.2 Financial assets

Financial assets are valued and recognized at amortized cost less impairment losses. As soon as there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

### 1.3 Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

### 1.4 Share-based payments

Should treasury shares be used for share-based payments programs for Board members, the difference between the acquisition costs and any consideration paid by the employees at grant date is recognized as personnel expenses.

### 1.5 Foregoing a cash flow statement and additional disclosures in the notes

As Micronas Semiconductor Holding AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on audit fees in the notes as well as a cash flow statement in accordance with the law.

## 2. Information on balance sheet and income statement items

### 2.1. Information on Group companies

Micronas Semiconductor Holding AG holds the following investments directly or indirectly in Group companies:

			Capital		Share in capital and voting rights in %	
			31.12.2015	31.12.2014	31.12.2015	31.12.2014
Company	Domicile					
Micronas GmbH	Freiburg, Germany	EUR	500 000	500 000	100%	100%
Micronas Ltd.	Glenrothes Scotland	GBP	2	2	100%	100%
Micronas Japan K.K.	Tokyo, Japan	YEN	10 000 000	10 000 000	100%	100%
Micronas Semiconductors, Inc.	San Jose, USA	USD	2	2	100%	100%
Micronas USA, Inc.	Santa Clara, USA	USD	10 000	10 000	100%	100%
Micronas Hong Kong & China Ltd. <sup>1</sup>	Hong Kong, PRC	HKD	10 000	10 000	100%	100%
BEDI GmbH <sup>2</sup>	Villach, Austria	EUR	0	35 000	0%	100%
Micronas New Technologies GmbH	Haar, Germany	EUR	25 000	25 000	100%	100%
Micronas Mantel1 GmbH	Freiburg, Germany	EUR	25 000	25 000	100%	100%
Micronas Mantel2 GmbH	Freiburg, Germany	EUR	25 000	25 000	100%	100%
WIS Technologies Shanghai Ltd. <sup>1</sup>	Shanghai, PRC	USD	200 000	200 000	100%	100%

<sup>1</sup> Companies in process of liquidation.

<sup>2</sup> Effective February 2, 2015, BEDI GmbH, Villach, Austria was liquidated.

### 2.2. Share capital and conditional capital

The issued and fully paid share capital of

Micronas Semiconductor Holding AG comprises:

	Number	31.12.2015 CHF 1000	Number	31.12.2014 CHF 1000
<b>Opening balance</b>	<b>29 752 930</b>	<b>1 488</b>	<b>29 727 930</b>	<b>1 486</b>
Exercise of share options	5 000	0	25 000	2
<b>Balance, end of year</b>	<b>29 757 930</b>	<b>1 488</b>	<b>29 752 930</b>	<b>1 488</b>

#### 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 35 108.50 through the issuance of a maximum of 702 170 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 exercised in 2015 will be registered in the first quarter of 2016.

# Notes to the financial statements

## 2.3. Reserves from capital contributions

The reserves from capital contributions include the premium resulting from capital increases, minus distributions to the shareholders from the capital contribution reserve since 1997.

From a fiscal point of view, any distribution made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration (SFTA) has confirmed that it will recognize

disclosed reserves from capital contributions as a capital contribution as per art. 5 para. 1bis Withholding Tax Act.

Reserves for treasury shares in the amount of CHF 9.4 million have been reclassified from reserve for treasury shares to capital contribution reserves according to the new Swiss Law on Accounting and Financial Reporting.

## 2.4. Treasury shares

Number of registered shares	Number of transactions	Lowest rate in CHF	Highest rate in CHF	Average rate of transactions in CHF	Number of treasury shares	Average rate of transactions in CHF
<b>Opening balance at 1.1.2014</b>					<b>242 188</b>	<b>1 703</b>
Purchases	0	0	0	0	0	0
Sales	0	0	0	0	0	0
Loss on valuation on treasury shares	0	0	0	0	0	- 327
<b>Balance at 31.12.2014</b>					<b>242 188</b>	<b>1 376</b>
Purchases	155	3.78	6.25	4.91	1 493 838	7 334
Sales	0	0	0	0	0	0
<b>Balance at 31.12.2015</b>					<b>1 736 026</b>	<b>8 710</b>

Treasury shares purchased prior 2015 are carried at the market value of December 31, 2014. Purchases in 2015 are carried with acquisition cost.

## 2.5. Dividend income

A dividend of CHF 1 130 (000) was received in 2014 due to the closedown of BEDI GmbH (former Micronas Villach Halbleiterentwicklungs GmbH), Austria.

## 2.6. Other operating income

	2015 CHF 1000	2014 CHF 1000
License fees from Group companies	– 1 344	– 1 588
Other income	0	– 3
<b>Total operating income</b>	<b>– 1 344</b>	<b>– 1 591</b>

## 2.7. Non-operating income

Release of silent reserves	– 20 000	0
<b>Total non-operating income</b>	<b>– 20 000</b>	<b>0</b>

## 2.8. Amortization and valuation adjustments

Valuation adjustment of investments in Group companies	90 748	0
Closedown of BEDI GmbH (former Micronas Villach Halbleiterentwicklungs GmbH), Austria	0	650
<b>Total amortization and valuation adjustments</b>	<b>90 748</b>	<b>650</b>

# Notes to the financial statements

## 2.9. Other operating expenses

	2015 CHF 1000	2014 CHF 1000
Administration expenses	307	353
Consulting expenses	438	523
Other expenses	413	369
<b>Total other operating expenses</b>	<b>1 158</b>	<b>1 245</b>

## 2.10. Financial expenses

Foreign exchange loss	4 821	299
Valuation adjustments on investments	1 107	48
Loss on valuation on treasury shares	0	327
Other expenses	4	12
<b>Total financial expenses</b>	<b>5 932</b>	<b>686</b>

## 2.11. Public tender offer expenses

TDK Corporation and Micronas Semiconductor Holding AG jointly announced on December 17, 2015, that the two companies have entered into a definitive agreement pursuant to which TDK will launch an all cash public tender offer for all publicly held registered shares of Micronas for CHF 7.50 per share. In this context, expenses of CHF 1.8 million occur for financial and legal advice, due-diligence, vesting of the share options scheme and others.

## 3. Other information

### 3.1. Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed a number of ten.



### 3.2. Residual amount of leasing obligations

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

CHF 1000	2015		2014	
Leasing payments during period	2015	62	2014	62
Future lease commitments			2015	62
	2016	77	2016	0
	2017	15	2017	0
	2018	15	2018	0
	2019	0	2019	0
	2020	0		
	Thereafter	0	Thereafter	0
<b>Total future lease commitments</b>		<b>107</b>		<b>62</b>

### 3.3. Significant shareholders

As at December 31, 2015, 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	2015	2014
Brandes Investment Partners, L.P. <sup>1</sup>	San Diego, USA	10.60%	5.08%
Nortrust Nominees Ltd. <sup>2</sup>	London, Great Britain	6.31%	9.23%
Micronas Semiconductor Holding AG	Zurich, Switzerland	5.83%	0.81%
Sparinvest Holding SE <sup>1</sup>	Luxembourg	4.95%	5.33%
Wellington Management Company, LLP <sup>1</sup>	Boston, USA	3.58%	3.03%
Oddo Meriten Asset Management <sup>1</sup>	Paris, France	3.36%	n.a.
RBC Investor & Treasury Services <sup>2</sup>	London, Great Britain	n.a.	7.90%
Black Creek Investment Management Inc. <sup>1</sup>	Toronto, Canada	n.a.	5.04%
Highclere International Investors LLP <sup>1</sup>	London, Great Britain	n.a.	3.08%

<sup>1</sup> The above figures (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, 2015.

<sup>2</sup> Nortrust Nominees Ltd. is acting in its capacity as nominee for other investors. The above figures (percentages) conform to the figures as at December 31, 2015.

# Notes to the financial statements

## 3.4. 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
Stefanie Kahle-Galonske Member of the Board of Directors	0	0	0	0	0	10 000	10 000
Micronas Group Management							
Matthias Bopp Chief Executive Officer	25 000	50 000	50 000	50 000	50 000	70 000	270 000
Daniel Wäger Chief Financial Officer	5 000	0	0	0	0	25 833	25 833

In 2015, the 50 000 options allocated to Board of Directors amounted to CHF 50 (000) while the 329 583 options allocated to the employees including Management amounted to CHF 230 (000).

In 2014, the 50 000 options allocated to Board of Directors amounted to CHF 100 (000) while the 295 000 options allocated to the employees including Management amounted to CHF 579 (000).

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

Triggered by the announcement of the public tender offer by TDK Corporation on December 17, 2015, the participants of the share option scheme have the right to sell the allotted and not yet exercised share options to the Company within 60 days. The

Board of Directors has decided on December 16, 2015, to execute the accelerated vesting of the share options and to terminate the plan accordingly, upon announcement. The payments take place in 2016.

### 3.5. Subsequent events

Micronas has entered a transaction agreement with TDK Corporation to combine its magnetic sensor business in December 2015. TDK has launched an all cash public tender offer for all publicly held registered shares of Micronas for CHF 7.50 per share on December 22, 2015. The regular offer period has started on January 12,

2016 and will last until February 10th, 2016. The definitive notice of the interim result of the offer is planned on February 16, 2016. The transaction is expected to be completed in March 2016. Subsequently, a delisting of the SIX Swiss Exchange is anticipated.

# Proposal of the Board of Directors

## Appropriation of the unappropriated retained earnings

**31.12.2015**  
CHF 1000

Unappropriated retained earnings, beginning of year	30 033
Result for the year	– 78 532
<b>Unappropriated retained earnings, end of year</b>	<b>– 48 499</b>

The Board of Directors is proposing that no dividend should be paid for the 2015 financial year and to carry forward the loss.

# 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 balance sheet, income statement and notes on pages 110 to 119 for the year ended December 31, 2015.

### 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, 2015 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 recommend that the financial statements submitted to you be approved.

Zurich, February 11, 2016

KPMG AG

**Herbert Bussmann**

Licensed Audit Expert  
(Auditor in charge)

**Nicole Balmer Fröhlich**

Licensed Audit Expert

