



## Half-Year Financial Statement **2016**

## Micronas Group

### Condensed consolidated statement of comprehensive income

	Note	1st half 2016 CHF 1000	1st half 2015 CHF 1000
<b>Net sales</b>	12	<b>77.417</b>	<b>70.833</b>
Cost of sales		-57.749	-51.478
<b>Margin</b>	12	<b>19.668</b>	<b>19.355</b>
in % of net sales		25.4	27.3
Research and development expenses		-11.571	-10.842
Marketing and sales expenses		-4.679	-4.598
Administrative and general expenses		-2.506	-2.583
Other operating income (+) and expenses (-), net		331	577
<b>Operating profit before public tender offer expenses</b>		<b>1.243</b>	<b>1.909</b>
in % of net sales		1.6	2.7
Public tender offer expenses	6	-26	0
<b>Operating profit</b>	12	<b>1.217</b>	<b>1.909</b>
in % of net sales		1.6	2.7
Financial income	7	122	146
Financial expenses	8	-1.586	-1.593
Foreign exchange gains/losses		329	-6.135
<b>Profit/loss before tax</b>		<b>82</b>	<b>-5.673</b>
Income taxes		-213	500
<b>Loss for the period</b>		<b>-131</b>	<b>-5.173</b>
in % of net sales		-0.2	-7.3
<b>Attributable to:</b>			
Shareholders of the parent		-131	-5.173
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to profit or loss</b>			
Remeasurement on pension obligations		-17.859	1.038
Income tax effect		1.605	-108
		<b>-16.254</b>	<b>930</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Translation adjustment		-288	-5.633
Gain/loss on valuation of available-for-sale financial assets		62	-1.457
Gain/loss on cash flow hedge		-35	-189
Income tax effect		11	85
		<b>-250</b>	<b>-7.194</b>
<b>Other comprehensive income for the period</b>		<b>-16.504</b>	<b>-6.264</b>
<b>Total comprehensive income for the period</b>		<b>-16.635</b>	<b>-11.437</b>
<b>Attributable to:</b>			
Shareholders of the parent		-16.635	-11.437
Weighted average number of issued and outstanding shares		28.021.904	29.345.166
<b>Earnings per share in CHF - undiluted</b>		<b>0.00</b>	<b>-0.18</b>
Weighted average number of issued and outstanding shares for calculation of earnings per share - diluted		28.021.904	29.345.166
<b>Earnings per share in CHF - diluted</b>		<b>0.00</b>	<b>-0.18</b>

## Micronas Group

### Condensed consolidated statement of financial position

Assets	Note	30.6.2016 CHF 1000	31.12.2015 CHF 1000
<b>Non-current assets</b>			
Property, plant and equipment		59.074	57.204
Intangible assets		3.521	3.391
Investments	11	11.698	11.636
Other long-term assets		167	157
Deferred tax assets		17.482	15.878
<b>Total non-current assets</b>		<b>91.942</b>	<b>88.266</b>
<b>Current assets</b>			
Inventories		29.854	31.787
Accounts receivable – trade		16.909	11.869
Other current assets		3.944	1.788
Short-term financial investments	9, 11	54.433	55.302
Cash and cash equivalents	9	57.798	64.239
<b>Total current assets</b>		<b>162.938</b>	<b>164.985</b>
<b>Total assets</b>		<b>254.880</b>	<b>253.251</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Issued capital	10	1.488	1.488
Additional paid-in capital		497.377	497.740
Treasury shares		-16.764	-16.764
Other reserves		-73.522	-57.018
Retained deficit		-339.378	-339.247
<b>Equity attributable to shareholders of the parent</b>		<b>69.201</b>	<b>86.199</b>
<b>Long-term liabilities</b>			
Pension obligations		163.382	145.856
Other long-term provisions		2.063	1.782
Other long-term liabilities		74	74
<b>Total long-term liabilities</b>		<b>165.519</b>	<b>147.712</b>
<b>Current liabilities</b>			
Accounts payable – trade		8.142	8.576
Short-term provisions		1.404	1.089
Income tax payable		214	15
Other current liabilities		10.400	9.660
<b>Total current liabilities</b>		<b>20.160</b>	<b>19.340</b>
<b>Total liabilities</b>		<b>185.679</b>	<b>167.052</b>
<b>Total shareholders' equity and liabilities</b>		<b>254.880</b>	<b>253.251</b>

## Micronas Group

### Condensed consolidated statement of cash flows

Operating activities	Note	1st half 2016	1st half 2015
		CHF 1000	CHF 1000
Profit/loss before tax		82	-5.673
Depreciation and amortization		5.838	4.826
Interest income (-) and expense (+), net (excl. interest portion of discounted long-term provisions and liabilities)	7, 8	-123	-67
Fair value gains (-) and losses (+) on derivative financial instruments	7, 8	85	255
Gain on disposal of property, plant and equipment		14	-417
Share compensation expense		0	261
Foreign exchange gains and losses		75	277
Benefits paid to pensioners		-3.101	-2.907
Change in other long-term assets, provisions and liabilities		2.350	2.064
Change in inventories		2.115	1.963
Change in accounts receivable - trade and other current assets		-7.177	-4.221
Change in accounts payable - trade, short-term provisions and other current liabilities		437	-814
Income taxes paid (-) and received (+)		130	35
<b>Cash flow from operating activities</b>		<b>725</b>	<b>-4.418</b>
<b>Investing activities</b>			
Capital expenditures - property, plant and equipment		-7.740	-3.915
Capital expenditures - intangible assets		-351	-68
Short-term financial investments <sup>1</sup>	9	1.138	-886
Interest received		109	49
Proceeds from disposal of property, plant and equipment		0	429
<b>Cash flow from investing activities</b>		<b>-6.844</b>	<b>-4.391</b>
<b>Financing activities</b>			
Increase in issued capital and additional paid-in capital		0	23
Repurchasing options		-363	0
Buy-back program treasury shares		0	-2.997
Distribution to shareholders		0	-1.472
<b>Cash flow from financing activities</b>		<b>-363</b>	<b>-4.446</b>
Exchange effect on cash		41	-4.604
<b>Change in cash and cash equivalents</b>		<b>-6.441</b>	<b>-17.859</b>
Cash and cash equivalents at end of period		57.798	71.301
Cash and cash equivalents as at January 1		64.239	89.160
<b>Change in cash and cash equivalents</b>		<b>-6.441</b>	<b>-17.859</b>

<sup>1</sup>During 2016 and 2015, excess cash has been invested in short-term financial cash deposits with a maturity of more than three months up to one year. Please refer to note 9.

**Micronas Group**  
**Condensed consolidated statement of changes in equity**

Equity attributable to the shareholders of the parent

CHF 1000	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
<b>1st half 2016</b>									
<b>Balance as at 31.12.2015</b>	<b>1.488</b>	<b>497.740</b>	<b>-16.764</b>	<b>24</b>	<b>316</b>	<b>-50.820</b>	<b>-6.538</b>	<b>-339.247</b>	<b>86.199</b>
Loss for the period								-131	-131
Other comprehensive income for the period				-35	62	-17.859	-288		-18.120
Income tax effect on other comprehensive income				11		1.605			1.616
<b>Total comprehensive income for the period</b>				<b>-24</b>	<b>62</b>	<b>-16.254</b>	<b>-288</b>	<b>-131</b>	<b>-16.635</b>
Repurchase options		-363							-363
<b>Balance as at 30.6.2016</b>	<b>1.488</b>	<b>497.377</b>	<b>-16.764</b>	<b>0</b>	<b>378</b>	<b>-67.074</b>	<b>-6.826</b>	<b>-339.378</b>	<b>69.201</b>
<b>1st half 2015</b>									
<b>Balance as at 31.12.2014</b>	<b>1.488</b>	<b>498.220</b>	<b>-9.430</b>	<b>191</b>	<b>-282</b>	<b>-51.281</b>	<b>-2.088</b>	<b>-327.056</b>	<b>109.762</b>
Profit for the period								-5.173	-5.173
Other comprehensive income for the period				-189	-1.457	1.038	-5.633		-6.241
Income tax effect on other comprehensive income				85		-108			-23
<b>Total comprehensive income for the period</b>				<b>-104</b>	<b>-1.457</b>	<b>930</b>	<b>-5.633</b>	<b>-5.173</b>	<b>-11.437</b>
Distribution to shareholders		-1.472							-1.472
Exercise of share options		23							23
Share compensation expense		261							261
Buy-back program treasury share			-2.997						-2.997
<b>Balance as at 26.6.2015</b>	<b>1.488</b>	<b>497.032</b>	<b>-12.427</b>	<b>87</b>	<b>-1.739</b>	<b>-50.351</b>	<b>-7.721</b>	<b>-332.229</b>	<b>94.140</b>

# Notes to the condensed consolidated interim financial statements 30.6.2016

## Micronas Group

### 1. Accounting principles

#### Basis of preparation

The unaudited condensed consolidated interim financial statements ("Interim Report") for the six months period ended June 30, 2016, have been prepared in accordance with IAS 34 "Interim Financial Reporting". The Interim Report should be read in conjunction with the consolidated financial statements as at December 31, 2015. The accounting policies and methods of computation are the same as those applied in the consolidated financial statements for the year ended December 31, 2015, except for those mentioned below, in the section changes in accounting policies.

#### Changes in accounting policies

A number of standards have been modified on miscellaneous points with effect from January 1, 2016. Such changes include Disclosure Initiative (Amendments to IAS 1), Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) and Annual Improvements 2012–2014 (which made amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting).

None of these amendments had a material effect on the Group's financial statements.

The Board of Directors authorized the Interim Report for issuance on July 15, 2016.

### 2. Currency exchange rates

	30.6.2016	1st half 2016 average	26.6.2015	1st half 2015 average	31.12.2015	2015 average
1 EUR	1.0882	1.0954	1.0443	1.0377	1.0824	1.0578
1 GBP	1.3130	1.3955	1.4703	1.4278	1.4688	1.4639
1 USD	0.9802	0.9849	0.9356	0.9332	0.9908	0.9557
100 JPY	0.9560	0.8880	0.7720	0.7800	0.8220	0.7910

### 3. Public offer by TDK

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.

With the publication of the definitive end result TDK Magnetic Field Sensor G.K. (the "Offeror") confirmed on March 7, 2016 the success rate of 90.48 percent.

Including the Micronas shares tendered into the offer, the participation of the Offeror and the persons acting in concert with the Offeror as at the end of the additional acceptance period on March 1, 2016 was 27,889,883 Micronas shares in total, corresponding to 93.72 percent of the voting rights and the share capital of Micronas consisting of 29,757,930 shares (including the Micronas shares issued until March 1, 2016, out of the conditional capital upon exercise of options exercisable under the stock option plan) (participation rate), and consists of:

- a total of 26,153,857 Micronas shares which were tendered into the offer until the expiration of the additional acceptance period, corresponding to 90.48 percent of the maximum 28,905,654 Micronas shares to which the offer relates (success rate); and

- 1,736,026 Micronas shares which the Offeror and the persons acting in concert with the Offeror hold at the end of the additional acceptance period.

Except for condition (c) of the Offer, which remains in force until the settlement of the Offer, all conditions according to Section B.7 (Conditions) of the Offer Prospectus are satisfied. The offer price for the Micronas Shares which were validly tendered during the offer period and the Additional Acceptance Period was paid on March 8, 2016.

### 4. Number of employees

	1st half 2016	1st half 2015	31.12.2015
Production	658	669	664
Research and development	102	100	101
Quality management	31	31	30
Marketing and sales	47	47	48
Administration and general	71	73	72
<b>Number of employees, end of period</b>	<b>909</b>	<b>920</b>	<b>915</b>
Average number of employees	910	924	919



## Notes to the condensed consolidated interim financial statements 30.6.2016 Micronas Group

### 5. Seasonality, economic cycles

In the past, the results varied from quarter to quarter. It is expected that these variations will continue in the future. The business of the Group is not exposed to pronounced seasonal cyclical patterns.

### 6. 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. For this purpose expenses of CHF 2.3 million occurred for legal advise, consultants and compensation. The accrued expenses of CHF 1.7 million have been fully used in the first half year 2016.

### 7. Financial income

	1st half 2016 CHF 1000	1st half 2015 CHF 1000
Interest income	122	67
Income from derivative financial instruments	0	20
Other financial income	0	59
<b>Total financial income</b>	<b>122</b>	<b>146</b>

### 8. Financial expenses

	1st half 2016 CHF 1000	1st half 2015 CHF 1000
Interest portion of pension expense	-1.421	-1.298
Interest portion of other discounted long-term provisions and liabilities	-16	-16
Expenses from financial instruments at fair value through profit and loss	-85	-275
Other financial expenses	-64	-4
<b>Total financial expenses</b>	<b>-1.586</b>	<b>-1.593</b>

### 9. Cash, cash equivalents and short-term financial cash deposits

	30.06.2016 CHF 1000	31.12.2015 CHF 1000
Derivative financial instruments	1	78
Short-term financial cash deposits with a maturity of more than three months up to one year <sup>1</sup>	54.432	55.224
<b>Total short-term financial investments</b>	<b>54.433</b>	<b>55.302</b>

<sup>1</sup>Short-term 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.

<b>Short-term financial cash deposits, beginning of period</b>	<b>55.224</b>	<b>62.201</b>
Additions/deductions	-1.095	-725
Translation adjustment	303	-6.252
<b>Short-term financial cash deposits, end of period</b>	<b>54.432</b>	<b>55.224</b>
Short-term financial cash deposits, end of period	54.432	55.224
Cash and cash equivalents, end of period	57.798	64.239
<b>Cash and cash equivalents and short-term cash deposits, end of period</b>	<b>112.230</b>	<b>119.463</b>

## Notes to the condensed consolidated interim financial statements 30.6.2016 Micronas Group

### 10. Issued capital

The issued and fully paid share capital of Micronas Semiconductor Holding AG comprises:	Number	30.6.2016 CHF 1000	Number	31.12.2015 CHF 1000
<b>Opening balance</b>	<b>29.757.930</b>	<b>1.488</b>	<b>29.752.930</b>	<b>1.488</b>
Exercise of share options	0	0	5.000	0
<b>Balance, end of period</b>	<b>29.757.930</b>	<b>1.488</b>	<b>29.757.930</b>	<b>1.488</b>

### 11. Financial instruments

For all financial instruments which are not carried at fair value the difference between the carrying values and their fair values is not material.

#### 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 categorised 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>30.6.2016</b>	<b>11.698</b>	<b>0</b>	<b>0</b>	<b>11.698</b>
	31.12.2015	11.636	0	0	11.636
Derivatives part of a hedging relationship <sup>1</sup>	<b>30.6.2016</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>
	31.12.2015	78	0	78	0

<sup>1</sup> Derivatives part of a hedging relationship consists in the first half 2016 to short-term financial investments of CHF 1 (000) (31.12.2015: CHF 78 (000)).

In the first half 2016 and in 2015, there were no transfers between level 1, level 2 and level 3 financial instruments.



## Notes to the condensed consolidated interim financial statements 30.6.2016 Micronas Group

### 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 was (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 June 30, 2016, the Group held foreign exchange contracts designated as cash flow hedges 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 June 30, 2016, and a loss of CHF 85 (000) (first half 2015: a loss of CHF 189 (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

	1st half 2016	1st half 2015
	CHF 1000	CHF 1000
<b>Level 3 fair value, beginning of period</b>	<b>11.038</b>	<b>11.038</b>
Valuation gain included in OCI	660	0
Valuation loss included in OCI	0	-1.457
<b>Level 3 fair value, end of period</b>	<b>11.698</b>	<b>9.581</b>

Any reasonably possible change in the assumptions relating to unobservable inputs since December 31, 2015 would not lead to a significant change in fair value of the investment in X-FAB which is the only level 3 instrument held by the Group. The investment denominated in euro is measured at fair value by Micronas Semiconductor Holding AG and the foreign exchange gain of CHF 660 (000) resulting from the increase of the EUR/CHF rate has been recorded in other comprehensive income.

## Notes to the condensed consolidated interim financial statements 30.6.2016 Micronas Group

### 12. Operating segments and geographical information

Operating segments			CHF 1000
	Automotive	Industrial	Group
<b>1st half 2016</b>			
<b>Net sales</b>	<b>71.718</b>	<b>5.699</b>	<b>77.417</b>
in % of total net sales	92.6	7.4	100.0
<b>Margin</b>	<b>17.850</b>	<b>1.818</b>	<b>19.668</b>
in % of sales	24.9	31.9	25.4
<b>Operating profit</b>	<b>601</b>	<b>616</b>	<b>1.217</b>
in % of sales	0.8	10.8	1.6
<b>1st half 2015</b>			
<b>Net sales</b>	<b>66.471</b>	<b>4.362</b>	<b>70.833</b>
in % of total net sales	93.8	6.2	100.0
<b>Margin</b>	<b>18.038</b>	<b>1.317</b>	<b>19.355</b>
in % of sales	27.1	30.2	27.3
<b>Operating profit</b>	<b>1.646</b>	<b>263</b>	<b>1.909</b>
in % of sales	2.5	6.0	2.7

Geographical information	1st half 2016		1st half 2015	
	Net sales, CHF 1000	in % of total net sales	Net sales, CHF 1000	in % of total net sales
<b>Group</b>				
<b>Europe</b>	<b>26.110</b>	33.7	<b>23.615</b>	33.4
Germany	14.827	19.2	12.779	18.0
Switzerland	282	0.4	88	0.1
Hungary	5.106	6.6	4.899	6.9
France	1.685	2.2	1.498	2.1
Czech Republic	1.228	1.6	1.049	1.5
Rest of Europe	2.982	3.7	3.302	4.8
<b>Asia</b>	<b>45.731</b>	59.1	<b>40.902</b>	57.7
Japan	31.356	40.5	33.832	47.8
China	9.613	12.4	5.302	7.5
South Korea	4.108	5.3	960	1.4
Rest of Asia	654	0.9	808	1.0
<b>America</b>	<b>5.523</b>	7.1	<b>6.224</b>	8.8
USA	4.934	6.4	4.661	6.6
Rest of America	589	0.7	1.563	2.2
<b>Other</b>	<b>53</b>	0.1	<b>92</b>	0.1
<b>Total net sales</b>	<b>77.417</b>	100.0	<b>70.833</b>	100.0

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

## Notes to the condensed consolidated interim financial statements 30.6.2016 Micronas Group

### 13. Share options

	30.6.2016		31.12.2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
<b>Outstanding, beginning of period</b>	<b>1.555.833</b>	<b>7.79</b>	<b>1.323.750</b>	<b>7.96</b>
Sale of options <sup>1</sup>	-918.333	7.50	0	0.00
Issued	0	0.00	389.583	7.00
Exercised	0	0.00	-5.000	4.73
Forfeited	-637.500	8.80	-121.250	7.86
Expired	0	0.00	-31.250	4.73
<b>Outstanding, end of period</b>	<b>0</b>	<b>0.00</b>	<b>1.555.833</b>	<b>7.79</b>

<sup>1</sup>Triggered by the announcement of the public tender offer by TDK Corporation on December 17, 2015, the participants of the share option scheme used the right to sell the allotted and not yet exercised share options to the Company within 60 days.

In 2016, no options were granted.

### Additional information

#### Orders on hand

	1st half 2016	1st half 2015
	CHF 1000	CHF 1000
<b>Orders on hand, beginning of period</b>	<b>41.710</b>	<b>49.006</b>
Net sales	77.417	70.833
Order intake	84.678	65.723
Translation adjustments	170	-6.494
<b>Orders on hand, end of period</b>	<b>49.141</b>	<b>37.402</b>
<b>Book-to-bill</b>	<b>1.09</b>	<b>0.93</b>

#### Micronas Semiconductor Holding AG

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