



Compensation Report **2014**

Compensation Report

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

Remuneration principles

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

The compensation system has the following objectives:

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

Authority and determination of compensation

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

Section 1.8 of the Company's business rules provides that no member of the Board of Directors shall participate in the deliberations and resolutions on matters which affect, or reasonably might affect, the interests of that member or of a person close to that member. This includes resolutions on a Board member's own compensation.

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

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

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

Compensation of the members of the Board of Directors

Content and method of determining the compensation

The members of the Board of Directors receive a compensation in accordance with their involvement and their responsibility, i.e., the Chairman receives a higher compensation than the Board members. The compensation comprises of a fixed Board member fee in cash and may include, from time to time, options to acquire registered shares in the Company according to the Company's stock option plan (for a description of the major terms of the stock option plan please refer to the section on page 8 on the stock option plan and participation in the Company). For additional activities of Board members within the Micronas Group, for example as a Board committee member or as a member of a Supervisory Board of a Group company, no separate compensation is paid. No special meeting attendance fee is paid to the Board members.

Total compensation of the members of the Board of Directors

The four members of the Board of Directors received total compensation of CHF 511 000 in 2014 (2013: CHF 550 000). Of this amount CHF 393 000 (2013: CHF 393 000) were fixed. The options were valued at CHF 100 000 (2013: CHF 140 000) and the social security contributions amounted to CHF 18 000 (2013: CHF 17 000) (for details see the tables on pages 6 and 7).

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

For details regarding the stock option plan please refer to page 8 of the Compensation Report on the stock option plan and participation in the Company.

Compensation of the Micronas Group Management

Content and method of determining the compensation

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

component) to acquire registered shares in the Company according to the Company's stock option plan (for a description of the terms of the stock option plan please refer to the section on page 8 on the stock option plan and participation in the Company). The salary, the bonus and the special bonus are paid in cash.

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

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

Total compensation of the members of the Micronas Group Management

The three members of the Micronas Group Management received total compensation of CHF 1 328 000 in 2014 (2013: CHF 1 019 000). Of this amount CHF 652 000 (2013: CHF 570 000) were fixed and CHF 327 000 (2013: CHF 166 000) were variable. The options were valued at CHF 140 000 (2013: CHF 197 000) and the remaining positions amounted to CHF 209 000 (2013: CHF 86 000) (for details see the tables on pages 6 and 7).

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

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

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

For details regarding the stock option plan please refer to page 8 on the stock option plan and participation in the Company.

Supplement amount

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

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

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

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

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

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

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

Stock option plan and participation in the Company

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

As a rule, the exercise price of the options corresponds to the closing price of the registered shares on the SIX Swiss Exchange on the day of the grant of the options, which is usually a day in January or July determined by the Board of Directors at its preceding meeting. All options are subject to lockup periods (for further details on options please refer to the table on page 9).

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

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

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

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

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

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

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

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

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

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

The employment relationship with the former CFO, Günter Hoppe, ended on October 31, 2014 due to Günter Hoppe's retirement. The compensation of Günter Hoppe in 2014 can be seen in the table on pages 6.

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

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

Compensation, loans and credits to related parties

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

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

We have audited the accompanying Compensation Report of Micronas Semiconductor Holding AG for the year ended December 31, 2014. The audit was limited to the information according to articles 14–16 of the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies contained in the tables Compensation of the Board of Directors and the Micronas Group Management 2013 and 2014 on pages 6 to 7 of the Compensation Report.

Responsibility of the Board of Directors

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the Compensation Report for the year ended December 31, 2014, of Micronas Semiconductor Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, February 12, 2015

Herbert Bussmann

Licensed Audit Expert
(Auditor in charge)

Roman Wenk

Licensed Audit Expert

