

A full-page photograph of a male technician in a blue shirt and grey overalls, wearing safety glasses, leaning over a large industrial machine. He is focused on adjusting a component inside the machine's open compartment. The machine is filled with various cables, including prominent orange ones, and other mechanical parts. The background shows a clean, industrial factory setting with large windows.

Semiannual Report
2019

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Except for the historical information contained herein, the statements in this short version of the annual report are forward-looking statements that involve risks and uncertainties.

Dear Shareholders,

The results for the first half of 2019 were satisfactory overall: sales were up by 14% and EBIT by 25% year on year. This is due mainly to the large order backlog on hand at the beginning of the year and the encouraging results in the Automation business segment. Order intake, on the other hand, slowed sharply compared with the exceptionally high prior-year figure (-13%). Primarily in the Machining Solutions business segment, we too were affected by the loss of momentum in the global economy and, in particular, in the automotive industry in recent months.

The Automation business segment continued to enjoy high demand from the pharmaceutical, medtech and consumer goods industries in the first half of 2019. It therefore expects to see good capacity utilization in the second half of the year as well.

In the Machining Solutions business segment, the fall in demand from the automotive industry was much more noticeable. Despite difficult market conditions, the Mikron Machining division will continue to work hard on launching the new product platforms. The Mikron Tool division is focusing on developing new Crazy Tools for new applications in pharmaceuticals and medtech.

Due to the uncertain developments in the automotive industry and in light of general political risks, it is difficult to issue a forecast. Currently for full-year 2019, we expect sales to be higher than in 2018 and EBIT to be in line with the prior-year figure.



Heinrich Sperry,
Chairman of the Board of Directors



Bruno Cathomen,
Chief Executive Officer

Key Figures for the First Half Year 2019

in CHF million, except productivity and number of employees	1.1.–30.6.2019		1.1.–30.6.2018		+/-	
Key performance data						
Order intake	163.9		187.8		-23.9	-12.7%
Machining Solutions	75.2		85.4		-10.2	-11.9%
Automation	88.8		102.5		-13.7	-13.4%
Net sales	176.8		155.3		21.5	13.8%
Machining Solutions	83.6		84.0		-0.4	-0.5%
Automation	94.1		71.5		22.6	31.6%
Order backlog	183.3		186.6		-3.3	-1.8%
Machining Solutions	60.8		72.5		-11.7	-16.1%
Automation	122.3		114.0		8.3	7.3%
Productivity (added value/personnel expenses)	1.56		1.50		0.06	4.0%
Number of employees (end of period, full-time equivalents)	1,465		1,314		151	11.5%
Machining Solutions	704		658		46	7.0%
Automation	732		631		101	16.0%
Earnings						
Earnings before interest, taxes, depreciation, amortizations and impairments (EBITDA), as % of net sales	11.9	6.7%	10.2	6.6%	1.7	16.7%
Earnings before interest and taxes (EBIT), as % of net sales	7.5	4.2%	6.0	3.9%	1.5	25.0%
Machining Solutions	1.7	2.0%	2.7	3.2%	-1.0	-37.0%
Automation	6.4	6.8%	2.5	3.5%	3.9	156.0%
Operating result, as % of net sales	7.5	4.2%	5.5	3.5%	2.0	36.4%
Profit for the year, as % of net sales	4.7	2.7%	3.8	2.4%	0.9	23.7%
Cash flow						
Cash flow from operating activities (incl. changes in net working capital), as % of net sales	-12.0	-6.8%	5.3	3.4%	-17.3	n.a.
Balance sheet						
	30.6.2019		31.12.2018		+/-	
Balance sheet total	282.5		289.5		-7.0	-2.4%
Current assets	175.4		185.0		-9.6	-5.2%
Cash and current financial assets	21.5		44.6		-23.1	-51.8%
Non-current assets	107.0		104.5		2.5	2.4%
Current liabilities	101.1		110.0		-8.9	-8.1%
Long-term liabilities	15.7		15.2		0.5	3.3%
Shareholders' equity, as % of balance sheet total	165.7	58.6%	164.3	56.8%	1.4	0.9%

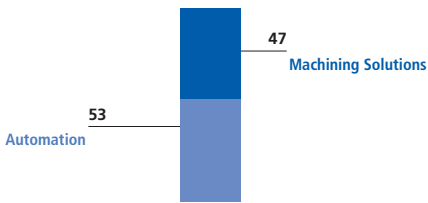
Sales

CHF 176.8 million

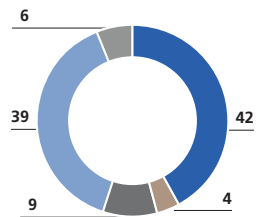
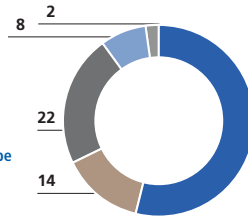
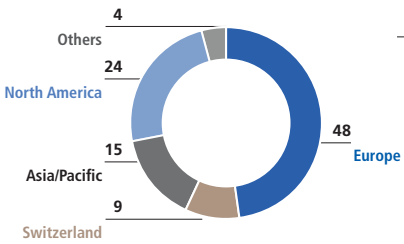
CHF 83.6 million

CHF 94.1 million

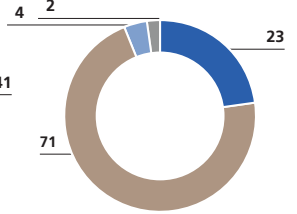
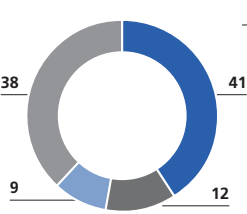
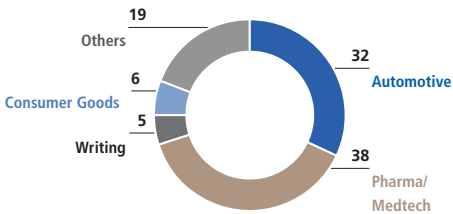
By segment in %



By region in %



By industry in %



Management Report

Overall, the Mikron Group was able to capitalize on the large order backlog on hand at the beginning of the year and achieve a sharp year-on-year increase in both sales and EBIT in the first half of 2019. Performance in the Automation business segment was particularly encouraging, while the Machining Solutions business segment was affected by the fall in demand from the automotive industry.

Order intake

As expected, the Mikron Group's order intake for the first half of 2019 was down on the record prior-year figure (CHF 187.8 million) to CHF 163.9 million. Demand from the pharmaceutical and medtech industries was more stable than that from the automotive industry.

Sales

The Mikron Group increased its sales from CHF 155.3 million in the first six months of 2018 to CHF 176.8 million in the first half of 2019 (+14%). This increase was thanks to the Automation business segment, which, as expected, benefited from the large volume of work on hand.

Europe (including Switzerland) remained the Mikron Group's principal sales market in the first six months of 2019, accounting for 57% of total sales. Here, the Group sales decreased by 3% compared with the first half of 2018. US sales grew by 47% year on year, while those in Asia rose by 26%.

Order backlog and capacity utilization

At CHF 183.3 million, the Mikron Group's order backlog as at the end of June 2019 was 2% lower than at the end of June 2018, and

around 6% down on the record backlog at year-end 2018.

Mikron expects the Automation business segment to continue to operate at good capacity overall in the second half of 2019. The Machining Solutions segment, which operates primarily for the automotive industry, will have to adjust to stronger fluctuations in demand and greater uncertainty.

Profitability and net earnings

The sharp increase in sales in the Automation business segment resulted in EBIT of CHF 7.5 million for the first half of 2019 (first half of 2018: CHF 6.0 million). The Automation segment improved its EBIT from CHF 2.5 million in the first six months of 2018 to CHF 6.4 million in the first six months of 2019, while the Machining Solutions segment's EBIT (CHF 1.7 million) fell short of the result for the first half of 2018 (CHF 2.7 million).

Net earnings for the first half of 2019 came to CHF 4.7 million (first half of 2018: CHF 3.8 million).

Employees

At the end of June 2019, the Mikron Group had a workforce of 1,465 (end of 2018:

1,398). The increase is primarily attributable to the growth in the Automation business segment. In both Switzerland and the US, Mikron Automation was able to recruit new highly-qualified employees. In the Machining Solutions business segment, the Mikron Tool division expects further growth after the fall trade fairs. It has therefore hired several new employees who are now being trained for their domain-specific assignments.

Outlook

A forecast for the second half of the year is difficult due to the uncertainty in the automotive industry and general political risks. Mikron does not expect demand from the automotive industry to recover in short term. In the other market segments, Mikron expects demand to remain stable. Overall, the Group expects sales for 2019 as a whole to be higher than in 2018 and EBIT at the previous year's level.

Financing and equity ratio

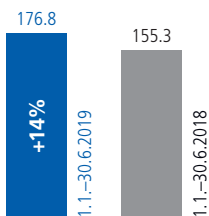
The Mikron Group's equity ratio was 58.6% as at the end of June 2019 (end of 2018: 56.8%).

With a net cash position (cash and cash equivalents plus current financial assets less interest-bearing liabilities) of CHF 10.4 million, the Group remains essentially debt-free.

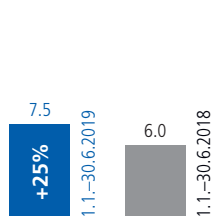
Cash flow

Cash flow from operating activities (including changes in net working capital) came to CHF -12.0 million in the first half of 2019 (first half of 2018: CHF 5.3 million), cash flow from investing activities to CHF -0.7 million and cash flow from financing activities to CHF -4.4 million. This results in net cash flow of CHF -17.1 million for the first half of 2019.

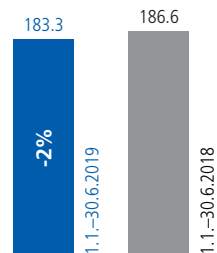
Net sales
in CHF million



EBIT
in CHF million



Order backlog
in CHF million



Mikron Automation

In the first half of 2019, the Mikron Automation business segment capitalized on the large order backlog on hand at the end of 2018 and increased first-half sales by around 30% compared with the prior year. A favorable mix of projects and excellent capacity utilization at all sites enabled Mikron Automation to more than double EBIT year on year. Mikron Automation will also see good capacity utilization in the second half of the year, thanks in particular to solid order intake in the first six months of 2019.

Mikron's highly productive automation systems were in strong demand again in the first half of 2019 – particularly in the pharmaceutical and medtech industries. Mikron Automation also made strong gains in the consumer goods segment, while order intake from the automotive industry was clearly down on the prior-year figure. The uncertainty in this sector also made itself felt at Mikron Automation. Various customers put planned investments on hold until a later date. Overall, however, Mikron Automation almost matched the record order intake achieved in the first half of 2018.

Key figures

At CHF 88.8 million, order intake was down slightly on the record prior-year figure (CHF 102.5 million). The resulting order backlog of CHF 122.3 million as at the end of June 2019 is on a par with the end of 2018. This high year-end figure fed through fully into sales for the first half of 2019. These increased by 32% in total: from CHF 71.5 million in the first half of 2018 to CHF 94.1 million in the first six months of 2019.

Mikron Automation's profitability likewise showed a very encouraging trend in the first half of 2019. Overall, the business segment achieved EBIT of CHF 6.4 million (first half of 2018: CHF 2.5 million) and an EBIT margin of 6.8% (first half of 2018: 3.5%). This figure is within the medium-term target range for the business segment.

Employees

At the end of June 2019, Mikron Automation had a headcount of 732 (end of 2018: 679 employees). This rise is due to an increase in the workforce at the Boudry and Denver sites. At both sites, Mikron Automation was able to recruit well-qualified new employees.

Innovations and continuous improvements

In the second quarter of 2019, after a four-month planning period, Mikron opened a new branch in the Kaunas area of Lithuania. As part of the Mikron Automation business segment, this will initially produce assemblies for automation solutions, mainly for automotive industry customers. It will thus support the segment's growth strategy. With the new

site, Mikron aims to benefit from cost advantages and a wide pool of talent in particular.

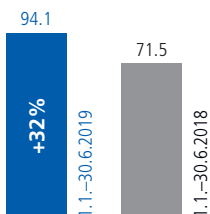
In Boudry, Mikron Automation extended the fleet of in-house production machinery to include an additional high-efficiency multi-axis milling center. Thanks to a high level of automation, the site can now operate a third, unmanned shift. Mikron Automation also added to the fleet of machinery in the apprentice department so that it is always able to provide suitable equipment for all 38 multi-skilled mechanics currently in training.

Automation is well-positioned in its target markets. It is not yet possible to accurately gauge the effects of any political turmoil and developments in the global automotive industry on the investment activity of Mikron Automation's customers.

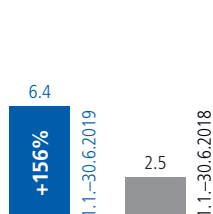
Outlook

In light of the large order backlog, the Automation business segment also expects to see excellent capacity utilization in the second half of 2019. In the medium term, too, Mikron

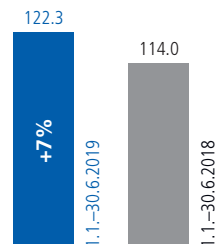
Net sales
in CHF million



EBIT
in CHF million



Order backlog
in CHF million



Mikron Machining Solutions

In the first half of 2019, the Machining Solutions business segment faced uncertainty in the global automotive industry and a sharp fall in demand from this market segment. The relatively healthy order backlog on hand at the beginning of the year enabled the business segment to keep sales on a par with the first half of 2018. In the second half of the year, the Machining division will continue to work hard on establishing the new product platforms in its sales markets, despite difficult market conditions. For Mikron Tool, the focus is on developing new markets in the pharmaceutical and medtech industries.

Mikron Machining Solutions began 2019 with full order books. In the first half of the year, the fall in demand from the automotive industry was felt in order intake in particular, in both the machines and the tools business. Demand for services remained stable overall. Sales were negatively impacted by several postponed projects on orders placed by the automotive industry. The newly developed product platforms will not have a positive impact on sales until the coming months and years.

Europe remained the Mikron Machining division's most important sales region, although the division once again acquired various orders in North America and in Asia (notably China) too. The breakdown of sales by sector remained relatively stable, with the automotive industry accounting for the lion's share (41%). Business with rotary indexing machines for the writing instruments industry performed well, and the division also gained some very important new customer projects in the electronics and watchmaking industries.

In the tools business, both of the Mikron Tool division's production sites (Agno, Switzerland and Rottweil, Germany) were operating at full capacity again in the first half of 2019. Delivery times have now normalized. Mikron Tool continued to make gains in medtech especially; here, its high-tech tools for hard-to-machine materials are particularly sought-after. Overall, though, order intake decreased compared with the prior-year period.

Key figures

The Mikron Machining Solutions business segment posted order intake of CHF 75.2 million in the first half of 2019, a decrease of CHF 10.2 million on the first half of 2018 (CHF 85.4 million, -12%). The order backlog stood at CHF 60.8 million at the end of June 2019 (end of December 2018: CHF 68.0 million).

Mikron Machining Solutions kept sales roughly in line with the first half of 2018 (CHF 84.0 million) at CHF 83.6 million. Profitability (EBIT as a percentage of sales) stood at 2.0% (first half of 2018: 3.2%). In absolute figures, EBIT for the first half of 2019 came to CHF 1.7

million (first half of 2018: CHF 2.7 million, - CHF 1.0 million).

Employees

At the end of June 2019, Mikron Machining Solutions had a total of 704 employees (end of 2018: 695 employees).

Innovations and continuous improvements

On various occasions during the first half of 2019, Mikron Machining presented its new 6x6 machine tool configuration kit with fully integrable automation to potential customers. Going forward, the division will continue to devote considerable time and attention to industrialization, machine testing on the first customer projects, and marketing in new markets. At EMO 2019 in September, besides presenting the 6x6, Mikron Machining will unveil its new modular platform for transfer machines to industry professionals.

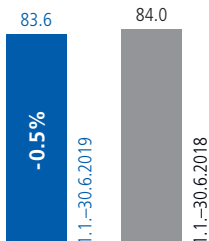
Over the past two years, Mikron Tool has pressed ahead with the expansion of its mil-

ling program and developed six new products. In the second half of 2019, Mikron Tool will build up inventories for these products with a view to launching them on the market from early 2020 onwards. To drive the growth of the tools business, Mikron Tool is expanding the buildings infrastructure in Agno and Rottweil, among other measures.

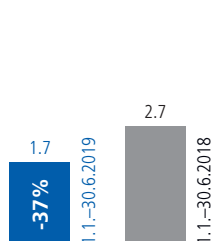
Outlook

For the second half of 2019, Mikron Machining Solutions is still expecting subdued demand from the automotive industry and a positive trend in the rest of its sales markets – in both the machines business and the tools business. The outlook for the service business is still good: demand for maintenance, optimization and digital upgrades remains stable in all industries and markets.

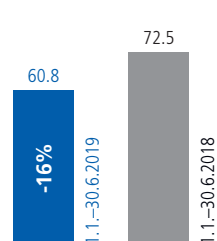
Net sales
in CHF million



EBIT
in CHF million



Order backlog
in CHF million



Consolidated income statement

Short version, CHF 1,000

	1.1.–30.6.2019		1.1.–30.6.2018	
Net sales	176,788	100%	155,338	100%
Change in work in progress/finished goods	3,151		2,551	
Capitalized own production	529		650	
Material costs and subcontractors	-72,679		-63,983	
Personnel expenses	-69,062		-62,835	
Other operating expenses (net)	-27,136		-22,331	
Depreciation and amortization	-4,116		-3,924	
Operating result	7,475	4.2%	5,466	3.5%
Financial result	-221		-750	
Ordinary result	7,254	4.1%	4,716	3.0%
Non-operating result	45		533	
Profit before taxes	7,299	4.1%	5,249	3.4%
Income taxes	-2,583		-1,452	
Profit	4,716	2.7%	3,797	2.4%
Net earnings per share – undiluted	0.29		0.23	
Net earnings per share – diluted	0.29		0.23	

The accompanying notes form an integral part of the Semiannual Financial Statements.

Consolidated balance sheet

Short version, CHF 1,000	30.6.2019		31.12.2018	
Cash and cash equivalents	10,438		27,567	
Current financial assets	11,068		17,033	
Receivables and prepaid expenses	34,638		33,389	
Inventories	68,605		65,532	
Net assets from customer projects	50,696		41,460	
Total current assets	175,445	62.1%	184,981	63.9%
Tangible assets	67,658		64,197	
Intangible assets	4,886		4,941	
Investment property	28,658		28,908	
Other non-current assets	5,843		6,494	
Total non-current assets	107,045	37.9%	104,540	36.1%
Total assets	282,490	100.0%	289,521	100.0%
Short-term financial liabilities	2,200		1,967	
Current liabilities and accrued expenses	53,831		50,916	
Net liabilities from customer projects	38,036		51,341	
Short-term provisions	7,000		5,805	
Total current liabilities	101,067	35.8%	110,029	38.0%
Long-term financial liabilities	8,792		8,605	
Long-term provisions	483		413	
Other long-term liabilities	6,464		6,165	
Total long-term liabilities	15,739	5.6%	15,183	5.2%
Total shareholders' equity	165,684	58.6%	164,309	56.8%
Total liabilities and shareholders' equity	282,490	100.0%	289,521	100.0%

Consolidated statement of shareholders' equity

Short version, CHF 1,000	30.6.2019	30.6.2018
Opening balance	164,309	157,345
Profit	4,716	3,797
Translation adjustments	-447	47
Distribution to shareholders	-3,256	-835
Change in treasury shares	362	82
Closing balance	165,684	160,436

The accompanying notes form an integral part of the Semiannual Financial Statements.

Consolidated statement of cash flow

Short version, CHF 1,000	1.1.–30.6. 2019	1.1.–30.6. 2018
Profit	4,716	3,797
Non-cash items	7,282	5,366
Cash flow from operating activities before changes in net working capital	11,998	9,163
Changes in net working capital	-23,995	-3,870
Cash flow from operating activities	-11,997	5,293
Investments (-)/divestments (+) tangible assets (net)	-5,697	-4,202
Investments (-)/divestments (+) intangible assets (net)	-1,008	-1,057
Investments (-)/divestments (+) financial assets (net)	6,037	1,756
Cash flow from investing activities	-668	-3,503
Increase (+)/repayment (-) of finance lease liabilities	-862	-750
Distribution to shareholders	-3,256	-835
Other cash flow from financing activities	-307	-344
Cash flow from financing activities	-4,425	-1,929
Effect of exchange rate changes on cash and cash equivalents	-39	15
Net cash flow	-17,129	-124
Cash and cash equivalents at beginning of period	27,567	42,161
Cash and cash equivalents as at 30.6.	10,438	42,037

The accompanying notes form an integral part of the Semiannual Financial Statements.

Notes to the Consolidated Semiannual Financial Statements 2019

1. General information

Mikron Holding AG is a public limited company under Swiss law, domiciled in Biel. Its shares are listed on SIX Swiss Exchange (symbol: MIKN). The Board of Directors approved the 2019 consolidated Semiannual Financial Statements on 23 July 2019. The consolidated Semiannual Financial Statements should be read in conjunction with the consolidated Annual Financial Statements for the 2018 financial year, since they represent an update of the last full set of statements.

2. Accounting principles

The unaudited and condensed consolidated Semi-

annual Financial Statements for the period from 1 January 2019 to 30 June 2019 have been prepared in accordance with the rules of Swiss GAAP FER 31 “Complementary recommendation for listed companies”, which – compared with the annual financial statements – permit shorter versions in terms of presentation and disclosure. The accounting principles set out in the 2018 consolidated Financial Statements have been applied unchanged.

3. Business seasonality

The activities of the Mikron Group are not subject to significant seasonal fluctuations.

4. Scope of consolidation

The consolidated Semiannual Financial Statements include Mikron Holding AG, Biel, and all Swiss or foreign subsidiaries which the holding company controls directly or indirectly, either by holding more than 50% of the voting rights or through some other form of control. In the first half of 2019, the newly established UAB Mikron Kaunas, Lithuania, and Mikron Tool (Shanghai) Co., Ltd., China, were added to the scope of consolidation. Both of the new companies are wholly owned by Mikron Holding AG. Apart from these newly established

entities, there were no changes in the scope of consolidation compared with December 31, 2018.

5. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

6. Foreign currency translation

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

Exchange rates

Currency	Average rate (income statement)		Closing rate (balance sheet)	
	1.1.–30.6.2019	1.1.–30.6.2018	30.6.2019	31.12.2018
1 EUR	1.13	1.17	1.11	1.13
1 USD	1.00	0.97	0.98	0.99
1 SGD	0.73	0.73	0.72	0.72
1 CNY	0.15	0.15	0.14	0.14

7. Tax expense

Reported tax expense in the first half of the year is higher than the calculated applicable Group tax rate of 21%. The higher implied expense is the re-

sult of loss carryforwards not being recognized at companies with losses because future performance is uncertain. The profitable companies each report the applicable tax expense.

8. Information by business segment

CHF 1,000 / 1.1.–30.6.	Machining Solutions		Automation		Corporate / Eliminations		Total Group	
	2019	2018	2019	2018	2019	2018	2019	2018
Net sales – third party	83,528	84,046	94,088	71,416	-828	-124	176,788	155,338
Net sales – Group	42	2	1	50	-43	-52	0	0
Total net sales	83,570	84,048	94,089	71,466	-871	-176	176,788	155,338
Operating result	1,679	2,664	6,419	2,543	-623	259	7,475	5,466
Earnings before interest and taxes (EBIT)	1,679	2,664	6,419	2,543	-578	792	7,520	5,999

The Mikron Group

The Mikron Group develops, produces and markets highly precise, productive and adaptable automation solutions, machining systems and cutting tools. Rooted in the Swiss culture of innovation, Mikron is a global partner to companies in the automotive, pharmaceutical, medtech, consumer goods, writing instruments and watchmaking industries.

The Mikron Group enables its customers to increase quality and industrial productivity. The Group has over 100 years of experience, state-of-the-art technologies, and a global service. The two business segments Mikron Automation and Mikron Machining Solutions are based in Switzerland (Boudry and Agno). Additional production sites are located in Germany, Singapore, China and the USA. Mikron Holding AG shares are traded on SIX Swiss Exchange (MIKN). The Mikron Group employs a total workforce of around 1,400.