

MYCRONIC

Annual report 2016

**“We enable innovative
production solutions
for future electronics”**



Storage solutions



Equipment for dispensing applications



Mask writers for multipurpose applications



Equipment for placement of electronic components on PCBs



Jet printing equipment



Efficient material management



Equipment for assembly and test of camera modules



Mask writers for display manufacturing



Mycronic in brief

Mycronic creates world-leading production equipment for electronics and display manufacturing.

In a world impacted by rapid technological change, Mycronic creates innovative production solutions which meet high requirements for precision and flexibility. Customers are electronics manufacturers globally.

Mycronic's investment in research and development creates products that meet market requirements of efficient production solutions. These production solutions make possible end products such as advanced displays, life-saving medical implants, and the next generation of satellites.

The company is active within two business areas, Assembly Solutions and Pattern Generators.

In 2016, Mycronic broadened the product offering within Assembly Solutions through product development

and through acquisitions in adjacent market segments. These activities broadens the addressable market within electronics manufacturing. The product offering within Assembly Solutions comprise equipment for application of solder paste, dispensing of other assembly fluids, mounting of electronic components onto circuit boards and assembly and test of camera modules for driver assistance systems for the automotive industry.

The mask writers within Pattern Generators are indispensable to manufacture photomasks. Photomasks are used by world-leading electronics manufacturers for manufacturing of advanced displays used in tablets, smart phones, TVs and computers, as well as for applications within

electronic packaging.

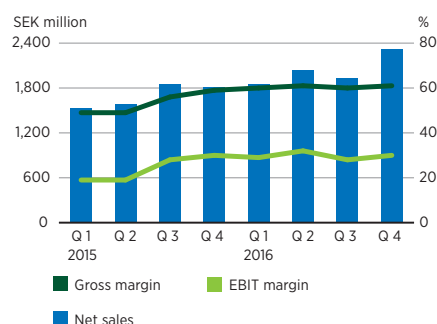
Mycronic's production equipment are used by 2,500 manufacturers world-wide. Through its global organization, with subsidiaries in ten countries, and through distributors and agents, Mycronic delivers equipment and services to leading companies within the electronics industry in more than 50 countries. The strong local presence ensures a deep understanding of the market as well as fast service for the company's customers who are dependent on round-the-clock production.

Mycronic's employees have a variety of backgrounds, a diversity that drives its innovation capacity and makes it possible for the company to succeed in a rapidly changing world.

FINANCIAL OVERVIEW

	2016	2015	2014
Order intake, SEK million	2,455	2,179	2,028
Net sales, SEK million	2,319	1,815	1,475
Order backlog, SEK million	1,342	1,066	702
Gross margin, %	60.8	59.3	48.3
EBIT, SEK million	691	540	277
EBIT margin, %	29.8	29.8	18.7
R&D expenditure, SEK million	342	262	196
Earnings per share, SEK	5.38	4.52	2.72
Average number of full-time employees	577	501	508

SALES AND MARGINS, ROLLING 4 QUARTERS



+28%

Net sales amounted to SEK 2,319 million, an increase of 28 percent in 2016.

Growth was primarily organic, through a broad offering of efficient production solutions, through product development and through acquired operations. Through these activities, Mycronic has strengthened its position within the global electronics industry.

30 years

For over 30 years, Mycronic has developed advanced production equipment to the electronics industry.



900

more than 900 employees in ten countries. The number of employees increased in 2016 through three acquisitions.

450

patents (excluding acquisitions) proves the unique power of innovation. In 2016, 26 patents were added to the portfolio.

2,500

customers use production equipment from Mycronic.

50 countries

Mycronic is represented in more than 50 countries.



Record-high demand

Mycronic had record-high order intake and net sales in 2016 - primarily from growth within existing market segments.

The product offering has continuously been broadened through innovative production solutions to support the customers' changing needs. At the same time, Mycronic has invested in future competitiveness through larger technology steps.

Record-high operating profit

Mycronic continues to execute its strategy and reports continued good profitability.

For 2016 the operating profit reached SEK 691 million, an increase of 28 percent compared to 2015. The EBIT margin reached 30 percent.

Strategic acquisitions

Mycronic has made three important acquisitions for continued growth.

The acquisitions secure access to vital products, expand the product offering with complementary products within existing market segments and broaden the addressable market to adjacent segments within the electronics industry.

EBIT: **SEK 691** (540) million

Earnings per share: **SEK 5.38** (4.52)

Order intake: **SEK 2,455** (2,179) million

Net sales: **SEK 2,319** (1,815) million



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BUSINESS AREAS RENAMED

Through acquisitions, Mycronic has broadened its operations. In order to more accurately reflect the broadened product offering, the company has renamed the business area Surface Mount Technology, SMT. The new name is Assembly Solutions.

Assembly Solutions offers equipment for modern electronics manufacturing. The offering comprises equipment for the application of solder paste and other assembly fluids onto PCBs, equipment for placement of components on PCBs and equipment for assembly and test of camera modules.

The other business area, Pattern Generators, retains its name and its operations.

The annual report is in all respects a translation of the Swedish annual report prepared in accordance with Swedish laws and regulations. In the event of any differences between this translation and the Swedish original, the Swedish annual report shall have precedence.

“Record sales and three acquisitions in 2016”

Mycronic delivers unique production solutions to our customers within the electronics industry and good profits to our shareholders.

IT IS TIME AGAIN for me with pride to summarize a year where we lived up to high expectations. The record-high order intake and net sales come primarily from organic growth. EBIT reached SEK 691 million in 2016, which gives us an operating margin of 30 percent. While delivering these results, we have continued to invest in products and markets for customer satisfaction and future competitive edge. We enter 2017 with an order backlog of SEK 1,342 million.

A THREE-YEAR JOURNEY WITH FANTASTIC RESULTS

This is my third year as CEO of Mycronic – this incredible company. Three years ago the Board established new financial goals. They were challenging, but we believed that we could get there within four to seven years. It went faster than we could have imagined and without acquisitions, which we judged necessary at that time. We have reached the goal of doubling sales and we have delivered an operating margin that is significantly higher than the margin during an average business cycle. This has been possible as activities were incorporated in the strategy to achieve the goals. We view the strategy as if it were a journey consisting of shorter and longer milestones, where every milestone is just as important as the next. The milestones have been embraced throughout the entire organization. I would like to mention some areas which have been critical on this journey: the importance of an effective, global organization, strong leadership, and not least, clear planning and management of the product portfolio for delivery of competitive products. These are the building blocks for strengthening our competitive edge within existing market segments, for growing within adjacent segments and in Asia, and for securing our power of innovation, which is critical to our competitiveness.

THE FOUNDATION FOR ORGANIC GROWTH – OUR EXISTING BUSINESS

We have had an outstanding year within Pattern Generators, with strong demand for both new products and for our replacement offering. The reason for our success, besides a favorable market for photomask and display manufacturers, is that we have our ears to the ground, that we understand what customers need and that we transform these needs into technical solutions. We are close to our customers with management for the business area and second-line support in Japan. We also collaborate with other equipment suppliers to understand



NET SALES

2,319 MSEK

GROWTH

28%

EBIT MARGIN

30%

MARKET CAP

9,596 MSEK

the challenges in the production environment of our customers.

Within the SMT division, we met a much tougher year than we would have wished, with a declining global market for SMT equipment. But the overall trends within the industry favor Mycronic's flexible production solutions and the Mycronic 4.0 concept, which represent a complete solution with production systems for the smart factory. Through small, rapid product development steps, we have modernized the entire product program. Additionally, we have invested in the future by developing new products for new markets, which has also required larger technological steps. These investments represent a major financial expenditure, but are crucial.

OPPORTUNITIES FOR LONG-TERM GROWTH

To continue this journey toward new goals, we have complemented our existing operations with acquisitions. The goal is to be an international, diversified supplier of equipment by offering sustainable solutions for manufacturing characterized by high demands on precision and flexibility. This goal will be supported by both organic growth and acquisitions.

The global electronics industry is a massive market with many segments. The industry as a whole is growing at the same pace as the global economy, but certain segments and markets are experiencing stronger growth. This creates opportunities for those who can interpret trends and requirements, and Mycronic sees areas that are a good fit for us and where we can contribute. We are a relatively small company, so complementary acquisitions must take place within areas characterized by the same qualities that we possess, i.e. with technical and innovative competences like our own. We have identified segments with high growth and good profitability.

ACQUISITIONS CONTRIBUTE TO GROWTH

During 2016, we executed three acquisitions. Together these deepen and broaden our addressable market – in line with the strategy for profitable growth.

The German company RoyoTech supports our organic growth. This supplier of intelligent storage towers is a small, but strategically important, acquisition which secures one of the cornerstones in Mycronic 4.0. The acquisition also opens up for relations with new customers.

In August, we announced the acquisition of the Chinese company Axxon, which provides us with new opportunities within the global dispensing market through its strong position in China. Axxon is a perfect match, a well-run company with values and product strategies very similar to our own and without any product overlaps. Together, we form one of the world's five largest suppliers of dispensing equipment.

At the end of November, we acquired the American company AEI, which offers equipment for the assembly of camera modules in increased driver support devices for the automotive industry. We iden-

tified automotive electronics as a rapidly growing segment two years ago. AEI represents what we are looking for in order to grow in adjacent segments, i.e. rapid growth within an area with good profitability. The technical affinity is significant in that parts of the camera modules are assembled on an SMT line. AEI has a strong position as supplier to the companies that deliver camera modules to the automotive industry. Our global presence creates additional benefits for AEI.

CLEAR LEADERSHIP

Today, Mycronic is a company in rapid growth and as such works continuously with organizational development to adapt to these new prerequisites. Primarily through acquisitions, we have gone from just over 500 employees to 900 employees world-wide.

This growth puts new and higher demands on the company and its leadership. We need leadership that focuses on change, integration and cooperation. Our leadership criteria – execution, engagement and learning – guide us in this transition.

SUSTAINABLE OPERATIONS BENEFIT BUSINESS

Mycronic, like the electronics industry as a whole, has an ever greater need to develop sustainable products to meet new requirements from the world around us. We have continued our long-term and important transition toward increased sustainability, of both operations and products. Sustainability is already creating business benefits and is critical to every company.

2017 – WITH NEW FINANCIAL GOALS

I can sum up 2016 in one word – fantastic! The results for the year are an affirmation of the strategy we established in 2014 and its execution. Yet another affirmation is the market's valuation at the end of 2016 of Mycronic at eight times higher than when the financial goals were established in 2014.

Therefore, we have now decided on new financial goals for the coming four to seven years. We are also in the midst of bringing in new employees and customers in new regions to our operations. There is a lot driving us forward toward new innovations that will provide our customers with the best solutions within electronics production.

Finally, I would like to express my gratitude to all our stakeholders for the past year, and I am looking forward to sharing new successes with all of you in 2017.



Lena Olving
President and CEO

Trends **create opportunities**

The global electronics industry amounts to USD 1,850 billion, or around 16,000 billion Swedish kronor and the industry is constantly evolving.

EXPECTED GROWTH within the electronics industry is 2.7 percent annually until 2020, corresponding to a turnover of more than USD 2,100 billion in 2020. The rapid growth is driving global trends which carry with them new opportunities for Mycronic in existing and new market segments.

The two main driving forces clearly visible within the global electronics industry are: development of products that meet or create new needs; and the constant drive towards higher efficiency to cut production costs. The electronics industry is mature with value growth in line with global GDP development. In terms of number of components produced every year, the growth is significantly stronger. This is due to the continuously increasing amount of electronics produced for the products that surround us even as prices for electronics decrease.

Consumers expect increasing functionality, improved image quality, decreased power consumption, and lower prices. For manufacturers, this means a combination of volume production and a variety of products with decreasing life cycles, which requires access to modern and flexible production equipment.

Within the electronics industry, there are several segments with significantly higher growth when compared to the industry as a

whole. These segments are medical, industrial, aerospace and infrastructure. As the former growth drivers, such as mobile phones and computers level out, electronics for the automotive industry are expected to attain the highest growth – 5.6 percent annually up to and including 2020. The subsegment of the automotive industry which is growing the fastest is ADAS, Advanced Driver Assistance Systems, which have rapidly become an integrated part of modern cars.

According to the electronics research and analysis consultancy Prismark, growth has become substantially more balanced between different regions. Asia still has the highest growth estimated at approximately 3 percent annually until 2020, even though China is slowing down. For the same period, the US and Europe are expected to experience growth of just over 2 percent.

TECHNICAL DRIVING FORCES REINFORCE TRENDS

In addition to the main driving forces, Mycronic has identified four technology drivers that propel the electronics industry forward and reinforce global trends impacting manufacturers and consumers. These drivers cut across market and geographic segments and greatly affect product development.



BIG DATA

1

Internet of things (IoT), means that industrial products and consumer products, such as household appliances, cars and clothing are equipped with sensors that can communicate with each other and with people via the internet. Enormous quantities of data, or so-called Big Data, will have to be transported and stored in a functional manner. This means new demands for higher transfer speeds and increased capacity on equipment supplied by the industry.



MORE PERSONAL

2

Wearable electronics can be used for numerous purposes, for example, for monitoring heart rate frequencies and insulin levels to communication, but also for pleasure. Today mobile phones simplify life for, and connect, millions of people. And the trend is that this connection is formed in an increasingly personal way, for example, through smart watches. Today's users want to set their own stamp on how products are used.



AUTOMATION

3

Increasing electronic content of the products we use enable the increased automation of functions that make our lives easier. For manufacturers of electronics, this trend is a driver toward automation and what we call the fourth industrial revolution (Industry 4.0). One of the clearest examples of this trend is automotive electronics, the fastest growing segment within the electronics industry. A large part of the growth comes from Advanced Driver Assistance Systems (ADAS) which supports the driver in many ways.



ENERGY EFFICIENCY

4

Energy efficiency, with respect to sustainable production, consumption and the ability to efficiently store produced electric energy in batteries, is an increasingly important issue. One example is LED lighting, which is rapidly replacing conventional lighting technology. An exchange of all the world's light bulbs with LED lights would significantly reduce environmental impact and would also provide financial savings of over USD 200 billion per year.

DRIVING FORCES FOR ELECTRONICS PRODUCTION

PRICE PRESSURE WITHIN THE ELECTRONICS INDUSTRY

As product complexity increases, end customers – consumers as well as companies – expect increasing levels of performance and more advanced products, but at unchanged or even lower prices. This results in an increased demand for modern production lines that reduce the cost per component placed. The capacity to produce large volumes and short series with fast changeovers is increasingly important.

JUST-IN-TIME PRODUCTION

Just-in-time production strives for shorter series and lower inventory levels. When complexity increases, productivity is affected and puts demands on greater flexibility. Industry 4.0, usually referred to as the fourth industrial revolution, fulfills these needs and utilizes several different technologies within automation, data communication, and manufacturing. The smart factory, where various systems communicate and collaborate with each other in real time and with humans, is becoming a reality.

INCREASED MINIATURIZATION AND PRODUCT COMPLEXITY

Consumers want products with more functionality while becoming more compact and energy-efficient. More electronic components must fit in the same or an even smaller space to meet customer demands. This requires precision mounting of extremely small, advanced and densely packed components. Hence, demand increase for modern production lines capable of high productivity and low cost per component placed.



OPPORTUNITIES FOR MYCRONIC

Previously, the pursuit of lower costs meant that the electronics industry chose to relocate operations to low-cost countries. Today, the same savings can be achieved largely through production automation.

Mycronic's flexible product solutions meet these needs. The product offering Mycronic 4.0 enables higher degree of automation. The flow of material is managed through unique logistic software solutions, and capacity utilization becomes significantly higher than in traditional production flows. The increasing variability and complexity, in combination with demands for more efficient production processes, benefits Mycronic. Mycronic's products offer high precision, high flexibility and an optimized workflow, thus reducing the amount of required manual intervention. The need for modern, flexible production can be clearly seen in manufacturers world-wide, even in Asian markets.

DRIVING FORCES FOR DISPLAYS

TRANSITION FROM LCD TO AMOLED

LCD has been the dominant display technology for a long time. Today a shift to AMOLED technology is underway. AMOLED provides better image quality and thinner displays with increased energy efficiency. The technology also creates opportunities for manufacturing bendable displays, which can be used for new applications.

INCREASINGLY HIGHER RESOLUTION

Higher resolution provides a better visual experience for the consumer. Manufacturers of products are therefore demanding higher resolution displays that provide a significant competitive edge in the battle for customers.

DISPLAYS USED IN NEW APPLICATIONS

Today there are displays not only in the world of PCs and mobile phones, but in all types of products, from vehicles and clocks to household appliances and cameras, and the number of products with advanced displays is growing rapidly. This means that manufacturers do not just need more displays, but also new types of displays that are adapted to various products.

INCREASINGLY LARGER DISPLAYS

The average size of a TV display is currently 41 inches and this is increasing by approximately one inch per year. Increased image quality combined with decreased prices convince consumers to buy larger and better TVs.



OPPORTUNITIES FOR MYCRONIC

Market demand for larger, more energy efficient displays, as well as the transition to AMOLED displays, creates the need for new photomasks. At the same time, there is a growing demand for increasingly high resolution in small displays such as mobile phones, which presents a technological challenge for manufacturers of photomasks and displays.

These needs and challenges mean that manufacturers are increasing their research and development efforts, which drives the need for new photomasks. Another factor behind the need for new photomasks is the increasing variety of products and the increasingly short life cycle of each product.

Mycronic, as the only supplier of advanced photomasks in the world, can satisfy this need by offering its customers the increasingly advanced mask writers needed to meet the industry's technical challenges.

Mycronic's strategy **remains unchanged**

After three years of outperforming all financial goals, Mycronic has decided on new goals for financial performance.

VISION

VISION

The business partner of choice, enabling the future of electronics.

MISSION

We aim to be the market leader within our key segments across the globe.

We continuously improve and develop innovative solutions, products and services to meet the changing needs of our customers.

We do not compromise with our goal to deliver sustainable growth, profitability and shareholder value.

We meet our challenging goals by engaging the passion and talent of people dedicated to deliver.

VALUES

- Passion for business
- Passion for people
- Passion for technology

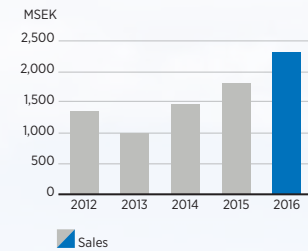
NEW FINANCIAL GOALS DECIDED

GROWTH

5 billion

Net sales including acquisitions shall reach SEK 5 billion at the end of the business plan period, 4 to 7 years.

Net sales



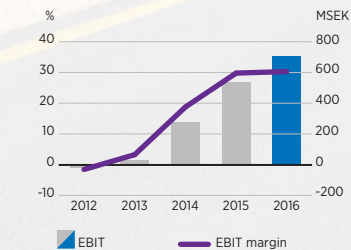
Mycronic has more than doubled net sales during the last three years. When financial goals were decided in 2014, net sales were SEK 997 million. In 2016 net sales were SEK 2,319 million. The new goal, to double net sales in four to seven years, will be met through organic growth and acquisitions.

PROFITABILITY

15%

EBIT before interest and tax shall exceed 15 percent of net sales over a business cycle.

EBIT



This year's EBIT margin of 30 percent is explained by strong mask writer sales. In 2016 eight mask writers were delivered.

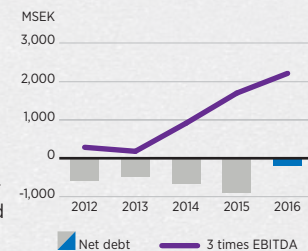
The previous goal of an EBIT margin exceeding 10 percent has been revised after three years with a margin exceeding this goal.

CAPITAL STRUCTURE

3 times

Net debt shall not exceed 3 times the average EBITDA (operating profit before depreciation, amortization, interest and tax). The average is calculated over three years.

Net debt



The possibility to take on a net debt allows further expansion, in order to reach the financial goals on growth and profitability long-term. The financial goal regarding capital structure remains unchanged.

STRATEGIC DIRECTION

MAIN ACTIVITIES IN 2016

Strengthen the company's position as a leading supplier within existing market segments.

- Through rapid, incremental development on existing products, Mycronic continually offers a modern and competitive product program.
- Mycronic acquired RoyoTech, the strategically important supplier of the storage towers, which have been a part of the company's solution for efficient electronics manufacturing since 2008.
- With the concept 360°, Mycronic strengthens the sales process by viewing customer requirements for effective electronics manufacturing holistically.
- Prexision-800, with better optical resolution, was launched for use with the next generation of exposure equipment (aligners).
- Mycronic launched the FPS6100 for applications within multi-purpose, with 20-40 percent higher write speeds and improved image quality.
- Mycronic received the first multiple order comprising around twenty jet printer systems within new application areas.

Growth with profitability in adjacent market segments.

- Mycronic worked actively to find complementary acquisitions and has built up a strong and broad level of competence and experience, as well as a valuable international network within M&A.
- Mycronic acquired Automation Engineering, Inc. (AEI) in the US, a supplier of equipment for assembly and test of camera modules for ADAS (Advanced Driver Assistance Systems) for the automotive industry.

Growth with profitability in Asia, within existing and adjacent market segments.

- Mycronic acquired Shenzhen Axxon Automation Co., Ltd (Axxon), the leading supplier of dispensing equipment in China. Mycronic is now one of the five largest actors on the global dispensing market.
- Major technology steps initiated in 2015 have continued. In collaboration with a high-tech consulting firm in Asia, products are being developed for new needs in new geographical markets. This collaboration complements the Group's own unique competencies with specific technology and market knowledge.
- An increased presence in Asia makes it possible for Mycronic to expand. Examples of activities include the establishment of a purchasing function in China and placement of second line support of pattern generators in Japan.

Ensure the power of innovation to sharpen competitiveness.

- Activities and cooperation with universities continued to secure future technical competence and early access to basic research.
- The research and development department was reorganized for increased focus on products and customers. This included a broadening of leadership and development of effective, standardized ways of working.
- Mycronic has focused on further strengthening the capacity to attract and retain competence as an employer.

Innovative solutions **create value**

Mycronic shall grow with profitability by delivering production solutions for the electronics industry. The ambition is to create value while taking responsibility within those areas where the company can exert influence.

BUSINESS INTELLIGENCE



Creating innovative solutions and production equipment that enable the electronics of the future requires the right effort at the right time.

For Mycronic, it is of great importance to be active in setting the industry road map, the long-term and strategic direction, of electronics industry product development.

The company works in a focused and structured way to map the electronics industry and the segments therein where it has its operations.

For a company at the technological forefront, it is of great importance to cooperate closely with both customers and their end customers. Mycronic must also have close relations to other suppliers of production equipment.

PRODUCT DEVELOPMENT



In 2016, Mycronic invested SEK 342 million in development, which corresponds to 15 percent of net sales.

Development of technology, as well as new products, are made through rapid but smaller incremental development steps and by larger development steps. All developments grow out of the long-term vision and mission.

Product development has mainly been conducted in Sweden where 130 employees are engaged in research and development. Through acquisitions and partnership in 2016, the Group has access to a globally distributed force of innovation. The main objectives for the R&D unit are:

- to deliver the right product at the right time
- to identify opportunities to expand or broaden Mycronic's product offering
- to create the necessary prerequisites for development of ideas that can lead to long-term, competitive advantages.

JUST-IN-TIME SALES



Mycronic has approximately 2,500 customers. Through subsidiaries in ten countries, and through agents and distributors, Mycronic reaches customers in over 50 countries world-wide. The sales process is often long, especially for Pattern Generators.

Mycronic operates application centers around the world, where customers can test equipment and take part in training.

The order intake reflects orders received during the period for both goods and services, such as maintenance.

Sales costs amounted to SEK 239 million, including variable sales costs for distributors and agents.

Economic value creation

Through development, manufacturing, sales of goods and recurring aftermarket sales, Mycronic creates enduring value.

EBIT for 2016 amounted to SEK 691 million. Financial income and costs amounted SEK -1.6 million while SEK 163 million were paid taxes. Tax corresponds to 23 percent.

Of the net result, SEK 526 million, it has been proposed that SEK 196 million be distributed to Mycronic's shareholders in accordance with the dividend policy. The proposed dividend for the year corresponds to 37 percent of net profit. During the last four years, SEK 1,224 million, including this year's proposed dividend, has been transferred to shareholders. SEK 803 million were extra dividends.

The remaining value generated in 2016 after payment of dividends will be reinvested in operations for continued development.



SOURCING/ MANUFACTURING



Approximately 15 percent of employees in Sweden work with sourcing and manufacturing. Through the acquisitions of RoyoTech, Axxon and AEi in 2016, there are now manufacturing units in Germany, China and the US. Manufacturing is often conducted in close cooperation with the R&D department.

Of Mycronic's total purchases in 2016, 86 percent related to purchases from Sweden and the rest of Europe, and 58 percent of the purchases were made in Swedish SEK.

Mycronic has approximately 500 suppliers for the Swedish operations. During recent years, Mycronic has started to build up sourcing in Asia.

DELIVERY AND INSTALLATION



Mycronic recognizes revenue in connection with deliveries. At delivery, costs relating to delivered goods are also recognized. Costs of goods sold include not just those related to manufacturing, but also costs for set-up at customer site and warranty.

In 2016, net sales amounted to SEK 2,319 million, of which SEK 1,581 million were related to system sales. This is equivalent to 68 percent of net sales.

A substantial part of production equipment delivery consists of an installation phase. Installation is complex, and Mycronic has highly competent personnel in close proximity to customers, which contributes to the building of close customer relations.

AFTERMARKET

After delivery of the company's production equipment, stable and efficient production is ensured through a broad offering of aftermarket services. This offering includes service, spare parts, accessories, upgrades, training and other services, such as refurbishment of older SMT systems.

Customers can choose from a variety of service contracts depending on the desired level of service and response time. In principle, all mask writers in operation at customer sites are covered by a service contract.

Aftermarket sales in 2016 amounted to SEK 738 million.

In 2016, second-line support within Pattern Generators was relocated to Japan to ensure a rapid process in closer proximity to customers. The Group thereby offers second-line support in Japan, Singapore, Sweden and the US.



CREATING ECONOMIC VALUE

SEK million

	2016	2015
Net sales	2,319.3	1,815.0
Personnel costs including social fees	-561.8	-471.7
Other operational costs	-1,066.3	-802.8
Interest and other financial items	-1.6	0.2
Tax	-163.1	-98.0
Community investments	-0.2	-0.2
Net result	526.3	442.5

Assembly Solutions for current and future electronics



In focus 2016

- Execution of strategy through continued focus and high pace in product development.
- Strategic acquisition of Royotech, supplier of intelligent storage solutions for the electronics industry.
- New product program for high speed dispensing delivered to customers.
- Acquisition of Axxon, offering a broad, complementary product portfolio within dispensing.
- Acquisition of AEI, a supplier of equipment for assembly of camera modules within a fast-growing market segment.

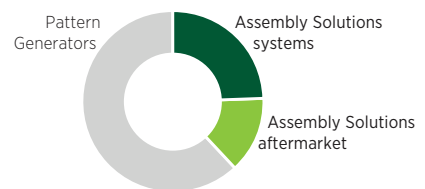
Revenue 2016

- Revenues increased 5 percent in 2016. The acquisitions during the fourth quarter had a positive impact on net sales.

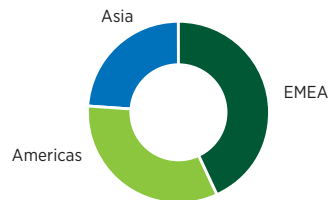
Results 2016

- Myconic continued investing in product development for future growth. EBIT in 2016 was impacted by these investments, and from costs related to acquisitions.

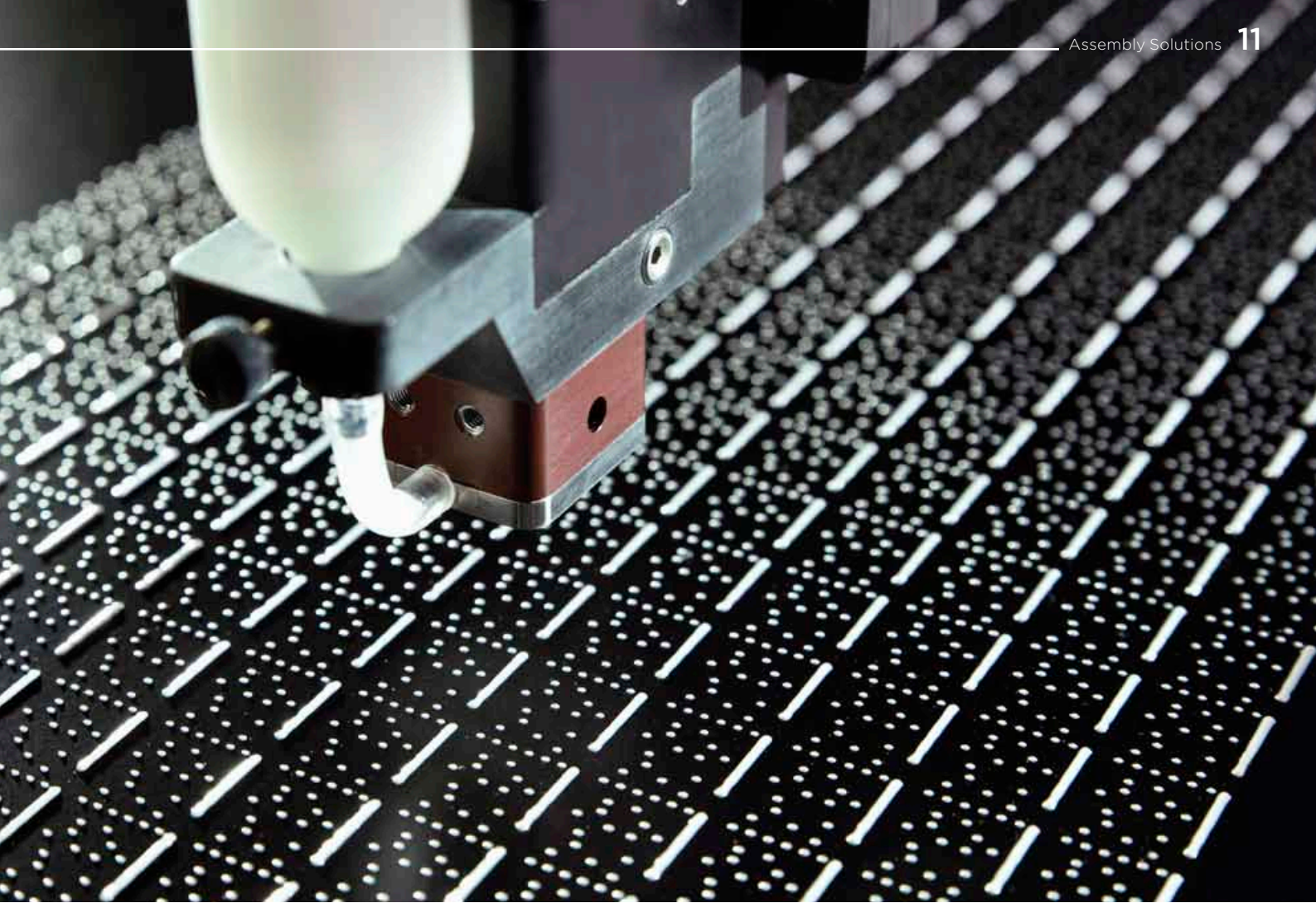
NET SALES 2016 BY APPLICATION



NET SALES 2016 BY REGION



ASSEMBLY SOLUTIONS	2016	2015
Order intake, SEK million	960	829
Net sales, SEK million	886	844
Gross margin, %	42	45
EBIT, SEK million	-157	-16
EBIT margin, %	-18	-2
R&D costs, SEK million	291	225



By offering innovative production solutions, Mycronic has created a leading market position as supplier of equipment aimed at flexible, just-in-time electronics production and dispensing, as well as assembly and test of camera modules for the automotive industry.

ELECTRONICS ARE BECOMING increasingly smaller with greater functionality. At the same time, electronics are also included in an increasing number of new products. Our household appliances are getting smarter, cars are equipped with safety sensors and entertainment systems, while our TVs are constantly connected to the internet, ready to stream programs and movies from all around the world.

The on-going trend toward increasingly smaller electronic components, circuit boards with higher packing density, and new production technologies demands flexible machines that are easily adapted to new customer demands while maintaining performance and precision. There is an increasing demand within the electronics industry for automated production solutions that enable greater just-in-time production, where the right amount of circuit boards is produced at the right point in time.

For more than 30 years, Mycronic has developed innovative production solutions that have enabled the manufacturing of electronics products that simplify and enrich our daily lives. In 2016, Mycronic completed three acquisitions of companies that supply key production solutions for the electronics industry, thereby securing future growth and access to new technologies.

The acquisitions complement an already strong product portfolio with offerings, such as automated storage solutions for electronics components, equipment for dispensing of assembly fluids and systems for assembly of camera modules for the automotive industry. Through

these acquisitions, Mycronic has broadened its product offering in existing segments while entering into adjacent, fast-growing market segments.

A new business area – Assembly Solutions – was formed, with three divisions; SMT, Dispensing and Assembly automation.

OUR OFFERING

Through a unique design and a high degree of automation, the MY200 pick-and-place machines enable efficient, flexible, high quality production. Mycronic's products minimize the need for operator intervention. For the customer, this means short lead times in production and lower manufacturing costs.

With the MY600 Jet Printer, Mycronic has a unique offering in the area of solder paste application onto circuit boards. Jet printing technology is fast, non-contact and software-controlled – all prerequisites for rapid changeovers between products. With over one million applications per hour, jet printing is an interesting alternative to more traditional technologies, such as stencil printing.

Materials management is becoming increasingly important in electronics production when the number of product variants and changeovers increase. The software systems and SMD Tower, an automated storage tower for electronic components, are important to ensure the storage of sensitive components, as well as for streamlining material flows to and from the assembly lines in the factory.

Electronics Assembly

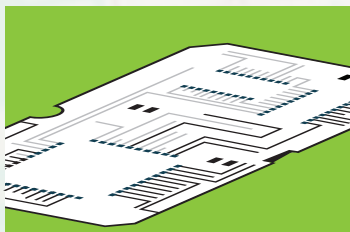
Printed circuit boards are present in all electronics and vary in size. A circuit board may consist of a few components or several thousand, depending on the application area.

1

Digital description

A digital description with information about the printed circuit board's (PCB) functionality is converted into a machine program. This takes place at the manufacturing site of the specific PCB.

The digital description comprises detailed information about the PCB's dimensions, the contact surfaces, the types of components it holds, and their mount position on the circuit board.



MYCRONIC'S EQUIPMENT

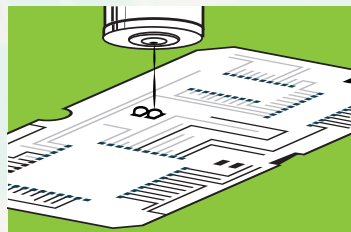
2

Application of solder paste

Solder paste is applied onto PCB's contact surfaces with Mycronic's MY600. Droplets of solder paste, some as small as 2 nanoliters, are applied 300 times per second.

Solder paste has a consistency similar to toothpaste and is necessary for attaching components to the circuit board.

Mycronic's jet printing technology allows for application of solder paste in cavities on the PCB or in cases where components are mounted on top of each other, which is not possible with traditional production solutions.



MYCRONIC'S EQUIPMENT

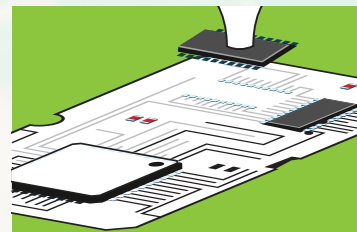
3

Component mounting

With Mycronic's MY200, components can be mounted onto PCBs with micrometer precision.

Components vary in size. They are fed using Mycronic's unique feeder system. The machine program guides the mounting and ensures that components are mounted in the most efficient order. Component reels can be stored in Mycronic's storage solution for efficient material handling.

Inspection takes place during the process to ensure high product quality.



MYCRONIC'S EQUIPMENT

With the acquisition of Axxon, Mycronic's offering for high-speed dispensing has been extended with a broad product portfolio of applicators and production equipment for dispensing assembly fluids and conformal coating onto PCBs for a wide range of applications within the electronics industry.

During the year, Mycronic expanded its product offering through the acquisition of AEI. AEI's production systems are used by the automotive industry to assemble and test the camera modules used in Advanced Driver Assistance Systems (ADAS) in today's cars.

The aftermarket offering includes products, such as service and maintenance, training, application development, upgrades and accessories.

FINANCIAL PERFORMANCE

From the fourth quarter of 2016, Axxon's and AEI's operations are included and affects reported order intake, revenues and expenses as of each respective acquisition date.

During the first half of 2016, the global SMT equipment market declined 7 percent, followed by a rebound resulting in growth of 5

percent for the full year. Mycronic reports a decline in orders and net sales of 4 percent and 6 percent, for the corresponding market segments respectively. Acquisitions contributed SEK 90 million in net sales.

Pick-and-place equipment for mounting of electronic components, the MY200, accounted for 60 (80) percent of system sales, while dispensing equipment accounted for 40 (20) percent. Axxon contributed to an increase in the proportion of dispensing equipment sold.

Gross profit amounted to SEK 370 (384) million, corresponding to a gross margin of 42 (45) percent. Gross profit was affected by costs of acquired inventories at fair value and negative gross income in AEI due to low sales after the acquisition date. For SMT equipment, the gross margin amounted to 45 percent, the same level as for 2015. Axxon's gross margin for the underlying business was similar.

EBIT amounted to SEK -157 (-16) million and was burdened by the cost of investments for future growth. Expenses for product development increased SEK 64 million to SEK 285 million, including expenses for product development in acquired companies.

Sales and administrative expenses increased due to increased

MYCRONIC
4.0

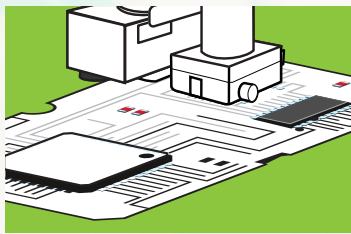
Mycronic 4.0 is a complete production solution that handles the complexity of modern electronics manufacturing; an automated, smart factory for just-in-time production. The company's innovative component feeder system and automatic storage solutions simplify work during changeovers between products, while ensuring high quality. Mycronic has developed sophisticated software that offers superior process visibility and enables an effective flow of information on the factory floor, from preparation, planning and material handling to traceability and follow-up.

4

Dispensing

During the electronics production process, there are several stages where different types of material must be applied. The materials, or assembly fluids, are used for adhesion, impact protection, heat protection and water protection. Application is typically achieved with dispensing.

Mycronic's and Axxon's range of dispensing equipment complement each other and address a very large part of the global dispensing market.



MYCRONIC'S EQUIPMENT

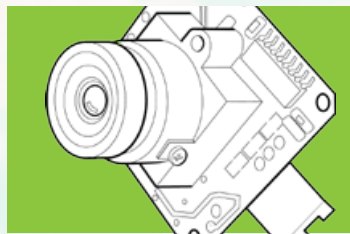
5

Camera module assembly

A camera is included in an increasing number of electronics products. A good example is the automotive industry, where cameras provide the driver with a clear view around the car.

The assembly of camera modules is similar to the process of PCB manufacturing and parts of the assembly takes place on SMT lines.

Through the American company AEI, Mycronic offers equipment for assembly and test of camera modules for the automotive industry.



MYCRONIC'S EQUIPMENT

6

Final Assembly

The PCB is an essential component of both consumer and industrial end products in the electronics industry.

Within industrial applications, there are PCBs manufactured with Mycronic's equipment in industrial and medical equipment, aerospace and aviation, in cars and in wind power stations.

After acquisitions within Assembly Solutions, Mycronic's broader product portfolio includes equipment for manufacturing of camera modules and other components, used in mobile phones, computers and in modern cars.



THE PRODUCER OF END PRODUCTS

marketing activities, acquisition-related activities and build-up of the sales organization.

MARKET DRIVERS

Mycronic sees several trends and driving forces within electronics production. The trends in the electronics industry with the greatest impact on the market for surface mount equipment are:

- miniaturization
- lower cost per placed component
- just-in-time production
- the importance of Asia.

Electronics are getting smaller, thinner and lighter even as more and more functionality is being included in the products. This ongoing miniaturization is driving the trend toward smaller components, PCBs with higher packing densities and new production technologies.

Today's consumers place high demands on new products and their performance while resisting increased cost.

Demand is increasing in the electronics industry for automated production solutions that enable more just-in-time production, where the right number of PCBs is produced at the right time.

Asia remains highly significant for the electronics industry, both with regards to manufacturing capacity in the region and the large number of end consumers.

To meet market demand, Mycronic offers advanced production equipment within several application areas such as surface mount, dispensing and automated assembly of camera modules.

THE ELECTRONICS INDUSTRY

The global electronics market has annual sales of USD 1,850 billion (Prismark, December 2016). There are two types of electronics manufacturers: Original Equipment Manufacturers (OEMs) that produce electronics in-house and Electronics Manufacturing Services (EMSs), or contract manufacturers, that produce electronics for customers. Electronics are used in the automotive industry, consumer electronics, computer equipment, mobile phones, communication equipment, industrial applications, medical equipment, defense systems and the aviation and aerospace industries. Both OEMs and EMSs can be found in all types of manufacturing, from small volumes of short production series to large volumes with long periods between changeovers to new products.

The semiconductor market is part of the electronics industry and as such affects demand for production equipment. When the volume of semiconductors increases, greater production capacity becomes necessary, driving investments in new equipment. The semiconductor market showed a weak negative trend in 2015 declining by 0.3 percent. In 2016, the trend is expected to return to growth of 1.5 percent for the full year (Prismark, December 2016).

THE SMT MARKET AREA

The equipment market associated with surface mount technology (SMT) has annual sales of approximately USD 4,000 million and includes stencil printers, pick-and-place equipment, dispensing and inspection equipment. Pick-and-place equipment is the largest segment with annual sales of approximately USD 1,980 million in 2016, an increase of 5 percent compared to 2015 (Protect MDC, January 2017).

Mycronic offers a complete solution – Mycronic 4.0 – which includes innovative solutions for just-in-time production. The offering includes equipment for non-contact application of solder paste onto PCBs (MY600), flexible pick-and-place machines for placement of electronics components (MY200), automated storage solutions (SMD Tower), and advanced software for efficient management of factory processes. Mycronic 4.0 offers several competitive advantages as the concept solves many of the challenges associated with just-in-time production, enabling a high degree of utilization of production lines. This is achieved even when the series are short and many different products must be produced in a short period of time.

Mycronic’s SMT customers are either OEMs or EMSs. Customers range from small manufacturers to major global producers. They are found mainly within industrial electronics, as well as within the aviation, aerospace, automotive, energy, medical, IT and telecom industries. Today, there are approximately 4,700 installations of Mycronic systems at customer sites globally, and more than 1,200 storage towers for electronics components.

Mycronic is the leader in the segment for flexible electronics production, where just-in-time production is central. Traditionally, Mycronic’s SMT customers have just-in-time production, where electronics with high levels of added value are produced in small to medium-sized volumes. Customers depend on flexible equipment that enables high production yields, together with rapid changeovers between products. Most of these customers are located in the US and Europe. There is an increasing demand also in Asia for equipment that provides a high degree of automation in factories.

There are approximately ten equipment suppliers of varying sizes


and with different geographic presences on the SMT market. A number of major manufacturers are mainly present on the market for high-volume production of electronics, for example consumer products. Some of these equipment suppliers are ASM Siplace, Fuji, Hanwha Techwin, Panasonic and Yamaha. These manufacturers have a wide range of equipment and also operate within Mycronic’s market segments. Other equipment manufacturers include Europlacer, Juki and Universal. For the application of solder paste, there are a number of companies offering the traditional technology using stencils. These include ASM Assembly Systems, ASYS and Speedline Technologies.

THE DISPENSING MARKET AREA

Dispensing equipment is used within electronics final assembly as well as within component assembly. The dispensing equipment market has a turnover of around USD 500 million, of which USD 400 million is derived from segments that Mycronic addresses (Prismark, November 2015).

Through the acquisition of Axxon, Mycronic has broadened its addressable market considerably. Included in the product offering is a wide variety of applicators for many different types of assembly fluids used in electronics production, equipment for dispensing and coating of PCBs, as well as the jet printing technology for high-speed dispensing of solder paste. Now, many more applications related to dispensing in the electronics industry can be addressed.


For a major part of these applications, customers are located in Asia and manufacture consumer electronics like smart phones and other mobile devices.



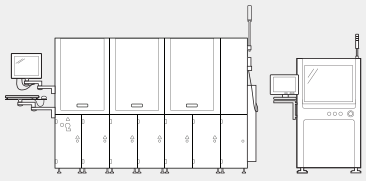
MYCRONIC’S PRODUCT OFFERING

in business area Assembly Solutions

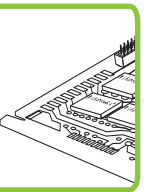
MODULE ASSEMBLY



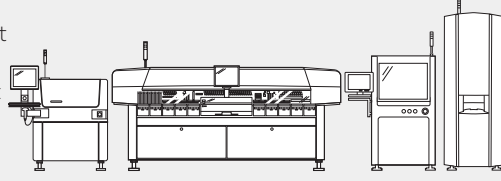
Camera module assembly equipment
Dispensing equipment



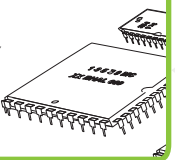
PCB ASSEMBLY



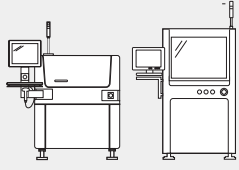
Jet Printing equipment
Mounting machines
Dispensing equipment
SMD Tower storage



SEMICON ASSEMBLY



Jet Printing equipment
Dispensing equipment



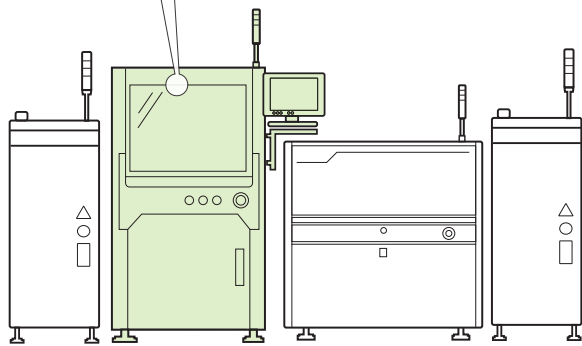
Dispensing – in many applications



Axxon provides a complete product range within dispensing equipment and holds a strong position in China.

Axxon's equipment is designed to handle many different assembly fluids and is therefore used in a wide variety of application areas, mainly in the manufacture of consumer electronics, such as smart phones and other mobile devices.

Mycronic is one one of the five largest actors on the global dispensing equipment market, addressing a market of USD 400 million yearly.



Axxon, founded in 2008, has in a short time become a leader on the Chinese dispensing market. Mycronic is now one of the five largest suppliers within dispensing worldwide. Mycronic's ambition is to continue expanding in Asia through a broadened product program. Mycronic's customers already utilize the unique properties of the MY600 for high speed dispensing of solder paste with extreme precision within high volume application areas such as consumer electronics. The customer base has grown in the Asian market.

There are several companies in the market for dispensing of assembly fluids such as adhesives. These include Nordson ASYMTEK, Musashi, Protec and PVA. Other companies, such as Advanjet and Marco, are more focused on developing dispensing technologies and marketing various types of applicators for the many different types of assembly fluids and application areas found in the industry.

Mycronic's jet printing technology for high-speed dispensing of solder paste is unique. Similar technologies for non-contact application of solder paste are marketed by other companies but these do not have a comparable performance in terms of speed.

THE ASSEMBLY AUTOMATION MARKET AREA

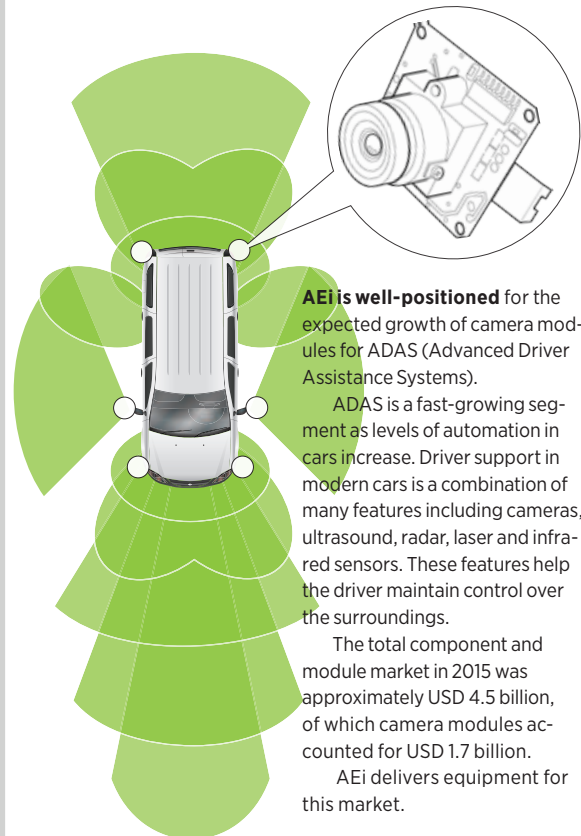
One segment in the electronics industry, which has been growing and is expected to continue growing, is electronics for the automotive industry. Cars are becoming more advanced and are equipped with increasing amounts of electronics, e.g. computers, control systems, light sources with LEDs, displays, and sensors.

Camera modules represent a sub-segment of the automotive

electronics market for Advanced Driver Assistance Systems (ADAS). Camera modules for automotive applications are expected to grow on an average of approximately 30 percent annually for the period 2015-2020 (Prismark, June 2016). In 2016, it is estimated that 70 million camera modules were produced, and by 2020 the number of units produced globally will reach 181 million, according to Prismark. This growth creates a need for assembly equipment.

With the acquisition of American AEI, Mycronic has taken a step into the assembly automation area. AEI offers automation solutions for assembly and test of highly precise camera modules in electronics products, i.e. CMAT systems (Camera Module Assembly and Test). The largest customer segment is the automotive industry, which shows a strong development trend in the number of camera systems for advanced driver assistance. AEI offers the most comprehensive product portfolio of fully automated solutions for high volume production of high-precision camera modules. These CMAT systems combine assembly and quality test of the camera modules all in one modular machine.

Increased driver support - a growing segment



AEI is well-positioned for the expected growth of camera modules for ADAS (Advanced Driver Assistance Systems).

ADAS is a fast-growing segment as levels of automation in cars increase. Driver support in modern cars is a combination of many features including cameras, ultrasound, radar, laser and infrared sensors. These features help the driver maintain control over the surroundings.

The total component and module market in 2015 was approximately USD 4.5 billion, of which camera modules accounted for USD 1.7 billion.

AEI delivers equipment for this market.

The equipment is modular and can be adapted to customer requirements. The development of camera technology is advancing rapidly, so it is important for the company's customers that the equipment can be reconfigured for new types of camera modules. AEI's production systems have this important property. AEI has a leading position on the market for camera module assembly equipment for advanced driver assistance. The company's customers are major suppliers of electronics and subsystems to the automotive industry worldwide. Today, most of the company's customers are located in Europe and the US.

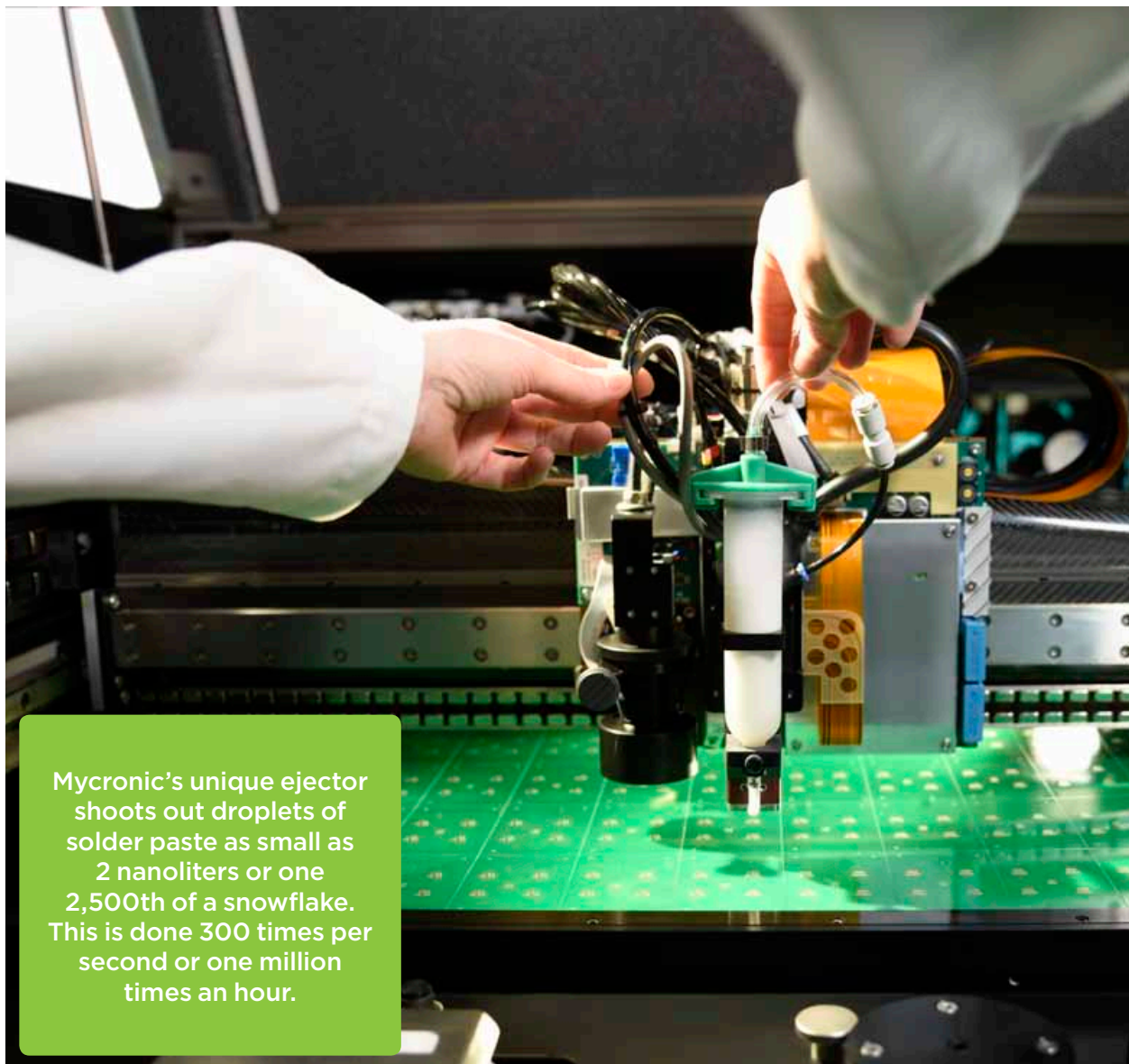
NEW PRODUCT LAUNCHES

In the first half-year of 2016, Mycronic delivered the new MY600 platform with expanded functionality for high-speed dispensing of assembly fluids other than solder paste.

New software functionality to ensure the flow of materials to production lines was launched during the year. This functionality is an essential part of Mycronic 4.0 and ensures that production does not stop due to electronics components not being replenished in pick-and-place machine in time.

Mycronic's intelligent component feeding system Agilis, was extended with a new compact solution for handling electronics components packaged on trays, such as processors and larger integrated circuits.

The company's unique jet printing technology for non-contact application of solder paste, the MY600 Jet Printer, was extended with functionality for application of solder paste in applications where components are smaller, thus requiring smaller amounts of solder paste. It is useful in applications requiring miniaturization of electronics.

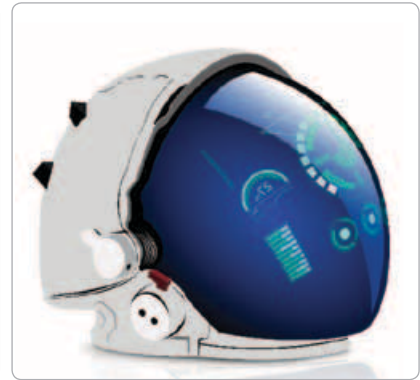


Mycronic's unique ejector shoots out droplets of solder paste as small as 2 nanoliters or one 2,500th of a snowflake. This is done 300 times per second or one million times an hour.

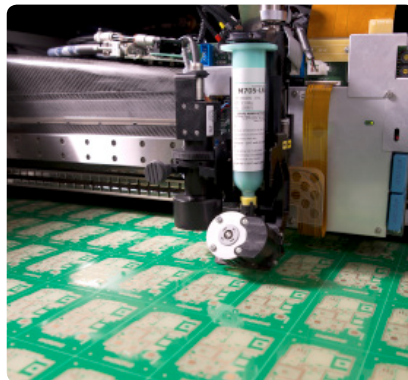
Did you know ...



Mycronic's MY200 mounts electronic components as small as grains of sand onto circuit boards. A tea spoon holds 500,000 of these small components.



ADAS for cars is growing rapidly. Today, the average is half a camera per car, in 92 million cars. In 2020, the average is estimated at two cameras per car. AEI offers equipment to this industry.



Through the acquisition of Axxon, Mycronic is addressing the total dispensing equipment market – for solder paste, and a large range of other assembly fluids.

Customer voices

“ I appreciate working with Mycronic. They always look at the entire line setup and try to find a way to optimize productivity. You rarely find companies who understand factory automation like Mycronic.”

Mr. Ton Plooy, CEO, tbp electronics bv, The Netherlands

“ I have never seen such a fast jetting machine for solder paste, and Mycronic's activities are very good and they have a good relationship with solder paste manufacturers and of course with Murata.”

Mr. Kenji Kubota, General Manager, Process & Material Technology, Murata Manufacturing Co. LTD., Japan

“ Since 12 years we are a partner of Mycronic and use their equipment. We are working in a high-mix environment with more than 10,000 set-ups per year. During our partnership we managed to continuously meet an increased demand, from 24 to 180 million component placements per year.”

Mr. Georg DenKinger, Head of Industrial Engineering, Leuze electronic assembly GmbH, Germany

“ Through the collaboration with Axxon during the past few years, a lot of equipment is up and running in our factory, such as: inline, offline and tabletop. Axxon has been providing very good technological knowledge and excellent service. Therefore, this year, we have established a strategic partnership with Axxon.”

Mr. Liu, Director, Desay SV Automotive, China

Pattern Generators

for current and future electronics

48%
*growth within
 Pattern Generators*

**In focus
 2016**

- Launch of the Prexision-800 to enable production of the most advanced photomasks for display applications.
- Launch of the FPS6100 for efficient production of photomasks for the multi-purpose segment.
- First order for a Prexision-MMS for quality assurance of the most advanced photomasks.
- Great customer interest in modernizing existing production equipment through Mycronic's replacement offering.

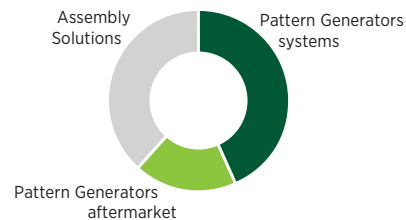
**Revenue
 2016**

- Continued favorable demand for mask writers, both new products and within the replacement offering. Order intake rose 11 percent, while net sales rose 48 percent.

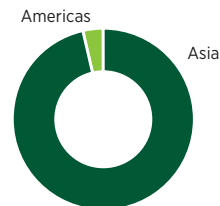
**Results
 2016**

- The favorable demand for mask writers, together with strong aftermarket sales, has created a solid EBIT increasing 52 percent in 2016 to SEK 851 million.

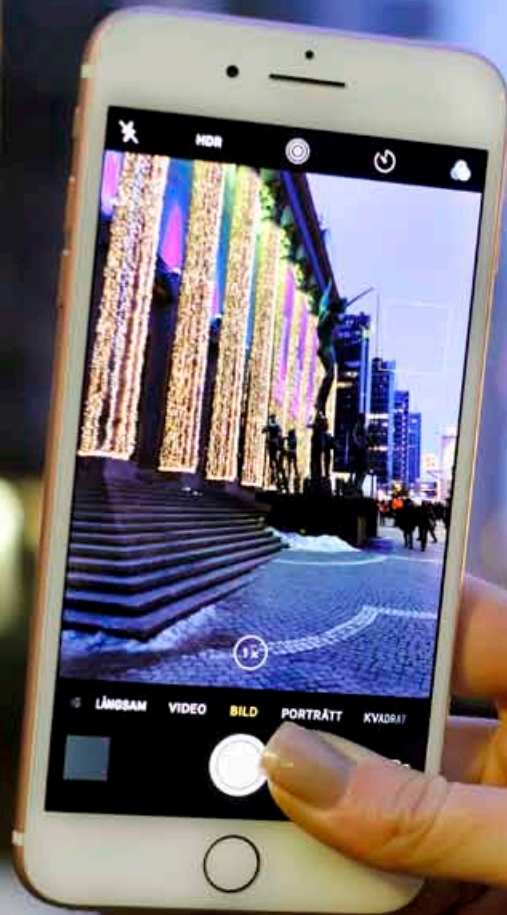
NET SALES 2016 BY APPLICATION



NET SALES 2016 BY REGION



PATTERN GENERATORS	2016	2015
Order intake, SEK million	1,495	1,349
Net sales, SEK million	1,433	971
Gross margin, %	73	71
EBIT, SEK million	851	559
EBIT margin, %	59	58
R&D costs, SEK million	57	42



Mycronic has a unique position as the only supplier of equipment for manufacturing of advanced photomasks in the world. Photomasks are critical for manufacturing of all advanced displays.

AS CONSUMERS USE more and more electronics products with displays, the demand for high quality displays increases. This means greater demands on the photomasks necessary to produce a display.

Mycronic's mask writers are required for the production of all photomasks that are crucial for manufacturing displays for smart phones, tablets, laptops and TVs. The trend toward advanced displays with higher resolution in electronics products places increasingly high demands on photomask properties. Mycronic's technologically advanced and innovative mask writers enable customers to write patterns on photomasks with extreme accuracy, high levels of quality and high productivity. The result is an improved image experience in the electronics products that consumers use every day.

All sales are direct. Subsidiaries are located close to customers which ensures efficient photomask production for customers.

OUR OFFERING

Mycronic's main offering is mask writers for the manufacturing of photomasks for the display industry. The company is the only supplier in the world within this segment, which includes aftermarket products in the form of service and new functionality. Mycronic also provides mask writers for photomasks used within the multi-purpose segment, a collective name for applications other than displays, for

example electronic packaging.

Mycronic's customers are photomask manufacturers, who in turn sell photomasks to display manufacturers. The competition between photomask manufacturers is fierce. Delivery precision, short lead times and high product quality are crucial for their operations. Photomask producers rely on around-the-clock utilization of mask writers. The foundation for aftermarket is a comprehensive service offering. Approximately 90 percent of Mycronic's customers have signed service agreements.

A little over half of the installed systems are 10 years old or older. Maintaining these systems is becoming increasingly challenging. At the same time, customers need more modern production equipment. To meet these requirements, Mycronic has a replacement offering with a scalable system built on the Precision platform. This system is offered in exchange for an older system. Customers are given the opportunity to increase productivity, while at the same time long-term service is assured for the customer.

Mycronic also has mask writers for semiconductor applications installed at customer sites. No new systems for semiconductor production are currently sold, but Mycronic maintains the installed systems with a substantial aftermarket offering.

Display manufacturing

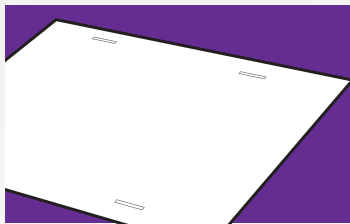
Mycronic's mask writers are indispensable in the manufacturing of 17,000 photomasks every year. These photomasks enable manufacturing of displays worth around USD 102 billion (approximately 1,000 billion Swedish kronor) every year.

1

The photomask

The photomask consists of a transparent substrate made of glass or quartz with a thin film of chrome.

The photomask is covered with a light sensitive material called photoresist. Photomasks can be of different sizes, the largest measuring up to approximately 2x2 meters.



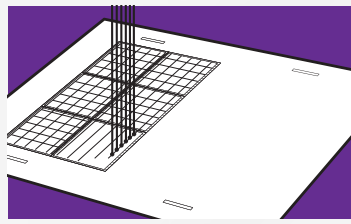
MYCRONIC'S MASK WRITER

2

The pattern determines the display qualities

A display's qualities are set by a pattern written by a computer program. The pattern is designed by the display manufacturer.

Mycronic's mask writer transfers the pattern to the photomask using multiple, parallel laser beams. The photomask is written.



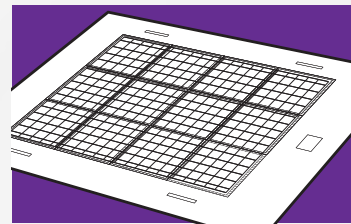
MYCRONIC'S MASK WRITER

3

A photomask is produced

The photomask is written on a mask writer, either by the display manufacturer or by a company who specializes in manufacturing photomasks. It can take up to 72 hours to write a large photomask.

After writing the pattern, the photoresist is developed and the pattern emerges by etching. The process is similar to developing a photographic negative.



MYCRONIC'S MASK WRITER

FINANCIAL PERFORMANCE

Demand for photomasks continued to be favorable in 2016, with high utilization of Mycronic's mask writers. During the first half-year, Japan suffered an earthquake in an area where photomask production takes place. This led to a reduction in manufacturing capacity for a time. The trend toward an increasing portion of AMOLED displays also affects the degree of utilization temporarily. During the reconstruction phase of factories from LCD to AMOLED, capacity is reduced. The assessment is that the new AMOLED factories will start consuming photomasks in greater volumes during 2017.

The order intake of SEK 1,495 (1,349) million comprises nine (nine) mask writers for different applications. At the end of 2016, the order backlog amounted to SEK 1,076 (1,014) and comprised ten systems, of which nine are scheduled for delivery in 2017.

Net sales reached SEK 1,433 (971) million in 2016 and comprise eight (three) mask writers and aftermarket sales.

The gross profit of SEK 1,041 (692) million is equivalent to a gross margin of 73 (71) percent. The operating profit reached SEK 851 (559) million resulting in an EBIT margin of 59 (58) percent.

THE PHOTOMASK MARKET

PHOTOMASKS FOR DISPLAYS

Mycronic's main market is mask writers for manufacturing photomasks for the display market. Around ten photomasks are currently required to manufacture a display. One set of photomasks can be used to produce a very large quantity of displays, for example more than 5 million displays per month for mobile phones. Photomasks do not wear out during the manufacturing process. However, when there

is a change in the design of a display, for example in size or area of use, a whole new set of photomasks is required. Approximately 17,000 photomasks are produced annually for displays. During 2016-2018, the volume of photomasks for display manufacturing is estimated to grow 3 percent annually. Turnover for the corresponding period is expected to grow 5 percent annually to USD 750 million in 2019 (IHS, April, 2016).

PHOTOMASKS FOR MULTI-PURPOSE

Less complex photomasks for more versatile multi-purpose markets are also produced. It is a broad segment dominated by photomasks for electronic packaging, 3D forms and photomasks for the creation of touch sensitivity on displays (so-called touch screens). The development over the last few years has been positive. It is Mycronic's assessment that the equipment market for these photomasks is approximately USD 10-14 million per year.

DRIVING FORCES BEHIND DEMAND FOR PHOTOMASKS

Mycronic sees three major driving forces behind the demand for photomasks for displays, namely the number of new types of displays, display and end product manufacturers' product development pace and the number of manufacturing lines.

THE DISPLAY MARKET

The display market is significantly larger than the market for photomasks. Even if the market for photomasks is not directly tied to the display market, they are still indirectly linked through profitability and technology development. It is the display manufacturers that

4

Inspection

The photomask is inspected for quality assurance.

Mycronic's measuring system MMS measures with extreme accuracy, approximately ten nanometers, to ensure that the requirements regarding pattern placement are fulfilled.

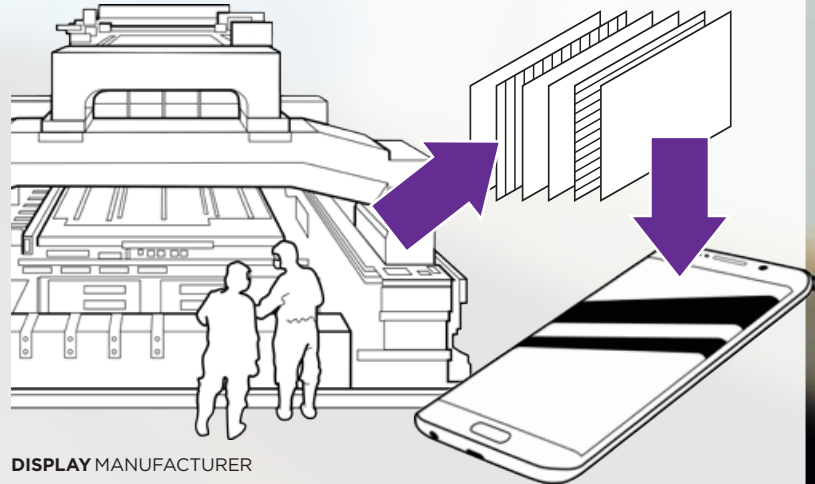


MYCRONIC'S MEASURING SYSTEM

5

Display manufacturing

After the exposure of the photomask in a so-called aligner, the display is assembled. With a set of 10-15 photomasks the manufacturer can produce 5 million displays for mobile applications per month.



DISPLAY MANUFACTURER

buy and consume the photomasks and who decide the pace of technology development. During 2016, the display market is estimated to have declined 10 percent to a turnover of USD 102 billion, which corresponds to 3.6 billion units. The weaker market is the result of weak sales of displays for laptops and tablets, and lower prices for mobile displays. However, the market is positive with regards to high resolution displays, mobile displays, TV displays and displays with the new AMOLED technology (IHS, October 2016). A better balance between supply and demand is expected in 2017. Combined with the trend toward a larger proportion of complex displays, this is expected to contribute to growth by 9 percent in 2017. (IHS, October 2016).

Major display manufacturers have increased the pace of their investment plans. Several major actors are investing in AMOLED. At the same time, interest in investing in the largest display factories, generation 10, is on the rise. The Chinese companies BOE and CSOT have announced their intentions to invest in this type of factory.

DRIVING FORCES ON THE DISPLAY MARKET

Developing and manufacturing new types of displays places new, higher demands on the photomasks used, and thus on the mask writers from Mycronic. A number of trends within the display industry impact demands on photomasks and hence the need for more advanced photomasks. The most important trends affecting Mycronic are:

- the technology shift from LCD to AMOLED for mobile displays
- displays with higher resolution
- larger displays
- new applications.

THE TECHNOLOGY SHIFT FROM LCD TO AMOLED

Samsung has been investing in AMOLED technology for several years. Several leading display manufacturers are following in their footsteps and investing in AMOLED technology. The greatest advantage with AMOLED is that it allows for the manufacturing of flexible, bendable displays. The AMOLED market is growing rapidly and the assessment is that the display area manufactured with AMOLED technology will grow 34 percent annually from 2016-2022 (IHS, October 2016).

From a photomask perspective, AMOLED means more advanced photomasks. Every pixel requires 5-6 transistors to control each pixel, compared with 1-2 transistors for LCD. It is necessary to write smaller and more accurate structures in order to fit the pattern in the pixels, driving demand for the most complex photomasks.

DISPLAYS WITH HIGHER RESOLUTION

Products, such as high-resolution tablets and smart phones, have quickly become standard. UHD (4K) has broken through in the TV realm and the technology is also being developed for smaller displays. UHD is a new resolution standard with considerably higher resolution than anything previously utilized. The smaller pixels and the higher demand for image quality leads to increasingly complex photomasks, an increase in write times and the need for more advanced mask writers.

Today, manufacturers use two different technologies for advanced display manufacturing, LCD and AMOLED. This means a greater number of photomasks are needed since each technology requires a unique set of photomasks.

LARGER DISPLAYS

From 2012 to 2016, the average size of a TV increased from 36 inches to 41 inches (IHS, October 2016). The efficient production of these large displays requires larger photomasks. Larger photomasks take longer time to write, and expose a need for greater production capacity. Larger displays also means a greater total display area that must be produced. This creates an increasing need for manufacturing capacity for display manufacturing. These factors affect demand for photomasks in a positive way.

Almost all displays are manufactured in Asia. Manufacturing capacity for large displays has expanded in China. This expansion is due in part to government incentives that benefit investments in production facilities for displays. As the Chinese domestic market for displays has grown rapidly, it also benefits from Chinese imposition of import duties on imported displays.

NEW APPLICATIONS

Advanced displays are becoming more and more common in an increasing number of electronics products that historically have not included advanced displays. One example is the smart watch. In 2016, approximately 71 million displays were sold to this market (IHS, October 2016). Yet another example is the increasing number of displays in cars. Displays in new applications require new demand and new designs, which affects the photomask market in a positive way.

MARKET POSITION

Since 2000, Mycronic has delivered approximately 130 systems, of which 75 were aimed at display applications. Of these, approximately 35 were advanced systems.

Mycronic has a unique position as the only supplier of mask writers for manufacturing of advanced photomasks for the display industry. The requirements on mask writers for these applications are exceptional in terms of performance, reliability and customized functions. Mycronic has built a technical platform that meets customer

requirements. All display manufacturers are currently using photomasks produced by Mycronic's mask writers.

The market for mask writers within the multi-purpose segment is characterized by fierce competition. The market is dominated by Mycronic and Heidelberg Instruments.

MARKET ACTORS

In most cases, display and electronics manufacturers purchase their photomasks from specialized suppliers, or mask shops. The market is populated by companies such as DNP, Hoya, LGIT, PKL, SKE and Supermask, all of which are located in Asia.

Other companies are themselves leading display and electronics manufacturers, such as Intel and Samsung.

Within the business area Pattern Generators, Mycronic has around 30 customers. The largest actors are manufacturers of photomasks for different types of display applications for smart phones, tablets, laptops and TVs.

NEW PRODUCT LAUNCHES

In 2016, Mycronic launched a new mask writer for the manufacturing of photomasks for display applications, the Precision-800 (P-800). It is designed for the most complex photomasks needed for high-resolution mobile displays. The P-800 meets the demands from the new generation of exposure equipment (aligners) and is needed for advanced AMOLED manufacturing.

A new model of the FPS system, FPS6100, was launched which offers a 20 to 40 percent higher productivity compared to earlier generations. The first FPS6100 mask writer will be delivered to a customer in 2017. Development of the measuring system Precision-MMS continues. The system is built to measure the most advanced photomasks thus guaranteeing high production yield for display manufacturers. The first system will be shipped during the first half of 2017. Other development efforts support the installed base of mask writers.



Ever more electronic products include advanced displays. To produce these displays, photomasks written on Mycronic's mask writers are necessary.

Did you know ...



Mycronic's mask writers write with nanometer precision, with an accuracy of one millionth of a millimeter. This is critical for creating a high-quality image experience.



Every year, displays corresponding to 25,000 football fields are produced – all this is possible thanks to Mycronic's mask writer.



Mycronic's mask writers are indispensable for manufacturing 3.6 billion displays every year.

Customer voices

“Mask writers for production of display photomasks is a high-end and advanced equipment that needs to be maintained continuously. In order to secure delivery of high quality products, we are working closely with Mycronic to ensure that our mask writer equipment is maintained and is in good shape. The Mycronic local team in Gumi City is highly skilled and supportive, which is a must for our success.”
 Mr Sim, Sr Manager Photomask Manufacturing Technology team of LG Innotek Co., Ltd., Sydkorea

“SK Electronics is a supplier of advanced photomasks supplying to the global display industry. We are collaborating with Mycronic to assess the future needs, when display technology is evolving quickly, in order to make sure that SK Electronics has the right production solutions to support the industry with high quality products coming years.”
 Mr Masanori Ishida, President and CEO of SK-Electronics Co., Ltd, Japan

“In response to rapid development in the Chinese display industry, we are now working closely with Mycronic. Not only to build up mask capacity in China, but also supporting industry with photomasks meeting the future requirements.”
 Mrs Ada Chu, President of Supermask Co., Ltd

Mycronic's focus on sustainability for long-term achievement of goals

Mycronic and the electronics industry are affected when requirements for sustainability increase. The company has a long-term strategic direction to take further responsibility for products as well as operations. In 2016, the company focused on four main areas.

RESPONSIBLE BUSINESS

ANTI-CORRUPTION/BUSINESS ETHICS

Mycronic's business shall be conducted in a responsible way. Clear structures and processes for purchasing, sales and entertainment facilitate correct behaviour. Employees, suppliers and partners may not, under any circumstances, offer or accept bribes.

All employees, agents, distributors and suppliers are obligated to follow Mycronic's Board-approved Code of Conduct. Mycronic has agents and distributors in more than 50 countries, of which 25 percent in Europe, 37 percent in North America, 31 percent in Asia and 7 percent in the rest of the world. All have confirmed their acceptance of the Code of Conduct, which covers anti-corruption, rights of workers, environment and human rights among other things. An external and anonymous whistle-blower service is in place to which observations of conditions that are contrary to the Code of Conduct can be reported.

Mycronic has around 500 suppliers. Through directed audits, these are also evaluated regarding environment and working environment among other things.

RISK MANAGEMENT

Mycronic has an annual process for risk management. The results are reported to the Board and provide a foundation for the strategy and budget processes. Through systematic work with processes, such as product development and sourcing among other things, risk levels are assessed to be lower in 2016 than in 2015.

The company continuously invests and educates employees in order to minimize the risks related to the IT environment as a result of increased digitalization.

FUTURE ENGINEER

COUNTERING FUTURE ENGINEER SHORTAGE

Mycronic is a high-tech company with unique technical competence. The availability of engineers in the future is crucial.

The company is committed to raising interest in the engineering field amongst youth and has, among other things, provided internships through the initiative Tekniksprånget. Employees continue to visit local junior high schools. Mycronic has also expanded its participation in other events to reach more young people and has invited technology and science teachers to visit the company.



REDUCED ENVIRONMENTAL IMPACT

Mycronic prioritized four environmental issues in 2016, namely increased environmental awareness, improved product quality, reduced resource consumption and avoidance of hazardous substances.

INCREASED ENVIRONMENTAL AWARENESS

Knowledge and new working processes are essential in order to reduce the environmental impact. Environmental training for staff in the Swedish operations was carried out in 2016 and will continue in 2017. The quality and environment management system was redesigned to meet the new revised standards ISO 9001:2015 and ISO 14001:2015. Certification of the Swedish operations will be carried out during the first quarter 2017.

CONSTANT FOCUS ON PRODUCT QUALITY

Mycronic's assessment is that continuous improvement to product quality is an effective way to reduce the environmental impact. During 2016 product development processes were modified and new product quality goals were set, to reduce the environmental impact by reducing the number of quality issues during product lifecycles.

REDUCED RESOURCE CONSUMPTION

Mycronic's products have a long lifespan and are often in use at customer sites for more than a decade. It is therefore vital to quantify the environmental impact during the total product life. An initial mapping of the products' energy utilization shows that the installed base of machines consumes 95,000 MWh/year. Mask writers consume significantly more electricity than SMT machines, as they use high power lasers, which require large amounts of energy for operation and cooling.

Mycronic's production consists primarily of assembly and testing of systems and spare parts. A major part of manufacturing is done in cleanrooms, with significant impact on the energy consumption in the Swedish operations.

Mycronic is a global company in growth, and reducing its carbon dioxide emission without negatively impacting operations is a delicate balance. In 2016, Mycronic invested in digital meeting platforms to reduce travelling. Travel and shipping arising from Swedish operations, excluding travel to and from work, were mapped during 2016. The major part of carbon dioxide emissions comes from transports of goods.

AVOIDANCE OF HAZARDOUS SUBSTANCES

All future product design will take into account the EU directive RoHS (Restriction on Hazardous Substances), even though Mycronic's products are currently exempt from the directive. The purpose is to reduce the company's environmental impact and ensure the safety of future product design. During 2016, training on RoHS was conducted in the Swedish operations and will continue throughout 2017. Great emphasis is also placed on safe handling of chemicals and this is done in collaboration with external experts.

ENERGY CONSUMPTION IN GROUP PREMISES, MWh

Source of energy	2016
Gas	449
Oil	20
Total consumption non-renewable energy	469
Geothermal heating	1,300
Total consumption renewable energy	1,300
Electricity	5,672
Total energy consumption	7,441

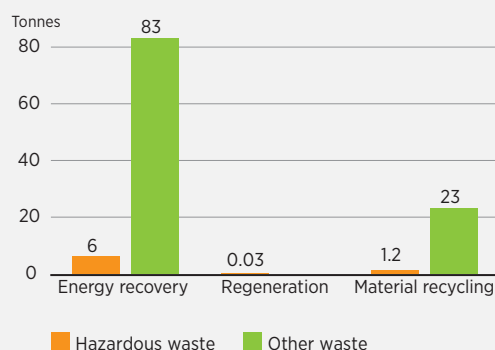
Energy consumption in the Group's premises in MWh. Data is missing where heating and cooling is included in local rents. Energy consumption in the Swedish operations accounts for 80 percent. Energy generated by geothermal heating is an estimate.

EMISSIONS FROM TRANSPORTS, SWEDISH OPERATIONS CO₂ (tonnes)

Transports of goods to and from Mycronic's Täby facility	4,400
Business trips in the Swedish operations	1,009
Total emissions	5,409

Emissions of carbon dioxide from transports of goods and employees in the Swedish operations. Data is collected from Mycronic's carriers. When data is missing, Mycronic has made an assessment. Travel to and from work is not included.

WASTE MANAGEMENT, SWEDISH OPERATIONS 2016



Data regarding waste management has been collected from the two main suppliers of waste disposal in Sweden. Hazardous waste comprises process fluids, electronic waste, lacquer, glue and solder paste.

This report does not include the recently acquired operations of Axxon and AEI.

ATTRACTIVE EMPLOYER

DIVERSITY

Mycronic is convinced that diversity, both inherent and acquired, contributes to the creation of successful companies. Mycronic's employees represent and reflect a variety of diversity perspectives, such as gender, ethnicity, age and religion, in both our markets and amongst our customers.

Mycronic implemented a global diversity policy some years ago, and diversity targets are established in the respective diversity plans of subsidiaries. The company works continuously with implementation and follow-up of these targets. During 2016, Mycronic maintained its strong focus on diversity within several areas, such as Employer Branding, recruitment, and leadership. As well, Mycronic is one of the few companies in Sweden to be EDGE certified for its gender equality work. Mycronic intends to complete the first recertification in 2017.

Mycronic conducts salary surveys annually in Sweden, and processes for salary surveys have been initiated in all subsidiaries to evaluate whether there are unfair differences in pay between men and women. To execute salary surveys globally, all positions have been evaluated in accordance with a standardized methodology. In Sweden, there have been no unfair salary differences between men and women since the survey started.

DIVERSITY TARGETS IN THE SWEDISH OPERATIONS

At least 40 percent female managers.

At least 25 percent female employees.

When recruiting, the need to counter an increasing average age shall be taken into consideration.

Edge certification for gender equality work.

Corporate management team shall meet the gender split 60/40.

STATUS 2016 IN THE SWEDISH OPERATIONS

35 percent female managers.

22 percent female employees.

The average age at recruitments 2016 was 36.5 years. The average age of all employees is 47.4 years.

EDGE certification received 2015.

Corporate management team gender split is 67/33.

ORGANIZATION AND LEADERSHIP

Mycronic continued to focus on leadership and organizational issues in 2016. The established leadership criteria is the foundation for this work and are continuously monitored, in employee development talks and in the employee surveys. In the global leadership program, the company has focused on the role and responsibilities of managers, communicative leadership, and the psychosocial work environment.

Mycronic is a growing company, which places new demands on the company in terms of organizational development to adapt to new conditions. The three acquisitions in 2016 puts new demands on integration and leadership. This will leave an imprint on efforts in this area over the next few years.

The overall goal for the company's work environment is to provide a healthy, stimulating and safe workplace. A good work environment is a strategic issue and efforts in this area are conducted in a structured, goal-oriented and preventive manner. Good leadership

and a well-structured organization are prerequisites for a good psychosocial work environment. The next step will be to have Mycronic certified on the basis of its work environment.

NUMBER OF NEW EMPLOYEES

		Europe	USA	Asia	Group
Age	Gender	Number	Number	Number	Total
< 30 years	F	3	1	4	8
< 30 years	M	6	0	3	9
30–50 years	F	8	1	2	11
30–50 years	M	18	2	4	24
> 50 years	F	2	0	0	2
> 50 years	M	3	0	0	3

The number of new employees in the Group in 2016 by region, age and gender. New employees 2016 was 11 percent (the number of people employed in 2016 divided by the total number of employees in December 2016).

NUMBER OF EMPLOYEES THAT LEFT THE COMPANY

		Europe	USA	Asia	Group
Age	Gender	Number	Number	Number	Total
< 30 years	F	3	0	0	3
< 30 years	M	0	0	0	0
30–50 years	F	2	0	2	4
30–50 years	M	7	1	1	9
> 50 years	F	2	0	1	3
> 50 years	M	8	1	0	9

The number of employees in the Group who left the company in 2016 by region, age and gender. Employee turnover 2016 was 5 percent (the number of people who left the company in 2016 divided by the total number of employees in December 2016).

COMPETENCE DEVELOPMENT

Managing and developing competence is crucial for Mycronic's long-term success. The company actively pursues the right talent both internally and externally. In 2016, Mycronic launched its first global employer value proposition to attract and retain the right competence. Every year, Mycronic participates in several job fairs at universities and colleges in Sweden, and in 2016 executed targeted recruitment programs, for example, within software development.

All employees in the Group have annual goals- and development plan talks (EDP) and are evaluated based on goal achievement and the company's core values. Within the framework for these talks, individual development plans are drawn up. In 2016, 92 percent of the women and 94 percent of the men had an EDP talk.

Mycronic continuously identifies important key and single competencies. Efforts are ongoing to create career paths built on clear competency demands and the company's competency needs. This enables identification of competency gaps at the individual and organizational level.

This report does not include the recently acquired operations of Axxon and AEI.

The power of innovation – for success



Mycronic's success within the electronics industry is built on its unique capacity to create innovative production solutions. The key to continuing success is to maintain this innovative capacity.

Mycronic has a long tradition when it comes to innovation. For over 30 years, the company has been developing revolutionary and unique solutions and technologies. Every year, the company invests large sums in product development. This has given Mycronic its current unique position on both the SMT and PG markets.

For many years, Mycronic has proven its power of innovation, a critical force for survival within the rapidly evolving, high-tech market.

To maximize the return on development efforts, the company has in recent years modified its development process to position itself long-term among the most innovative suppliers of production solutions within the global electronics industry. Development activities at Mycronic serve three main goals:

- To deliver the right product at the right time.
- To identify opportunities that can be used to expand or broaden Mycronic's offerings.
- To capture and develop ideas for long-term, competitive advantages.

A key idea within product development is "When passion meets innovation" and the goal is to integrate innovation into the development process and make it an ongoing part of daily work. To achieve

this, the company has established a number of strategic goals. The point is to establish the best methods to identify, develop and encourage innovation among the employees, secure competence and to work in a structured way with future scenarios.

Through the acquisitions conducted in 2016, Mycronic's development operations have become more globally distributed than previously, and this will contribute to an increase in the company's innovative capacity.

Equally important is allowing the necessary time for innovation, and finding quick paths for testing various ideas whether they relate to existing product areas or potential new ones. Mycronic has been working on developing special "Fast Labs" for the various product areas, i.e., laboratories that allow a developer to test a new idea or design quickly.

Mycronic is working in different ways to maintain and develop the crucial innovation capacity. One way of doing this is holding "innovation days". During these innovation days, employees choose a subject or a challenge to work on either by themselves or in teams. This is one of many ways to utilize and develop the full power of innovation that the company's employees possess.

The Mycronic share

Mycronic is listed on Nasdaq Stockholm, Mid Cap. Mycronic focuses on creating value through executing the strategy to reach the financial goals. During 2016 the company welcomed many new shareholders.

SHARE PRICE TREND AND VOLUMES

The market cap at year-end 2016 was SEK 9,596 million, compared with SEK 8,054 million at the end of 2015. The share price was SEK 98.00 (82.25). In 2016, the share price rose by 19 percent. Considering the paid ordinary dividend of SEK 1.50 and an extra dividend of SEK 2.50, the increase was 24 percent. The Stockholm Stock Exchange (OMX Stockholm PI) rose nearly 6 percent in 2016.

The highest share price was recorded on 11 October at SEK 114.50, and the lowest price was SEK 56.25 on 16 June. A total of 73.7 (114.0) million shares were traded in 2016 with a value of SEK 6,095 (6,342) million.

The share was traded on all trading days with an average daily volume of 291,226 (454,225) shares, which corresponds to SEK 24.1 (6.3) million.

OWNERSHIP

The share capital amounted to SEK 97.9 million distributed over 97,916,509 shares as of 31 December, 2016. All shares are of the same class with the equal voting rights and the same share of capital and earnings. The quote value is SEK 1 per share.

At the end of the year, Mycronic had 16,144 (12,861) shareholders. The largest shareholder, Bure Equity, holds 29.9 percent.

The ten largest shareholders held 56 (56) percent of the total number of shares, and the 100 largest shareholders held 78 (81) percent.

The Board of Directors and executive management together owned 0.5 (0.9) percent. At the end of 2016, Swedish ownership was 75 (70) percent.

MARKET COMMUNICATION

Mycronic strives for open and clear communication. The information given shall provide a good basis to correctly assess the company, its current position and future possibilities and contribute to a fair valuation of the share.

In accordance with the communication policy established by the Board, orders for individually large machines are published as well as other significant events that can affect the valuation of the company and such matters that must be made public by law or stock market rules. This is done through press releases. All information that is assessed to be price sensitive is communicated to the market at the same time and with the same content. Financial information is provided through interim reports and annual reports. Reports and press releases can be ordered through a subscription service on the

website. A printed annual report is distributed to those who so desire. The annual report is also published on the website and is also available on the website in an on-line format.

Mycronic regularly meets with professional actors on the capital market, including at the publication of interim reports and other financial market meetings. In November, 2016 Mycronic held a Capital Market Day, in which the corporate management team participated. By participating in meetings with shareholder associations and other such seminars, the company continuously meets with several stakeholder groups.

DIVIDEND POLICY

The company's objective is to provide both a good return and value growth. On condition that the company's net debt is less than three times EBITDA after the stipulated dividend, 30 to 50 percent of the company's profit after tax shall be paid to the shareholders as a dividend.

In May 2016, an ordinary dividend of SEK 1.50 per share was paid, as well as an extra dividend of SEK 2.50 per share, or SEK 392 million in total. During the past three years Mycronic has paid out SEK 1,028 million in ordinary and extra dividends.



OWNERSHIP STRUCTURE DECEMBER 31, 2016

Holding by size	No of shareholders	No of shares	%
1-500	11,433	1,666,202	1.7
501-1,000	1,931	1,628,429	1.7
1,001-5,000	2,059	4,774,354	4.9
5,001-10,000	313	2,342,603	2.4
10,001-50,000	266	5,828,513	6.0
50,001-100,000	58	4,166,133	4.3
100,001-	84	77,510,275	79.2
	16,144	97,916,509	100.0

ANALYSTS THAT MONITOR MYCRONIC

Company	Analyst
Carnegie	Mikael Laséen
Danske Bank	Fredrik Lithell
Redeye	Victor Westman
Ålandsbanken	Christian Lee

SHARE DATA

	2016	2015
Number of shares, thousands	97,917	97,917
Share price at year-end	98.00	82.25
Equity	14.42	13.00
Price/equity ratio	6.80	6.35
Earnings	5.38	4.52
P/E ratio	18	18
Dividend	2.00	1.50
Extra ordinary dividend	-	2.50

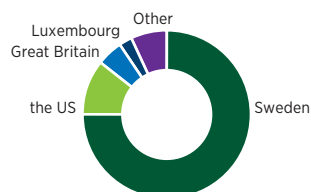
THE 10 LARGEST SHAREHOLDERS DECEMBER 31, 2016

Shareholder	No of shares	Holding, %
Bure Equity	29,317,163	29.9
Fjärde AP-fonden	6,246,185	6.4
Swedbank Robur Fonder	4,672,777	4.8
Handelsbanken Fonder	4,405,127	4.5
Catella Fonder	2,593,562	2.6
Avanza Pension	1,902,125	1.9
Dimensional Fund Advisers	1,852,797	1.9
Andra AP-fonden	1,266,085	1.3
JP Morgan Asset Management	1,152,863	1.2
SEB Fonder	971,190	1.0
The 10 largest shareholders	54,379,874	55.5
Others	43,536,635	44.5
Total	97,916,509	100.0

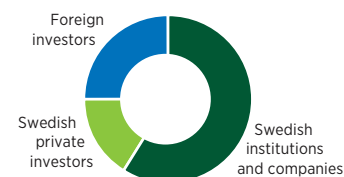
THE SHARE CAPITAL

Year	Increase	Total number of shares	Share capital SEK million
1989	16,000	16,000	1,600
1990	3,300	19,300	1,930
1994	1,801	21,101	2,110
1997	11,979,399	12,000,500	12,001
1998	2,000,083	14,000,583	14,001
2000	5,100,000	19,100,583	19,101
2001	102,000	19,202,583	19,203
2002	12,700	19,215,283	19,215
2003	19,951,333	39,166,616	39,167
2009	26,111,057	65,277,673	65,278
2010	32,638,836	97,916,509	97,917

OWNERSHIP STRUCTURE BY GEOGRAPHY



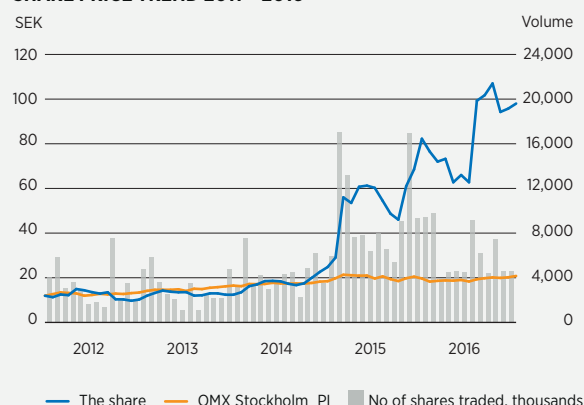
OWNERSHIP STRUCTURE BY CATEGORY



SHARE PRICE TREND 2016



SHARE PRICE TREND 2011 - 2016



Report of the directors

The Board and CEO for Mycronic AB (publ.), corporate identification no. 556351-2374, hereby submit the annual report, including consolidated financial statements for financial year 1 January to 31 December, 2016.

ABOUT THE OPERATIONS

Mycronic is a high-tech company that develops, manufactures and markets production equipment which meets the electronics industry's high demands for precision and flexibility. The operations is conducted through two business areas. After acquisitions in 2016 the company renamed the business area Surface Mount Technology to Assembly Solutions.

The Group's offerings comprise production solutions for flexible electronics production, assembly automation and mask writers for the manufacturing of photomasks.

The Group is represented in over 50 countries. System sales take place through the company's own organization and via agents and distributors. Subsidiaries are also responsible for most aftermarket sales, service and customer support.

ASSEMBLY SOLUTIONS

Business area Assembly Solutions offers flexible equipment for electronics production. The equipment is used for stencil-free application of solder paste onto PCBs, for application of other assembly fluids, and robots for mounting electronic components onto PCBs. The offering also includes equipment for assembly and test of camera modules. Additionally, a large variety of accessories, software and support is offered to ensure efficient, automated electronics manufacturing.

PATTERN GENERATORS

Mask writers are used for manufacturing of photomasks which are in turn used for manufacturing of displays for tablets, smart phones, TVs and computers. The offering also includes extensive aftermarket services such as upgrades and maintenance for efficient utilization of production equipment.

GROUP STRUCTURE

The Group comprises the Parent Company Mycronic AB and wholly-owned subsidiaries in China, France, Germany, Japan, Singapore, South Korea, the Netherlands, the United Kingdom, and the US, as well as a dormant company in Taiwan.

Through acquisitions in 2016, Mycronic holds 100 percent of the German company Kognitec and the American company AEI, 75 percent of German RoyoTech and 80 percent

of Chinese Axxon. All acquired companies are consolidated from the respective acquisition date.

PERSONNEL

The number of employees in the Group increased in 2016 through acquisitions. At year-end, there were 911 employees in the Group, of which 388 were added through the acquisitions. The average number of full-time employees in the Group in 2016 was 577 (501), of which 286 (282) were employed in Sweden. Women stood for 19 (18) percent of the average number of Group employees.

Personnel turnover during 2016 amounted to 5 (5) percent (excluding Axxon and AEI).

FINANCIAL GOALS

Mycronic established long-term financial goals in February 2014. At that time, the goals were considered challenging, and the ambition was to achieve them within 4 to 7 years. These goals were achieved sooner than expected. The Board and executive management have decided on new goals:

GROWTH

Consolidated net sales including acquisitions will reach SEK 5 billion at the end of the period covered by the business plan, 4 to 7 years.

PROFITABILITY

EBIT (earnings before interest and tax) will exceed 15 percent of net sales over a business cycle.

CAPITAL STRUCTURE

Net debt will be less than 3 times the average EBITDA (earnings before depreciation/amortization, interest and tax). Average is calculated over three years. This goal remains unchanged.

SIGNIFICANT EVENTS DURING THE YEAR

CONTINUED GOOD DEMAND

In 2016, Mycronic experienced another year of favorable growth. The order intake and net sales increased 13 and 28 percent respectively. The lion's share of growth was organic. Mycronic received orders for nine (nine) mask writers.

CONTINUED GOOD PROFITABILITY

Growth has occurred even as the Group reports continuing good profitability. EBIT in 2016 reached SEK 691 (540) million, corresponding to an operating margin of 30 (30) percent.

PRODUCT DEVELOPMENT AND PRODUCT LAUNCHES

In 2016, the Group continued to make significant investments in product development to further strengthen its competitive edge.

Investments in product development included investments in technology for the future as well as smaller development steps to continuously ensure a modern product portfolio within existing product areas.

ACQUISITIONS

During 2016, Mycronic executed three acquisitions. In January, 100 percent of Kognitec Vertrieb and Service GmbH was acquired, and 75 percent of RoyoTech Digitalelektronik GmbH with an option to acquire the remaining 25 percent two years from the date of acquisition. RoyoTech develops and manufactures the SMD Tower, an intelligent storage solution for electronics components, an important feature in the Mycronic 4.0 concept.

In October, 75 percent of Shenzhen Axxon Automation Co., Ltd (Axxon) was acquired. Axxon develops, manufactures and sells dispensing equipment for the electronics industry, and has quickly established itself as a leading actor on the Chinese market. In December 2016, Mycronic obtained control over an additional 5 percent. Mycronic has an option to acquire the remaining 20 percent three years from the date of acquisition.

In November, 100 percent of Automation Engineering, Inc. (AEI) in the USA was acquired. AEI develops, manufactures and sells market-leading solutions for assembly and test of camera modules for electronics products. Their largest customer segment is advanced driver support within the automotive industry.

AGREEMENT ON LONG-TERM BANK FINANCING

Mycronic AB signed an agreement with Nordea concerning a long-term financing

of up to SEK 700 million. The funding strengthens the Group's further growth.

MERGER

In June 2016, Mycronic Technologies AB (corporate identification no. 556238-6739) merged into the Parent Company through absorption of wholly-owned subsidiary.

Mycronic Technologies AB's income statement from 1 January, 2016 until the merger is included in the Parent Company's income statement for the second quarter. At the merger, the Parent Company took over all assets and liabilities in Mycronic Technologies AB. The merger resulted in a negative merger difference of SEK 35 million, which is accounted for in the Parent Company's non-restricted equity.

EVENTS AFTER YEAR-END

There are no events after year-end which have had a significant impact on the results or financial positions of the company.

COMMENTS ON FINANCIAL PERFORMANCE

All financial information such as the order intake, income statement and balance sheet items includes acquired companies as of respective dates of acquisition.

ORDER INTAKE AND ORDER BACKLOG

The order intake, which comprises system and aftermarket sales for both business areas, amounted to SEK 2,455 (2,179) million in 2016.

The order intake includes nine (nine) mask writers within various application areas.

The order backlog at year-end amounted to SEK 1,342 (1,066) million and comprised ten mask writers, of which nine are planned for delivery in 2017.

NET SALES

Net sales in 2016 amounted to SEK 2,319 (1,815) million, an increase of 28 percent.

The lion's share of net sales derives from organic growth and consisted of eight (three) mask writers. SEK 90 million derives from Axxon and AEI.

Consolidated net sales were positively impacted by currency effects in the amount of SEK 50 (199) million. Recalculated to the same exchange rates which prevailed in 2015, net sales amounted to SEK 2,269 million. Most of the currency effects stemmed from a stronger Japanese yen.

Aftermarket sales accounted for 32 (36) percent of consolidated net sales.

GROSS PROFIT AND GROSS MARGIN

Consolidated gross profit amounted to SEK 1,410 (1,076) million. The higher gross profit for the year is mainly attributable to higher sales volumes and more mask writer deliveries. The gross margin was 61 (59) percent.

RESEARCH AND DEVELOPMENT

Consolidated development expenses in 2016 amounted to SEK 348 (267) million. Expenditures for development increased from SEK

262 million to SEK 342 million including acquisitions. This increase derives primarily from business area Assembly Solutions.

The product program is continuously being modernised through maintenance and smaller development steps. The Group also continued executing its product development strategy at a high tempo. Through partnerships, investments in product development are made for new requirements and new markets. The acquisitions contribute to a geographically more distributed development environment.

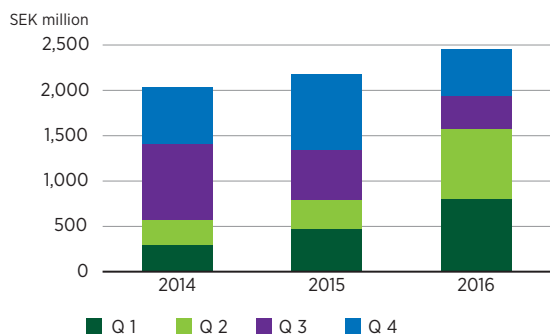
Mycronic's patent strategy serves to protect investments in unique technology. In 2016, 26 new patents were granted and at year-end the Group held 447 patents, excluding the acquisitions.

Efforts within product development during the last few years have resulted in the modernization of the entire existing product program.

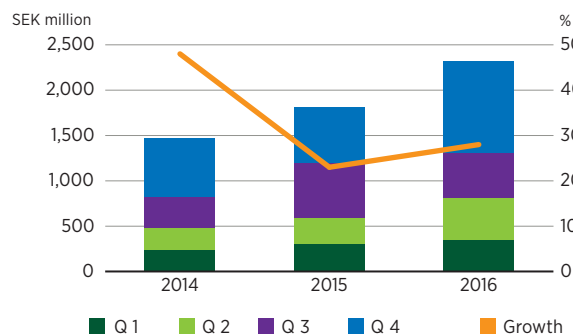
Within Assembly Solutions development expenditures amounted to SEK 285 (221) million in 2016. Most of these expenditures related to investments in future growth, for example, development of new platforms and development of existing products to meet new requirements and new markets, product-wise and geographically.

In 2016, launches within Assembly Solutions included several software solutions which are a part of the Mycronic 4.0 production concept, a complete and flexible holistic solution which manages complexity within

QUARTERLY ORDER INTAKE



QUARTERLY SALES



modern electronics manufacturing.

Additionally, the launch of new equipment for dispensing of a wide spectrum of assembly fluids continued globally.

Within Pattern Generators, development expenses amounted to SEK 57 (42) million in 2016. Expenses related primarily to development of the next mask writer generation for advanced display applications, as well as ongoing product maintenance.

Of total expenditures SEK 14 million relate to product development in the acquired companies from the acquisition date.

During 2016, SEK 8 (8) million was capitalized in the balance sheet. Amortization of previously capitalized development amounted to SEK 12 (12) million.

SALES AND ADMINISTRATION

Expenses for sales and administration in 2016 amounted to SEK 377 (271) million. This increase was the result of activities for future growth, including build-up the global sales organization geographically and product-wise, participations at several international exhibitions and activities resulting in three acquisitions in 2016.

OPERATING PROFIT

Consolidated EBIT for 2016 amounted to SEK 691 (540) million, corresponding to an operating margin of 30 (30) percent.

The unchanged operating margin compared to last year is primarily attributable to high mask writer sales. Operating costs increased SEK 187 million. Development costs increased SEK 82 million and is primarily explained by continued investments in product development within SMT. Sales and administrative costs rose SEK 105 million, mainly due to acquisition activities, build-up of the sales organization and operating costs in the acquired companies. Overall, the operating profit was burdened with costs related to acquisitions of SEK 44 million. These primarily include the expensing of acquired inventories at fair value, amortization of acquired intangible assets and transaction costs.

TAX

Consolidated profit before tax for 2016 amounted to SEK 689 (540) million.

Consolidated tax expenses amounted to SEK 163 (98) million. Most of the year's tax expenses related to current tax in the Parent Company.

PROFIT FOR THE YEAR AND EARNINGS PER SHARE

Consolidated profit after tax for full-year 2016 amounted to SEK 526 (442) million.

The number of outstanding shares at year-end was 97,916,509 (97,916,509). Earnings per share amounted to SEK 5.38 (4.52) before and after dilution.

COMMENTS ON FINANCIAL POSITION

The Group's total assets at year-end 2016 amounted to SEK 2,755 million, compared to SEK 1,742 million at year-end 2015.

The Group's non-current assets totalled SEK 1,225 (242) million. Intangible assets increased SEK 962 million to SEK 1,085 (123) million. The balance sheet item is comprised of capitalized development and acquisition-related assets in the form of brand, customer relations, technology and goodwill. The increase in 2016 is attributable to three acquisitions. See note 26.

During 2016, development projects were capitalized in the amount of SEK 8 (8) million. Previously capitalized development was amortized in the amount of SEK 12 (12) million. Each development project is assessed individually to determine whether the criteria for capitalization in the statement of financial position have been met.

The value of the balance sheet item capitalized development and intangible assets with indefinite useful life is impairment tested at least once per year to ensure accurate reporting. Investments for the year in tangible assets amounted to SEK 35 (18) million and related primarily to production and test equipment.

During 2016, inventory increased from SEK 276 million to SEK 575 million, which is

attributable to the acquisitions and a larger order backlog and associated production in progress of upcoming deliveries.

Trade receivables at year-end amounted to SEK 597 (271) million, due to large deliveries at the end of the year as well as acquisitions.

Cash and cash equivalents decreased from SEK 898 million to SEK 209 million at year-end.

Current liabilities increased SEK 560 million to SEK 998 million. Trade payables increased from SEK 91 million to SEK 186 million. Advance payments from customers amounted to SEK 394 (175) million, due to the larger order backlog. The Group strives to the greatest extent possible to receive advance payments from customers in connection with orders, and especially for sales of mask writers.

At year-end The Group had interest-bearing liabilities amounting to SEK 11 million while net cash was SEK 198 (898) million.

EQUITY

The Group's equity at year-end amounted to SEK 1,412 million, compared with SEK 1,268 million at year-end 2015. The number of outstanding shares at year-end was 97,916,509.

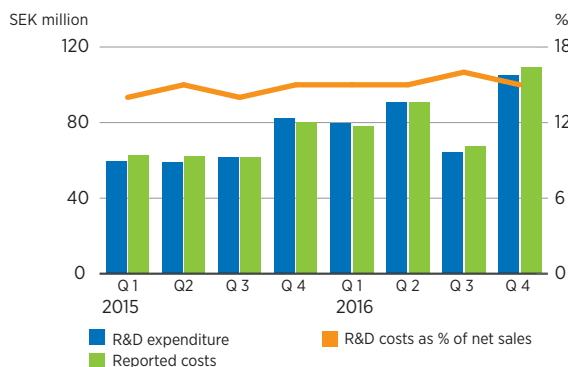
The equity/assets ratio, the percentage of equity of the total assets, was 51 (73) percent. At year-end Mycronic's market capitalization was SEK 9,596 (8,054) million.

COMMENTS ON CASH FLOW AND INVESTMENTS

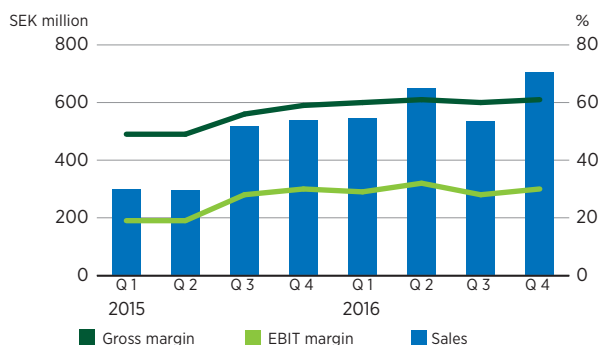
Consolidated cash and cash equivalents at year-end amounted to SEK 209 (898) million. Cash flow was SEK -699 (233) million.

Operating activities generated SEK 462 (661) million. Operating capital increased SEK 193 (-111) million. Trade receivables increased due to high sales volumes in the fourth quarter. Inventory increased due to ongoing production of the order backlog. Because of the larger order intake, advance payments from customers increased. Investing activities accounted for SEK 768

QUARTERLY R&D EXPENSES



MARGINS, 4 QUARTERS ROLLING



(37) million. The greatest part, SEK 746 million, derived from acquisitions.

Financing activities amounted to SEK 392 (392) million and related to dividends paid out.

PROPOSAL ON GUIDELINES FOR REMUNERATION OF EXECUTIVE MANAGEMENT

The Board proposes that the AGM decide on the following guidelines for remuneration of executive management for the period from the 2017 AGM. The proposed guidelines (below) do not involve any change compared with the guidelines decided by the 2016 AGM.

The proposal covers the CEO and those individuals who comprise the Group's executive management, currently a total of nine persons.

When handling matters relating to remuneration of executive management, external advice is sought when necessary.

The main principle is that remuneration and other terms of employment should be market-based and competitive. Actual levels of remuneration are based on competence, experience and performance. Total remuneration is proposed to consist of the following elements:

- fixed basic salary
- short-term incentive, STI
- long-term incentive, LTI
- pension benefits
- other benefits
- severance pay.

The STI is based on financial targets and the maximum amount is equivalent to 80 percent of basic salary, excluding costs of social fees. The company's costs for STI in 2017 can amount to a maximum of SEK 8.0 (7.7) million, excluding costs of social fees.

The LTI encourages acquisition of shares in Mycronic. The principle is that if an executive manager buys shares, the company will match this through cash payment of the same amount, to be used to acquire shares in the company. The shares are to be held for a minimum of four years. The amount is maximized to SEK 100 thousand after tax for the CEO and SEK 50 thousand after tax for other executive managers. The company's costs for the LTI program in 2017 can amount to a maximum of SEK 2.8 (2.5) million, excluding costs of social fees.

If certain requirements after three years are met, the company shall make an additional payment corresponding up to 150 percent of the matching amount. The criteria mean that the employee still must be

employed and have retained their acquired shares. In addition, the Board's established goals for the company's earnings per share must be met. The amount shall be used to purchase shares in Mycronic and these shares shall be kept for at least one year.

The CEO's contractual retirement age is 62 years, and 65 years for other executive managers. In addition to individually agreed pension premiums, there are no other pension commitments.

Executive managers are entitled to a company car benefit and health insurance. In addition, the CEO has a housing benefit in Stockholm and free travels between Stockholm and the place of residence.

For the CEO, a period of notice of twelve months and twelve months' severance pay apply upon termination by the company. For other executive managers, a period of notice of six months and six months' severance pay apply upon termination by the company. The employment contract with related benefits is valid during the notice period. In cases where a severance payment is made, no other benefits are payable.

The Board proposes that the Board should be able to deviate from established guidelines in individual cases if there are special reasons.

Principles established at the 2016 AGM are described in Note 14.

THE MYCRONIC SHARE

The share is listed on NASDAQ Stockholm since March 2000. As of 2 January, 2015 the share is listed on the Mid Cap.

Share capital amounts to SEK 98 million. The number of shares is 97,916,509, issued in one class. Every share grants the right to one vote.

The largest shareholder is Bure Equity with holdings of 29,317,163 shares, or 29.9 percent of capital and votes. No other shareholder has, either directly or indirectly, more than 10 percent of the company's shares.

Mycronic does not have any limitations in terms of the transferability of shares due to provisions in the Articles of Association. To the company's knowledge, there are no agreements between shareholders that result in limitations to the right to transfer shares. Furthermore, the company is not party to any agreement that will have effect, be altered, or cease to apply if control over the company should change as a result of a public tender offer. The Group has no contractual obligations between the company and Board members or between the company and employees other than those reported in the section on remuneration.

ENVIRONMENTAL AND PERMIT ISSUES

As a manufacturing company, the Group has a low environmental impact. Mycronic's production unit conducts no activities which require a permit under the Swedish Environmental Code. The company does, however, have a reporting requirement for the use of coolants (HFC) in the company's cooling system. In 2016 Mycronic started preparations for an ISO14001 environmental certification with completion expected in 2017. For additional information on the company's environmental work, please see page 25.

THE PARENT COMPANY

Mycronic AB is the Group's Parent Company. Sales in the Parent Company comprise mask writers, SMT equipment and aftermarket sales. At year-end 2016, the Parent Company had 299 (211) employees. As a result of the merger with Mycronic Technologies AB, all Swedish employees are employed in the Parent Company.

Net sales amounted to SEK 2,021 (1,004) million and comprised eight (three) mask writers. EBIT amounted to SEK 730 (552) million. Cash and cash equivalents at year-end amounted to SEK 60 (759) million.

OUTLOOK FOR 2017

It is the Board's assessment that net sales in 2017 will be at the level SEK 2,800 million.

SIGNIFICANT RISKS AND RISK MANAGEMENT

Mycronic is a global company with operations that span the globe and is therefore exposed to different types of risks. The company can influence these risks to a varying degree. Risks may have a large or small impact on the Group, Parent Company, or subsidiaries within the Group. Material risks that can affect Mycronic are described below.

Through development of processes and systematic risk management, together with the Group's insurance solutions, risks and the costs inherent in those risks are limited. Risk management is handled on a general level by the Board and at the operative level by executive management.

Financial risk management is centralized in the Parent Company's finance department, as is handling of insurances. Financial risks are handled in accordance with the finance policy established by the Board.

MARKET-RELATED RISKS

The Group's sales are related to investments within the electronics industry. Sales and profitability are affected by overall economic trends in terms of sales volumes, price trends, and customers' financing options.

By continually investing in product development and through acquisitions, Mycronic addresses several application areas and customer segments, which helps spread risk. Furthermore, the Group's aftermarket business also contributes to reducing dependence on system sales.

Mycronic is affected by the political decisions and regulations of the 50 countries where the Group operates through its subsidiaries or via distributors and agents. Through local establishment, knowledge of each market increases.

Up until 2016, the bulk of the Group's operations were in North America, Europe, and Asia, excluding China. In 2016, Mycronic expanded its operations through acquisitions, especially in China. The Group is thus more exposed to country-specific risks such as political decisions or overall changes to regulations within markets which are to some extent new.

Mycronic's Code of Conduct places clear requirements on employees, suppliers, distributors and agents to comply with applicable laws and the Group's ethical rules.

If Mycronic cannot deliver products and services that meet customer demands, or if customers cannot fulfil their payment obligations, the Group's financial position and earnings may be affected.

Business area Assembly Solutions operates in a market with many actors and hence significant competition. Consolidations between companies on the market can result in a stronger financial situation for some competitors. The Group has around 2,500 customers world-wide, which makes dependence on individual customers low. Sales are distributed across a large number of systems within several different application areas.

Business area Pattern Generators has a customer base of around 30 companies. Dependence on individual customers is considerable, which involves a concentration of customer risk. Sales are distributed over a few, high-value machines and sales processes are long. Low sales to any one of these customers can have a significant effect on the Group's profit and financial position in the short-term. Earnings for a specific report period, e.g. a quarter, can also be affected by major delays in the shipment of

individual mask writers. There are few competitors and customer relations extend for long periods of time.

Technical developments within the electronics industry occur rapidly, which exposes the Group to development risk, i.e. that the research and development being conducted does not lead to new, profitable business opportunities, that launches or deliveries of a product do not occur on time, or that the costs of creating new products are difficult to estimate.

Average annual growth within the electronics industry is assessed to be on par with the GDP. Consumption of electronics products increase world-wide, which is one of the fundamental driving forces behind the Group's business. Mycronic's development projects are based on thorough pre-studies, which combine market studies, technology studies and project preparations. These are critical for reducing the business risk in product development projects. Development activities take place in close cooperation with customers and the sales organization.

Price changes and lead times for components used in the equipment the company manufactures can impact Group earnings. Certain components are manufactured by a limited number of suppliers. Mycronic evaluates alternative suppliers of critical components and works to ensure competitive prices and lead times.

Through the Group's products and global sales, Mycronic assumes product liability. Product liability covers damages arising from utilization of the Group's products. Mycronic has taken out liability insurance for this risk. There is also a risk that design-, manufacturing- and quality-related defects can lead to costs for product withdrawal or corrective actions. Besides financial consequences, this could entail a negative impact on the company's brand and reputation.

BUSINESS-RELATED RISKS

Mycronic leases a property in Täby where manufacturing and other operations take place. Damage due to fire, power failure and water damage can result in production disruptions and delivery problems, and these can affect the Group's earnings and financial position.

The Group takes preventative steps to ensure the continuity of operations in the facility. The work involves regular maintenance and fire safety training for personnel. The company has a contingency plan for acting quickly in the event of a disaster and for limiting damage. The Group has the usual insurances, such as property and business interruption insurance.

The production facilities are fully insured by the property owner.

Increasing digitalization leads to increasing risks related to information security. The Group invests continuously in system support and training to identify and prevent risks. Through access structures and good internal control, risks are minimized.

The Group's profit in the long-term is dependent on its ability to protect strategically critical technology. The Group purposefully works on identifying and protecting new technology in early stages through patents, and at year-end 2016 the Group held 447 patents, excluding acquisitions.

Employees are, together with customers, the Group's greatest asset. Having talented and motivated employees and managers is a prerequisite for achieving goals. Personnel expenses are one of the largest expense items. Mycronic works constantly to make the company an attractive employer. Cooperation with universities is a high-priority area for ensuring recruitment opportunities.

Mycronic's brand is impacted by customer experience of the products supplied and how company representatives behave. An incident or damage within the areas described in this section can affect the brand and lead to diminished confidence. Mycronic works proactively with brand-building measures. Mycronic manages the risk for brand damage through clear communication of its vision and values through ethical regulations and other policies.

FINANCIAL RISKS

Through its global operations, the Group is exposed to the risk of negative changes in earnings and cash flow through currency, credit and financing risks. Currency risk is the single, greatest financial risk. Interest rate risk is limited. Financial risks are described in more detail in Note 33.

FINANCIAL OVERVIEW

SEK million	2016	2015	2014	2013	2012	2011	2010
Order intake	2,455	2,179	2,028	1,053	1,280	1,214	1,388
Profit and loss accounts							
Net sales	2,319.3	1,815.0	1,475.0	997.0	1,353.9	1,197.6	1,287.8
Gross profit	1,410.2	1,075.6	711.7	446.3	611.9	488.0	633.1
Operating profit, EBIT	691.0	540.3	276.5	32.3	-21.4	-65.7	72.5
Profit/loss before tax	689.4	540.5	278.1	35.9	-14.6	-57.0	73.7
Tax	-163.1	-98.0	-11.8	-22.1	-29.4	-31.8	-36.9
Profit/loss for the year	526.3	442.5	266.2	13.7	-44.0	-88.8	36.8
Balance sheet							
Non-current assets	1,224.6	242.0	286.0	281.8	283.9	409.3	402.9
Inventories	574.8	275.9	232.7	323.9	329.2	357.5	321.2
Other receivables	747.3	326.5	420.0	308.6	277.9	283.5	407.0
Cash and cash equivalents	208.6	897.7	661.0	487.3	581.1	536.4	582.6
Total assets	2,755.3	1,742.2	1,599.8	1,401.5	1,472.1	1,586.7	1,713.8
Equity	1,411.6	1,268.2	1,207.1	1,165.4	1,168.3	1,231.7	1,314.7
Interest-bearing liabilities	10.7	-	-	-	2.3	6.9	12.3
Other liabilities	1,332.9	474.0	392.7	236.0	301.5	348.1	386.8
Total equity and liabilities	2,755.3	1,742.2	1,599.8	1,401.5	1,472.1	1,586.7	1,713.8
Capital employed	1,422.3	1,268.2	1,207.1	1,165.4	1,170.6	1,238.6	1,327.0
Net debt	-197.9	-897.7	-661.0	-487.3	-578.8	-529.4	-570.4
Cash flow							
Cash flow from operating activities	461.9	661.4	417.6	-47.2	69.9	-15.4	120.9
Cash flow from investing activities	-768.0	-37.2	-18.4	-35.8	-5.3	-30.8	-36.2
Cash flow from financing activities	-392.4	-391.7	-244.8	-2.0	-4.0	-5.7	223.7
The year's cash flow	-698.6	232.6	154.4	-85.1	60.6	-51.9	308.4
Key ratios							
Book-to-bill	1.1	1.2	1.4	1.1	0.9	1.0	1.1
Gross margin, %	60.8	59.3	48.3	44.8	45.2	40.8	49.2
EBIT margin, %	29.8	29.8	18.7	3.2	-1.6	-5.5	5.6
Equity/assets ratio, %	51.2	72.8	75.5	83.2	79.4	77.6	76.7
Return on equity, %	39.3	35.8	22.4	1.2	-3.7	-7.0	3.1
Capital turnover, times	1.7	1.5	1.2	0.9	1.1	0.9	1.1
Research and development, R&D							
R&D costs	348.4	266.7	197.7	183.4	290.0	289.0	318.1
R&D costs/net sales, %	15.0	14.7	13.4	18.4	21.4	24.1	24.7
Data per share							
Number of shares at year end, millions	97.9	97.9	97.9	97.9	97.9	97.9	97.9
Average number of shares, millions	97.9	97.9	97.9	97.9	97.9	97.9	82.5
Share price at 31 December, SEK	98.00	82.25	24.80	12.40	10.25	11.95	17.70
Dividend ¹⁾	2.00	1.50	0.80	-	-	-	-
Extraordinary dividend	-	2.50	3.20	2.50,,	-	-	-
Earnings per share (number of shares at year-end)	5.38	4.52	2.72	0.14	-0.45	-0.91	0.45
Equity per share (number of shares at year-end)	14.42	12.95	12.33	11.90	11.93	12.58	15.93
P/E-ratio (number of shares at year end)	18	18	9	88	neg	neg	47

¹⁾ Proposed ordinary dividend of 2.00 SEK per share to AGM 2017.

CORPORATE GOVERNANCE REPORT

Corporate governance is the system, consisting of principles, guidelines, organization and processes, by which the Mycronic Group is managed and controlled to assure efficient decision-making that creates value. This objective is met through a clear division of responsibilities between shareholders, the Board and executive management.

Corporate governance is based on the Swedish Companies Act, Nasdaq Stockholm’s Rule Book for Issuers, and the Swedish Code of Corporate Governance (the Code). Information on corporate governance and the Code can be found at www.bolagsstyrning.se.

The Code rests on the “comply or explain” principle. In 2016, Mycronic complied with the Code without deviation.

INTERNAL REGULATIONS

The basis for internal systems of governance is the vision, mission, values and the Code of Conduct.

Internal regulations include the Articles of Association, the Board’s formal workplan, the terms of reference issued by the Board to the CEO, and policy documents which are updated annually. Examples of steering documents include policies for communication and diversity and the authorization policy.

SHAREHOLDERS

Mycronic is a Swedish public limited liability company registered in Täby. The share is listed on Nasdaq Stockholm’s Mid cap list. The share capital amounts to SEK 97,916,509 distributed across 97,916,509 shares. Each share carries one vote. At year-end 2016, Mycronic had 16,145 shareholders. Bure Equity AB was the largest shareholder with 29.9 percent of capital and votes.

THE ANNUAL GENERAL MEETING (AGM)

According to the Swedish Companies Act, the AGM is the company’s highest decision-making body. All shareholders have the right

to participate at the AGM and to exercise their voting rights.

The AGM elects the Board of Directors and auditor, adopts the income statement and balance sheet, and decides on the appropriation of profits and the discharge from liability for Board members and the CEO. The AGM decides on the remuneration of the Board and auditor and establishes guidelines for remuneration of senior executives.

At the AGM on 3 May, 2016, shareholders representing 59.72 percent of share capital and votes participated.

The AGM addressed customary matters. Two new Board members were elected. Patrik Tigerschiöld was elected Chairman of the Board. The public accounting firm EY was re-elected with Erik Sandström as the Auditor-in-Charge. The AGM approved an ordinary dividend of SEK 1.50 per share, as well as an extra dividend of SEK 2.50 per share. The AGM adopted the Board’s proposal regarding guidelines for remuneration of senior executives, and authorized the Board to decide on a new share issue and on the buyback of the company’s own shares for the next AGM. Information on the AGM and its minutes are available at www.mycronic.com.

The 2017 AGM will be held Thursday, 4 May, 2017.

THE NOMINATION COMMITTEE

The Nomination Committee represents shareholders and prepares proposals for the

AGM to decide as regards election of the Chairman of the Board, Board members and auditor, and their remuneration. The AGM decides how the Nomination Committee will be appointed. The Nomination Committee is composed of representatives from the three largest known shareholders as of 31 August, and the Chairman of the Board, for a total of four persons.

The composition of the Nomination Committee is announced no later than six months before the AGM.

The Chairman informs the Nomination Committee of the outcome of the completed Board evaluation. The Nomination Committee for the 2017 AGM consists of Henrik Blomquist (Bure Equity), Thomas Ehlin (Fjärde AP-fonden), Joachim Spetz (Swedbank Robur Fonder) and Patrik Tigerschiöld (Chairman of the Board).

THE BOARD OF DIRECTORS

The Board of Directors has overall responsibility for the company’s organization and management. The Board monitors operations, ensures a suitable organization, and establishes guidelines for internal control. The Board also establishes strategies and goals, and decides on major investments. The CEO is appointed by the Board and is responsible for ongoing administration.

The Board’s responsibilities are regulated by the Swedish Companies Act and the Procedural Plan. The division of labor between the

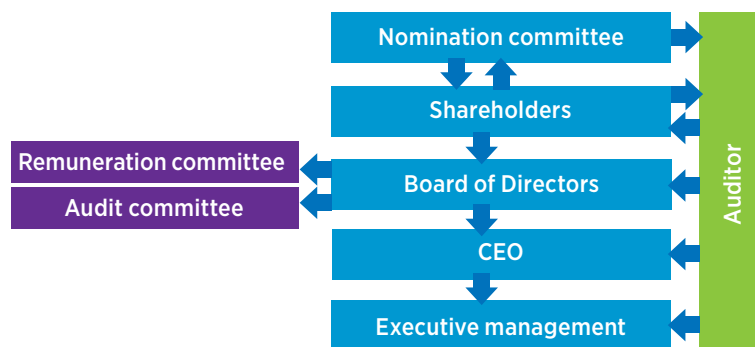
NOMINATION COMMITTEE

Name	Representing	Holdings at 31 August, 2016, %
Henrik Blomquist	Bure Equity	29.9
Thomas Ehlin	Fjärde AP-fonden	5.9
Joachim Spetz	Swedbank Robur Fonder	4.4
Patrik Tigerschiöld	Chairman of Mycronic AB	0.2

CORPORATE GOVERNANCE AT MYCRONIC

In order to govern the Mycronic Group in an efficient manner, governance, management and control has been distributed between shareholders, the Board, the CEO and Group management, with committees and collaborative bodies within specific areas.

Control is exercised by the external auditor and through internal control activities.



Board and the CEO is established through written instructions.

The Board consists of six members who are elected by the AGM, and two representatives appointed by Unionen and Akademikerna.

BOARD ACTIVITIES

The Board works according to a Procedural Plan that ensures that the Board is well-informed and that all Board-related issues are addressed. The Procedural Plan describes the division of responsibilities between the Board and committees, and between the Board and the CEO. The Board takes decisions on strategy and budget, confirms financial reports and important policies including the authorization policy, appoints the CEO and evaluates the CEO's work, establishes regulations for internal control and monitors how the internal control is working, decides on major investments and agreements, appoints the Audit Committee and Remuneration Committee, and evaluates the work of the Board. The Board monitors that the approved guidelines on remuneration of senior executives are followed, and proposes guidelines for remuneration for consideration by the AGM.

The Chairman of the Board leads the Board's work and represents the Company in ownership issues.

Board meetings are prepared by the Chairman together with the CEO. Board meeting minutes are recorded by the company's CFO. Written material is distributed

prior to every meeting. Certain issues are prepared by committees.

Recurring items at Board meetings are reviews of the business situation and financial reporting. Board committees report on their activities and raise issues for decision.

During 2016, there were twelve Board meetings. Additionally, the Board met during a workshop, in a strategy seminar, and during a trip to Japan and China. The Board's work year is illustrated below.

BOARD COMMITTEES

Committee tasks and rules of procedure are established by the Board in written instructions. The main task of the committees is to prepare matters for Board decision-making.

The Remuneration Committee

The Remuneration Committee is appointed by the Board and consists of three Board members. The committee is tasked with proposing the salary, other remuneration, and terms of employment for the CEO. The committee also proposes guidelines for remuneration and terms of employment for other senior executives and the directors of subsidiaries, and proposals for incentive programs. The Remuneration Committee ensures that established guidelines for remuneration of senior executives are followed.

As of the 2016 AGM, the Remuneration Committee consists of Patrik Tigerschöld (Chairman), Ulla-Britt Fräjdin-Hellqvist and Per Holmberg. The Remuneration Committee held three meetings in 2016.

The Audit Committee

The Audit Committee is appointed by the Board and consists of three Board members. The committee is tasked with ensuring the quality of the financial reporting. This comprises reviews of significant accounting and valuation issues. The Audit Committee evaluates the external auditing and assists the Nomination Committee with proposals for the election of the auditor. Employees do not participate during part of certain meetings between the Audit Committee and the external auditor.

Since the 2016 AGM, the Audit Committee consists of Magnus Lindquist (Chairman), Katarina Bonde and Stefan Skarin. The Audit Committee held six meetings in 2016.

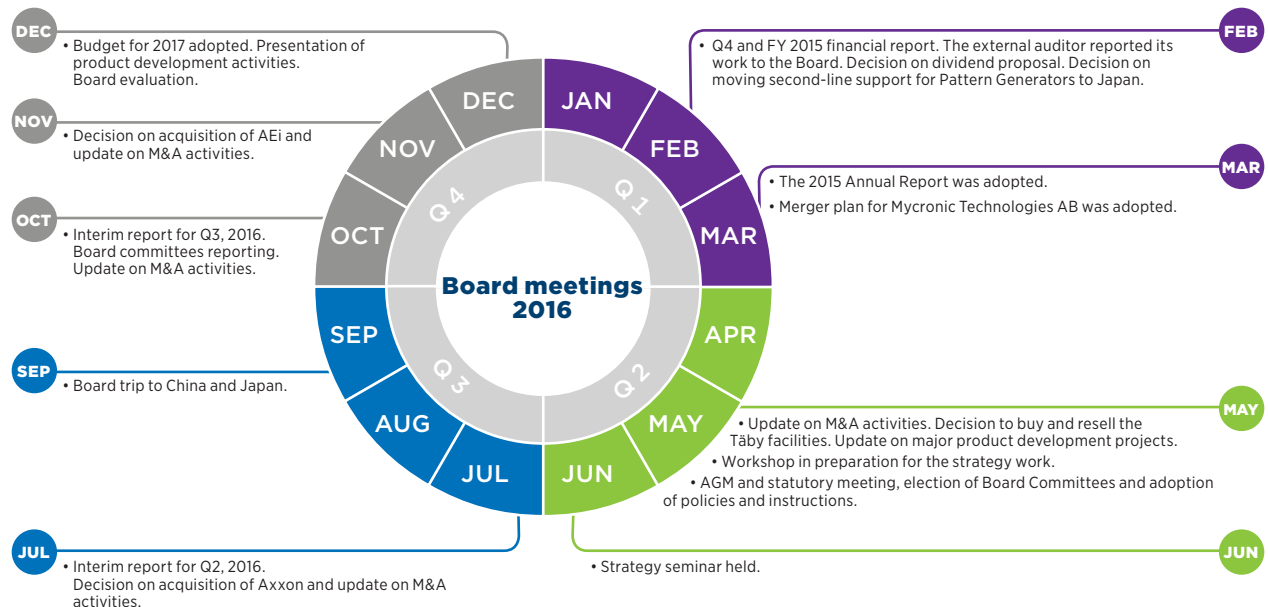
EVALUATION OF BOARD PERFORMANCE

The Board's performance is evaluated annually. The evaluation takes place either by an external evaluation or through self-assessment. The objective is to develop, set targets for, and measure the work of the Board, but also to provide the Nomination Committee a basis for the task of preparing proposals on Board appointments to the upcoming AGM.

The Chairman of the Board is responsible for the evaluation. In 2016, the evaluation was done by an external party using a questionnaire-based survey. The results were reported to the Chairman, and thereafter at the December Board meeting. The results were also presented to the Nomination Committee.

THE BOARD'S WORK 2016

During 2016 the Board held twelve meetings, of which one was the statutory meeting, one was by circulation and four were telephone meetings. In addition, the Board held one strategy seminar and conducted a Board trip to Asia.





The Board held twelve meetings in 2016. In addition, the Board held a strategy seminar and conducted a board trip to Asia. The picture shows Ulla-Britt Fräjdin-Hellqvist, Patrik Tigerschiöld and Katarina Bonde during one of the board meetings in Täby.

BOARD REMUNERATION

The 2016 AGM approved a Board fee of SEK 1,705,000 for the period up to the end of the next AGM. Of this fee, SEK 550,000 pertains to remuneration of the Chairman of the Board, and SEK 220,000 pertains to remuneration to each of the other Board members elected by the AGM. In addition, a fee of SEK 55,000 was established for the Chairman of the Audit Committee.

EXTERNAL AUDIT

Audit of the annual report and the consolidated financial statements, as well as the Board's and CEO's management, is done in accordance with International Standards on Auditing and generally accepted auditing

practices in Sweden.

Executive management is briefed on audit results continuously. The auditor meets with the Audit Committee regularly and the entire Board annually. During 2016, the auditor performed a synoptic review of the third quarter report.

Fees to the auditor are paid on an on-going basis. For information on remuneration to the auditor, please refer to Note 8.

CEO AND EXECUTIVE MANAGEMENT

Executive management consists of nine persons, including the CEO, pages 42-43. In 2016, Martin Petterson was appointed as Head of Production, Sourcing&Logistics and Torbjörn Wingårdh was appointed new CFO.

The CEO leads the work of executive management, which meets every other week for joint decision-making. Issues handled at executive management meetings include financial performance, development projects, leadership and competence issues, as well as other strategic issues.

The CEO is responsible for keeping the Board informed of the company's development. A global management meeting is held three times per year to strengthen uniformity in communication and governance throughout the Group.

In addition to executive management, there are several collaborative bodies that prepare and coordinate strategic and operative issues.

PRESENCE AND REMUNERATION FOR BOARD MEMBERS ELECTED BY THE AGM ON 3 MAY, 2016

Name	Elected	Independent ¹⁾	Holdings	Board	PRESENCE		REMUNERATION	
					Audit committee	Remuneration committee	Board	Audit committee
Patrik Tigerschiöld, chairman ²⁾	2009	no	235,170	12/12		3/3	550,000	
Katarina Bonde	2010	yes	2,000	11/12	6/6		220,000	
Ulla-Britt Fräjdin-Hellqvist	2012	yes	10,000	12/12		3/3	220,000	
Per Holmberg	2016	yes	5,000	9/9		2/2	220,000	
Magnus Lindquist ³⁾	2007	yes	-	12/12	6/6		220,000	55,000
Stefan Skarin	2016	yes	21,000	6/9	0/3		220,000	

1) According to the Swedish Code of Corporate Governance

2) Chairman of the remuneration committee

3) Chairman of the audit committee

EXTERNAL FINANCIAL REPORTING

In accordance with the established communication policy, Mycronic continuously reports information on the company's performance and financial position through interim reports, the annual report and press releases in conjunction with significant events.

In conjunction with interim reports, presentations are held for financial analysts, professional investors, and the media. Company management meets analysts and professional investors at other external and internal arrangements as well. In 2016, a Capital Markets Day was held, where the entire executive management team participated. Representatives from Mycronic also participate at events arranged by, for example, the Swedish Shareholders' Association.

Financial reports, press releases and other relevant information is presented on the website.

Mycronic observes a 30-day silent period before publication of financial reports, during which the company does not communicate with investors, analysts or the media.

INSIDERS

On 3 July, 2016, the EU Market Abuse Regulation (MAR) regarding insiders and their reporting of securities transactions came into force. Mycronic is obliged to maintain a register of persons in leadership positions and those close to them. This group consists of Board members and Group management. These persons are obliged to report all transactions in Mycronic securities to Finansinspektionen (Sweden's financial supervisory authority) and to the company.

The company is also required to maintain a temporary insider register (log book) of persons who have access to non-public information for a limited period in connection with particular events. This might be the Board, employees or contractors.

INTERNAL CONTROL OF FINANCIAL REPORTING

Internal control is comprised of processes and methods that limit risks for material misstatement in the financial statements, and provide a reasonable assurance of the reliability and accuracy of the financial reporting.

Internal control is maintained by the Board, management and employees. Mycronic's internal control is based on the control environment, risk assessment, control activities, information and communication, and follow-up.

Control environment

The control environment consists of a suitable organization, decision-making procedures, authorization and responsibilities, as expressed in policies and guidelines. Common values provide consensus with the in-

tention of strengthening internal control. Mycronic's Code of Conduct describes the approach that employees are expected to maintain in matters relating to business ethics and social issues.

Steering documents include the formal workplan for the Board and its committees, as well as the Board's terms of reference to the CEO. The Board establishes certain policy documents including the authorization policy and the communication policy.

Responsibility for creating processes with a high degree of internal control is assigned to each department manager.

The Group's finance and control organization, centrally and at the level of each unit, plays an important role in the reliability of financial information and is responsible for ensuring that complete, accurate financial reporting is completed on time.

Risk assessment

Included in risk assessment is the identification and evaluation of the risk for material misstatement in the accounting and reporting. Critical processes are evaluated with respect to their efficiency and risk. When assessing risks that affect internal control as it relates to financial reporting, the evaluation is based on likelihood and impact. Risks are connected to processes. Critical processes comprise product development, sourcing, manufacturing, sales, and installation, as well as support processes such as financial closing and IT. Risk assessment also includes risks for irregularities and fraud.

Control activities and follow-up

Control activities should prevent, discover and resolve deviations. Controls exist at all levels within the company and within all functions.

Control activities may be automated by being built into IT systems, such as authorization structures. They may also be manual, such as double checks for disbursements and reconciliations in connection with financial closings. Recurring analyses of results complement daily controls. A financial handbook ensures uniformity of financial reporting within the Group. One system is used across the entire Group for financial reporting. The controller function constitutes a significant part of the control structure.

Information and communication

The Board and executive management have established communication channels to ensure complete and accurate financial reporting. Internal communication channels include quality assurance systems, analysis tools, and the intranet. One way to educate staff in the rule framework that applies across the entire Group is through e-learning, which can be linked to tests after the electronic training has been completed. Every month financial

information is compiled and distributed to the Board and executive management. External communication takes place in accordance with the established communication policy.

Monitoring

Mycronic has no separate review function in the form of internal audit. The Board has determined that monitoring of internal control shall be conducted through self-assessment.

Self-assessment means that employees become involved, which increases understanding of the significance of internal control.

The evaluation of internal control follows a plan approved by the Audit Committee. Risks for material misstatement or deficiencies in the financial reporting are reported. Self-assessment of critical processes is supplemented with external evaluation or statements of opinion.

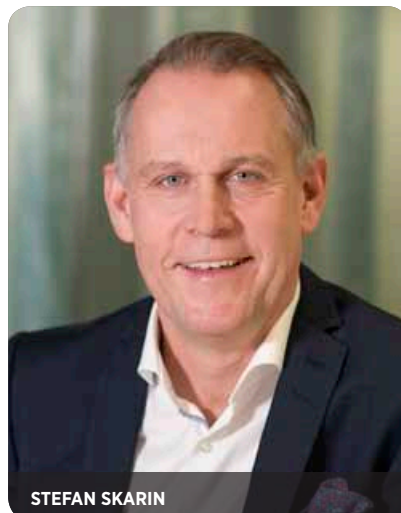
Personnel from the centralized finance and controller function visit subsidiaries regularly to monitor financial performance and evaluate internal controls.

Experiences are continuously shared among representatives from the finance and HR departments throughout the Group. In 2016, conferences were held in Sweden for both HR and Finance.

In 2016, Mycronic conducted a review and evaluation of three foreign subsidiaries after first conducting a pilot study together with the external auditor. Two of these internal control reviews were conducted together with representatives from EY. The reviews focused on inventories and trade receivables.

The Audit Committee monitors internal control and has ongoing contact with the external auditors. This contributes to the Board's collective insight into the internal control as it relates to financial reporting.

BOARD OF DIRECTORS AND AUDITOR



PATRIK TIGERSCHIÖLD

Chairman of the Board since 2012.
Board member since 2009.
Born 1964.
Dependent Board member.

Education: M.Sc in Business and Economics.

Other Board assignments: Chairman of Bure Equity AB, The Association for Generally Accepted Principles in the Securities Market and The Swedish Association for Listed Companies. Board member of Cavotec SA, Stockholm University and Fondbolaget Fondita AB among others.

Previous positions: CEO of Bure Equity AB 2010-2013, CEO of Skanditek Industriförvaltning 1999-2010, CEO of SEB Allemansfonder AB 1995-1999.

Committee in Mycronic: Chairman of the remuneration committee.

Shareholding in Mycronic: 235,170.

KATARINA BONDE

Board member since 2010.
Born 1958.
Independent Board member.
President of Kubi LLC.

Education: Master of Engineering, engineering physics.

Other Board assignments: Chairman of Opus Group AB and Propellerhead Software AB. Board member of Aptilo Networks AB, Avega Group AB, Fingerprint Cards AB, Microsystemation AB and Nordax Bank.

Previous positions: CEO of UniSite Software Inc 2000-2003, CEO of Captura International 1997-2000, Marketing director Dun&Bradstreet Software Inc 1996-1997, Vice President at Timeline Inc 1994-1995, CEO of Programator Industri AB 1989-1992.

Committee in Mycronic: Member of the audit committee.

Shareholding in Mycronic: 2,000.

ULLA-BRITT FRÄJDIN-HELLQVIST

Board member since 2012.
Born 1954.
Independent Board member.
Fräjdin&Hellqvist AB.

Education: Master of Engineering, engineering physics.

Other Board assignments: Chairman of Karlstad Innovation Park and Vindora Holding. Board member of Anna+Cie, DataRespons ASA, HRM Affärsutveckling, Fräjdin&Hellqvist AB, UBFH Management AB.

Previous positions: Leading positions in Svenskt Näringsliv 2001-2006, leading positions in Volvo Personvagnar 1979-2001.

Committee in Mycronic: Member of the remuneration committee.

Shareholding in Mycronic: 10,000.

PER HOLMBERG

Board member since 2016.
Born 1959.
Independent Board member.
President Hexagon MI EMEA since 2004.

Education: MBA, Handelshögskolan, Stockholm.

Other Board assignments: Board member of Adrian Michel AG.

Previous positions: Leading positions in Electrolux 1984-2003.

Committee in Mycronic: Member of the remuneration committee.

Shareholding in Mycronic: 5,000.

MAGNUS LINDQUIST

Board member since 2007.
Born 1963.
Independent Board member.
Co-Managing Partner, Cordet Capital Partners.

Education: Economist.

Other Board assignments: Board member of Axcel Advisory Board.

Previous positions: Partner of Triton 2008-2015. CFO and Vice President of Autoliv 2001-2008, Perstorp, 1996-2001 and Stora Cell Group, 1993-1996.

Committee in Mycronic: Chairman of the audit committee.

Shareholding in Mycronic: 0.

STEFAN SKARIN

Board member since 2016.
Born 1962.
Independent Board member.
CEO of IAR Systems since 2009.

Education: Economist.

Other Board assignments: -

Previous positions: Leading positions in IAR Systems Group AB 2001-2008, Head of Sales Adobe 1995-2001, Head Nordic Interleaf Technology Ltd 1994-1995, Leading positions in Oracle 1987-1994, several positions in Ericsson 1985-1987.

Committee in Mycronic: Member of the audit committee.

Shareholding in Mycronic: 21,000.

TOBIAS BÖÖK

Representing Akademikerna.
Board member since 2014.
Born 1966.
Controller.
Economist.

Shareholding in Mycronic: 0.

PETER SUNDSTRÖM

Representing Unionen.
Board member since 2012.
Born 1976.
Specialist software development.
Master of Engineering, engineering physics.

Shareholding in Mycronic: 0.

Auditor

ERIK SANDSTRÖM

Born 1975.
Auditor in Mycronic since 2016.
Authorized accountant, Ernst & Young AB.

Other assignments: Gränges, Munters, Rottneros, Södra Skogsägarna and Tradedoubler.

Shareholding as of 31 December, 2016, including own shares, shareholding through capital insurance and shareholdings of closely related parties.

EXECUTIVE MANAGEMENT



LENA OLVING

CEO and President since 2013.
Born 1956.

Education: Master of Engineering,
Mechanical Engineering.

Board assignments: Board member of
Investment AB Latour, Teknikföretagen and
The Swedish Corporate Governance Board.

Previous positions: Vice President and
COO at Saab AB (publ), leading positions in
Executive Management at Volvo Person-
vagnar AB, CEO at Samhall Högland AB.

Shareholding in Mycronic: 112,500.

NIKLAS EDLING

Sr VP, Strategic Product Management.
Employed since 2011.

Born 1963.

Education: Master of Engineering,
Mechanical Engineering and MBA.

Previous positions: VP Supply Chain &
Manufacturing Laerdal Medical,
VP Operations Hudson RCI.

Shareholding in Mycronic: 80,000.

SILKE ERNST

Sr VP, Human Resources.

Employed since 2013.

Born 1967.

Education: M.Sc Linguistics and MBA.

Previous positions: Vice Head of HR
Vattenfall BG Nordic, Director HR BU
Distribution Vattenfall, VP HR Business
Division Asset Optimisation & Trading
Vattenfall.

Shareholding in Mycronic: 450.

JOHAN FRANZÉN

Sr VP, Research and Development.
Employed since 2015.

Born 1978.

Education: Master of Engineering,
Electronic Design.

Previous positions: Manager SW
Applications Volvo CE, Manager Global EL
and Electronics systems development Volvo
CE, Manager Global Technical Support
Volvo CE.

Shareholding in Mycronic: 6,600

MARTIN PETERSSON

Sr VP, Operations, Sourcing and Logistics.
Employed since 2016.

Born 1980.

Education: Master of Engineering,
Industrial Management and Engineering.

Previous positions: Project Manager ACE
Volvo CE, Director Transmissions & Axles/
CPM Transmission (China) Volvo CE,
Manager Production Engineering Volvo CE,
Manager Industrialization and production
development Volvo CE.

Shareholding in Mycronic: 760.

MAGNUS RÅBERG

Sr VP, General Manager, Business area
Pattern Generators.

Employed since 1996.

Born 1966

Education: Master of Engineering,
System Engineering.

Previous positions: Head of global sup-
port, Head of system sales and other po-
sitions in the Mycronic Group.

Shareholding in Mycronic: 1,878.

CHARLOTT SAMUELSSON

Sr VP, Operational Excellence.
Employed since 1996.

Born 1963

Education: Master of Engineering,
System Engineering, Engineering Physics.

Previous positions: Head of global after-
market, Head of system and application
development and Head of business devel-
opment in the Mycronic Group.

Shareholding in Mycronic: 17,685

TORBJÖRN WINGÅRDH

Sr VP,
CFO.

Employed since 2016.

Born 1964.

Education: M.Sc in Economics and
Business Administration.

Previous positions: CFO Business area
Saab SDS and leading positions at Investor
AB in Sweden and the US.

Shareholding in Mycronic: 10,000

LENA OLVING

Acting General Manager, Business area
Assembly Solutions.

PROPOSAL ON DISPOSITION OF ACCUMULATED RESULTS**At the AGM disposal are the following amounts in SEK:**

Share premium reserve	201,915,502
Retained earnings	325,555,741
Profit for the year	426,745,185
Total	954,216,428

The Board of Directors proposes that the retained earnings and non-restricted equity be managed as follows

Dividend	195,833,018
Carried forward to new account	758,383,410
Total	954,216,428

PROPOSAL ON DIVIDEND

The Board of Directors proposes to the AGM a dividend of SEK 2.00 per share, amounting to SEK 195.8 million. The dividend corresponds to 37 percent of the year's net profit after tax.

APPROVAL AND ADOPTION

As stated below, the annual report and consolidated annual report was approved on 14 March, 2017. The consolidated profit and loss accounts and statement of financial position as well as the profit and loss accounts and balance sheet of the Parent Company will be put before the Annual General Meeting for adoption on 4 May, 2017.

STATEMENT OF ASSURANCE

The Board of Directors and the CEO give their assurance that the annual report has been prepared in accordance with Generally Accepted Accounting Standards in Sweden and that consolidated financial statements have been prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July, 2002, on the Application of International Accounting Standards.

The annual report and consolidated financial statements give a true and fair view of the financial position and performance of the Group and the Parent Company.

The report of the directors for the Parent Company and the Group gives a true and fair view of the business activities, financial position and results of the Parent Company and the Group, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Täby, 14 March, 2017

Patrik Tigerschiöld

Chairman of the Board

Katarina Bonde

Board member elected by AGM

Tobias Böök

Representing Akademikerna

Ulla-Britt Fräjdin-Hellqvist

Board member elected by AGM

Per Holmberg

Board member elected by AGM

Magnus Lindquist

Board member elected by AGM

Stefan Skarin

Board member elected by AGM

Peter Sundström

Representing Unionen

Lena Olving

President and CEO

Our audit report was submitted on 15 March, 2017.

Ernst & Young AB

Erik Sandström

Authorized Public Accountant

FINANCIAL DEFINITIONS**BOOK-TO-BILL**

Order intake in relation to net sales. Used to show future expected net sales development.

CAPITAL EMPLOYED

Total assets reduced by non-interest bearing liabilities. Used to show the ability to meet capital needs from operations.

CAPITAL TURNOVER RATE

Net sales divided by average capital employed. Used to show how much capital operations use.

CASH FLOW FROM FINANCING ACTIVITIES

Payments of dividends, increase and amortization of loans.

CASH FLOW FROM INVESTING ACTIVITIES

Net capital investments in subsidiaries and other acquisitions of operations, building, machinery and equipment, capitalized development and financial non-current assets.

CASH FLOW FROM OPERATIONS

Profit after financial items adjusted for non-cash items, income tax paid and changes in working capital.

EARNINGS PER SHARE

Net profit divided by the number of shares at year-end.

EBITDA

Operating results, EBIT, before depreciation/amortization. EBITDA is a component expressing the financial goals and in the dividend policy.

EQUITY PER SHARE

Equity at balance day divided by the number of shares at the end of the year. Used to set the value of the company per share.

EQUITY/TOTAL ASSETS

Equity as a percentage of total assets. Used to show how much of assets are financed by equity.

GROSS MARGIN

Gross profit as a percentage of net sales. Used to show profitability from sales of goods and services.

GROSS PROFIT

Net sales less costs for goods sold. Used to show profitability from sales of goods and services.

NET DEBT/NET CASH

Interest-bearing liabilities less cash and cash equivalents. Used to show ability to repay all debts at expiry date.

ORDER INTAKE

Orders received for goods and services, valued at average exchange rates. The order intake also includes revaluation of the order backlog at closing exchange rate. Used to show orders received.

ORDER BACKLOG

Remaining orders for goods, valued at balance exchange rate. Used to show secured future net sales of goods.

OPERATING CAPITAL

Current assets less current liabilities. Used to show short-term capital needs for operations.

OPERATING MARGIN (EBIT MARGIN)

Operating profit as a percentage of net sales. Used to show profitability from operations.

OPERATING PROFIT (EBIT)

Profit from operations, before financial items and tax.

P/E RATIO PER SHARE

Share price at 31 December divided by earnings per share.

R&D COSTS

Costs attributable to R&D activities including costs of personnel engaged in R&D. Reduced by capitalized development costs. Including amortization of previously capitalized development costs.

RETURN ON EQUITY

Net profit as a percentage of average equity. Used to show return on shareholders capital over time.

Group

PROFIT AND LOSS ACCOUNTS

SEK thousand	Notes	2016	2015
Net sales	11	2,319,254	1,814,960
Cost of goods sold	7	-909,026	-739,384
Gross profit		1,410,228	1,075,576
Other operating income	9	11,463	4,534
Research and development expenses	7,10	-348,406	-266,723
Selling expenses	7	-238,747	-180,030
Administrative expenses	7,8	-137,846	-91,114
Other operating expenses	7,9	-5,652	-1,982
Operating profit		691,040	540,261
Financial income		427	678
Financial expenses		-2,047	-476
Net financial items	15	-1,620	202
Profit before tax		689,420	540,463
Tax	21	-163,117	-97,988
Profit for the year		526,303	442,475
Earnings per share, before and after dilution, SEK		5.38	4.52
Average number of shares, thousands		97,917	97,917

STATEMENTS OF COMPREHENSIVE INCOME

SEK thousand	2016	2015
Profit/loss for the year	526,303	442,475
Other comprehensive income		
Items not to be reclassified to profit and loss		
Actuarial loss from defined benefits to employees	-1,888	-7,600
Tax relating to actuarial results	198	2,369
Items to be reclassified to profit and loss		
Translation differences at translating foreign entities	19,919	15,839
Tax relating to translation differences	-	-151
The year's changes in fair value on cash flow hedges	-60,621	-12,495
Transferred to profit and loss	48,461	12,326
Tax relating to items recognized in hedge reserve	2,675	37
Other comprehensive income for the year	8,744	10,325
Total comprehensive income for the year	535,047	452,800

The entire results are attributable to owners of the Parent Company.

STATEMENTS OF CASH FLOW

SEK thousand	Notes	2016	2015
Operating activities			
Profit/loss before tax		689,420	540,463
<i>Adjustments for non-cash items and other</i>			
Depreciation/amortization and impairment of assets		32,640	25,228
Capital loss on the sale of non-current assets		1,398	56
Unrealized foreign exchange differences		9,374	-10,040
Provisions for employee benefits		117	1,666
Other provisions		-2,644	40
Other non-cash items and other		30,979	18,817
Paid income tax		-106,603	-25,746
Cash flow from operating activities before changes in working capital		654,681	550,484
<i>Cash flow from changes in working capital</i>			
Inventories		-108,309	-53,541
Trade receivables		-243,981	64,796
Other receivables		-77,208	25,638
Trade payables		41,806	15,833
Other current liabilities		194,865	58,211
Cash flow from operating activities		461,854	661,421
Investing activities			
Investments in subsidiaries	26	-746,267	-
Investments in intangible assets	22	-7,639	-8,037
Investments in tangible assets	23	-35,074	-17,700
Sale of tangible assets		5,458	140
Increase in non-current receivables	19	-697	-14,683
Decrease in non-current receivables	19	16,251	3,128
Cash flow from investing activities		-767,969	-37,151
Financing activities			
Dividends paid to parent company shareholders		-391,666	-391,666
Redemption of loans		-770	-
Cash flow from financing activities		-392,436	-391,666
The year's cash flow		-698,551	232,604
Cash and cash equivalents at beginning of year		897,732	660,952
Exchange differences in cash and cash equivalents		9,408	4,176
Cash and cash equivalents at end of year		208,589	897,732
Interest received and paid			
Interest received		522	721
Interest paid		-2,063	-459
		-1,541	262
Other non-cash items and other			
Write down of inventory and other items relating to inventory		30,979	19,798
Changes in provisions for restructuring		-	-981
		30,979	18,817

STATEMENTS OF FINANCIAL POSITION

SEK thousand	Notes	Dec 31, 2016	Dec 31, 2015
ASSETS			
Intangible assets	22	1,085,179	122,902
Tangible assets	23	60,072	38,078
Non-current receivables	19	22,854	40,068
Deferred tax assets	21	56,507	40,947
Total non-current assets		1,224,613	241,995
Inventories	20	574,774	275,944
Tax receivables		5,280	5,216
Trade receivables	31,34	596,786	271,123
Prepaid expenses and accrued income	28	107,921	25,669
Other receivables		37,293	24,543
Cash and cash equivalents	33,34	208,589	897,732
Total current assets		1,530,643	1,500,226
TOTAL ASSETS		2,755,255	1,742,221

SEK thousand	Notes	Dec 31, 2016	Dec 31, 2015
EQUITY AND LIABILITIES			
Equity			
Share capital		97,917	97,917
Other contributed capital		1,337,386	1,337,386
Reserves		7,914	-2,520
Retained earnings including profit/loss for the year		-31,606	-164,553
Total equity		1,411,611	1,268,230
Liabilities			
Non-current provisions	27	26,260	21,029
Deferred tax liabilities	21	76,086	15,287
Other non-current liabilities	34	232,550	-
Total non-current liabilities		334,896	36,316
Current interest-bearing liabilities		10,735	-
Advance payments from customers		394,495	174,774
Trade payables	34	185,809	90,887
Tax liabilities		40,389	9,793
Other liabilities		153,743	27,367
Accrued expenses and deferred income	29	202,841	112,929
Current provisions	30	20,737	21,925
Total current liabilities		1,008,748	437,676
Total liabilities		1,343,644	473,991
TOTAL EQUITY AND LIABILITIES		2,755,255	1,742,221

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The share capital consists of 97,916,509 (97,916,509) shares. The shares are of the same class and each share carries one vote.

SEK thousand	Share capital	Other contributed capital	Hedge reserve	Translation reserve	Retained earnings	Total equity
Equity, 1 January 2015	97,917	1,337,386	- 252	- 17,824	- 210,130	1,207,097
Profit for the year					442,475	442,475
Other comprehensive income						
Items not to be reclassified to profit and loss						
Actuarial loss from defined benefits to employees					-7,600	-7,600
Tax relating to actuarial results					2,369	2,369
Items to be reclassified to profit and loss						
Translation differences at translating foreign entities				15,839		15,839
Tax relating to translation differences				-151		-151
Cash flow hedges transferred to profit and loss			12,326			12,326
The year's changes in fair value on cash flow hedges			-12,495			-12,495
Tax attributable to cash flow hedges			37			37
The year's change in fair value of cash flow hedges			-132	15,688	-5,231	10,325
Total comprehensive income			-132	15,688	437,244	452,800
Transactions with owners						
Dividends					-391,666	-391,666
Equity, 31 December 2015	97,917	1,337,386	-384	-2,136	-164,553	1,268,230
Profit for the year					526,303	526,303
Other comprehensive income						
Items not to be reclassified to profit and loss						
Actuarial loss from defined benefits to employees					-1,888	-1,888
Tax relating to actuarial results					198	198
Items to be reclassified to profit and loss						
Translation differences at translating foreign entities				19,919		19,919
Cash flow hedges transferred to profit and loss			48,461			48,461
The year's changes in fair value on cash flow hedges			-60,621			-60,621
Tax attributable to cash flow hedges			2,675			2,675
The year's change in fair value of cash flow hedges			-9,485	19,919	-1,690	8,744
Total comprehensive income			-9,485	19,919	524,613	535,047
Transactions with owners						
Dividends					-391,666	-391,666
Equity, 31 December 2016	97,917	1,337,386	-9,869	17,783	-31,606	1,411,611

The translation reserve contains differences arising on translation of foreign operations after 1 January, 2004.

Parent Company

PROFIT AND LOSS ACCOUNTS

SEK thousand	Notes	2016	2015
Net sales	11	2,020,574	1,003,676
Cost of goods sold		-756,065	-339,796
Gross profit		1,264,509	663,880
Research and development expenses	10	-321,361	-40,991
Selling expenses		-134,241	-30,463
Administrative expenses	8	-87,978	-35,615
Other operating income	9	12,102	1,062
Other operating expenses	9	-2,646	-5,689
Operating profit		730,386	552,184
<i>Result from financial investments</i>			
Interest income and similar items	15	1,363	333
Interest expenses and similar items	15	-1,812	-123
Profit after financial items		729,937	552,393
Appropriations	16	-181,800	-114,000
Profit before tax		548,137	438,393
Tax	21	-121,391	-71,622
Net profit		426,745	366,772

STATEMENTS OF COMPREHENSIVE INCOME

SEK thousand	2016	2015
Profit/loss for the year	426,745	366,772
Other comprehensive income		
Items to be reclassified to profit and loss		
Translation differences	-	685
Tax relating to translation differences	-	-151
Other comprehensive income for the year		534
Total comprehensive income for the year	426,745	367,306

CASH FLOW STATEMENTS

SEK thousand	Notes	2016	2015
Operating activities			
Profit after financial items		729,937	552,393
<i>Adjustments for non-cash items and other</i>			
Depreciation/amortization and impairment of assets		8,890	8,329
Unrealized foreign exchange differences		-3,469	4,167
Capital loss on the sale of non-current assets		-2	23
Provisions		-2,494	-355
Other non-cash items and other		5,786	-5,647
Paid income tax		-91,667	-
Cash flow from operating activities before changes in working capital		646,980	558,909
<i>Changes in working capital</i>			
Inventories		-76,661	-3,844
Trade receivables		-181,756	49,777
Other receivables		-56,683	-26,501
Trade payables		18,918	10,287
Other current liabilities		175,010	66,211
Cash flow from operating activities		525,808	654,839
Investing activities			
Investments in subsidiaries		-516,646	-
Investments in tangible assets	23	-21,388	-17,460
Sale of tangible assets		5,361	-
Increase in non-current receivables	18,19	-314,890	-10,980
Decrease in non-current receivables	18,19	14,394	7,218
Cash flow from investing activities		-833,169	-21,222
Financing activities			
Dividends paid to parent company shareholders		-391,666	-391,666
Cash flow from financing activities		-391,666	-391,666
The year's cash flow		-699,027	241,951
Cash and cash equivalents at beginning of year		759,015	517,064
Cash and cash equivalents at end of year		59,988	759,015
Interest received and paid			
Interest received		256	352
Interest paid		-1,651	-123
		-1,395	229
Other non-cash items and other			
Write down of inventories and similar items		5,786	-2,066
Changes in provisions for restructuring		-	-3,581
		5,786	-5,647

BALANCE SHEETS

SEK thousand	Notes	Dec 31, 2016	Dec 31, 2015
ASSETS			
Non-current assets			
Tangible assets	23	37,575	30,473
<i>Financial assets</i>			
Participation in group companies	24	873,597	365,456
Receivables from group companies	18	318,399	-
Other non-current receivables	19	7,596	25,476
Deferred tax assets	21	2,425	1,769
Total financial assets		1,202,017	392,701
Total non-current assets		1,239,592	423,174
Current assets			
Inventories	20	281,024	13,153
<i>Current receivables</i>			
Trade receivables		277,360	43,779
Receivables from group companies		119,904	88,043
Other receivables		25,004	6,608
Prepaid expenses and accrued income	28	96,720	16,496
Total current receivables		518,988	154,925
Cash and cash equivalents		59,988	759,015
Total current assets		860,000	927,093
TOTAL ASSETS		2,099,592	1,350,267

SEK thousand	Notes	Dec 31, 2016	Dec 31, 2015
EQUITY AND LIABILITIES			
<i>Restricted equity</i>			
Share capital		97,917	97,917
		97,917	97,917
<i>Non-restricted equity</i>			
Share premium reserve		201,916	201,916
Retained earnings		325,556	385,083
Profit for the year		426,745	366,772
		954,217	953,771
Total equity		1,052,133	1,051,687
Untaxed reserves	16	206,800	25,000
<i>Non-current liabilities</i>			
Non-current provisions		266	194
Other non-current liabilities	34	164,021	-
Total non-current liabilities		164,287	194
<i>Current liabilities</i>			
Advance payments from customers		313,346	168,921
Trade payables		102,575	21,139
Liabilities to group companies		15,017	5,389
Current tax liabilities		30,958	10,011
Other liabilities		92,595	3,563
Accrued expenses and deferred income	29	106,950	55,060
Current provisions	30	14,931	9,303
Total current liabilities		676,372	273,387
Total liabilities		840,659	273,581
TOTAL EQUITY AND LIABILITIES		2,099,592	1,350,267

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

The share capital consists of 97,916,509 (97,916,509) shares. The shares are of the same class and each share carries one vote. The nominal value is 1 SEK. In 2016, Mycronic Technologies AB was merged into the Parent Company through absorption of wholly owned subsidiary.

SEK thousand	Share capital	Statutory reserve	Share premium reserve	Fair value reserve ¹⁾	Retained earnings	Total equity
Equity, 1 January 2015	97,917	-	201,916	- 534	776,749	1,076,047
Profit for the year					366,772	366,772
Other comprehensive income						
Translation differences recognized in other comprehensive income				685		685
Tax relating to items recognized in other comprehensive income				- 151		- 151
Total other comprehensive income				534		534
Total comprehensive income for the year				534	366,772	367,306
Transactions with owners						
Dividends					- 391,666	- 391,666
Equity, 31 December 2015	97,917	-	201,916	-	751,855	1,051,687
Profit for the year					426,745	426,745
Merger difference					- 34,633	- 34,633
Total comprehensive income for the year					392,112	392,112
Transactions with owners						
Dividends					- 391,666	- 391,666
Equity, 31 December 2016	97,917	-	201,916	-	752,301	1,052,133

1) The fair value reserve in its entirety comprises the translation reserve.

Notes

Note 1 Accounting policies, general information

Compliance with norms and laws

Mycronic AB (publ) and its subsidiaries, together comprising the Group, are engaged in the development, manufacture and sales of advanced production equipment to the electronics industry. Sales are generated almost exclusively outside Sweden.

The subsidiaries are based in China, France, Germany, Japan, Singapore, South Korea, Taiwan, the Netherlands, the UK and the U.S. In addition, there are a large number of distributors and agents around the world.

The Parent Company is listed on NASDAQ, Stockholm in the category Mid Cap.

The consolidated annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

None of the revisions and interpretations of existing standards that shall be applied as of the financial year beginning on January 1, 2016 have any material impact on the Group or Parent Company financial statements.

A number of new or revised IFRSs have not yet entered into effect and have not been applied early in the preparation of the Group and Parent Company financial statements. The IFRSs that may affect the Group or Parent Company financial statements are described below. None of the other new standards, revised standards or interpretations published by IASB, are expected to have any material impact on the financial reporting.

IFRS 9 Financial Instruments covers accounting for financial assets and liabilities and replaces IAS 39. In line with IAS 39, financial assets are classified into different categories, some of which are valued at amortized cost and some at fair value. To assess how financial instruments shall be accounted for in accordance with IFRS 9, a company must assess its contractual cash flows, and the business model under which financial instruments are held. IFRS 9 also introduces a new model for impairment of financial assets. The main objective of the new model is earlier recognition of credit losses than required under IAS 39. For financial liabilities IFRS 9 conforms largely with IAS 39. Changed criteria for hedge accounting under IFRS 9 may result in more economic hedging strategies meeting the requirements for hedge accounting than under IAS 39. IFRS 9 enters into force on 1 January, 2018. The standard will be applied by the Group and the Parent Company as of 1 January, 2018. This standard has been provisionally deemed to have no significant impact on the Mycronic Group's or Parent Company's financial statements.

IFRS 15 Revenue from Contract with Customers replaces all previously published standards and interpretations for managing revenues with a single model for revenue recognition. The standard is based on the principle that revenue should be recognized when a promised product or service is transferred to the customer, i.e., when the client has obtained control over it, which can happen over time or at a point in time. Revenue shall consist of the amount that the company expects to receive in exchange for the delivered goods or services. IFRS 15 enters into force for the financial year beginning 1 January, 2018. The standard will be applied by the Mycronic Group and the Parent Company as of 1 January, 2018. Evaluation of the effects from the standard on the financial reports is ongoing.

IFRS 16 Leases replaces IAS 17 from 1 January, 2019. According to the new standard, most leased assets are recognized in the balance sheet and the lessee shall divide the cost of interest payments and depreciation on the asset. The EU is expected to approve the standard in 2017. During the year, the Mycronic Group began evaluating the effects of the standard, and the provisional assessment is that most of the lease agreements accounted for in these financial statements as operating leases will be reported in the statement of financial position. This will also mean that the cost of same will be divided into interest payments and depreciation.

Basis of valuation

The assets and liabilities are stated at cost, unless otherwise specified.

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts are stated in SEK thousand unless otherwise specified.

Accounting estimates and classifications

The preparation of financial reports in accordance with IFRS requires the company's management to make certain accounting judgments, estimates and assumptions that affect how accounting policies are applied and the reports of the amounts of assets, liabilities, revenues and expenses. The actual results may differ from these estimates and assessments.

The estimates and assumptions are reviewed regularly. Adjustments to estimates are reported for the period in which they occur if the change only affected this period or in the period that the change is made and future periods if the change affects both the current and future periods.

Assessments made by the company management in terms of applying IFRS that significantly impact financial reports and completed estimates and that can result in major adjustments to the financial reports for the subsequent year are described in more detail in Note 4.

Non-current assets and liabilities essentially consist of amounts that are expected

to be recovered or settled later than twelve months from the closing date. Current assets and liabilities essentially consist of amounts that are expected to be recovered or settled within twelve months from the closing date.

Where applicable, any deviations from these principles for recovery or payment are specified in a note to the affected item in the statement of financial position.

Note 2 Accounting policies for the Group, general information

Consolidated reporting

Subsidiaries are companies where the Parent Company has a controlling influence. A controlling influence exists when the investor has an influence over the investment object, which in a substantial manner affects the possibility of returns, when the investor is exposed to, or has the right to, variable returns from the investment object and when the investor can use its influence to affect the size of the returns.

The consolidated financial statements are prepared in accordance with the purchase method of accounting, whereby the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group's cost of acquisition is determined through a purchase price analysis in connection with the purchase. The analysis determines the acquisition value of the shares or operations, as well as the fair value on the date of acquisition for acquired identifiable assets as well as assumed liabilities or contingent liabilities. The cost of acquisition for the subsidiary shares and operations is measured as the aggregate of the fair values on the date of acquisition of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquired net assets. Earn-outs are valued at fair value. In business combinations where the cost of acquisition exceeds the fair value of acquired net assets, the difference is recognized as goodwill. If the cost of acquisition is less than the fair value of acquired net assets, the difference is recognized in the profit and loss account. Transaction costs are reported directly in operating profit. When deferred considerations are revalued at fair value, the revaluation is recognized in operating profit.

The financial statements of the subsidiaries are included in the consolidated financial statement from the date of acquisition and up to the date on which controlling influence ends.

Intra-Group receivables and liabilities, revenues or costs and unrealized profits or losses that arise from intra-Group transactions between Group companies are eliminated in full when the consolidated financial statements are prepared.

Foreign currency translation

Functional currency

Items included in the financial statements of the Group's subsidiaries are measured using the currency of the primary economic environments in which the subsidiary operates (functional currency). The functional currencies are CNY, EUR, GBP, JPY, KRW, SEK, SGD, TWD and USD.

Transactions

Transactions in foreign currency are translated to the functional currency at the rate of exchange in effect on the transaction date.

Sales transactions in foreign currency within the pattern generator segment are translated at the spot rate with the exception of sales of spare parts and service contracts for which an approximate exchange rate for the month is used. Sales transactions in foreign currency from surface mount equipment are reported at an approximate exchange rate for the month. When a contract sale is hedged, the cumulative gain or loss on the hedging instrument, normally a forward exchange contract, is recognized against net sales when the hedged sales transaction is recognized in the income statement.

Monetary assets and liabilities in foreign currency are translated to the functional currency at the closing day rate. Foreign exchange gains/losses arising on translation are recognized in the profit and loss account for the year. Non-monetary assets and liabilities carried at cost are translated at a rate of exchange that applied on the transaction date. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the rate of exchange prevailing on the date when the fair value was determined. Forward exchange contracts are used to protect assets and liabilities from foreign exchange risk. A financial hedge is reflected in the accounts, in that both the underlying asset/liability and the hedging instrument are translated at the closing day rate of exchange, while changes in the exchange rates are recognized through profit and loss. Value fluctuations concerning operating assets and liabilities are recognized in the income statement under other operating income/expense.

Financial statements of foreign operations

Assets and liabilities in foreign group companies are translated from that company's functional currency to SEK at the closing day rate of exchange. Revenue and expenses in the respective group company's profit and loss account are translated to SEK at the average rate of exchange that is a reasonable approximation of actual rates on the respective transaction dates. All exchange differences arising from the translation of foreign operations are recognized in other comprehensive income and are accumulated in a separate translation reserve within consolidated equity.

Net investments in foreign operations

Exchange differences arising with the translation of long-term loans that form part of the net investment in a foreign operation are deferred to a translation reserve in other comprehensive income together with the related tax effects. Investments in foreign subsidiaries are not hedged.

Accumulated translation differences are reported as a separate shareholders' equity category and include exchange differences as of the switch to IFRS on 1 January 2004. When a foreign operation is disposed of, the cumulative exchange differences relating to that foreign operation are realized through a reclassification from the translation reserve to the year's consolidated profit or loss.

Reporting of operating segments

A segment is an identified part of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. A segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess performance. In the Group, this function has been identified as the CEO. The segments correspond to the Group's business areas.

Intangible assets**Capitalized costs for business systems**

Capitalized costs for business systems are recognized as intangible assets at cost with a deduction for accumulated amortization. The investment in a business system refers to costs incurred for adaptation and implementation of a fully integrated business system and consists of both internally generated and externally acquired assets. Capitalized costs for business systems are amortized straight-line over the expected useful life of the asset, which is three years. Amortization is initiated when the business system is ready for use. Costs for maintenance of the business system are expensed as they are incurred.

Capitalized development costs

Mycronic develops extremely high technological products on the technical edge. Several development projects of different kinds need to be conducted in order to achieve a few commercial products in the end.

Costs related to research undertaken with the prospect of gaining new scientific or technical knowledge in the Group's operations are expensed as they are incurred. Development projects where knowledge and understanding gained from research results are used to develop new products or processes, are recognized as intangible assets in the statement of financial position when they meet the criteria for capitalization. Development costs may be capitalized if the company can demonstrate the technical and commercial feasibility of completing the product or process, the intention and ability to complete the development and use or sell the asset. It must also be probable that future economic benefits related to the asset will flow to the company and the asset cost can be reliably measured. The reported value includes all directly attributable costs, such as those for materials and services as well as compensation to employees.

Other development costs are expensed in the profit and loss account for the period in which they arise.

Individual assessment is made of all ongoing research and development projects to determine which costs for the respective project are capitalizable and to look for any indications of impairment.

Amortization of capitalized development costs is started when the respective development project is completed, normally when it begins generating revenue and is carried out on a straight-line basis over a period of three years for pattern generators and five years for SMT equipment. Capitalized development costs include systems and modules that can be used in a number of current and future products, thus they can not be related to one single product. Amortization is therefore accounted for as Research and development costs in the profit and loss accounts.

Goodwill

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is annually tested for impairment. Goodwill is attributable to acquisitions.

Other intangible assets

Other intangible assets consist of brand, technology and customer relationships, and are measured at cost less accumulated amortization and possible impairment losses. These assets are attributable to acquisitions.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and possible write-downs. The acquisition costs include the acquisition price as well as charges for transportation to the site and preparation efforts in order to use the equipment according to the intended purpose of the acquisition.

The item Equipment includes self-produced equipment used primarily for research and development as well as test and training equipment. The acquisition cost of self-produced, non-current assets includes expenses for materials, employee benefits and salaries, other production costs that are considered to be directly attributable to the assets.

The reported value of a tangible asset is removed from the statement of financial position upon disposal or sale of the asset or when there are no future economic benefits anticipated from using or disposing/selling the asset. Gains/losses on the sale or disposal of tangible assets are calculated as the difference between the net realizable

value and carrying amount of the item and are recognized in the profit and loss account among other operating income/expenses. Subsequent expenses are added to the acquisition cost if it is likely that the future economic benefits of the assets will be realized by the company and the acquisition cost can be estimated reliably. All other additional expenditures are accounted as costs when they arise.

A future expense is added to the acquisition cost if the expense involves the replacement of identified components or parts thereof. In the cases where a new component has been produced, the expense is added to the acquisition cost. Any non-depreciated costs for replacement components or parts of such components are discarded and expensed as the replacement is made. Repairs are expensed on an ongoing basis. Tangible assets are depreciated on a straight-line basis over their expected useful life starting from when they are accessible for use.

Leases

All existing lease agreements, including property leases, are classified as operating leases. Assets that are leased according to operating leases are as a rule not reported as assets in the statement of financial position. Operating lease agreements do not give rise to liabilities. In these cases, the lease expense is reported within operating expenses, although not depreciation, in the profit and loss account. The property leasing charge, consisting of a fixed portion and an interest portion, is recognized as a lease expense in the profit and loss account. Variable charges are expensed in the period in which they incur.

Financial instruments

The financial assets recognized in the statement of financial position include cash and cash equivalents, trade receivables and derivatives. Financial liabilities include trade payables, loans payable, earn-outs and derivatives.

Recognition and derecognition from the statement of financial position

A financial asset or liability is recognized in the statement of financial position when the company initially becomes party to the contractual provisions of the instrument. Financial assets are recognized when the company has performed and there is a contractual obligation for the counterparty to pay, even if no invoice has been sent.

Trade receivables are recorded in the statement of financial position when an invoice has been sent. Financial liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if no invoice has been received. Trade payables are recorded when an invoice has been received.

A financial asset is derecognized from the statement of financial position when the company's rights under the agreement are realized, expire or the company has relinquished control of the asset. The same applies for a part of a financial asset.

A financial liability is derecognized from the statement of financial position when the obligation specified in the agreement is fulfilled or otherwise extinguished. The same applies for a part of a financial liability.

A financial asset and a financial liability are set off and netted in the statement of financial position only when a legal right of setoff exists and there is an intent and ability to set off and net these items or to simultaneously realize the asset and settle the liability.

Acquisitions and sales of financial assets are recognized on the trade date. The trade date is the date on which the company commits to acquire or sell the asset.

Classification and valuation

On initial recognition, a financial instrument is classified based on the intent for acquisition of the financial instrument. Subsequent measurement depends on how the instruments have been classified upon initial recognition as described below.

Derivative instruments are initially recognized at the fair value, which means that the transaction costs affect the profit/loss for the period. After the initial recognition, the derivative instrument is recognized as below. If derivative instruments are effectively used for hedge accounting, the changes in the value of the derivative instrument are listed on the same row in the profit and loss as the hedged item. Even if hedge accounting is not used, increases or decreases in the value of the derivative are respectively recognized as revenues or expenses in the operating profits. With hedge accounting, ineffective portions are recognized in the same way as changes in the value of derivatives that are not used for hedge accounting.

Cash and cash equivalents comprise cash in hand at a bank.

Financial assets at fair value through profit and loss

This category consists of financial assets held for trading and derivatives not designated as hedging instruments. Assets in this category are subsequently measured at fair value with value fluctuations recognized in profit and loss. A financial asset is classified as held for trading if it is acquired for the purpose of selling in the short term. Derivatives are classified as held for trading except when being used for hedging. Derivatives are classified as held for trading when hedge accounting is discontinued.

Loans and trade receivables

Trade receivables are recognized in the amount in which they are expected to be received, i.e. after deduction of doubtful receivables. Provisions for doubtful trade receivables are made based on individual assessment.

Financial liabilities at fair value through profit and loss

This category consists of financial liabilities held for trading. Liabilities in this category are subsequently measured at fair value and changes in fair value are recognized in profit and loss. Derivatives with negative fair value are classified as held for trading except for derivatives that are identified as efficient hedging instruments. Derivatives

are classified as held for trading when hedge accounting is discontinued.

Other financial liabilities

This category consists of financial liabilities not held for trading, mainly the Group's trade payables.

Reporting of derivatives and hedges

Derivatives consist of forward exchange contracts that are used to reduce transaction exposure in foreign currencies and are not used for speculative purposes. All derivatives are measured at fair value in the statement of financial position.

In the Group, derivatives that are used to hedge probable future commercial inflows in foreign currency, in other words, inflows from sales, and which meet the requirements for hedge accounting, are reported according to the rules for hedge accounting for cash flow hedges. This means that the effective portion of fair value changes on derivative instruments is recognized in the hedge reserve in other comprehensive income. The profit or loss attributable to the ineffective portion is recognized immediately in the income statement under other operating income/expense. The fair value of derivatives is measured as the quoted market prices of currency and interest rates on the closing date.

Amounts accumulated in equity are reversed to net sales in the income statement in the periods when the hedged item is reflected in profit and loss, i.e. upon revenue recognition. When a hedged instrument expires, is sold or no longer meets the hedge accounting criteria and the cumulative gains/losses are recognized in equity, these gains/losses are retained in equity and are recognized in profit and loss when the forecast transaction is ultimately recognized in the profit and loss account. The effective portion is recognized in net sales when the hedged item affects profit and loss, while the ineffective portion is recognized in other operating income/expense. When a forecast transaction is no longer expected to occur, the cumulative gains/losses recognized in equity are immediately released to the profit and loss account among other operating income/expense.

When a contract is entered into, the relationship between the hedge instrument and the hedged risk is formally documented, including the company's risk management objective and strategy for undertaking the hedge. The Group also documents its assessment, both at the inception of a hedge and at each reporting date, on the effectiveness of the derivatives used in the hedge transaction in offsetting changes in the fair value or cash flows of the hedged item. Changes in the hedge reserve in equity are recognized in other comprehensive income.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Inventories are carried out at cost calculated on a First-In, First-Out (FIFO) basis and include all costs arising from the purchase of the inventory assets and costs incurred in bringing the goods to their existing location and condition. For manufactured goods and work in progress, the cost includes a reasonable share of indirect costs based on normal capacity. Deductions are made for internal profit arising from intra-group sales.

Net realizable value is the estimated selling price less the estimated costs for completion and selling costs in operating activities.

Impairment

The carrying amounts of the Group's assets are reviewed at the end of each closing period to look for any indication that an asset may be impaired.

Impairment testing of tangible and intangible assets and participations in subsidiaries

If there is an indication of impairment, the asset's recoverable amount is calculated (see below). For goodwill and other intangible assets with indefinite useful lives and intangible assets that are not ready for use, the recoverable value is calculated annually. If it is not possible to establish an independent cash flow for an individual asset, and its fair value less the sales costs cannot be used, the assets are grouped during impairment testing at the lowest level at which the identifiable cash flow can be identified, a so called cash-generating unit.

An impairment is recognized when the recorded value of an asset or cash-generating unit (group of units) exceeds the recoverable value. An impairment is recognized as a cost in the profit and loss account for the year. When the need for impairment has been identified for a cash-generating unit (group of units) the impairment amount is firstly distributed to goodwill. Then the remaining assets in the unit (group of units) are impaired proportionally.

The recoverable value is the highest of fair value less selling costs and the value in use. In measuring the value in use, future cash flows are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment testing of financial assets

A review is carried out at the end of each reporting period to look for any indication that a financial asset may be impaired. Indications of impairment may arise from adverse changes in circumstances that affect the ability to recover an asset's carrying amount or parts thereof, such as assessment of trade receivables.

Impairment losses are recognized in the profit and loss account.

Taxation

Income tax consists of current tax and deferred tax. Income tax is reported in the profit/loss account for the year, except when underlying transactions were reported in other comprehensive income or in equity, whereby related tax effects are reported in other comprehensive income or in equity.

Current tax is the tax payable or refundable for the current year, with the tax rates enacted or substantively enacted by the closing date. Current tax also includes adjustment of current tax from previous periods.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the carrying amount of an asset or liability and its tax base. Temporary differences are not taken into consideration in consolidated goodwill. Also not observed are temporary differences for participations in subsidiaries and associated companies that are not expected to be reclassified in the foreseeable future.

The valuation of deferred tax is based on how underlying assets or liabilities are expected to be recognized or paid. Deferred tax is calculated using the tax rates and tax regulations enacted or substantively enacted by the closing date.

Deferred tax assets for deductible temporary differences and tax loss carry-forwards are only recognized to the extent that they are expected to be used. The value of deferred tax assets is reduced when it is no longer expected to be used.

Any additional income tax that arises in relation to dividend is recognized on the same date as the dividend is recognized as a liability.

Employee benefits

Pension commitments and other post-employment benefits

Pension commitments are classified either as defined contribution or defined benefit pension plans. Pension commitments in the Group are mainly fulfilled through payment of premiums according to a defined contribution pension plan. A defined contribution pension plan is classified as the plans where a company's obligation is limited to the charges the company has undertaken to pay. In such cases, the size of the employee's pension is dependent on the charges paid by the company to the plan or to an insurance company and the capital return offered by the charges. Consequently, the employee carries the actuarial risk (that the compensation may be lower than expected) and the investment risk (that the invested assets will be insufficient to offer the expected compensation). The company's obligations regarding charges to defined contribution plans are charged to the profit and loss account for the period in which the employees render the related service to the company.

In the Japanese and Korean subsidiaries, there are defined benefit commitments to employees for benefits after the end of employment. When employment ceases, through termination or retirement, the accumulated amount of benefit is paid out immediately. The commitment is valued in the Group in accordance with IAS 19. Defined benefit pension plans set forth an amount for the pension benefit that an employee will receive at retirement depending on factors such as age, period of service and salary. The liability on the balance sheet for defined benefit pension plans is the present value of the defined benefit commitment at the end of the reporting period less the fair value of the plan assets. The defined benefit pension commitment is calculated annually by independent actuaries with the application of what is known as the projected unit credit method. Revaluation of defined benefit net liability is recognized in other comprehensive income. Other costs are recognized in operating profit.

Termination benefits

An expense is recognized on the termination of employees only when the company is demonstrably committed, without realistic possibility of withdrawal, by a detailed, formal plan to terminate an employee or group of employees before the normal retirement date. When termination benefits are provided as a result of an offer made to encourage voluntary redundancy, the expense is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term employee benefits

For short-term employee benefits, the undiscounted amount of benefits expected to be paid in respect of service rendered in a period are recognized in that period. A provision for the expected cost of profit sharing and bonus payments is recognized when the Group has a legal or informal obligation to make such payments in respect of service rendered by employees and a reliable estimate of the expected cost can be made. The cost of long-term incentives (LTI) are recognized in the period when the vesting conditions are met, until the date on which the relevant employees become fully entitled to the compensation.

Provisions

A provision is different from other liabilities because the payment time or the size of the payment is not clear. A provision is recognized in the statement of financial position when there is a legal or informal obligation as a result of an event occurring, and it is likely that an outflow of financial resources will be needed to meet the obligation and that this amount can be reliably estimated.

Provisions are made using the best estimate of what will be required to fulfill the existing obligation on the closing date.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data regarding warranties and an overall review of potential outcomes in relation to the probabilities of such outcomes.

Restructuring

A provision for restructuring is recognized when there is an established, detailed and formal restructuring plan, and the restructuring has either been started or has been made public. No provisions are made for future operating costs.

Revenue recognition

The Group's net sales consist of revenue arising from the sale of goods (systems and system upgrades, spare parts and accessories) and services. Sales are denominated mainly in USD, EUR, CNY and JPY.

Revenue is recognized when it is probable that the future economic benefits associated with a transaction will flow to the company and when the amount of revenue can be measured reliably. Revenue arising from the sale of goods to a customer is recognized upon delivery in accordance with the agreed conditions of sale and delivery, i.e. when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is reported net of any discounts.

Revenue related to sale of services, primarily linked to service agreements, is recognized upon provision of the service. Service agreements that are invoiced in advance are progressively recognized over the term of the agreement. Service contracts that are invoiced in arrears are reported as income over the course of the agreement.

Expense recognition

Expense recognition of the delivered goods occurs in connection with the delivery of goods and recognition of income from a sale. Expense recognition implies that all expenses for the delivered goods are recognized in the profit and loss account. The expenses include all remaining expenses at the delivery date, including provisions for setup and warranty. These are reported under "Accrued expenses" and "Short-term provisions" in the statement of financial position.

The costs for setting up a system at a customer site is limited in relation to the value of the system as a whole. When setup is completed at the customer site, a warranty period begins and normally lasts for 12 months. Costs for the provision of service are expensed as incurred.

Financial income and expenses

Financial income consist of interest income on invested assets, and dividends. Dividend is reported when the right to receive dividends has been established.

Financial expenses consist mainly of interest expenses.

Operating expenses

The Group's expenses mainly refer to materials and supplies, personnel costs and other external expenses, primarily consisting of consulting fees. An assessment is made of costs incurred but not invoiced by suppliers for work performed during the financial year, and a corresponding provision is recognized in accrued expenses in the statement of financial position. Costs related to research are expensed as incurred. Costs for development projects that meet the criteria for capitalization are reported as intangible assets. Amortization on previously capitalized development costs is accounted for as research and development costs in the consolidated profit and loss accounts.

Earnings per share

Earnings per share are calculated on consolidated profit for the year attributable to shareholders in the Parent Company divided by the number of shares outstanding at year-end.

Note 3 Accounting policies of the Parent Company

The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities (January 2013). The Swedish Financial Reporting Board's statements for listed enterprises are also applied. RFR 2 means that in the report for the legal entity, the Parent Company shall apply all EU-approved IFRSs and statements as far as possible within the framework of the Annual Accounts Act, the law of safeguarding pension commitments and with respect to the connection between accounting and taxation. The recommendation indicates which exceptions and additions to IFRS that shall be made.

The differences between the Group's and the Parent Company's accounting policies are shown below. The accounting policies for the Parent Company shown below have been consistently applied to all periods presented in the Parent Company's financial statements.

Changes in accounting policies

Unless otherwise specified below, the Parent Company's accounting policies in 2016 have been modified in accordance with what is specified above for the Group.

Classification and disposition

A profit and loss account and a statement of comprehensive income are reported for the Parent Company and the Group. The Parent Company is using the titles of balance sheet and cash flow analysis for the statements that in the Group are titled as statement of financial position and statement of cash flows. Profit and loss account and balance sheet for the Parent Company are presented according to the Swedish Annual Accounts Act structure, while the statement of comprehensive income, report of changes in equity and cash flow analysis are based on IAS 1 Presentation of Financial Statements and IAS 7 Consolidated Cash Flow Statements.

Development expenses

All costs, for both research and development, are expensed as incurred.

Tax

In the Parent Company untaxed reserves are reported in the balance sheet with no split to equity and deferred tax liability, unlike the Group reporting. Correspondingly, no split is done between appropriations and deferred tax costs in the profit and loss accounts in the Parent Company.

Group contribution

Group contributions, received and submitted, are reported as appropriations in the Parent Company.

Merger

The merger of subsidiary has been recognized in accordance with the consolidated value method. According to the method, if there are any differences between assets and liabilities booked in the merged company and consolidated values, the latter are used. The profit and loss accounts in the merged company is included in the profit and loss accounts of the acquiring company from the beginning of the period in which the merger was finalized.

Subsidiaries

In the Parent Company, participation in group companies are accounted for according to the cost method. This means that transaction expenses are included in the reported value of holding in subsidiaries. Transaction expenses are recognized in the consolidated financial statements directly in the earnings when these arise.

The Parent Company recognizes the full amount of dividends received from subsidiaries as revenue in profit or loss for the year.

Financial instruments and hedge accounting

In view of the connection between accounting and taxation, the rules on financial instruments and hedge accounting in IAS 39 are not applied by the Parent Company as a legal entity.

In the Parent Company, financial non-current assets are valued at cost, less any impairment and financial current assets at the lower of cost and net realizable value.

When hedging receivables and liabilities in foreign currency using forward contracts, the spot exchange rate is used on the day when the currency is hedged to value the hedged receivable or liability. The difference between the forward contract rate and the spot rate at the time of entering into the contract (forward premium) is allocated over the life of the forward contract. Allocated forward premiums are reported as other operating income and other operating expenses, respectively.

Note 4 Critical accounting estimates and assumptions

The company management and the audit committee discuss the development, selection and information regarding the Group's critical accounting policies and estimates, as well as the application of these policies and estimates.

Critical estimates when applying the Group's accounting policies

The preparing of financial statements to conform with IFRS requires the management to make certain assumptions that affect the application of the company's accounting policies. When preparing the financial statements, the company's management is also required to make certain estimates and assumptions about the future that affect the reported amounts of assets and liabilities on the closing date. Revenues and expenses are also affected by the estimates. The actual results may differ from these estimates. The key assumptions and estimates are specified below.

Capitalized development costs

Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products or processes, are recognized as intangible assets in the statement of financial position when they meet the criteria for capitalization. The reported value includes all directly attributable costs, such as those for materials and services as well as compensation to employees. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met.

However, because it may be difficult to distinguish between research and development projects, this judgment can be affected by individual interpretations.

Evaluating useful life periods and impairment requirements for intangible assets

The company regularly reviews capitalized development costs to look for any indication of impairment. Each development project is individually tested for impairment at least yearly through an estimation of discounted future cash flows that includes intangible assets not yet completed.

This valuation is made and judged by the company management and is also reviewed by the audit committee.

Amortization of intangible assets is based on the estimated useful life of the asset. Depending on which useful life is determined for an asset, this can have a significant impact on the Group's reported profit. The expected residual value of an intangible asset at the end of its useful life is always set to zero.

The reported value of goodwill and brand with unidentified useful life is tested for impairment at least once a year. The impairment test is based on value in use, which in turn is normally based on cash flow estimates for five years for the cash-generating entity to which the values belong. These assessments can have a large impact on the Group's reported values of intangible assets.

Inventories

Inventories are valued at the lowest of acquisition cost or net realizable value. For manufactured goods and works in progress, the acquisition cost includes a fair share of indirect costs based on normal production capacity. Incorrect assumptions in the company's inventory accounting model give an incorrect cost allocation which affects the book value of inventories and the reported cost of goods sold.

Acquisitions

In connection with business combinations, acquired assets, liabilities and earn-outs are valued at fair value. The valuation model is based on assumptions about future financial performance of the acquired company. These estimates have a major impact on the valuation of acquired assets and liabilities as well as reported values of earn-outs. See note 26 regarding the reporting of acquisitions in 2016.

Note 5 Capital management and disposition of accumulated results

The Board supervises the Group's capital structure and financial management, approves matters related to acquisitions, investments and financing and monitors the Group's exposure to financial risks. In February, 2017, the Board decided on new financial objectives.

Mycronic defines capital as equity according to the statement of financial position sheet, SEK 1,411,611 (1,268,230) thousand, less unrealized gains/losses reported in other comprehensive income included in the hedge reserve. Capital amounts to SEK 1,421,480 (1,268,614) thousand.

Neither the Parent Company nor any of the subsidiaries is subject to any external capital requirements.

At the AGM disposal are the following amounts in SEK:

Share premium reserve	201,915,502
Retained earnings	325,555,741
Profit for the year	426,745,185
Total	954,216,428

The Board of Directors proposes that the retained earnings and non-restricted equity be managed as follows:

Dividend	195,833,018
Carried forward to new account	758,383,410

Proposal on dividend

The Board of Directors proposes to the AGM a dividend of SEK 2.00 kronor per share, amounting to SEK 195.8 million. The dividend corresponds to 37 percent of the year's net profit after tax.

Note 6 Events after the end of the year

There are no events after year-end which have had a significant impact on the results or financial positions of the company.

Note 7 Operating expenses

	GROUP	
	2016	2015
<i>Costs allocated by type of cost (excluding work performed by the company for its own use and capitalized)</i>		
Raw materials and consumables	637,573	426,434
Changes in finished goods and products in progress	-133,978	-28,837
Personnel costs	561,794	471,687
Depreciation and write-down	32,640	25,229
Other external costs	604,186	441,678
	1,702,215	1,336,191

Note 8 Fees for auditing and non-auditing services

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<i>Fees and compensation, auditing, etc</i>				
Auditing assignments, EY	2,810	1,868	809	479
Non-auditing assignments, EY	204	332	204	152
Tax counselling, EY	483	523	65	-
Other assignments, EY	2,860	215	310	215
	6,357	2,938	1,388	846

Auditing assignments refer to the auditing of the consolidated financial statements, the accounts and the administration of the Board of Director's and the CEO, other tasks that befall on the company's auditor and advice or other assistance prompted by observations from such audits or the performance of such tasks. All other work is classified as other assignments. Fees for other assignments related mainly to services related to acquisitions. The 2016 AGM re-elected EY as auditor.

Note 9 Other operating income/expenses

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Other operating income				
Foreign exchange gains	240	2,365	7,867	-
Other	11,223	2,169	4,235	1,062
	11,463	4,534	12,102	1,062
Other operating expenses				
Foreign exchange losses	-	-	-	-6,305
Other	-5,652	-1,982	-2,646	616
	-5,652	-1,982	-2,646	-5,689
of which, exchange rate differences on non-hedge accounting derivatives	-21,429	-4,549	-18,388	-14,237

Note 10 Research and development expenses

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<i>R&D expenditure</i>				
Assembly Solutions	284,700	220,540		
Pattern Generators	57,104	41,912		
	341,804	262,453	321,361	40,991
<i>Capitalized development</i>				
Assembly Solutions	-7,639	-8,037		
	-7,639	-8,037	-	-
<i>Amortization on capitalized development</i>				
Assembly Solutions	12,490	12,307		
	12,490	12,307	-	-
Amortization on acquired technology	1,750	-		
Reported cost	348,406	266,723	321,361	40,991

Note 11 Segment reporting

The company has two segments. One segment comprises operations in the Assembly Solutions business area. Operations comprise development, manufacture and marketing of advanced production equipment for flexible electronics production. The equipment is used for application of solder paste or other assembly fluids on PCBs, surface mounting of electronic components on PCBs and assembly and test of camera modules.

The other segment comprises operations in the Pattern Generator business area. Operations comprise development, manufacture and marketing of extremely accurate laser pattern generators for the production of photomasks. The systems are used by electronics companies in the manufacture of displays among other things. The systems that enable photomask production are produced in a similar way despite different application areas, are distributed in a similar manner and are largely sold to the same customers regardless of application area.

The accounting principles of the segments are the same as for the Group. Net sales per geographical market is established based on the domicile of the customer.

Consolidated net sales comprise revenue from sales of goods and services. Services mainly consist of service contracts, which normally include spare parts.

Net sales per geographical market	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Sweden	30,108	27,987	31,481	805
Europe outside Sweden	333,652	378,894	229,770	-
Americas	343,225	310,504	243,967	24,022
Asia	1,592,870	1,080,638	1,495,982	978,849
Other countries	19,398	16,937	19,374	-
Total	2,319,254	1,814,960	2,020,574	1,003,676
of which, system sales	1,581,008	1,153,115	1,401,345	621,514
of which, aftermarket sales	738,246	661,845	619,229	382,162
	2,319,254	1,814,960	2,020,574	1,003,676

Non-current assets per geographical market	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Sweden	152,701	153,376	37,575	30,473
Europe outside Sweden	69,460	3,094	-	-
Americas	319,157	561	-	-
Asia	603,933	3,951	-	-
	1,145,251	160,981	37,575	30,473

	2016				2015			
	Assembly Solutions	Pattern Generators	Group-wide	Group	Assembly Solutions	Pattern Generators	Group-wide	Group
Net sales and profit/loss before taxes								
Income from external customers	885,967	1,433,287	-	2,319,254	843,590	971,370	-	1,814,960
Total income	885,967	1,433,287	-	2,319,254	843,590	971,370	-	1,814,960
<i>of which three (two) customers in Asia represent more than 10 percent of total sales</i>				913,622				600,517
Gross profit	369,627	1,040,602	-	1,410,228	383,655	691,920	-	1,075,576
Gross margin, %	42	73		61	45	71		59
Operating expenses and profit/loss before tax								
R&D expenditure	-284,700	-57,104	-	-341,804	-220,540	-41,912	-	-262,453
Capitalized development costs	7,639	-	-	7,639	8,037	-	-	8,037
Amortization of capitalized development costs	-12,490	-	-	-12,490	-12,307	-	-	-12,307
Amortization of acquired technology	-1,750	-	-	-1,750	-	-	-	-
Selling expenses	-160,736	-75,086	-2,925	-238,747	-128,062	-50,111	-1,858	-180,030
Administrative expenses	-83,554	-54,292	-	-137,846	-50,278	-40,837	-	-91,114
Other operating income and expenses	8,703	-2,893	-	5,811	3,051	-498	-	2,552
Financial income and expenses	-	-	-1,620	-1,620	-	-	202	202
Profit/loss before tax	-157,261	851,227	-4,545	689,420	-16,444	558,562	-1,656	540,463
Assets								
Capitalized development	32,782	-	-	32,782	37,633	-	-	37,633
Inventories	338,781	235,993	-	574,774	106,453	169,491	-	275,944
Trade receivables	278,508	318,278	-	596,786	163,409	107,713	-	271,123
Investments								
Capitalized development	7,639	-	-	7,639	8,037	-	-	8,037

Note 12 Transactions with related parties

Intra-group transactions

Of the Parent Company's purchases in 2016 SEK 194 (269) million was attributable to group companies. Of the Parent Company's sales in 2016 SEK 700 (321) million was attributable to group companies. All transactions are conducted on market terms. In June a merger was completed of Mycronic Technologies into the Parent Company, see note 25.

Transactions with persons in leading positions

Except what is described in Note 14, no transactions have taken place with persons in leading positions.

Note 13 Depreciation/amortization by function

Group	2016				2015				
	Customer relations	Brand	Development expenses	Tangible fixed assets	Total	Customer relations	Development expenses	Tangible fixed assets	Total
Cost of goods sold				4,970	4,970			4,404	4,404
Research and development expenses			14,240	5,613	19,853		12,307	4,628	16,935
Selling expenses	3,483	2,000		979	6,462	1,858		789	2,647
Administrative expenses				1,355	1,355			1,243	1,243
	3,483	2,000	14,240	12,917	32,640	1,858	12,307	11,064	25,229
Parent Company									
Cost of goods sold				2,743	2,743			2,925	2,925
Research and development expenses				5,576	5,576			4,628	4,628
Selling expenses				283	283			479	479
Administrative expenses				254	254			296	296
				8,856	8,856			8,328	8,328

Note 14 Employees, personnel costs and remuneration to senior executives

Remuneration to the Board and senior executives

Principles applied in 2016

The Chairman and the members of the Board are remunerated according to AGM decision. Members of the Board that are appointed by unions do not receive remuneration. No fees are paid to the boards of the subsidiaries.

Other senior executives refer to the eight individuals who, together with the CEO make up the executive management team. The executive management team is further presented on page 42-43.

The total remuneration for the CEO and other senior executives consists of basic salary, short-term incentive STI, long-term incentive LTI, other benefits and pension benefits.

STI is paid according to the fulfillment of Group targets with a maximum of 80 percent of an annual basic salary. For 2016, STI could reach a maximum of SEK 7,7 million, excluding social security expenses.

LTI shall encourage acquisition of shares in Mycronic. If a senior executive buys shares in Mycronic the company matches the amount by cash payment of the same amount. The matching amount shall be used to acquire shares in the company. The share must be kept for four years. LTI is maximized to SEK 100 thousand after tax for the CEO and SEK 50 thousand after tax for each of the other senior executives. If certain requirements after three years are met, the company shall make an additional payment corresponding up to 150 percent of the matching amount. The criteria mean that the employee still must be employed and have retained their acquired shares. In addition, the Board's established goals for financial performance must be met. Also this matching amount shall be used to acquire shares in the company, which must be kept for at least one year. If the employee terminates the employment within one year from payment of the matching amount, Mycronic has the right to reclaim the amount.

Other benefits consist of company car, housing, travels and free healthcare insurance.

Pension and health insurance is in the form of defined contribution pension premiums. For the CEO, the cost for pension and health insurance benefits can amount to a maximum of 35 percent of basic salary. For other senior executives, pension and health insurance can amount to a maximum of 30 percent of basic salary.

The principles for remuneration to the CEO and other senior executives are approved by the AGM. The principles for remuneration are prepared by the Board's remuneration committee. The board passes a decision on the proposed principles, which is then put to the AGM for approval.

In handling matters related to remuneration, external advice is sought when necessary. The main principle is to offer senior executives market based remuneration and other terms of employment. Actual levels of remuneration are determined on the basis of factors such as competence, experience and performance.

Total remuneration

Salaries and remuneration	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
The Board, CEO and other executives	24,966	23,219	20,254	21,460
Other employees	367,623	302,032	171,450	121,787
Total salaries and remuneration	392,589	325,251	191,704	143,247
Social security expenses	99,522	86,294	65,619	50,527
Pension costs	39,077	36,872	28,700	21,828
Total costs	531,187	448,417	286,023	215,602

The reported remuneration to employees include variable salary at an amount of SEK 56 (34) million excluding social security expenses, of which SEK 18 (14) million refer to the Parent Company. The STI program covers all employees.

Remuneration to the Board	2016			2015		
	Board fees	Comittee fees	Total	Board fees	Comittee fees	Total
Patrik Tigerschiöld, Board Chairman	550	-	550	500	-	500
Magnus Lindquist, chairman of the audit committee	220	55	275	200	50	250
Katarina Bonde	220	-	220	200	-	200
Per Holmberg	220	-	220	-	-	-
Ulla-Britt Fräjdin-Hellqvist	220	-	220	200	-	200
Stefan Skarin	220	-	220	-	-	-
Eva Lindqvist	-	-	-	200	-	200
Anders Jonsson	-	-	-	200	-	200
Total remuneration to the Board	1,650	55	1,705	1,500	50	1,550

Remuneration to the CEO and other senior executives 2016	Basic salary	Other remuneration	STI	LTI	Other benefits	Pension costs	Total
Lena Olving, CEO	4,100	333	2,132	238	294	1,482	8,579
Other senior executives (8 persons)	11,782	986	2,879	811	2,317	3,722	22,497
Total remuneration to the CEO and other senior executives	15,882	1,317	5,011	1,049	2,611	5,204	31,076

The LTI remuneration refers to the year's payments. In 2016, Mycronic changed accrual method regarding LTI. This means that the company reserved an amount of SEK 1,818 thousand, for future estimated LTI costs. Of the reserved amount, SEK 629 thousand refers to the CEO.

Remuneration to the CEO and other senior executives 2015	Basic salary	Other remuneration	STI	LTI	Other benefits	Pension costs	Total
Lena Olving, CEO	4,020	348	2,596	238	294	1,488	8,984
Other senior executives (7 persons)	10,201	533	3,120	613	1,488	3,068	19,023
Total remuneration to the CEO and other senior executives	14,221	881	5,716	851	1,782	4,556	28,007

In 2016, the following principles for remuneration to the CEO and other senior executives were applied. The executive management team consist of 9 (8) persons.

Basic salary

The basic monthly salary to the CEO during 2016 amounted to SEK 341,700.

Short-term incentives, STI

STI is paid according to the fulfillment of Group targets with a maximum of 80 percent of an annual basic salary. For 2016, STI to the CEO amounts to SEK 2,132 thousand and to other senior executives SEK 2,879 thousand. The outcome of STI for 2016 reached 65 percent of the maximum amount.

Long-term incentives, LTI

LTI shall encourage acquisition of shares in Mycronic. If a senior executive buys shares in Mycronic the company matches the amount by cash payment of the same amount. The matching amount shall be used to acquire shares in the company. The share must be kept for four years. LTI is maximized to SEK 100 thousand after tax for the CEO and SEK 50 thousand after tax for each of the other senior executives. If certain requirements after three years are met, the company shall make an additional payment corresponding up to 150 percent of the matching amount. The criteria mean that the employee still must be employed and have retained their acquired shares. In addition, the Board's established goals for the company's earnings per share during the year 2018 must be met. Also this matching amount shall be used to acquire shares in the company, which must be kept for at least one year.

% of women	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
The Board	33	50	33	50
Other senior executives	33	38	33	38

Board and senior executives in the Parent Company consist of 17 (16) persons.

The proportion of women in the Parent Company's Board is based on the members who are appointed by the AGM.

Average number of employees	2016		2015	
	Total	of which women	Total	of which women
Parent Company				
Sweden	286	58	204	41
Total in Parent Company	286	58	204	41
Sweden	-	-	78	11
France	11	1	12	1
Japan	43	7	44	6
China	83	13	35	7
The Netherlands	10	2	10	1
Singapore	8	2	7	2
The UK	13	4	11	4
South Korea	31	5	32	4
Germany	38	4	21	2
The US	54	11	47	10
Total in subsidiaries	291	49	297	48
Total in Group	577	107	501	89

Other benefits

Other benefits consist of company car and free healthcare insurance. For the CEO other benefits also include housing and free travels by train.

Pension

Pension and health insurance is in the form of defined contribution pension premiums. For the CEO, the cost for pension and health insurance benefits can amount to a maximum of 35 percent of basic salary. For other senior executives, pension and health insurance can amount to a maximum of 30 percent of basic salary. The employment contract with Lena Olving specifies a retirement age of 62 years. The retirement age for other senior executives is 65 years.

Employment terms and severance

The employment contract with the CEO specifies a notice period of twelve months in the event of dismissal by the company. Lena Olving is entitled to basic salary and other benefits during the notice period, after which no benefits are payable. After the notice period she is entitled to termination benefits corresponding to 12 months' salary.

For other senior executives there is a notice period of six months in the event of dismissal by the company, and after that period, termination benefits equal to six months' salary. The employment contract, with related benefits, is valid during the notice period.

Note 15 Net financial items

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Interest income from group companies	-	-	1,202	24
Other interest income (loans and receivables)	427	678	161	309
Financial income/Interest income and similar items	427	678	1,363	333
Interest expenses group companies	-	-	-	-
Other interest expenses	-2,047	-476	-1,812	-123
Financial expenses/Interest expenses and similar items	-2,047	-476	-1,812	-123
Financial net/Result from financial investments	-1,620	202	-449	209

Note 16 Appropriations and untaxed reserves

	PARENT COMPANY	
	2016	2015
Appropriations		
Increase in tax allocation reserve	-182,000	-15,000
Changes in depreciation exceeding plan	200	-10,000
Group contributions	-	-89,000
	-181,800	-114,000
Untaxed reserves		
Allocation reserve	197,000	15,000
Accumulated additional depreciation	9,800	10,000
	206,800	25,000

Note 17 Leases

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Operating leases				
The years's expensed lease charges (operating leases)	36,840	27,819	11,830	4,148
of which, variable fees	7,478	3,139	6,840	1,162
<i>Future payments under operating leases and other lease agreements (nominal):</i>				
Within one year	39,800	28,082	13,315	11,650
Between one and five years	99,393	67,313	51,593	50,585
Later than five years	75,621	51,078	66,305	48,162
<i>Future payments under operating leases and other lease agreements (present value):</i>				
Within one year	38,401	27,711	11,915	9,954
Between one and five years	94,232	62,733	46,433	44,977
Later than five years	62,721	42,556	53,406	39,640

The major part of leasing contracts refers to premises.

Note 18 Non-current receivables from Group companies

	PARENT COMPANY	
	2016	2015
Opening balance, book value	-	4,296
Additions	318,399	-
Deductions	-	-4,296
Closing balance, book value	318,399	-

Note 19 Other non-current receivables

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Opening balance, book value	40,068	28,081	25,476	16,733
Additions	1,779	14,801	110	10,980
Deductions	-18,993	-2,814	-17,990	-2,237
Closing balance, book value	22,854	40,068	7,596	25,476

Receivables mainly refer to deposits regarding lease of premises, long-term advance payments and pension insurance premiums for employees in Japan. Deductions primarily refer to the released lease deposits as a result of changes of property owner.

Note 20 Inventories

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Components	174,501	112,982	139,288	-
Finished goods	224,265	87,974	14,225	6,827
Products in progress	176,008	74,988	127,511	6,326
	574,774	275,944	281,024	13,153

Inventory write-down and similar costs at a value of SEK 10 (20) million have been charged to consolidated operating profit. The increase in inventories in 2016 is explained by acquisitions and ongoing work of assembling mask writer orders.

Note 21 Taxes

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<i>Current tax</i>				
The year's tax expense	-140,973	-27,591	-120,722	-9,860
	-140,973	-27,591	-120,722	-9,860
<i>Deferred tax</i>				
Deferred tax on temporary differences	-22,144	1,267	-669	1,639
Deferred tax on the year's used loss carryforwards		-99,094		-86,354
Deferred tax on capitalized loss carryforwards previously not accounted for		27,430		22,953
	-22,144	-70,397	-669	-61,762
Total reported tax	-163,117	-97,988	-121,391	-71,622

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Reconciliation of effective tax rate				
Profit/loss before tax	689,420	540,463	548,137	438,393
Tax according to tax rate in the Parent Company 22 (22)%	-151,672	-118,902	-120,590	-96,446
Effect of different tax rates in foreign subsidiaries	-442	-3,617	-	-
Non-deductible/ non-taxable items	-4,167	-497	-765	322
Effect of loss carryforwards previously not capitalized	-	26,276	-	22,953
Increase in loss carryforwards without corresponding capitalization of deferred tax	-5,944	-2,382	-	-
Other	-892	1,134	-36	1,550
Reported effective tax	-163,117	-97,988	-121,391	-71,622
Tax items recognized in other comprehensive income				
GROUP				
PARENT COMPANY				
	2016	2015	2016	2015
Actuarial results of benefits to employees	198	2,369	-	-
Value changes on derivatives used for hedging of foreign exchange risk in cash flow hedges	2,675	37	-	-
Exchange differences on foreign currency loans treated as net investments in subsidiaries	-	-151	-	-151
	2,873	2,255	-	-151

	2016		2015	
	Deferred tax asset	Deferred tax liabilities	Deferred tax asset	Deferred tax liabilities
Recognized deferred tax assets and liabilities				
Tangible assets	1,701	-	2,786	-
Intangible assets	-	-33,750	-	-12,883
Derivatives used as hedge instruments	7,831	-	-82	-
Trade receivables	-	-902	1,149	-
Inventories	32,438	-3,148	25,277	-
Untaxed reserves	-	-45,496	-	-5,500
Provisions	8,573	-	7,766	-
Accrued expenses	10,427	-	3,388	-
Other	2,684	-	2,586	-
Loss carryforwards	63	-	1,173	-
Deferred tax assets/liabilities	63,717	-83,296	44,043	-18,383
Setoff	-7,210	7,210	-3,096	3,096
Net deferred tax assets/liabilities	56,507	-76,086	40,947	-15,287

Setoff of tax assets and tax liabilities is carried out within the same tax entity. The Group's deferred tax liabilities net amounted to SEK 19,579 (tax assets 25,660) thousand. Of the year's changes in deferred tax assets, in total SEK 45,239 (-70,149) thousand, SEK 22,144 (-70,397) thousand was recognized in the profit and loss and

SEK -6,512 (-248) thousand was recognized in other comprehensive income. SEK 29,607 thousand was added through acquisitions.

At year-end 2015 all loss carryforwards in Sweden had been utilized.

	2016		2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Recognized deferred tax assets and liabilities, Parent Company				
Tangible assets	800	-	1,550	-
Provisions	1,625	-	219	-
Deferred tax assets/liabilities	2,425	-	1,769	-

All accumulated loss carryforwards in the Parent Company were used in 2015.

Note 22 Intangible assets

Group	BUSINESS SYSTEM		DEVELOPMENT COSTS		TECHNOLOGY		LICENSE	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>Accumulated cost</i>								
Opening balance at 1 January	29,754	29,754	782,636	774,599	23,000	23,000	17,084	17,084
Investments during the year	-	-	7,639	8,037	-	-	-	-
Investments through acquisitions					82,651			
The year's currency differences					-820	-	-	-
Closing balance, accumulated cost at 31 December	29,754	29,754	790,275	782,636	104,831	23,000	17,084	17,084
<i>Accumulated amortization</i>								
Opening balance at 1 January	-29,754	-29,754	-745,003	-732,696	-23,000	-23,000	-17,084	-17,084
The year's amortization	-	-	-12,490	-12,307	-1,750	-	-	-
Closing balance, accumulated amortization at 31 December	-29,754	-29,754	-757,493	-745,003	-24,750	-23,000	-17,084	-17,084
Closing balance, residual value at 31 December	-	-	32,782	37,633	80,081	-	-	-

Group	CUSTOMER RELATIONSHIPS		BRAND		GOODWILL		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>Accumulated cost</i>								
Opening balance at 1 January	13,000	13,000	20,000	20,000	64,344	64,344	949,818	941,781
Investments during the year	-	-	-	-	-	-	7,639	8,037
Investments through acquisitions	166,324	-	44,284	-	687,116	-	980,375	-
The year's currency differences	-1,990	-	-219	-	-2,984	-	-6,013	-
Closing balance, accumulated cost at 31 December	177,334	13,000	64,065	20,000	748,476	64,344	1,931,819	949,818
<i>Accumulated amortization</i>								
Opening balance at 1 January	-12,075	-10,218	-	-	-	-	-826,916	-812,752
The year's amortization	-3,483	-1,858	-2,000	-	-	-	-19,723	-14,164
Closing balance, accumulated amortization at 31 December	-15,557	-12,075	-2,000	-	-	-	-846,639	-826,916
Closing balance, residual value at 31 December	161,777	925	62,065	20,000	748,476	64,344	1,085,179	122,902

Parent Company	BUSINESS SYSTEM		LICENSE		TOTAL	
	2016	2015	2016	2015	2016	2015
<i>Accumulated cost</i>						
Opening balance at 1 January			29,754	29,754	17,084	46,839
Closing balance, accumulated cost at 31 December			29,754	29,754	17,084	46,839
<i>Accumulated amortization</i>						
Opening balance at 1 January			-29,754	-29,754	-17,084	-46,839
Closing balance, accumulated amortization at 31 December			-29,754	-29,754	-17,084	-46,839
Closing balance, residual value at 31 December			-	-	-	-

An individual assessment has been made of all ongoing research and development projects. Development costs that meet the criteria for capitalization are recognized in intangible assets. Capitalized costs consist of internally produced assets.

Other intangible assets refer to acquisitions. During 2016 assets were added through the acquisitions of RoyoTech, Kognitec, Axxon and AEI. Access values have been attributed to assets such as technology, customer relations, brand and goodwill. See note 26. Information about depreciation/amortization by function is provided in Note 13.

Impairment testing of intangible assets

In connection with the acquisition of Mycronic Technologies AB 2009 excess values were identified in the company's technology, brand, customer relations and goodwill. The excess values in technology and customer relations have estimated useful lives of five and seven years, respectively. At the end of 2016, acquired technology and customer relations were fully amortized. Due to the phasing out of the MYDATA brand, the company began amortization of the brand in 2016 with an estimated useful life of five years.

Goodwill with indefinite lives is evaluated through impairment testing of the cash-generating unit based on the unit's value in use. The cash-generating unit referred to is

the division SMT, which include the former business area SMT as well as operations in RoyoTech and Kognitec. At least yearly Mycronic test the reported value with indefinite useful lives. This is done by assessing the value in use of the division.

The value in use is based on cash flow forecasts, built on the management's and Board's business plan for the coming five years. After the business plan period, the expected growth rate is 2 (2) percent. The discount factor used to determine recoverable value is 13.6 (14.8) percent before tax and 11.4 (12.2) percent after tax. The most important assumptions in the five year business plan relate to sales volumes, margins, operating profit, operating capital, capital expenditure and discount factors.

Because the recoverable value thus calculated exceeds the carrying amount, no indication of impairment has been reported. Impairment due to probable changes in important assumptions is not expected.

The acquisitions of Axxon and AEI was carried out at the end of 2016. Efforts to assign values of acquired assets and liabilities is on-going since the acquisitions and acquisition analyses are still preliminary per December 31, 2016. No event after the acquisition, which indicates an impairment of the value assigned to the assets acquired and liabilities, has occurred.

Note 23 Tangible assets

Group	IMPROVEMENTS TO LEASED PROPERTY		MACHINERY AND EQUIPMENT		CONSTRUCTION IN PROGRESS		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>Accumulated cost</i>								
Opening balance at 1 January	4,273	4,273	350,416	340,157	2,875	931	357,563	345,361
Investments during the year	-	-	22,249	13,115	12,826	4,585	35,074	17,700
Reclassifications to equipment	-	-	4,597	6,692	-4,597	-2,642	-	4,050
Reclassifications to inventory	-	-	-515	-1,187	-	-	-515	-1,187
Reclassifications other	-	-	230	-	-	-	230	-
Investments through acquisitions	-	-	6,106	-	-	-	6,106	-
Historical cost sold/scrapped equipment	-4,273	-	-17,304	-8,370	-	-	-21,577	-8,370
The year's foreign exchange differences	-	-	278	10	-	-	278	10
Closing balance, accumulated cost at 31 December	-	4,273	366,057	350,416	11,105	2,875	377,158	357,563
<i>Accumulated depreciation and write-down</i>								
Opening balance at 1 January	-3,211	-2,419	-316,274	-314,825	-	-	-319,485	-317,244
Depreciation reclassifications to inventory	-	-	213	646	-	-	213	646
Depreciation sold/scrapped equipment	3,607	-	11,226	8,177	-	-	14,834	8,177
The year's amortization	-396	-793	-12,252	-10,271	-	-	-12,648	-11,064
Closing balance, accumulated depreciation at 31 December	-	-3,211	-317,087	-316,274	-	-	-317,087	-319,485
Closing balance, residual value at 31 December	-	1,062	48,971	34,142	11,105	2,875	60,072	38,078

Parent Company	IMPROVEMENTS TO LEASED PROPERTY		MACHINERY AND EQUIPMENT		CONSTRUCTION IN PROGRESS		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>Accumulated cost</i>								
Opening balance at 1 January	4,273	4,273	234,819	226,394	1,944	932	241,036	231,599
Investments during the year	-	-	8,562	12,875	12,826	4,585	21,388	17,460
Reclassifications to equipment	-	-	3,665	3,573	-3,665	-3,573	-	-
Reclassifications to inventory	-	-	-515	-1,187	-	-	-515	-1,187
Reclassifications other	-	-	230	-	-	-	230	-
Historical cost sold/scrapped equipment	-4,273	-	-13,482	-6,836	-	-	-17,755	-6,836
Closing balance, accumulated cost at 31 December	-	4,273	233,279	234,819	11,105	1,944	244,384	241,036
<i>Accumulated depreciation and write-down</i>								
Opening balance at 1 January	-3,211	-2,419	-207,352	-207,275	-	-	-210,563	-209,694
Depreciation reclassifications to inventory	-	-	213	646	-	-	213	646
Depreciation sold/scrapped equipment	3,607	-	8,824	6,813	-	-	12,431	6,813
The year's amortization	-396	-792	-8,494	-7,536	-	-	-8,890	-8,328
Closing balance, accumulated depreciation at 31 December	-	-3,211	-206,810	-207,352	-	-	-206,810	-210,563
Closing balance, residual value at 31 December	-	1,062	26,470	27,467	11,105	1,944	37,575	30,473

Tangible assets are depreciated on a straight-line basis over their expected useful life. Depreciation is started when the assets are accessible for use, as follows:

Land improvements	20 years
Clean room facilities	10 years
Other permanent equipment	5-40 years
Machinery and equipment	3-5 years
Computers	3 years

Note 24 Participation in Group companies

	PARENT COMPANY	
	2016	2015
Opening balance, historical cost	367,863	367,863
Acquisitions	754,850	-
Merger Mycronic Technologies AB	-246,709	-
Closing balance, accumulated cost	876,004	367,863
Opening balance, impairment	-2,407	-2,407
Closing balance, accumulated impairment	-2,407	-2,407
Closing balance, book value	873,597	365,456

Directly owned subsidiaries	Corp.ID no.	Domicile/ country	Number of shares	% of capital	Book value
Mycronic Technologies Corp.	607215	Japan	200	100	3,823
Mycronic Co., Ltd.	80271004	Taiwan	1,600,000	100	4,332
Mycronic Co., Ltd.	134111-0136974	South Korea	810	100	12,832
Mycronic (Shanghai) Co., Ltd.	310 000 400 631 000	Shanghai	-	100	5,857
Mycronic S.A.S.	333 906 139 000 355	France	10,000	100	8,092
Mycronic Ltd.	2524693	The UK	24,000	100	5,812
Mycronic Inc.	04-3219080	The US	10,000	100	39,561
Mycronic Pte Ltd.	199601416W	Singapore	1,000	100	477
Mycronic BV	17131339	The Netherlands	180	100	8,261
Mycronic GMBH	HRB 53381	Germany	4	100	29,600
Micronic Mydata AB	556963-0360	Stockholm	50,000	100	50
Mydata Automation AB	556963-0329	Stockholm	50,000	100	50
RoyoTech Digitalelektronik GmbH	HRB 92792	Germany	5	75	68,614
Kognitec Vertrieb and Service GmbH	HRB 203153	Germany	4	100	5,110
Shenzhen Axxon Automation Co., Ltd. 91440300682020147E		China	-	80	681,125
					873,597
Indirectly owned subsidiaries					
Automation Engineering, Inc.		The US		100	152,705
					152,705

Note 25 Merger

In June 2016, Mycronic merged Mycronic Technologies AB (corp id number 556238-6739) into the Parent Company through absorption of wholly-owned subsidiary. The profit and loss accounts of Mycronic Technologies AB from 1 January, 2016 until the merger, is included in the profit and loss accounts of the Parent Company for the second quarter. At the merger, the Parent Company took over all assets and liabilities from Mycronic Technologies AB. The merger resulted in a negative merger difference of SEK 35 million, which is accounted for in non-restricted equity.

Profit and loss accounts Mycronic Technologies AB 1 January 2016 until merger	
Net sales	213,467
Cost of goods sold	-140,976
Gross profit	72,491
Research and development expenses	-112,807
Selling expenses	-28,062
Administrative expenses	-14,805
Other income and expenses	-1,271
EBIT	-84,454
Result from financial investments	4
Profit/loss before tax	-84,450
Tax	0
Net result	-84,450

Balance sheet for Mycronic Technologies AB at merger	
ASSETS	
Fixed assets	
Financial assets	19,380
Current assets	
Inventories	277,969
Current receivables	121,369
Total current assets	399,338
Total assets	418,718
EQUITY AND LIABILITIES	
Equity	145,559
Current liabilities	273,159
Total liabilities	273,159
Total equity and liabilities	418,718

Note 26 Acquisitions

	RoyoTech/Kognitec	Axxon	AEI
Acquisition price			
Cash paid for acquisitions	55,645	451,689	312,967
Non paid for acquisitions	-	31,324	-
Holdbacks and deferred earn-outs for acquisitions (estimated fair value)	17,045	187,322	68,730
	72,690	670,335	381,697
Acquired assets and liabilities at fair value¹⁾			
Intangible assets	9,480	138,570	145,232
Tangible assets	619	1,369	4,516
Financial assets	23	-	640
Inventories	9,087	143,098	65,738
Short-term receivables	6,772	32,456	26,272
Cash and cash equivalents	7,187	38,522	28,325
Long-term liabilities	-2,859	-28,945	-
Short-term liabilities	-11,692	-111,792	-65,017
Total	18,616	213,278	205,706
Goodwill	54,074	457,057	175,991
Changes in cash and cash equivalents from acquisitions			
Cash paid for acquisitions	- 55,645	- 451,689	- 312,967
Cash and cash equivalents in acquired subsidiary	7,187	38,522	28,325
	- 48,458	- 413,167	- 284,642

1) Acquisition analyses for Axxon and AEI are preliminary as acquired assets and liabilities are not finally analyzed.

Acquisition of RoyoTech and Kognitec

In January 2016, 100 percent of Kognitec Vertrieb and Service GmbH was acquired, and 75 percent of RoyoTech Digitalelektronik GmbH, with an option to acquire the remaining 25 percent two years from the acquisition date. The seller has an option to sell the remaining 25 percent at the same point in time. Mycronic's intention is to exercise this option. Mycronic's assessment is that the terms of the options are designed so that the remaining 25 percent of RoyoTech be regarded as acquired and that the estimated price consists of an earn-out. The purchase price for the remaining 25 percent is divided into a fixed and a deferred part. The deferred part is dependent on sales volumes and earnings in the years 2016-2017.

Mycronic has made acquisition analyses. The acquisition price for the two businesses is SEK 73 million. The acquisition analyses resulted in goodwill amounting to SEK 54 mil-

lion, which is mainly related to synergies. The acquisition price is adjusted for earn-out of SEK 17 million, estimated at fair value. The companies are consolidated into the Mycronic Group as of 1 January, 2016.

RoyoTech develops and manufactures the SMD Tower, a storage solution of electronic components. Kognitec is distributing the SMD Tower. Both companies are based in Höhenkirchen, Germany and have 15 employees. Mycronic has marketed the SMD Tower worldwide since 2008. The acquisition secures the rights to a strategic product already part of Mycronic's product portfolio.

The major part of SMD Tower net sales relates to intra-group sales. Sales to external customers have had an impact on consolidated net sales in the amount of SEK 11 million. The contribution to consolidated EBIT was SEK 9 million.

Acquisition of Shenzhen Axxon Automation Co., Ltd, Axxon

During the fourth quarter, Mycronic acquired 75 percent of Shenzhen Axxon Automation Co., Ltd (Axxon) for RMB 343 million (SEK 452 million) and a possible earn-out of 33 million (SEK 43 million). The earn-out will depend on financial results for 2016.

Mycronic gained control over another 5 percent of Axxon in the end of 2016. Payment were made on 11 January, 2017. The acquisition price amounted to SEK 31 million. Mycronic then holds 80 percent of the Axxon shares.

Mycronic has an option to acquire the remaining 20 percent in three years and the seller has an option to sell the remaining 20 percent at the same point in time. Mycronic's intention is to exercise this option. Mycronic's assessment is that the terms of the options are designed so that the remaining 20 percent be regarded as acquired and that the estimated price consists of an earn-out. The purchase price will be valued on basis of earnings in 2017-2018. The price will be in the range of RMB 80-180 million. Estimated fair value at the acquisition date was SEK 144 million.

Mycronic has made a preliminary acquisition analysis. The total price amounts to SEK 670 million. According to the preliminary acquisition analysis, goodwill amounts to SEK 457 million. Goodwill is largely related to synergies such as market position in

China and sales channels as well as the value of competence held by employees. The acquisition price is adjusted for earn-outs estimated at fair value. The company was consolidated as of 25 October, 2016. Transaction costs amounted to SEK 8 million.

Axxon offers dispensing equipment for the electronics industry and is a leading actor on the Chinese market. The company is headquartered in Shenzhen in China and has 297 employees.

During 2015, net sales increased over 100 percent to approximately SEK 150 million, with an operating margin exceeding 20 percent. Axxon's market position and technological capabilities complement Mycronic's unique position, which builds on innovation and global market presence. Together, these two businesses make a leading global actor in dispensing equipment.

Axxon's operations has impacted consolidated net sales with SEK 86 million and contributed to consolidated EBIT with SEK 12 million from the acquisition day. Had the acquisition been carried out at the beginning of 2016, consolidated net sales would have been impacted by SEK 220 million and consolidated EBIT by SEK 27 million.

Acquisition of Automation Engineering, Inc., AEI

During the fourth quarter Mycronic acquired 100 percent of the American company Automation Engineering, Inc. (AEI) for USD 34 million (SEK 313 million) on a debt free basis. Under certain circumstances, based on parameters such as sales and earnings during the years 2017-2018, a possible maximum earn-out of USD 27 million. Estimated fair value at the acquisition date was SEK 69 million.

Mycronic has made a preliminary acquisition analysis. The total acquisition price amounts to SEK 382 million. According to the preliminary acquisition analysis, goodwill amount to SEK 176 million. Goodwill is largely related to the company's strong position as external provider in a growth market and the value of competence held by employees as well as synergies such as global presence in relevant market segments. The acquisition price is adjusted for earn-outs estimated at fair value. The company was consolidated as of 18 November, 2016. Transaction costs amounted to SEK 6 million.

AEI develops, manufactures, and sells innovative and market-leading solutions for

high precision assembly and test of camera modules used in electronics products. The largest customer segment is the automotive industry with significant growth for cameras in Advanced Driver Assistance Systems. The company's head office is located in Wilmington, MA, in the US and has 76 employees. In 2015 net sales reached approximately USD 19 million.

Acquisitions play an important part in Mycronic's ambition for future growth. The strategic goal is to be a global supplier of high precision/high flexibility equipment built on advanced software. AEI represents these characteristics and Mycronic now broadens the product offering further.

AEI's operations have impacted consolidated net sales with SEK 4 million and consolidated EBIT in the amount of SEK -12 million from the acquisition day. Had the acquisition been carried out at the beginning of 2016, consolidated net sales would have been impacted by SEK 122 million and consolidated EBIT by SEK -44 million.

Note 27 Non-current provisions

	GROUP	
	2016	2015
Post employment benefits	24,088	19,902
Other non-current provisions	2,172	1,127
	26,260	21,029

Post employment benefits

In the Japanese and South Korean subsidiaries, provisions are made for long-term employee benefits. On certain conditions, a lump-sum payment is made to employees when their employment is terminated, either due to retirement or when the employee leaves the company for some other reason. The French subsidiary also has a smaller obligation regarding post employment benefits. In South Korea payments are made to plan assets after decision by the employer. Other pension obligations are unfunded. Defined benefit obligations expose the Group for risks related to for example discount rates and salary increases. Plan assets are affected by changes in market values.

	GROUP	
	2016	2015
Pension expenses		
Amounts recognized in income statement		
Current service cost	3,910	3,468
Net interest	320	321
Expenses, defined benefit plans	4,230	3,789
Amounts recognized in other comprehensive income		
Remeasurement of pension obligations	1,930	7,615
Remeasurement of plan assets	-42	-15
Expenses, defined benefit plans	1,888	7,600
Total pension expenses, defined benefit plans	6,118	11,389

	GROUP	
	2016	2015
Amounts recognized in statement of financial position		
Present value of defined benefit obligation, funded plans	22,727	16,976
Fair value of plan assets	-14,546	-9,809
Net liability, funded plan	8,181	7,167
Present value of defined benefit obligation, unfunded plans	15,907	12,734
Net liability recognized in statement of financial position	24,088	19,902

	GROUP	
	2016	2015
Change in present value of defined benefit obligation		
Opening balance, defined benefit obligation	29,711	19,594
Service cost	3,910	3,468
Interest expenses	517	584
Remeasurement of pension obligations		
- demographic assumptions	-	23
- financial assumptions	1,646	-330
- experience adjustments	283	7,922
Pension payments	-	-2,157
Effect of changes in foreign exchange rates	2,566	608
Closing balance, defined benefit obligation	38,634	29,711

	GROUP	
	2016	2015
Change in fair value of plan assets		
Opening balance, plan assets	9,809	9,540
Interest income	197	263
Return excluding interest income	42	15
Employer's contribution	3,887	-
Pension payments from plan assets	-	-
Effect of changes in foreign exchange rates	611	-9
Closing balance, plan assets	14,546	9,809

Significant actuarial assumptions	Japan		South Korea	
	2016	2015	2016	2015
Discount rate, %	0.5	0.9	2.45	2.37
Future salary increases, %	3.0	3.0	6.0	5.0

Discount rate, sensitivity analysis	Change in assumption	Change in value,
		SEK thousand

Assumption

Discount rate, %	-0.50/+0.50	-1,353/1,511
Future salary increases	-0.50/+0.50	-1,772/1,929

Weighted duration for the defined benefit obligations are estimated to 8 years.

Forecasted pension payments to the plans next year are estimated SEK 0.4 million. Additional amounts can be paid to plan assets after decision of the employer.

Information on Alecta pension commitments

For some 40 employees in Sweden, the ITP 2 plan's defined-benefit pension commitments for retirement and family pension are secured through an insurance in Alecta.

According to a statement from the Swedish Financial Reporting Board, UFR 10 Reporting of the ITP 2 pension plan financed through insurance in Alecta, this is a defined-benefit plan that comprises several employers.

For the 2016 fiscal year, the company has not had access to information to be able to report its proportional share of the plan's obligations, plan assets and costs, making it impossible to report the plan as a defined-benefit plan. The ITP 2 pension plan secured through insurance in Alecta is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated and depends on salary, previously vested pension and expected remaining period of service.

Anticipated fees in 2017 for ITP 2 insurance taken out with Alecta amount to SEK 1.8 million. In 2016 the costs for premium based pension amounted to SEK 35 million.

Note 28 Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Sales revenue	83,752	3,422	80,055	2,783
Other	24,168	22,247	16,665	13,713
	107,921	25,669	96,720	16,496

Note 29 Accrued expenses and prepaid income

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Setup costs	5,430	767	5,430	767
Salaries and social expenses	107,987	57,635	40,104	33,801
Commissions	10,366	2,357	6,004	44
Deferred income	14,596	15,921	2,697	-
Other accrued expenses	64,462	36,248	52,714	20,448
	202,841	112,929	106,950	55,060

Accrued setup costs consist of the estimated remaining costs for setting up a system at a customer site. Costs for setup are easy to assess and are also small in relation to the value of the system as a whole. When setup is completed, a warranty period begins and normally lasts for twelve months.

Salaries and social expenses is primarily attributable to variable salaries, STI.

Note 30 Current provisions

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
<i>Warranty provisions</i>				
Opening balance, book value	21,925	21,958	9,303	9,737
Additions through merger	-	-	7,119	-
The year's provision	20,627	19,548	14,684	6,926
Utilized during the year	-20,334	-19,539	-14,912	-7,360
Unutilized during the year	-1,481	-42	-1,263	-
Total warranty provisions	20,737	21,925	14,931	9,303

Accrued warranty costs include the estimated remaining costs for warranty commitments. These costs are estimated on an individual basis for each system that is delivered. A provision for warranty commitments is made in connection with revenue recognition.

Note 31 Trade receivables, impairment, age analysis and other

Group	2016		2015	
	Gross	Impairment	Gross	Impairment
Trade receivables not due	480,505	1,153	197,582	528
Trade receivables, overdue 0-30 days	65,971	2,090	52,962	-
Trade receivables, overdue 30-90 days	27,248	214	7,939	-
Trade receivables, overdue 90-180 days	23,490	142	8,722	567
Trade receivables, overdue 180-360 days	6,755	3,933	3,102	754
Trade receivables, overdue >360 days	1,602	1,253	4,914	2,248
	605,571	8,785	275,221	4,098

Trade receivables overdue amount to 21 (28) percent of total gross trade receivables.

In business area Assembly Solutions sales are conducted to a large number of customers in several countries where payment terms differ from those of the company. Part of the company's sales are also conducted via distributors, which can also contribute to longer payment processes. Historically, credit losses are very limited. The company judges that the risk of losses is very low except for impairment done.

Provisions for doubtful trade receivables have been accounted for based on amounts expected to flow in. Other trade receivables are considered to have high credit quality.

No collateral is furnished, other than documentary credits and credit insurance in certain cases. The maximum credit risk exposure refers to the reported value of trade receivables.

Five customers represent 49 (27) percent of total trade receivables. For further information on customer concentration and customer risk see note 33.

Provisions for doubtful trade receivables	GROUP	
	2016	2015
Opening balance, book value	4,098	2,441
Additions	5,747	1,784
Deductions	-442	-76
Unutilized	-618	-51
Closing balance, book value	8,785	4,098

Note 31 Pledged assets

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Collateral provided for liability items in the balance sheet				
<i>Credit institutions</i>				
Floating charges	89,000	121,700	89,000	89,000
	89,000	121,700	89,000	89,000

Note 32 Contingent liabilities

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Commitment for billing by credit insurance through EKN	2,298	2,201	2,298	-
	2,298	2,201	2,298	-
of which, falling due:				
within one year	331	263	331	-
between one and five years	1,967	1,938	1,967	-
	2,298	2,201	2,298	-

Note 33 Financial risks

Financial risks arise due to negative fluctuations in Mycronic's earnings and cash flow as a consequence of changes in exchange rates and interest rates, credit risks and financing risks. The single largest financial risk is exchange rate fluctuations. Financial risks are managed in accordance with the finance policy established by the Board.

Foreign exchange risk - transaction exposure

Transaction exposure is the risk that changes in exchange rates for sales and sourcing in foreign currencies will affect consolidated earnings and the value of assets and liabilities.

Mycronic's sales are done almost exclusively in foreign currency. Most of the Group's expenses are incurred in Swedish kronor.

Sales within business area Assembly Solutions occur primarily in US-dollars and Euros. All sales within business area Pattern Generators are in foreign currency, primarily US-dollars, Japanese yen and Korean won.

Changes in exchange rates have a greater impact on income than on expenses. Mycronic's net currency exposure is significant (refer to the table below for revenue and expenses by currency). Currency hedging is undertaken in accordance with the established finance policy.

For sales of mask writers the company uses forward exchange contracts to hedge contracted cash flows, which consist of orders received. As the delivery date approaches, the hedged portion of the respective contracted inflows increases. Forecasted inflows not covered by underlying orders are not hedged. Hedge accounting is used within business area Pattern Generators.

For sales of surface mount equipment, forward exchange contracts, corresponding to at least 50 percent of the order backlog in Euros and US-dollars, are sold. Hedge accounting is not used within business area Assembly Solutions.

Effects from transaction exposure

If sales for 2016 within business area Pattern Generators were translated at the average exchange rates for 2015, without consideration of forward exchange contracts, revenues would have been SEK 46 million lower. The major part is attributable to the Japanese yen. Turnover was negatively affected by forward exchange contracts in the amount of SEK 48 million. The EBIT for PG was negatively affected by SEK 66 million as a result of forward exchange contracts.

If sales for 2016 within business area Assembly Solutions were translated at the average exchange rates for 2015, revenues would have been SEK 4 million lower. The major part is attributable to the US-dollar. The EBIT was affected negatively by forward exchange contracts at an amount of SEK 4 million.

Based on 2016 sales volumes and expenses, without consideration of forward exchange contracts, the effect on consolidated EBIT of a 10 percent change in the exchange rate of the most important currencies compared to the Swedish krona would be about SEK 152 (127) million. Equity would be affected in the same amount after tax.

Foreign exchange risk - translation exposure

Translation exposure is the risk Mycronic is exposed to when translating the financial statements of subsidiaries to Swedish kronor.

Effects from translation exposure

Mycronic's policy is to not hedge translation exposure in the financial statements. At the end of 2016, net investment in foreign subsidiaries was SEK 317 million. Translation of the balance sheets of foreign subsidiaries to Swedish krona generated a translation difference of SEK 20 (16) million after tax.

A change of 10 percent against those currencies where Mycronic has foreign net investments would affect the Group's equity by SEK 32 million after tax.

Interest risks

Interest risk refers to the risk for changes in interest rate levels affecting consolidated earnings.

Mycronic's interest risk is limited. Investments in interest-bearing financial instruments or bank accounts with fixed interest are done in accordance with liquidity plans, meaning that investments, which may not exceed six months, are held to maturity. During 2016, no investments were made in interest-bearing financial instruments.

Note 33, cont'd.

Credit risks

Credit risk is partly tied to sales and partly to liquidity management. For sales, there is a risk that customers do not fulfill their payment obligations. For liquidity management, there is a risk that the counterparty will not be able to fulfill its obligations.

Exposure to credit risks

Mycronic sells only a few mask writers to a limited number of customers, which concentrates the credit risk. Customers are, however, major manufacturers of photomasks where the mask writers comprise a small portion of the equipment in a production facility. Customers are well-known and have good credit worthiness historically. In order to reduce customer credit risk, Mycronic strives to obtain advances from customers to the highest degree possible. Especially in business transactions with new customers or within new geographic areas, the credit risk is managed through Mycronic requiring letters of credit or other collateral.

Sales of SMT equipment are spread over a large number of customers and the credit risk is therefore limited. Credit risk is managed through credit control. Credit limits are established and monitored.

Credit exposure in trade receivables at year-end was SEK 597 (271) million. The average credit period was 62 (56) days for business area Assembly Solutions and 16 (37) days for business area PG. For information on the ageing structure of trade receivables and provisions for doubtful trade receivables, see note 31.

Financial investments are made in high quality financial instruments or in bank deposits. Mycronic's maximum financial credit exposure consists of the fair values

of financial assets, see note 34. At year-end 2016, the total financial credit exposure, excluding trade receivables, was SEK 210 (899) million, of which SEK 209 (898) million was liquid assets.

Liquidity risks

Liquidity risk refers to the risk that the company may not be able to meet its payment obligations on the settlement date.

Mycronic's net cash at the end of 2016 was SEK 198 million. Investments of excess liquidity are done in such a way that the Group assumes no significant liquidity risk. This means that excess liquidity is placed in bank deposits or in other interest-bearing instruments where it is possible to liquidate on short notice. Liquidity is monitored continuously. Liquidity forecasts are compiled quarterly in order to provide a basis for decisions on possible investments.

Liquidity reserve

SEK million	2016	2015
Credit line	712	37
Cash and cash equivalents	209	898
Total	921	935

Revenue and expenses by currency

Currency	% of revenue	% of expenses	Average rate 2016	Average rate 2015	Closing rate 2016	Closing rate 2015
USD	48	17	8.5613	8.4350	9.0971	8.3524
EUR	13	14	9.4704	9.3562	9.5669	9.1350
JPY (100)	26	10	7.9013	6.9678	7.7729	6.9346
GBP	1	1	11.5664	12.8962	11.1787	12.3785
SEK	1	50	1.000	1.000	1.000	1.000
KRW (100)	5	2	0.7395	0.7457	0.7571	0.7131
CNY	5	5	1.2879	1.3424	1.3091	1.2868
SGD	0	0	6.2001	6.1343	6.2874	5.9080

Note 34 Financial assets and liabilities

The following table present the Group's financial assets and liabilities, stated at book and fair value and classified in the categories;
 Derivatives, hedge accounting
 Derivatives, non-hedge accounting, recognized in profit and loss at fair value
 Liabilities, recognized in profit and loss at fair value
 Loans and trade receivables
 Other liabilities

Risk management

A description of the Group's financial risks and risk management is provided according to IFRS 7 in Note 33.

Outstanding forward exchange contracts at 31 December 2016

The Group's holdings of forward exchange contracts at 31 December 2016, can be broken down into the following underlying amounts and maturities. The forward exchange contracts fall due at a time when the secured flows are expected to affect earnings. The table shows the undiscounted value of the forward exchange contracts.

	Currency	Amount thousand	Value, TSEK	Maturity
EUR, sold	EUR	2,670	65	Q 1-17
EUR, sold	EUR	230	-10	Q 2-17
JPY, sold	JPY	152,000	-167	Q 1-17
JPY, sold	JPY	821,060	1,054	Q 2-17
JPY, sold	JPY	76,560	-120	Q 3-17
USD, sold	USD	36,465	-29,760	Q 1-17
USD, sold	USD	7,319	-3,445	Q 2-17
USD, sold	USD	6,180	-2,997	Q 3-17
USD, sold	USD	960	-703	Q 4-17
USD, sold	USD	4,770	-4,117	Q 1-18
Total			-40,200	

Fair value and carrying amount

IFRS 13 Fair Value Measurement include a valuation hierarchy regarding data to be used in the valuation. This valuation hierarchy is divided into three levels, in accordance with the levels introduced in IFRS 7 Financial Instruments: Information.

Mycronic uses level 2 according to the valuation hierarchy when measuring forward exchange contracts at fair value through current market prices and current exchange rates on the closing day. At valuation of earn-outs related to acquisitions, level 3 in the valuation hierarchy is applied.

Outstanding forward exchange contracts at 31 December 2015

	Currency	Amount thousand	Value, TSEK	Maturity
EUR, sold	EUR	1,900	289	Q 1-16
JPY, sold	JPY	30,000	12	Q 1-16
JPY, sold	JPY	498,960	112	Q 2-16
JPY, sold	JPY	565,240	-491	Q 3-16
JPY, sold	JPY	244,000	40	Q 4-16
JPY, sold	JPY	41,000	8	Q 1-17
JPY, sold	JPY	24,000	18	Q 2-17
JPY, sold	JPY	4,000	3	Q 3-17
USD, sold	USD	16,795	63	Q 1-16
USD, sold	USD	700	-1	Q 3-16
USD, sold	USD	70	-107	Q 4-16
USD, sold	USD	5,250	-505	Q 1-17
USD, sold	USD	100	-22	Q 3-17
Total			-579	

Financial assets and liabilities, Group 2016	Derivatives, hedge accounting	Derivatives, recognized at fair value	Loans and trade receivables	Liabilities, recognized at fair value	Other liabilities	Total carrying amount	Total fair value
<i>Trade receivables</i>			596,786			596,786	596,786
<i>Other receivables</i>							
SEK			23,737			23,737	23,737
USD		456	51,187			51,643	51,643
JPY	1,087		30,462			31,549	31,549
EUR		237	32,897			33,134	33,134
GBP			4,703			4,703	4,703
TWD			1,607			1,607	1,607
KRW			13,794			13,794	13,794
SGD			535			535	535
CNY			49,666			49,666	49,666
Total assets	1,087	693	805,374	-	-	807,154	807,154
Of which, cash and cash equivalents			208,589				
<i>Financial liabilities</i>							
Earn-outs				306,732		306,732	306,732
Short-term interest-bearing payables liabilities					10,735	10,735	10,735
Trade payables					185,809	185,809	185,809
Forward exchange contracts	13,711	23,662				37,374	37,374
Total liabilities	13,711	23,662	-	306,732	195,544	540,650	540,650
Recognized loss (change in value)		-21,429					

Of total earn-outs, SEK 238 million refer to the Parent Company, of which SEK 164 million is recognized as long-term liabilities and SEK 74 million as short-term liabilities.

Financial liabilities, maturity structure, Group 2016 (future non-discounted cash flows)

Currency	Nom. amount in currency	Total SEK thousand	Within 1 month	1-3 months	3 months -1 year	1-5 years
<i>Trade payables</i>						
SEK	64,767	64,767	64,767			
EUR	1,328	12,709	12,709			
JPY	145,540	11,266	6,699	4,567		
USD	4,325	39,343	30,932	7,883	528	
GBP	42	470	423	24	23	
SGD	2	14	11		3	
CNY	43,710	57,221	11,675	42,683	2,863	
KRW	2,442	18	18			
<i>Other financial liabilities</i>						
Earn-outs, CNY	211,545	276,933	31,169		43,013	202,751
Earn-outs, USD	9,745	88,651				88,651
Earn-outs, EUR	1,866	17,851				17,851
Liabilities to credit institutions, CNY	8,200	10,735	393	1,178	9,164	
Forward exchange contracts	41,895	41,895	20,734	9,741	7,303	4,117
Total	621,873	179,530	66,076	62,897	313,370	

At year-end the balance sheet item Cash and cash equivalents consisted of bank balances. Granted unutilized bank overdraft facilities amount to SEK 712 (37) million.

Financial liabilities, maturity structure, Group 2015 (future non-discounted cash flows)

Currency	Nom. amount in currency	Total SEK thousand	Within 1 month	1-3 months	3 months -1 year	1-5 years
<i>Trade payables</i>						
SEK	62,885	62,885	62,647	237		
EUR	1,279	11,682	11,395	287		
JPY	96,223	6,673	5,444	1,228		
USD	915	7,642	6,553	901	188	
GBP	131	1,622	1,474		148	
SGD	2	12	9		3	
CNY	155	199	15	121	63	
KRW	23,978	171		171		
<i>Other financial liabilities</i>						
Forward exchange contracts	1,228	1,228	91	492	623	22
Total	92,115	87,629	3,438	1,026	22	

Deferred considerations for acquisitions

	GROUP	
	2016	2015
Opening balance, book value	-	-
Estimated liabilities related to acquisitions	266,246	-
Discounting	3,760	-
Currency differences	-1,619	-
Closing balance, book value	268,387	-

The balance item is related to deferred considerations for the acquisitions of Axxon and AEI as well as a smaller amount related to RoyoTech. See note 26.

The deferred considerations have been discounted using a discount factor of 12.2 percent for Axxon and 14.6 percent for AEI.

Note 34, cont'd.

	Derivatives, hedge accounting	Derivatives, recognized at fair value	Loans and trade receivables	Other liabilities	Total carrying amount	Total fair value
Financial assets and liabilities, Group 2015						
<i>Trade receivables</i>			271,123		271,123	271,123
<i>Other receivables</i>						
SEK			735,955		735,955	735,955
USD	210	743	44,324		45,277	45,277
JPY	240		41,560		41,800	41,800
EUR		295	29,288		29,583	29,583
GBP			15,171		15,171	15,171
TWD			1,384		1,384	1,384
KRW			20,271		20,271	20,271
SGD			407		407	407
CNY			9,371		9,371	9,371
Total assets	450	1,038	1,168,855		1,170,343	1,170,343
Of which, cash and cash equivalents			897,732			
<i>Financial liabilities</i>						
Trade payables				90,887	90,887	90,887
Forward exchange contracts	942	174			1,116	1,116
Total liabilities	942	174	-	90,887	92,003	92,003
Recognized loss (change in value)		-4,549				

Note 35 Reconciliation alternate ratios

ESMA (The European Securities and Markets Authority) has issued guidelines regarding alternate ratios for listed companies. Alternate ratios relate to financial key figures used by management, to control and evaluate the Group's business, which can not be directly inferred from the financial statements. These ratios are also considered to be of interest to external investors and analysts who monitor the company. For financial definitions see page 45.

	2016	2015
Return on equity		
Net profit	526.3	442.5
Opening balance equity	1,268.2	1,207.1
Closing balance equity	1,411.6	1,268.2
Average equity	1,339.9	1,237.7
Net profit/average equity	39%	36%
Book-to-bill		
Order intake	2,454.5	2,178.8
Net sales	2,319.3	1,815.0
	1.1	1.2
EBITDA		
EBIT	691.0	540.3
Depreciation/amortization	32.6	25.2
	723.7	565.5
Equity per share		
Equity at balance day	1,411.6	1,268.2
Number of shares at year-end	97,917	97,917
	14.42	12.95

	2016	2015
Capital turnover rate		
Net sales	2,319.3	1,815.0
Opening balance capital employed	1,268.2	1,207.1
Closing balance capital employed	1,422.3	1,268.2
Average capital employed	1,345.3	1,237.7
Net sales/average capital employed	1.7	1.5
Net debt/Net cash		
Interest-bearing liabilities	-10.7	-
Cash and cash equivalents	208.6	897.7
	197.9	897.7
Earnings per share		
Net profit	526.3	442.5
Number of shares at year-end	97,917	97,917
	5.4	4.5

Auditor's report

To the general meeting of the shareholders of Mycronic AB, corporate identity number 556351-2374

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Mycronic AB (publ) except for the corporate governance statement on pages 36-43 for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 30-68 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 36-43. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of finished goods and products in progress

As of 31 December, 2016, Inventory of finished goods and products in progress amount to 400 MSEK. A detailed specification of the composition of the inventory is presented in note 20 of the annual report. Inventories are valued at the lower of cost and net realizable value. Finished goods and products in progress is recognized at production cost less any obsolescence. Production cost is calculated using a stock accounting model to allocate direct and indirect production related costs to the manufactured products. An incorrect allocation of costs affect the valuation of finished goods and products in progress as well as cost of goods sold. Thus we have considered valuation of finished goods and products in progress as a key audit matter. A presentation of the applied accounting principles on valuation of finished goods and products in progress is shown in the section of account-

ing principles in note 2 of the annual report. The estimates and assumptions associated with the valuation of inventory of finished goods and products in progress is shown in note 4.

In our audit, we have evaluated the applied stock accounting model. Furthermore, we have confirmed calculations, performed sample testing on purchase prices to confirm the valuation of raw materials, components and other production related costs and assessed the reasonableness of the assumptions used to allocate indirect production related costs.

Acquisition in China

In 2016, Mycronic acquired 80 % of Shenzhen Axxon Automation Co., Ltd. In addition to the purchase price of 483 MSEK, a contingent consideration will be paid dependent on the performance of the acquired business in 2016. The contingent liability has been recorded to the fair value of 43 MSEK. Furthermore, the share purchase price agreement contains a put and call option that gives Mycronic the right and the obligation to acquire the remaining 20 % of the shares after three years. Due to the terms of the agreement, Mycronic has treated the acquired company as a wholly-owned subsidiary in the consolidated financial statements. The Purchase price of the remaining 20 % is dependent on the financial performance of the acquired company for the years 2017 and 2018. The contingent consideration recognized as a liability in the consolidated statement of financial position has been recorded to the fair value of 144 MSEK. Thus, the total purchase price amounts to 670 MSEK.

In connection with the acquisition the company allocated values based on the purchase price to acquired assets and liabilities for the purpose of the consolidated financial statements. The valuation of acquired assets and liabilities requires assumptions about the future financial performance as well as other related assumptions. The estimates and assumptions associated with acquisitions is presented in note 4 of the annual report. Any changes in assumptions can affect the estimated purchase price as well as the fair value of acquired assets and liabilities. Thus, we consider the acquisition a key audit matter. A detailed description of the acquisition as well as specification of the purchase price allocation is presented in note 26 of the annual report.

We have assessed the applied procedure to allocate the purchase price to the acquired assets and liabilities. We have engaged our valuation specialists to assess the reasonableness of the applied valuation model and the assumptions made. We have also assessed the reasonableness of the assumptions made to determining the fair value of the contingent consideration as well as the put and call option. Finally, we have reviewed the disclosures in the annual report concerning the acquisition.

Acquisition in USA

In 2016, Mycronic acquired 100 % of Automation Engineering Inc. In addition to the purchase price of 313 MSEK, a contingent consideration will be paid dependent on the performance of the acquired business for the years 2017 and 2018. The contingent liability has been recorded at the fair value of 69 MSEK. Thus, the total purchase price amounts to 382 MSEK.

In connection with the acquisition the company allocated values based on the purchase price to acquired assets and liabilities for the purpose of the consolidated financial statements. The valuation of acquired assets and liabilities requires assumptions about the future financial performance as well as other related assumptions. The estimates and assumptions associated with acquisitions is presented in note 4 of the annual report. Any changes in assumptions can affect the estimated purchase price as well as the fair value of acquired assets and liabilities. Thus, we consider the acquisition a key audit matter. A detailed description of the acquisition as well as specification of the purchase price allocation is presented in note 26 of the annual report.

We have assessed the applied procedure to allocate the purchase price to the acquired assets and liabilities. We have engaged our valuation specialists to assess the reasonableness of the applied valuation model and the assumptions made. We have also assessed the reasonableness of the assumptions made to determining the fair value of the contingent consideration. Finally, we have reviewed the disclosures in the annual report concerning the acquisition.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-29. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsnämnden's (the Supervisory Board of Public Accountants) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Mycronic AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at Revisorsnämnden's (the Supervisory Board of Public Accountants) website at: http://www.revisorsinspektionen.se/rn/show-document/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 36-43 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 15 March 2017
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

History – Assembly Solutions

1973

TWO YOUNG INVENTORS, Lennart Stridsberg and Gunnar Rodin, started MYDATA AB to build desktop computers for measuring and control purposes. They also develop a system for manual PCB mounting, where a fast-moving light beam showed the operator where to place the components. The machine was called Logpoint.

1982-1983

THE COMPANY consisted of five engineers. At an electronics exhibition, they found that most mounting machines for PCBs were extremely inflexible. The emphasis was on large volumes and long series. They started thinking about a way to make mounting faster by making it easier to replace components and switch between jobs. Cooperation with Thomson CSF in France was initiated. MYDATA's engineers developed a completely automated, flexible mounting machine.

1984-1994

IN 1984 THE COMPANY was reorganized as MYDATA automation AB to create the prerequisites to realize this wholly-automatic machine. The first prototype, the TP9, was demonstrated in 1985 and became a success. The TP9 could handle all types of components and sizes – all on a single platform. The machine had split axels, a camera for control of reference marks, software for centering of electrical components, and a compact tape warehouse. It fulfilled all requirements for flexibility in the high-mix segment. BBT and Tigerschiöld entered as new owners in 1985 and 1986 respectively.

PRODUCTION EXPANDED and Mårten Lundberg took over as CEO in 1988. In 1989, 80 TP9 machines were installed. Working closely with customers became an important marketing tool. A world-wide agent and distributor network was built up. The TP9 was launched in the US in 1989 and in 1990 the seven first machines were sold.

Two new development projects were started. A new product serie, the TP18, and a new steering system, the TPSys, with user friendliness in focus, were developed. Development on the TP18 is implemented on a new machine, the TP9-UFP. During 1993–94, a record number of TP9-UFPs were sold.



1995-1998

IN 1995, THE TP11-UFP was launched and in 1996 the HYDRA magazine was launched. At the same time, development begins on a new machine to match the HYDRA, and the MY series was launched. The company now had over 200 employees and moved to Bromma in 1997. In 1998, the MY15 and MY19 were launched. The installed base reached 1,600 machines. The Jet printing technology was developed and the first PCB was manufactured.

1999-2008

IN 1999, THE MY19 based on a new modular approach, was introduced. A sales record was achieved in 2000.

IN 2001, THE REVOLUTIONARY component feeder Agilis was introduced and the first jet printing machine was tested in field. There were 2,200 machines installed at 1,200 customer sites. The Agilis system with intelligent feeders was introduced in 2002. The MY500 was launched at Productronica 2005, and in 2006 the first system was sold to Ericsson. Development of the MY100 was intensive during 2007. The TP9 epoch ends and was removed from the product portfolio. At the same time, the innovative stitch mazazine, Agilis SM, was introduced. In 2008, the MY100DX and the SMD Tower – an intelligent storage system for components – were launched.



2009-2014

MYDATA AUTOMATION AB was acquired by Micronic Laser Systems AB and changed name to Micronic Mydata AB. In 2011, new, faster mounting machines, the MY100e series, were introduced. At the same time, a further developed Agilis, adapted for wide tapes, was introduced. Components became smaller and smaller. In 2013, the new platform MY200 was available. The platform offered higher productivity with improved placement accuracy.

A new jet printer, the MY600, was introduced in 2014 – a machine that is 50 percent faster than its predecessor. The company's jet printing technology has been developed to apply more than one million droplets of solder paste per hour.

2014

THE GROUP IS renamed Micronic.

2015

NEW FUNCTIONALITY was launched for material handling and for jet printing on larger PCBs. At Productronica 2015, new dispensing functionality built on the MY600 platform was launched, as well as MYCRONIC 4.0, a complete production solution for modern electronics manufacturing.

2016

THREE ACQUISITIONS are made. The SMT business area is renamed Assembly Solutions. A MY600 with functionality for dispensing of several assembly fluids is launched.

History – Pattern Generators

1970

DURING THE 1970S, inventors under the leadership of Gerhard Westerberg started research on microlithography at the Royal Institute of Technology in Stockholm. The goal was to develop equipment for writing photomasks for the semiconductor industry.

1984-1988

GERHARD WESTERBERG, together with seven employees, started a company to commercialize the research results. A laser-based mask writer was launched.



1989-1999

AFTER GERHARD WESTERBERG'S death, the staff, led by Nils Björk, took over the company with the support of the Småföretagsfonden. Micronic Laser Systems was founded in 1989.

A WEAK SEMICONDUCTOR market made Micronic look for other markets for its technology. A mask writer for shadow masks for CRT TVs was developed. The mask writer LRS1100 became the industry standard in the 1990s. The first order for a mask writer for display manufacturing was received from LG in South Korea in 1992. The big breakthrough for mask writers for shadow masks came 1994-95 with orders from China and Japan. Micronic was growing quickly, from 30 employees in 1995 to more than 150 employees in 1999. Service operations became increasingly important. Subsidiaries were established in Japan and the US.

AS THE DISPLAY MARKET evolved, Micronic continued to cooperate closely with customers to develop the mask writers. Laptops appeared on the market. The LRS11000 was introduced to produce photomasks for manufacturing of flat displays for laptops as well as desktop computers. The development of mask writers for displays contributed to Micronic's re-entering on the semiconductor market. The Omega series and the unique SLM technology were introduced. Application areas for mask writers expand and the MP series for electronic packaging was developed.

2000

MICRONIC WAS LISTED On the Stockholm stock exchange. The Sigma series was introduced on the semiconductor market.

2001-2008

THE LRS15000 FOR manufacturing of displays photomasks was introduced and a record number of systems were sold during 2003-2004. The TFPS series for manufacturing of photomasks for electronic packaging was launched in 2006.

THE PREXISION SERIES for manufacturing of advanced photomasks for displays was introduced in 2007. The same year, Apple introduced the Iphone, the start of explosive growth for smart phones. Displays become more common in electronic products such as digital cameras, phones, tablets, etc. Every display manufacturer in the world use Micronic's systems for display manufacturing. Development of a direct writer began in 2008.

2009

MICRONIC LASER SYSTEMS acquired MYDATA automation AB and renamed to Micronic Mydata AB. The company created a world-class support organization to secure maintenance of its mask writers. A direct writer, the LDI, based on several innovative solutions and concepts, was developed during 2010-2012. The system met future technical requirements thanks to its advanced solutions. However, the slow development pace of market performance requirements made customers hesitant to invest in the company's LDI technology. The company focused on maintaining systems in the field.

A NEW GENERATION of mask writers for display production, the Precision-80, was launched 2014. Industry requirements have risen continuously. A new generation of mask writers was required to enable efficient manufacturing of future electronic products with advanced displays. Efficient and intensive development efforts led to shipment of the first system by the end of 2014.

2014

THE GROUP IS renamed Mycronic.

2015

MYCRONIC ESTABLISHED a replacement offering for older mask writers. The replacement system is based on the new Precision platform and is scalable, which makes it possible for customers to upgrade later. The offering was well-received on the market and quickly led to several orders. In 2015, a new measuring system was launched for quality assurance of the most advanced photomasks. The measuring system allows customers to fully utilize mask writers from the Precision series.

2016

MYCRONIC LAUNCHED the mask writer P-800 for future manufacturing of the most advanced high-resolution displays.



Glossary

● ADAS

Advanced Driver Assistance System. Systems to support the driver of a vehicle.

● AMOLED

Active-Matrix Organic Light-Emitting Diode. In an AMOLED display each pixel is its own light source. This enables production of thinner and more power effective displays.

● Assembly solutions

A term including a great variety of production solutions for the assembly of electronics.

● Component feeder - Agilis

The feeder is a vital part in the mounting machine, which feeds the component to an exact position where it is picked up to be mounted on the circuit board.

● Dispensing

Dispensing technology is used in the manufacturing of electronics to apply dots of solder paste or adhesives on circuit boards.

● Electronic packaging

The manufacturing step that packages a semiconductor chip so that it is protected and can be connected to other electronics components in electronic products.

● EMEA

A geographical term that comprise Europe, the Middle East and Africa.

● Fluids

In electronics manufacturing many different types of fluids are used in the assembly process. A few examples are adhesives and conductive adhesives.

● Internet of Things

A term for when machines, vehicles, goods, household appliances, clothing and other items are equipped with built-in sensors that enable communication with other items.

● Jet printing

A technology for non-contact application of solder paste on circuit boards.

● LCD

LCD (Liquid Crystal Display), is the dominating technology for the manufacturing of displays. LCD is based on liquid crystal material. There are two main LCD technologies: active (TFT-LCD) and passive (PM-LCD or TN/STN LCD).

● LED

Light Emitting Diodes, so called LEDs are used as light source in the thinnest TFT-LCD panels.

● Lithography

A technique to transfer a design (pattern) from a template to a solid material.

● Mask writer

Exposue equipment used for the manufacture of photomasks.

● Multi purpose

A broad market segment for many different application areas. Some of them are electronic packaging and touch screen applications.

● Nanometer, nm

One billionth of a meter, or one millionth of a millimeter.

● Pattern Generator

Pattern Generator (PG) is a collective name for mask writers and direct writers.

● Photomask

A photomask can be compared to a photo negative. A pattern is written with a mask writer and transferred to the end product by a lithographic process. The photomask consists of a transparent substrate of glass or quartz that is covered with a thin layer of chrome and a layer of photoresist. After writing, the photoresist is developed and the pattern is transferred to the chrome layer by etching.

● Pick and Place

A term for machines that pick and place electronic components on a circuit board.

● PPI

Pixels per inch. A unit for pixel density per inch in a display, in for example computers, tablets and smart phones.

● Semiconductor

An electronic component containing more than one circuit element on the same silicon chip, such as memories, processors and amplifiers.

● Solder paste

Material that create electrical and mechanical connection between the PCB and its electronic components.

● TFT-LCD

TFT-LCD, an active LCD display, providing better image quality and faster response than a passive. It is the standard technology in computers and TV. TFT-LCD is also common in mobile phones. The active LCD displays have a Thin Film Transistor (TFT) in each pixel.

● UHD

Ultra High Definition. UHD is a standard for TV resolution with significantly higher resolution than earlier.

Shareholder information

FINANCIAL REPORTING 2017

Interim report January-March, 20 April

Interim report January-June, 14 July

Interim report January-September, 19 October

FINANCIAL INFORMATION

The 2016 annual report will be published on the web site and through a press release on April 13, 2017 at the latest.

Financial reports and press releases are available on the web site www.mycronic.com. It is possible to subscribe for press releases and financial reports through a subscription service on the web site.

DISTRIBUTION OF THE ANNUAL REPORT 2016

A printed version of the annual report is distributed to those who request it. On the web site Mycronic publish both a pdf version and an online version of the annual report.

ANNUAL GENERAL MEETING (AGM) 2017

The AGM will be held on Thursday 4 May, 2017 at 5 p.m.

It will be held in "Stora Aulan" at Norra Latin/

Stockholms City Conference Centre, Drottninggatan 71 B in Stockholm.

Refreshments will be served before the AGM, at 4 p.m.

RIGHT TO PARTICIPATE AT THE AGM

Shareholders who wish to participate at the AGM must be registered in the share register held by Euroclear Sweden AB as of April 27, and advise the company of their intention to participate at the AGM latest on April 27, 2017.

REGISTRATION

Registration can be done on the web site, www.mycronic.com

or by telephone +46 8 638 52 23.

The registration should include name, address, telephone number, personal or corporate identification number and registered shareholding.

Power of attorney, when needed, should be sent to Mycronic in connection with the registration by e-mail or by mail to the following address:

Bolagsstämman 2016, Mycronic AB (publ), Box 3141, S-183 03 Täby, Sweden.

NOMINEE SHARES

To be entitled to participate in the AGM shareholders whose shares are held in the name of a nominee, must request that the shares are temporarily re-registered in their own name with Euroclear Sweden AB.

This must be done well in advance of April 27, 2017, which is the date when the registration must be finalized.

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When passion meets innovation ●