

MYCRONIC

Annual and Sustainability Report

2017





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



# 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 for electronics production which meet high requirements for precision and flexibility. Customers are located all over the world.

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

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

Assembly Solutions provides a complete offering of production solution for surface mounting and assembly equipment for camera modules. During

2017, Assembly Solutions broadened its product offering by launching two product series, and through the acquisition of Vi TECHNOLOGY in France. The product offering comprises equipment for application of solder paste, dispensing of assembly fluids, mounting of electronics components onto circuit boards, and inspection equipment. It also offers equipment for assembly of camera modules for driver assistance in cars.

Mycronic's mask writers, offered within Pattern Generators, are indispensable for manufacturing photomasks. Photomasks are used by world-leading electronics manufacturers for production of the advanced displays used in smart phones, tablets, TVs and computers, and for applications within, for example, electronic

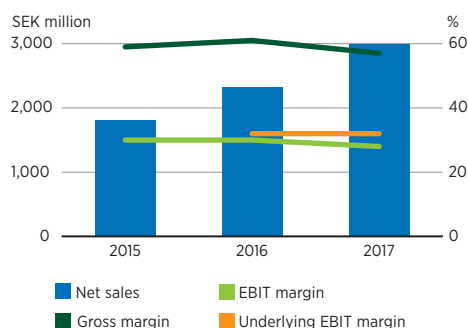
packaging.

Mycronic's production systems are used by more than 3,000 electronics manufacturers world-wide. Through its global organization, with subsidiaries in ten countries and through distributors and agents, Mycronic delivers equipment and services to customers in more than 50 countries. Local presence ensures a deep understanding of the market as well as fast service for the Company's customers, who are often dependent on support for round-the-clock production.

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

<b>FINANCIAL OVERVIEW</b>	2017	2016	2015
Order intake, SEK million	3,567	2,455	2,179
Net sales, SEK million	3,001	2,319	1,815
Order backlog, SEK million	1,927	1,342	1,066
Gross margin, %	57.3	60.8	59.3
EBIT, SEK million	848	691	540
EBIT margin, %	28.3	29.8	29.8
Underlying EBIT, SEK million	955	735	-
Underlying EBIT margin, %	31.8	31.7	-
R&D expenditure, SEK million	335	342	262
Earnings per share, SEK	6.40	5.38	4.52
Average number of full-time employees	962	577	501

### NET SALES AND MARGINS



# +29%

Net sales amounted to SEK 3,001 (2,319) million, an increase of 29 percent in 2017.

Assembly Solutions grew 60 percent to SEK 1,419 (886) million. The underlying EBIT in Assembly Solutions improved considerably reaching SEK 19 (-113) million. Pattern Generators delivered a strong EBIT of SEK 940 (851) million.



More than  
**40**  
years of experience in  
innovation.



More than  
**1,000**  
employees in 10 countries.

Mycronic is represented  
in more than  
**50**  
countries.

Almost  
**500**  
patents prove the power  
of innovation.



More than  
**3,000**  
customers use production  
equipment from  
Mycronic.

More than  
**12,000**  
systems in use with  
Mycronic's customers.



**3,001**  
SEK million

## Record strong demand

In 2017, the order intake, sales and earnings all reached record high levels. The order intake was SEK 3,567 million and net sales came in at SEK 3,001 million.

**848**  
SEK million

## Strong EBIT

Mycronic continues to execute the established strategy and the Group reported continued strong profitability. EBIT amounted to SEK 848 million in 2017. The underlying EBIT margin, excluding acquisition-related expenses, was 32 percent.

**1**

ACQUISITION

## Acquisitions provide a complete offering

During the year, Assembly Solutions acquired Vi TECHNOLOGY, which offers advanced inspection equipment. Mycronic thereby created a complete offering of production solutions in SMT, allowing our customers' productivity to improve even further.

# Content

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**Order intake:**  
SEK 3,567 (2,455) million

**Net sales:**  
SEK 3,001 (2,319) million

**EBIT:**  
SEK 848 (691) million

**Underlying EBIT:**  
SEK 955 (735) million

# “Positioned for growth”

**Mycronic’s journey continues with the aim of being a global, diversified equipment supplier of sustainable production solutions for electronics manufacturing requiring high precision and great flexibility.**

We are working every day to meet clear goals, and when I reflect on what has happened over the last few years, the change is tremendous. I am convinced that we are thinking right and doing right every single day, and this positions us well for the future. Today, Mycronic is a global company with over 1,000 employees in ten countries and with development and production sites on three continents. We have executed five acquisitions since 2016, the most recent being Vi TECHNOLOGY in October 2017. Acquisitions were within the Assembly Solutions business area where we see the greatest potential for growth.

We have strengthened our position within Assembly Solutions by creating a complete offering of production solutions for SMT, an offering that meets industry requirements and provides customers with complete solutions instead of individual production systems. Through acquisitions and our own product development, we have achieved a global position within new application areas and new geographic areas with a focus on Asia. We are now the fourth largest supplier of dispensing equipment. Additionally, we have established ourselves in a new growth area within what we call assembly automation, which currently comprises equipment for assembly of camera modules for the automotive industry. Here we have a leading position from both a technical and market perspective. The segment shows strong growth with a trend towards advanced driver assistance and self-driving cars as the driving forces. We see good opportunities to further expand the assembly automation business within Assembly Solutions.

## 2017 – A YEAR CHARACTERIZED BY NEW RECORDS

In 2017, segments of the electronics industry where we operate developed favorably. Demand and Mycronic’s results in 2017 are the proof. Growth in 2017 was 29 percent and net sales amounted to SEK 3,001 million with profitability remaining good. The underlying EBIT amounted to SEK 955 million, or an EBIT margin of 32 percent. Consolidated order intake was also at record high, increasing 45 percent to SEK 3,567 million. We entered 2018 with an order backlog of SEK 1,927 million.

Assembly Solutions exhibited a positive underlying EBIT while we continued to make significant investments in product development. These investments, together with acquisition-related expenses within Assembly Solutions, explain in part the difference in EBIT between the business areas.

In business area Pattern Generators, demand remained high for advanced equipment to meet the higher requirements for displays, and in September we received the single largest order in the Company’s history for USD 90-100 million.

Mycronic is an innovative company in an industry characterized by rapid change. Investment in development is necessary to maintain and increase our competitiveness and to enable growth. Thanks to favorable demand and an excellent result, we have been able to do what we believe is necessary. We’ve had good leverage in product development with several new product launches. We will continue our efforts even if development costs decrease in relation to net sales decreases. Our development costs are somewhat lower than what is typical for the industry.

## TRENDS WITHIN THE ELECTRONICS INDUSTRY BENEFIT US AND OUR CAPACITY FOR INNOVATION

Trends within the electronics industry favor us. As consumers, we are constantly demanding products that can cope with more, whether it be our phones, household appliances, or cars. These rising demands lead to increased complexity and shorter product life cycles, which necessitates equipment that is capable of rapid changeovers and which produces high quality electronics. Mycronic has long been an established supplier of such advanced production equipment.

I would particularly point to the rapid pace of development in the display industry, which is driven by increasing demands on image quality in more and more products, as well as the ongoing shift in technology from LCD to AMOLED. Producing the high-quality displays of the future will require more sophisticated equipment than that which exists today. This has led to the first order for our most advanced mask writer, the Prexision-800, and our measuring system, the Prexision-MMS for quality assurance of the most advanced photomasks. Furthermore, we see an overall capacity expansion, albeit small, for photomask production for large TV displays. In China, for example, photomask production for growing domestic demand is being established, which resulted in investments in mask writers.

## SUSTAINABILITY IS AN INTEGRAL PART OF BUSINESS OPERATIONS

It goes without saying that we integrate sustainability issues in our strategy as well as in daily operations to ensure a reduction in the environmental impact of our products. We do not have solutions for all the challenges we are facing yet, but we are working systematically and globally to move forward in this area.

In this year’s sustainability report, we want to show what is essential for us and describe how we work with the identified priority areas.

## WE ARE DRIVEN BY THE CHALLENGES OF THE FUTURE

Mycronic will continue to grow in the electronics industry by taking advantage of our capacity for innovation and our resources efficiently. We are proud of what we have accomplished, but we will never be satisfied. Within Assembly Solutions, we now supply complete production solutions, and we have laid the foundations for continued expansion within the adjacent segment assembly automation. Within Pattern Generators, we have a unique position that we safeguard so we can provide our customers with possibilities for developing new displays for products of the future. Our market and financial position place us well for continued growth. They also provide us with the possibility to evaluate potential acquisitions in order to further broaden our reach and to continue generating good returns.

We are now well into 2018 and are focused on continuing to create attractive customer solutions. I look forward to sharing our successes in 2018 with all of our stakeholders.

Lena Olving  
President and CEO

“We have positioned ourselves as a supplier of complete production solutions.”

**GROWTH**

# 29%

Net sales increased 29 percent, which is higher than our forecast from the beginning of 2017.

**PROFITABILITY**

# 32%

Underlying EBIT margin, excluding acquisition-related costs, remained very strong.

**EARNINGS PER SHARE**

# 6.40

Record-high profit after tax after yet another very strong year.

**ORDER BACKLOG**

# SEK 1,927 million

provides a strong base for moving forward into 2018.

# Favorable **global trends**

**The global electronics industry is constantly changing. Trends, changes and increasing requirements create opportunities to deliver innovative solutions.**

There are two clear, overall driving forces within the global electronics industry, first to develop products that meet or create new needs and second, to continuously streamline production to reduce costs. Consumers expect increased functionality, better image quality, and longer battery life and all at a lower price.

For producers, this entails a combination of volume production and a variety of different types of products with increasingly shorter life cycles. This will require access to modern, flexible production equipment. Rapid development is driving global trends that present new opportunities for Mycronic in both existing and new market segments.

The electronics industry is mature with growth at the level of global GDP growth, about 3 percent annually until 2021. According to the electronics research and analysis consultancy firm Prismark, growth has become more balanced across regions. Asia is still exhibiting a high growth rate although growth in China has slowed. Even the United States and Europe are expected to grow about three

percent during the period. At the same time, the electronics industry is affected by global changes and challenges in the form of political turmoil, increased nationalism, and views on global trade and trade agreements, but also by greater prosperity and increased investment.

The growth in the number of placed electronics components is expected to be somewhat lower compared to the previous period. However, the number of placed components continues to increase, as the electronics content in products increases. 2017 was a strong year. For example, the number of placed integrated circuits increased by 11 percent (Prismark, March 2018).

For many years, the mobile phone drove product development. Future development is expected to be driven more by several parallel applications, where electronics for the automotive industry is expected to achieve high growth. One rapidly growing segment within the automotive industry is driver support systems, which have emerged as an integral part of modern vehicles (Prismark, March 2018).

## Technological driving forces strengthen global trends



### BIG DATA

# 1

**Internet of things (IoT)** refers to both industrial and consumer products being equipped with sensors that can communicate via the internet. This means that vast quantities of data, so-called Big Data, must be processed, transported and stored in a functional, safe manner. This places new demands on processor capacity and the transfer rates of communication equipment.



### MORE PERSONAL

# 2

**Wearable electronics** can be used for a variety of purposes, from the monitoring of heart rates and insulin levels to communication, but also for recreational purposes, for example, Virtual Reality (VR). Today's users want to manage how they use their products and the trend is towards an increasingly personalized connection, for example, via smart watches.



### AUTOMATION

# 3

**The increase in electronic content** in products allows for increased automation of functions. For electronics manufacturers, this drives development towards the fourth industrial revolution – Industry 4.0. One of the clearest examples is automotive electronics, the fastest growing segment within the electronics industry. A major portion of this growth comes from Advanced Driver Assistance Systems (ADAS), which include driver support to prevent and avoid accidents.



### ENERGY EFFICIENCY

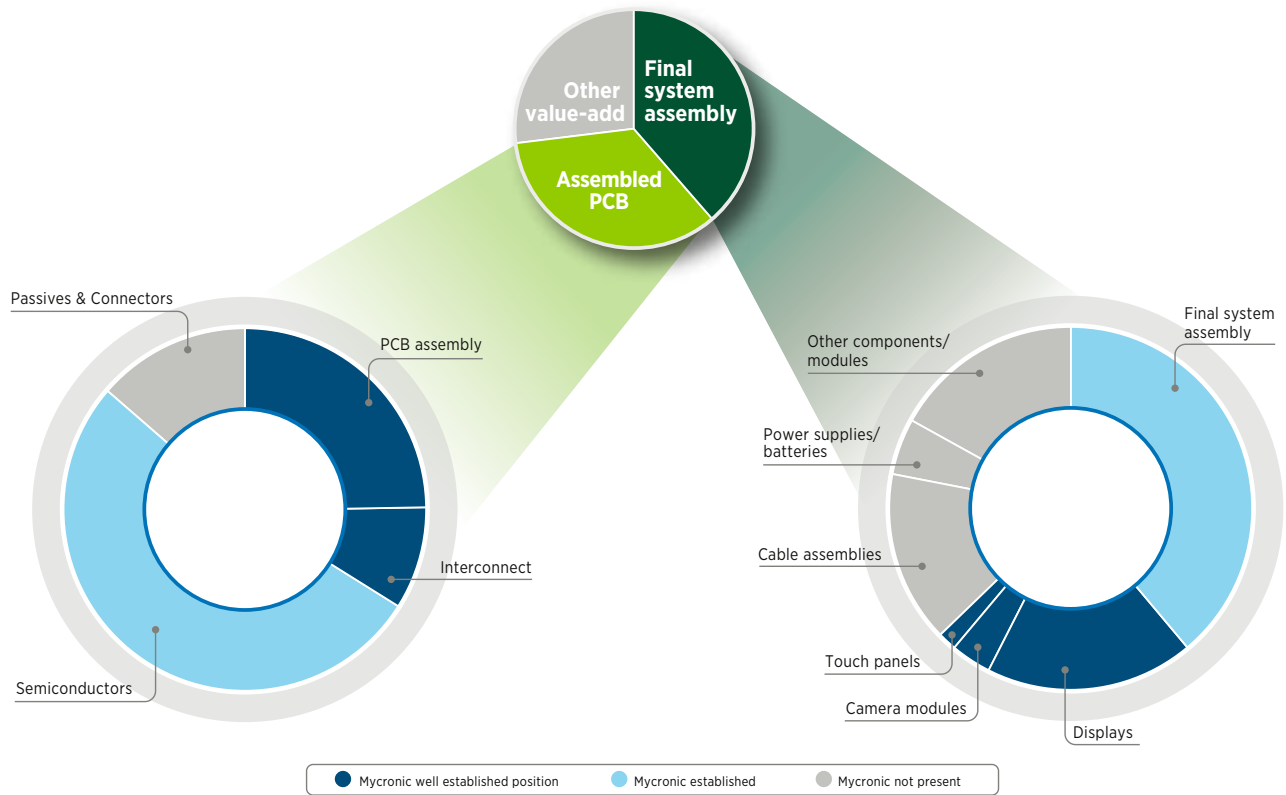
# 4

**Energy efficiency**, both in terms of sustainable production and sustainable consumption, is becoming increasingly important. One example is LED lighting, which is rapidly replacing conventional lighting technology. Another area where we can expect major investment is in energy storage, through, for example, batteries with significantly greater capacity than today's. Development is driven by electric cars, among other things.



# Mycronic within the electronics industry

**Mycronic is a global equipment supplier that offers manufacturing solutions that require high precision and great flexibility. Mycronic continues to broaden its presence within the industry.**



Source: Prismark, April 2017

Turnover for the global electronics market in 2017 is expected to land at USD 1,940 billion (Prismark, December 2017). Growth over the next few years is estimated at approximately three percent annually. Some market segments will experience higher growth rates.

Electronics are used within all industries and in an ever increasing variety of products. Mycronic is well-established as a supplier of innovative production solutions and sees continued expansion opportunities in segments characterized by the same qualities that have taken the Company to its current position. In recent years, Mycronic has broadened its offering to address a larger part of the electronics industry. This has been accomplished through product development and acquisitions.

The above illustration is one way of describing Mycronic's position within the industry. Mycronic delivers production equipment for assembled PCB, as well as for final system assembly.

One main area within PCB assembly has been SMT equipment, in 2017 valued at a total of USD 4,800 million (Prismark, Protec and Mycronic, February 2018). Mycronic has historically addressed the market for machines for component placement and solder paste appli-

cation, valued at USD 2,800 million and USD 400 million respectively. By broadening its offering to include adjacent segments such as dispensing and inspection, which are valued at about USD 600 million each, Mycronic's addressable market has grown by USD 1,200 million to USD 4,400 million.

Mycronic also offers equipment for assembly and testing of camera modules and the Company sees good opportunities to expand further within the field of assembly automation which currently comprises camera modules only.

Mycronic has long been the only supplier of advanced mask writers for the production of photomasks for the display market, which has an annual turnover of USD 125 billion (IHS, January 2018).

The overall trends described earlier favor Mycronic, and several niches with high demands on production equipment as regards for precision, flexibility and quality have been identified. Even as a greater number of products contain more and more electronics, the requirements for reliability and safety are also rising. Mycronic meets these requirements through its power of innovation and the competencies it has acquired over the course of more than 40 years in the industry.

# Continued execution of strategy

Consistent execution of the established strategy and favorable market conditions have resulted in a strong financial performance. In February 2017 Mycronic presented new financial goals, with four to seven years as the period for the Company's business plan.

## 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

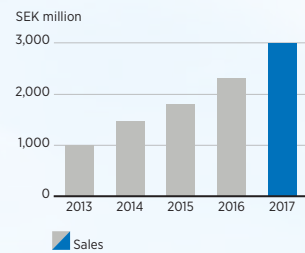
## FINANCIAL GOALS

### GROWTH

**5 billion**

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

Net sales



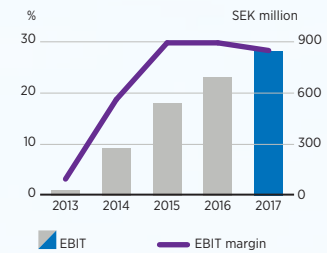
Net sales in 2017 were SEK 3,001 million. The net sales target shall be reached through a combination of organic growth and acquisitions.

### PROFITABILITY

**>15%**

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

EBIT



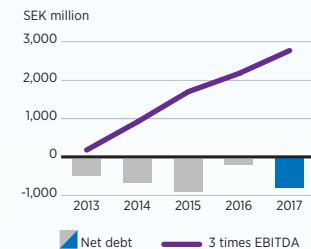
This year's EBIT margin of 28 percent is primarily due to strong mask writer sales. In 2017 ten mask writers were delivered.

### 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 debt allows the Group to expand further to achieve long-term growth and profitability goals.

**STRATEGIC DIRECTION**

**Strengthen the position as a leading supplier within existing market segments.**

**MAIN ACTIVITIES IN 2017**

- Launch of the MYPro product series with the MY700 and MY300 products. The MY700 applies non-contact solder paste and other mounting fluids at high speeds and on all types of circuit boards. The MY300 places components onto circuit boards with high productivity while occupying a floor space 40 percent smaller than previous models. The launch is the result of strategic product development for organic growth within Assembly Solutions.
- Mycronic has received several multiple orders for a large number of machines within Assembly Solutions and has strengthened its position within new application areas, such as high-volume applications.
- Mycronic has conducted extensive, customer-directed marketing activities for the most advanced mask writer Prexision-800, which resulted in the first system order with estimated delivery in 2018.
- Mycronic has seen continued strong demand within the replacement program for advanced mask writers.

**Profitable growth within adjacent market segments.**

- Mycronic acquired the French company Vi TECHNOLOGY that offers inspection equipment used in the circuit board manufacturing process. This acquisition gives Mycronic a complete offering in the SMT market area.
- Launch of MYSmart, which comprises Axxon's portfolio of dispensing equipment for sale worldwide.

**Profitable growth in Asia within existing and adjacent segments.**

- Through the acquisition of Axxon, Mycronic has become the fourth largest supplier on the global dispensing market.
- Manufacturing of new products is also taking place in Asia and in cooperation with strategic partners.
- Increased investments in advanced display manufacturing in China lead to planned, domestic photomask manufacturing. As a consequence Mycronic received its largest order ever for mask writers, although one of those mask writer, the Prexision-800, will be placed in South Korea.
- Of Mycronic's more than 1,000 employees, 430 are located in Asia.

**Ensure the power of innovation to increase competitiveness.**

- Through acquisitions and partnerships, Mycronic now has development activities in seven countries on three continents.
- Mycronic received the award Karriärföretag 2018 for its high quality employer branding and for offering unique career and development opportunities to employees.
- Continuation of activities and collaboration with universities to ensure future expertise and access to basic research.
- Mycronic won the B2B Commercial Excellence Company 2017 award for how it conducts complex team-based business in a global market with a focus on creating extraordinary customer value.

**Value creation through focus on sustainability.**

- The strategy has been further developed with clear ambitions and activities to reduce environmental impact, ensure responsible business, maintain the power of innovation, and be an attractive employer.
- Environmental certification in accordance with ISO standards and GRI reporting raises awareness and commitment.

# Mycronic creates value for the world at large

**Mycronic shall achieve profitable growth through delivery of production solutions to the electronics industry. Our aim is to create value while taking responsibility within the areas where the Company can exert influence. This illustration shows what we need to conduct our business operations and the value we create for our stakeholders.**

## Resources

Mycronic needs various types of resources to create long-term value within the framework of our business.



### FINANCIAL

- SEK 1,813 million in capital employed.
- SEK 335 million in R&D expenditures.



### EMPLOYEES

- A total of 1,045 employees, of which 491 in EMEA, 430 in Asia and 124 in North America.
- 26 percent of our work force is in R&D.



### RELATIONSHIPS

- 3,300 customers.
- 873 suppliers of production materials globally.
- 18,751 shareholders.



### PRODUCTION AND MARKETS

- Subsidiaries on three continents.
- 5 production facilities.
- Market organization with 10 sales companies and through partners presence in more than 50 countries.



### INTELLECTUAL ASSETS

- Over 490 patents.
- Research and development in 7 countries.



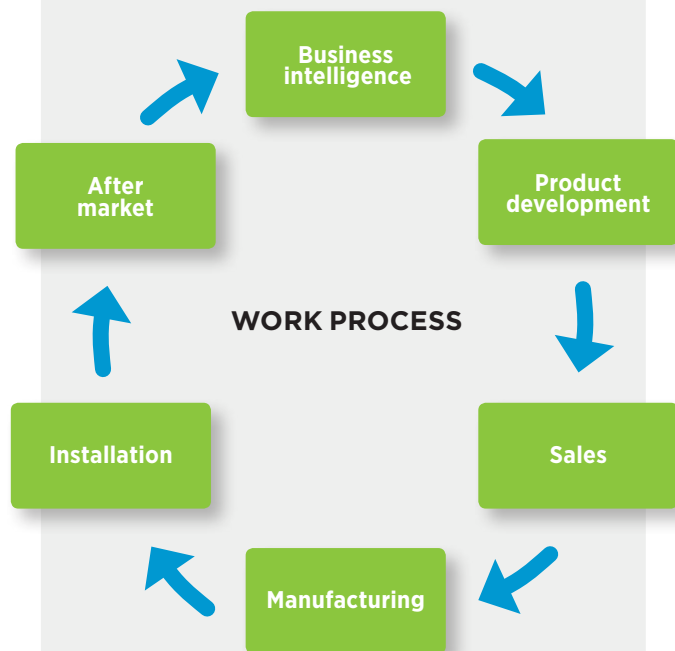
### MATERIALS\*

- 348 tonnes of metal.
- 280 tonnes of composite and stone.
- 103 tonnes of plastic.
- 88 tonnes of electronics.

*\*Mycronic Group excluding AEI, Axxon and Vi TECHNOLOGY.*

## Operations

Mycronic is a high-tech company that creates world-leading production equipment for electronics and display manufacturing. Operations are carried out through two business areas: Assembly Solutions and Pattern Generators. Assembly Solutions is in turn divided into three divisions: SMT, Dispensing and Assembly Automation, each operating within their respective market areas. Through its global organization of subsidiaries, distributors and agents, Mycronic has a presence in more than 50 countries. This ensures that the Group has in-depth knowledge of local markets and can provide quick support to customers who rely on production with a high degree of utilization.



Mycronic shall achieve profitable growth through delivery of production solutions to the electronics industry. Our aim is to create value while taking responsibility within the areas where the Company can exert influence. Examples of value creation: During 2017, Assembly Solutions developed its capacity to provide a complete offering of production solutions for surface mounting, an offering that meets industry requirements, and which aims to improve customer productivity.

## Products

### ASSEMBLY SOLUTIONS

Equipment within electronics production:

#### SMT

Equipment for mounting and inspection of circuit boards, as well as storage solutions.



#### Dispensing

Equipment for high-speed dispensing of solder paste, application of mounting fluids, and coating of circuit boards.

#### Assembly Automation

Equipment for the assembly of camera modules.



### PATTERN GENERATORS

Equipment for production of photomasks.



## Value creation

### CUSTOMERS

- Products that enable efficient production for our customers.
- Satisfied customers and long-term relationships.

### EMPLOYEES

- 17% of employees worldwide are women.
- 22% of managers worldwide are women, 38% in Sweden.
- Diversity action plans throughout the entire organization.

### SHAREHOLDERS

- SEK 196 million in dividends paid out in May 2017.
- SEK 8,323 million in market capitalization at year-end 2017.

### SUPPLIERS

- In the region of SEK 730 million for purchasing of production materials globally.
- Number of suppliers, geographic distribution: EU (53%), Asia (25%), and USA (22%).

### SOCIETY

- Activities to attract more young people into engineering.
- ISO 14001 environmental management system implemented in 2017.
- Contributing to societies in different countries through payment of taxes.

CREATING ECONOMIC VALUE, SEK million	2017	2016
Net sales	3,001	2,319
Personnel costs including social fees	-710	-562
Other operational costs	-1,443	-1,066
Interest and other financial items	-9	-2
Income tax	-213	-163
Community investments	-0.3	-0.2
Net result	626	526

### AFTERMARKET

Aftermarket is an important part of Mycronic's operations.



# Assembly Solutions

## IN FOCUS 2017

- Execution of strategy through continued focus on product development.
- MYPro, a new program of production systems for surface mounting of components and high-speed dispensing of solder paste, was launched on the market.
- MYSmart, an updated program of production systems for dispensing, was launched.
- Acquisition of Vi TECHNOLOGY, a supplier of advanced inspection equipment for electronics manufacturing.

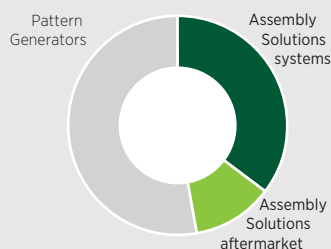
## GROWTH 2017

- Assembly Solutions demonstrated considerable growth in 2017, both organically and through acquisitions. Order intake increased 48 percent to SEK 1,424 million.
- Net sales within Assembly Solutions increased 60 percent to SEK 1,419 million in 2017. Vi TECHNOLOGY, acquired in the fourth quarter, impacted net sales in the amount of SEK 34 million.

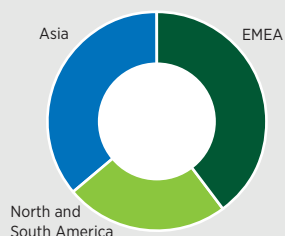
## EARNINGS 2017

- Investments in product development within Assembly Solutions continued. These investments are necessary to secure future growth and competitiveness.
- The underlying EBIT, excluding acquisition-related costs, improved significantly amounting to SEK 19 (-113) million.

### NET SALES 2017 BY APPLICATION



### NET SALES 2017 BY REGION



ASSEMBLY SOLUTIONS	2017	2016
Order intake, SEK million	1,424	960
Net sales, SEK million	1,419	886
Gross margin, %	39	42
EBIT, SEK million	-88	-157
EBIT margin, %	-6	-18
Underlying EBIT, %	1	-13
R&D costs, SEK million	280	291

# For the electronics of today and tomorrow

**Mycronic has created a leading market position within Assembly Solutions by offering innovative production solutions for flexible, just-in-time electronics production, inspection and dispensing. The offering also includes equipment for assembly and test of camera modules for the automotive industry.**

**FOR MORE THAN 40 YEARS**, Mycronic has developed innovative production solutions that enable manufacturing of electronics products that simplify and enrich our daily lives. During 2017, Mycronic continued its product development and executed additional acquisitions, with the aim of securing future growth and access to technologies.

The acquisition of Vi TECHNOLOGY complements an already strong product portfolio with products for inspection of solder paste and inspection of mounted circuit boards. The equipment is used in electronics production to improve production yield and the quality of manufactured circuit boards.

Through acquisitions in recent years, the business has expanded in existing and adjacent market segments. Business area Assembly Solutions has three divisions: SMT, Dispensing, and Assembly Automation.

## OUR OFFERING

Through a unique design and high degree of automation, the MY300 pick-and-place machine enables efficient, flexible high-quality production. It minimizes the need for operator intervention, which means shorter lead times in production and lower manufacturing costs.

Mycronic also has an offering for application of solder paste on circuit boards through the MY700 and its unique jet printing technology. The software-controlled technology is non-contact, fast, and creates solder joints of the best quality. With over 1 million applications per hour, jet printing is an interesting alternative to the more traditional stencil printing.

Through Vi TECHNOLOGY, Mycronic has gained access to technology and competence for inspection equipment of surface-mounted electronics. The technology ensures the quality and production yield of the electronics being manufactured.

Material management is becoming increasingly important in electronics production as the number of product variants and changeovers increases. Mycronic's software systems and the SMD automated storage tower ensure storage of sensitive components and streamline the material flow to and from production lines.

Mycronic's offering for high-speed dispensing has since been comple-

mented through the acquisition of Chinese Axxon in 2016 with its broad product portfolio of applicators, and production equipment for dispensing mounting fluids and protective coating of circuit boards with a wide range of application areas within the electronics industry.

Through the acquisition of AEI in 2016, Mycronic has broadened its product offering into adjacent segments and now offers production systems for manufacturing of camera modules used for advanced driver assistance systems (ADAS) in today's modern vehicles.

The aftermarket offering in Assembly Solutions includes service and maintenance, training, application development, upgrades, and accessories. Globally, there are about 12,000 Mycronic systems in use.

## FINANCIAL PERFORMANCE

In 2017, the global electronics industry, the semiconductor industry and the market for SMT equipment all demonstrated favorable growth. Also Mycronic demonstrated significant growth within Assembly Solutions in 2017. The order intake increased 48 percent and net sales were up 60 percent. Organic growth was 19 percent.

EBIT for Assembly Solutions was affected by acquisition-related costs of SEK 107 million for expensing of acquired inventories at fair value, changes in value of earn-outs, amortization of acquired intangible assets, as well as transaction costs. Despite continued investment in product development, the underlying EBIT improved, from SEK -113 million to a positive EBIT of SEK 19 million. Acquisition-related expenses in the amount of SEK 42 million were charged to the gross profit. The adjusted gross margin was 42 percent, the same level as in 2016.

## NEW PRODUCT LAUNCHES

During the first half of 2017, two brand new machine platforms were launched: the MY700 for high-speed dispensing of solder paste and adhesives; and the MY300 for mounting of electronics components onto circuit boards. Both platforms are more compact than previous systems and offer customers greater productivity. The new machine platforms are included in the product line MYPro which includes

## Did you know...

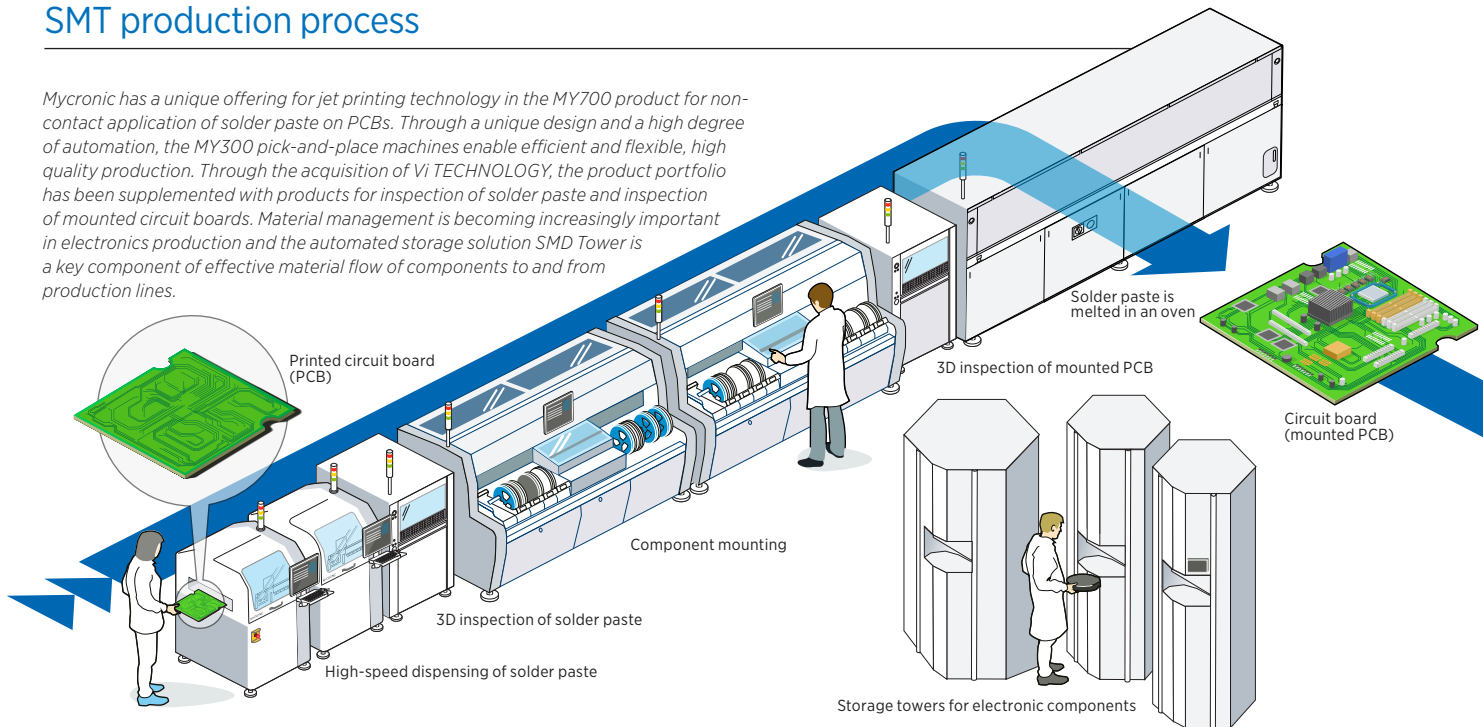
Mycronic's unique ejector shoots out droplets of solder paste as small as two nanoliters or one 2,500th of a snowflake. This is done 300 times per second or one million times an hour.



MY300 mounts electronic components as small as grains of sand onto circuit boards. A teaspoon holds 500,000 of these small components.

## SMT production process

Mycronic has a unique offering for jet printing technology in the MY700 product for non-contact application of solder paste on PCBs. Through a unique design and a high degree of automation, the MY300 pick-and-place machines enable efficient and flexible, high quality production. Through the acquisition of Vi TECHNOLOGY, the product portfolio has been supplemented with products for inspection of solder paste and inspection of mounted circuit boards. Material management is becoming increasingly important in electronics production and the automated storage solution SMD Tower is a key component of effective material flow of components to and from production lines.



advanced production systems for flexible, just-in-time production. The first systems were delivered to customers around mid-year.

A new and updated product portfolio MYSmart with equipment for dispensing and protective coating was launched in November in connection with the global electronics production exhibition Produconica in Munich. MYSmart is a further development of Axxon's product portfolio for launch outside of China. A wide range of applicators for a variety of application areas completes the offering.

### THE SMT MARKET AREA

#### DRIVING FORCES

The trends with the greatest impact on the market for SMT equipment are:

- miniaturization
- lower cost per component placed
- just-in-time production
- production yield and product quality

Electronics are getting smaller, thinner and lighter even as more and more functionality is being built into products. The ongoing miniaturization is driving the trend towards ever smaller components, circuit boards with higher packing densities, and new production technologies.

Today's consumers place high demands on product quality, functionality and performance while resisting increased cost. There is increasing demand within the electronics industry for automated production solutions that enable more just-in-time production, where the right amount of circuit boards are produced at the right time to minimize inventories. To meet market demands, Mycronic offers advanced production equipment within several application areas such as SMT, dispensing and automated assembly of camera modules.

### THE MARKET

The equipment market associated with SMT is valued at a total of USD 4,800 million in 2017 and includes screen printers, dispensing equipment, pick-and-place machines for mounting of components, inspection equipment and ovens. Pick-and-place machines comprise the largest segment with a turnover of USD 2,800 million in 2017, and a 32 percent growth compared to 2016 (Protec MDC and Mycronic, January 2018).

Mycronic's SMT customers are either contract manufacturers or manufacturers of their own end products. Customers range from small manufacturers to major global producers and are found mainly within industrial electronics, as well as within the aviation, aerospace, automotive, energy, medical, IT and telecom industries.

### MARKET POSITION AND MARKET ACTORS

Mycronic is the leader in the segment for flexible electronics production where just-in-time production is central.

The Company offers a complete solution, Mycronic 4.0, which includes innovative solutions for the just-in-time factory and comprises a complete production system for manufacturing of surface-mounted electronics. Mycronic 4.0 offers several competitive advantages as the concept solves many of the challenges associated with just-in-time production, and enables a high degree of utilization of production systems. This is achieved also when series are short and different products must be produced over a short period of time.

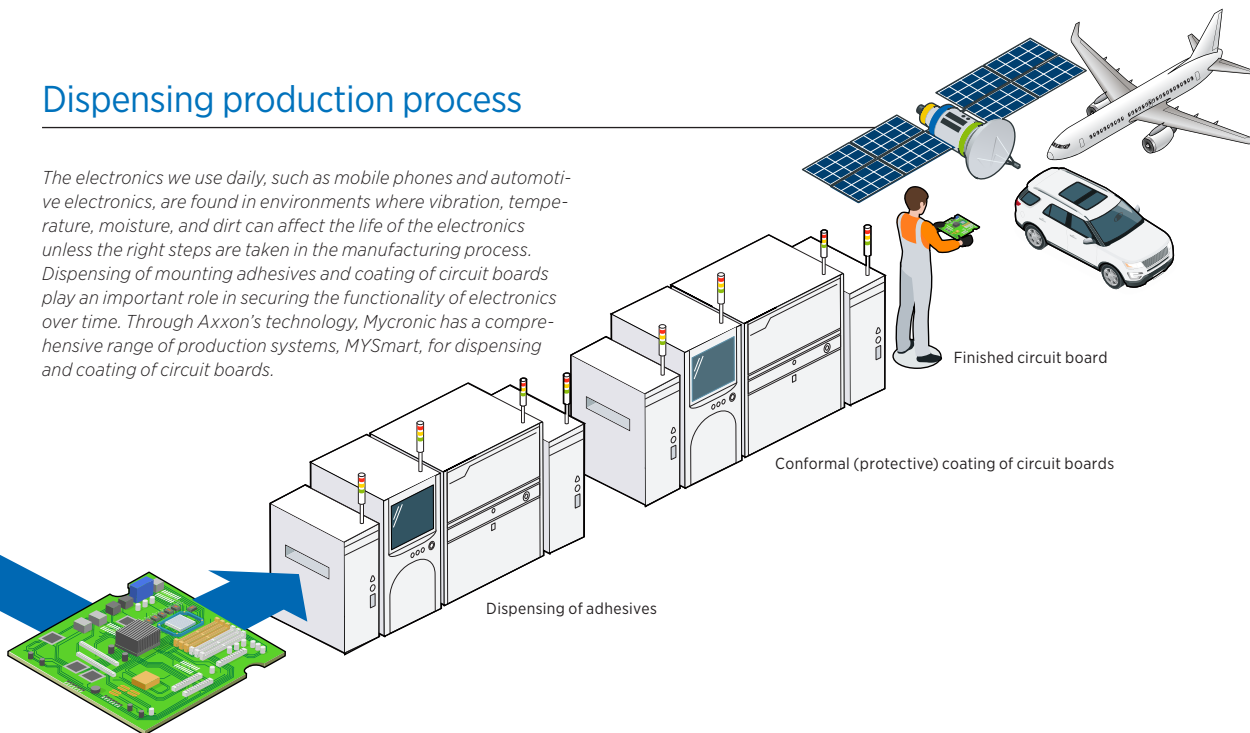
Traditionally, Mycronic's customers manufacture electronics with high levels of added value in small to medium volumes. Customers depend on flexible equipment that enables high production yields, where the requirement for rapid changeovers between products is great. The majority of customers are found in the United States and Europe, but the customer base in Asia is experiencing strong growth.

In the SMT market, there are some ten equipment suppliers of different sizes and with various geographical presence. A number of major manufacturers are mainly active in the market for high-volume production of consumer electronics. Some of these are ASM Siplace, Fuji, Hanwha Techwin, Panasonic and Yamaha. These manufacturers have a broad equipment program and can also be found within Mycronic's market segment. Other equipment manufacturers include Europlacer, Juki and Universal.



## Dispensing production process

The electronics we use daily, such as mobile phones and automotive electronics, are found in environments where vibration, temperature, moisture, and dirt can affect the life of the electronics unless the right steps are taken in the manufacturing process. Dispensing of mounting adhesives and coating of circuit boards play an important role in securing the functionality of electronics over time. Through Axxon's technology, Mycronic has a comprehensive range of production systems, MYSmart, for dispensing and coating of circuit boards.



Within the equipment market for solder paste application, valued at USD 400 million, there are a number of suppliers who offer the traditional stencil printing process method. These include ASM Assembly Systems, ASYS and Speedline Technologies. For high-speed dispensing of solder paste, Mycronic's jet printing technology 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.

On the inspection equipment market, valued at USD 600 million (Mycronic, February 2018), there are a relatively large number of suppliers to the electronics industry. The main global competitors are Cyber-Optics, Koh Young, Mirtec and Viscom.

### THE DISPENSING MARKET AREA

#### DRIVING FORCES

The trends with the greatest impact on the market for dispensing equipment are:

- new manufacturing technologies
- requirements for high product quality
- new applications for electronics in harsh environments

The consumer electronics we use are under constant development and producers are meeting new components, technologies and production processes. We also see electronics in a growing number of applications and in environments where vibration, temperature, moisture, and dirt can affect the life of the electronics unless the right steps are taken in the manufacturing process. Dispensing of mounting adhesives and coating of circuit boards play an important role in securing the electronics' functionality over time, even in very harsh environments.

Many of today's seemingly simple consumer products like mobile phones, tablets, self-propelled lawn mowers and smart watches can expose the electronics to great strain and must be protected. Electronics with applications in the automotive and aerospace industry have to meet very high requirements on reliability and are often found where temperature fluctuations and vibrations are common.

Within dispensing, Mycronic offers a comprehensive range of production systems for dispensing and protective coating of circuit boards. There are many dispensing applications, also beyond the electronics manufacturing industry.

## Dispensing - in depth

### DISPENSING OF ADHESIVES

The MYSmart MYD50 system is used for dispensing of adhesives. For this type of application, there are a number of applicator technologies to choose from.



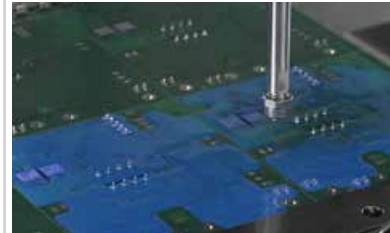
### DISPENSING OF UNDERFILL

To ensure that larger electronics components such as processors can withstand vibrations and temperature variations, special mounting fluids are dispensed to fill up the empty space beneath the component. This is also called "underfill".



### PROTECTIVE COATING OF CIRCUIT BOARDS

The MYSmart MYC50 applies protective coating to circuit boards. In this application, a spraying nozzle is used to apply a coating over the larger open spaces and a needle where very high precision application is required.



**THE MARKET**

Dispensing equipment is used not only in the production of surface-mounted electronics but also where electronic components are manufactured and packaged. The market for dispensing equipment has a turnover of approximately USD 600 million, and Mycronic addresses most of this market (Prismark, March 2017).

Through the acquisition of Axxon in 2016, Mycronic broadened the addressable market, as many more applications related to dispensing in the electronics industry are addressed. For the larger part of these applications, there are customers in Asia whose manufacturing includes consumer electronics like smart phones and other mobile devices.

**MARKET POSITION AND MARKET ACTORS**

Axxon, which began operating in 2008, has quickly positioned itself as a leader in the Chinese market. Through the acquisition of Axxon, Mycronic is now the fourth largest supplier within dispensing globally. Mycronic's ambition is to continue to expand globally through a broadened product program. For some time, Mycronic has had customers who use the Company's jet printing technology for high-speed dispensing of solder paste in areas such as consumer electronics. Over the past year, this customer base has grown in the Asian market.

In the market for dispensing of mounting fluids, for example adhesives, there are several suppliers, including 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 mounting fluids and application areas found in the industry.

**THE ASSEMBLY AUTOMATION MARKET AREA****DRIVING FORCES**

Automation of various mounting steps has been underway for a longer period of time. In more recent times, the number of driving forces has increased. Robotization has accelerated and mounting steps that were previously difficult to automate are now being automated. Another driving force behind automation is that components are becoming smaller and smaller and demands for quality are on the rise. This makes manual assembly difficult and increases the requirement for automation. Electronics for the automotive industry constitute a segment within the electronics industry that has grown and is expected to continue growing and where the requirement for accuracy and repeatability (quality) is great. Cars are becoming increasingly advanced and are being equipped with increasingly more electronics such as computers, control systems, light sources, displays, and sensors. Demand for equipment to assemble these electronics is on the rise. The trends with the greatest impact on the market for assembling equipment for the automotive industry are advanced driver assistance and self-driving cars.

With the acquisition of American AEi in 2016, Mycronic took a step into the assembly automation area. AEi offers automation solutions for assembly and test of highly precise camera modules, so-called CMAT systems (Camera Module Assembly and Test). The largest customer segment is the automotive industry with a strong development trend in the number of camera systems for advanced driver assistance. AEi's product portfolio of fully automatic solutions for high volume production of camera modules assemblies, measures and tests the quality of a single machine.

The equipment is modular and can be adapted to customer requirements. Because development of camera technology is advancing rapidly, it is important for the Company's customers that equipment can be reconfigured for new types of camera modules. AEi's production systems have this flexibility.

**THE MARKET**

One segment within the automotive electronics market is camera modules for advanced driver assistance systems (ADAS). Turnover for the total ADAS market in 2017 is expected to land at USD 9,200 million, of which camera systems will account for approximately USD 2,500 million. AEi delivers assembly equipment to this market. In terms of the average number of camera modules produced annually, growth is expected to reach 23 percent for the period 2017-2021, (Prismark, June 2017). For 2017, manufacturing of camera modules is estimated to have reached 92 million units, and by 2021, the estimate is that more than 210 million units will be produced globally (Prismark, December 2017). This growth creates the need for more and better assembly equipment.

**MARKET POSITION AND MARKET ACTORS**

Advanced driver support within the automotive industry utilizes a combination of technologies which are at different phases of maturity, such as sensors for cameras, ultrasound, radar, laser and infrared. These features help the driver maintain control over their surroundings.

AEi has a leading position on the market for camera module production systems for ADAS. The Company's customers are major suppliers of electronics and subsystems to the automotive industry globally.

AEi began operations in the early 1990s, has long worked closely with leading partners in various technology fields, and over the years has developed a portfolio of innovative and precise production systems for active and automated alignment of optical systems, such as camera modules.

**Did you know...**

Cameras are an important component in an increasing number of electronics products. One example is advanced driver assistance in the automotive industry where cameras provide the driver with good visibility all around the car.

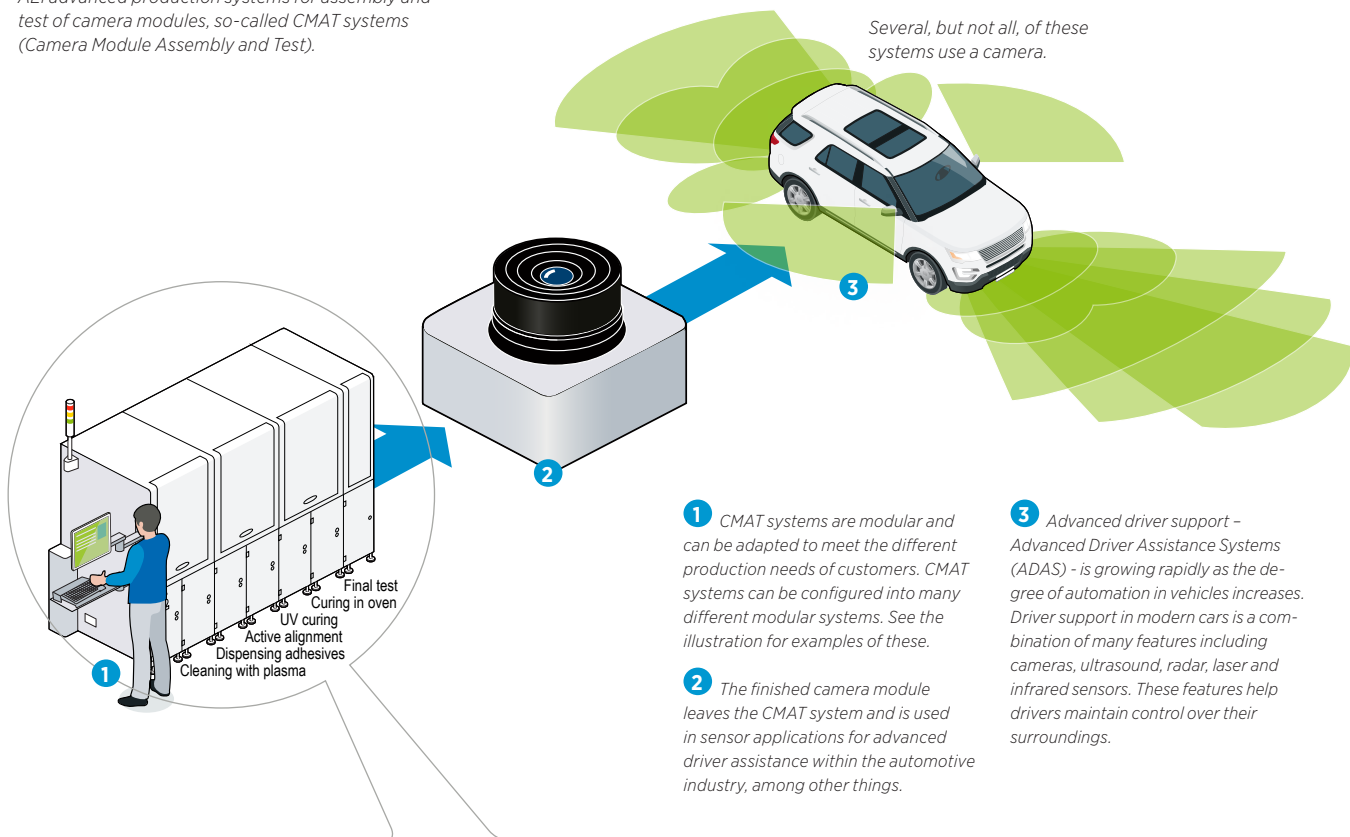


Advanced driver assistance in cars is growing rapidly. It is estimated that by 2021, there will be an average of three cameras per car. AEi offers equipment for this industry.

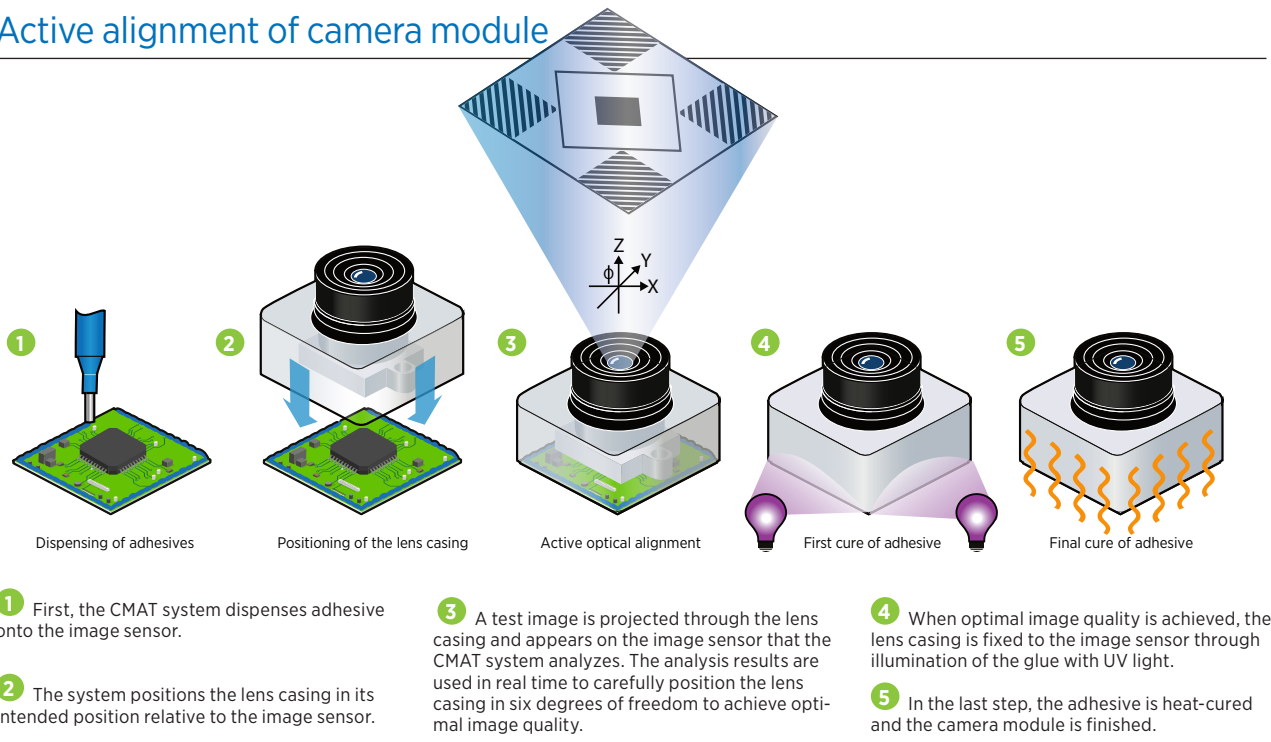
Source: Prismark, March 2018

## Production process for camera modules

In Assembly Automation, Mycronic provides through AEI advanced production systems for assembly and test of camera modules, so-called CMAT systems (Camera Module Assembly and Test).



### Active alignment of camera module



# Pattern Generators

## IN FOCUS 2017

- First order for the Prexision-800 for photomasks used for manufacturing of the most advanced displays.
- Several orders for Prexision-10 to meet the capacity needs of the new G10/G11 factories under construction in China.
- An order for two Prexision-MMS for quality control of photomasks.
- Strong customer interest in modernizing the existing production equipment through Mycronic's replacement offering.

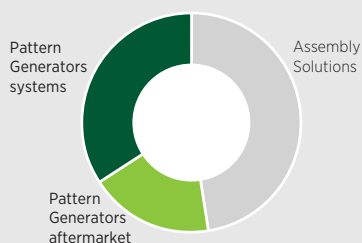
## GROWTH 2017

- Continuing favorable demand for mask writers in 2017, for both new advanced mask writers and through the replacement program.
- The order intake increased 43 percent to SEK 2,143 million. At year-end 2017, the order backlog amounted to SEK 1,636 million.
- Net sales within Pattern Generators amounted to SEK 1,582 million. In 2017, ten mask writers were delivered, of which six systems for display applications and four for multi-purpose.

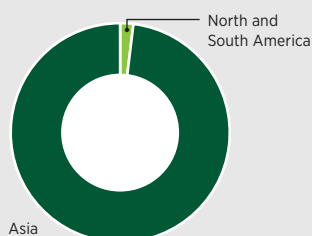
## EARNINGS 2017

- Business area Pattern Generators exhibited continuing strong profitability. EBIT was SEK 940 million, an increase of 10 percent compared to 2016.
- The EBIT margin was 59 percent.
- Continued stable aftermarket with good profitability. Over 90 percent of Mycronic's customers have service agreements.

### NET SALES 2017 BY APPLICATION



### NET SALES 2017 BY REGION



PATTERN GENERATORS	2017	2016
Order intake, SEK million	2,143	1 495
Net sales, SEK million	1,582	1 433
Gross margin, %	74	73
EBIT, SEK million	940	851
EBIT margin, %	59	59
R&D costs, SEK million	68	57

# For the electronics of today and tomorrow

**Through the Pattern Generators business area, Mycronic has a unique position as the only supplier in the world of production equipment for advanced photomasks for display manufacturing. Photomasks are essential for the production of all advanced displays.**

**AS CONSUMERS**, we are using more and more electronics products with displays, which places increasingly higher demands on display quality. Mycronic's mask writers are essential for the production of photomasks required in the manufacture of displays in, for example, smart phones, tablets, laptops and TVs. The trend toward more high-resolution advanced displays in electronics products is placing increasing demands on photomask properties. Mycronic's innovative and technically very advanced mask writers enable customers to write complex patterns on photomasks with extremely high quality and accuracy and with high productivity. The result is a better image experience in the electronics products we use daily.

## OUR OFFERING

Mycronic's main offering consists of mask writers for the production of photomasks for the display industry, where it is the sole provider globally within the segment, as well as measuring machines for inspection of photomasks.

Mycronic also offers mask writers for photomasks used in the multi-purpose field, a collective name for applications other than displays, for example, electronic packaging, touch screens, or advanced 3D structures. Mycronic also has mask writers for semiconductor applications installed at many customer sites. Installed systems are maintained through a solid aftermarket offering in the form of service and new functionality.

A very large proportion of sales are direct. Mycronic's customers are either photomask producers who in turn sell photomasks to display manufacturers or display manufacturers with their own photomask production. Competition between photomask manufacturers is fierce. Photomask producers rely on being able to utilize mask writers 24 hours a day. Delivery precision, short lead times, and high product quality are critical to their business.

The close proximity of subsidiaries to customers ensures they have efficient, reliable photomask production. Over 90 percent of Mycronic's customers have signed a service agreement.

More than half of the 70 installed display systems are ten years old or older. Maintaining these systems is increasingly challenging. At the same time, customers need more modern production equipment. To meet these needs, Mycronic has a replacement program with a scalable system based on the Prexision platform, which is offered in exchange for an older system. This offer has been well-received by customers. The replacement program adds no significant production capacity.

## FINANCIAL PERFORMANCE

The display market for mask writers remained positive in 2017. The order intake of SEK 2,143 million consisted of ten mask writers for several application areas as well as three major upgrades.

The market is driven primarily by investment in new capability to meet new higher requirements for the most advanced displays based on AMOLED technology. In addition, Mycronic's customers invest in equipment to manufacture the largest G10 photomasks to meet the requirements of the new G10 factories being built in China. These factories are being built to meet the need for large displays - over 65 inches - among other things.

The order backlog at the end of 2017 was SEK 1,636 million and comprised ten systems, eight of which are scheduled for delivery in 2018 and two for delivery in 2019.

Net sales in 2017 amounted to SEK 1,582 million and comprised ten mask writers and aftermarket. The growing aftermarket business consists primarily of regular maintenance.

Gross profit amounted to SEK 1,163 million, corresponding to a gross margin of 74 percent. EBIT amounted to SEK 940 million, corresponding to a gross margin of 59 percent.

## 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.**



**We as consumers buy ever larger TV displays. The average size grows by approximately 1 inch per year, which drives demand for large photomasks.**

*Source: IHS, October 2017*

## NEW PRODUCT LAUNCHES

In 2017, Mycronic further developed the Precision-800 (P-800), which was launched in 2016. It is designed to write the most complex photomasks for high-resolution mobile displays. The P-800 meets the demands of the new generation of exposure equipment (aligners) and is needed for advanced AMOLED production. In 2017, Mycronic received an order for the first system with delivery planned for 2018.

Development of the Precision-MMS measurement system is continuing and during the year, a model was developed to manage Generation 10/11 (G10/G11) photomasks. The measuring system checks the most advanced photomasks to guarantee a high production yield for display manufacturers. The first system will be delivered to the customer in 2018.

Other development efforts have been made to provide additional functionality to the installed base of mask writers and to develop new technology for tomorrow's products.

## THE PHOTOMASK MARKET FOR DISPLAYS

Mycronic's main market is mask writers for the production of photomasks for the display market. Photomasks are required in the manufacturing of all displays used today in electronics products. To manufacture a display, a set of between ten and fifteen photomasks is needed. As long as the display does not change, the same set of photomasks can be reused to make a large number of displays as photomasks are not consumed during the subsequent manufacturing process. However, as soon as there is a change in the display design, such as the size, shape or application area, a new set of ten to fifteen photomasks is required.

The photomask market performed strongly in early 2016, but during the second half-year, activity decreased and for the first time since 2012, the market fell. The 6 percent decrease was primarily due to the shift from LCD to AMOLED, when multiple LCD factories were rebuilt to accommodate AMOLED technology. During the period the factories are being rebuilt, there is some lapse in production capacity resulting in a temporary lower demand for photomasks. The market rebounded in 2017 when the new AMOLED factories ramped up with a need for new photomasks. In 2018, the first new G10 factories will come into production, which will also affect the market positively.

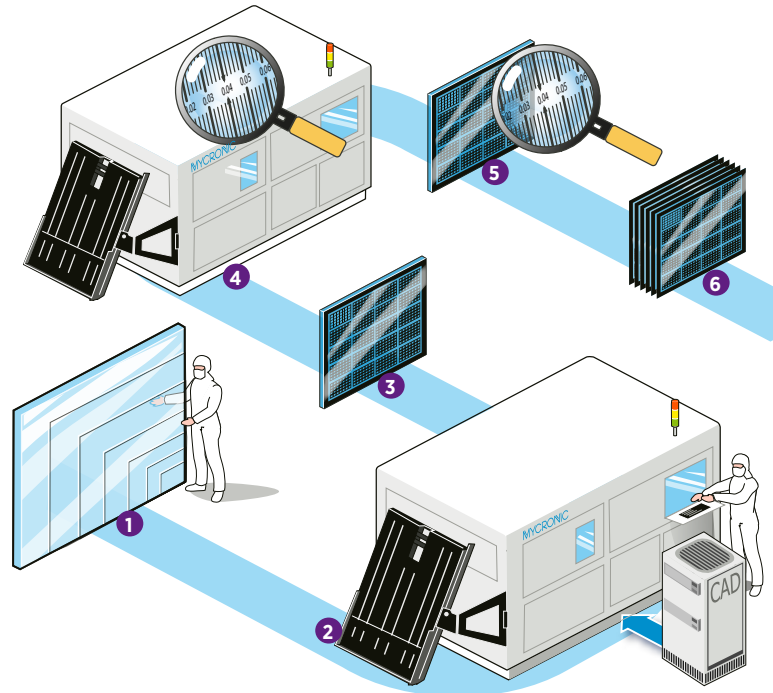
In 2017, approximately 18,600 photomasks for displays were produced. For 2017-2020, it is estimated that the area of photomasks produced for displays will demonstrate growth of 5 percent annually, while sales are expected to grow 9 percent annually to about USD 950 million in 2020 (IHS, April 2017).

## DRIVING FORCES BEHIND DEMAND FOR PHOTOMASKS

Photomasks are essential for production of displays. However, the demand for photomasks is not directly linked to the number of displays produced. There are three main drivers behind demand for photomasks for displays: the number of new display types; display manufacturers' and end-producers' product development pace; and the number of production lines for display manufacturing.

Development and manufacturing of new display types places new, higher requirements on photomasks used in the manufacturing process and thus on Mycronic's mask writers as well. A number of display trends affect the need for more photomasks as well as more advanced photomasks, the most important are: the technology shift from LCD to AMOLED, displays with higher resolution, larger displays and displays in new applications.

## Main process steps in the photomask factory



- 1 Photomasks start out as advanced quartz glass. A thin layer of chrome is applied onto the glass substrate followed by a layer of photoresist. There are several different sizes of photomasks, of which the largest is just under 2x2 meters and used in G10/G11 display factories.
- 2 Mycronic's mask writers expose the photomask. In this step, a laser beam writes a pattern onto the photoresist. The pattern itself is described in a data file created by the display manufacturer during the design phase of the display. To produce good displays, the exposed pattern must be of very high quality and requirements for accuracy are at the nanometer level.
- 3 The photomask is developed in an advanced developing machine and the exposed pattern on the photoresist is etched into the chrome film.
- 4 The photomask is quality-assured through measurement of the written pattern and its position. Mycronic's Precision-MMS is one of the machines used in this production step.
- 5 Final inspection of the photomask occurs with inspection equipment, where the pattern is checked and any defects identified for repair in special repair equipment.
- 6 The photomask is packaged and shipped to the display factory. Typically, about 10-15 different photomasks are required to produce a display.

## THE TECHNOLOGY SHIFT FROM LCD TO AMOLED

Samsung has been focusing on AMOLED technology for several years. Now, several leading display manufacturers are following their lead. The main advantages of AMOLED are that the technology enables the production of flexible, bendable displays, provides better image quality, allows for thinner displays, and is more energy efficient.

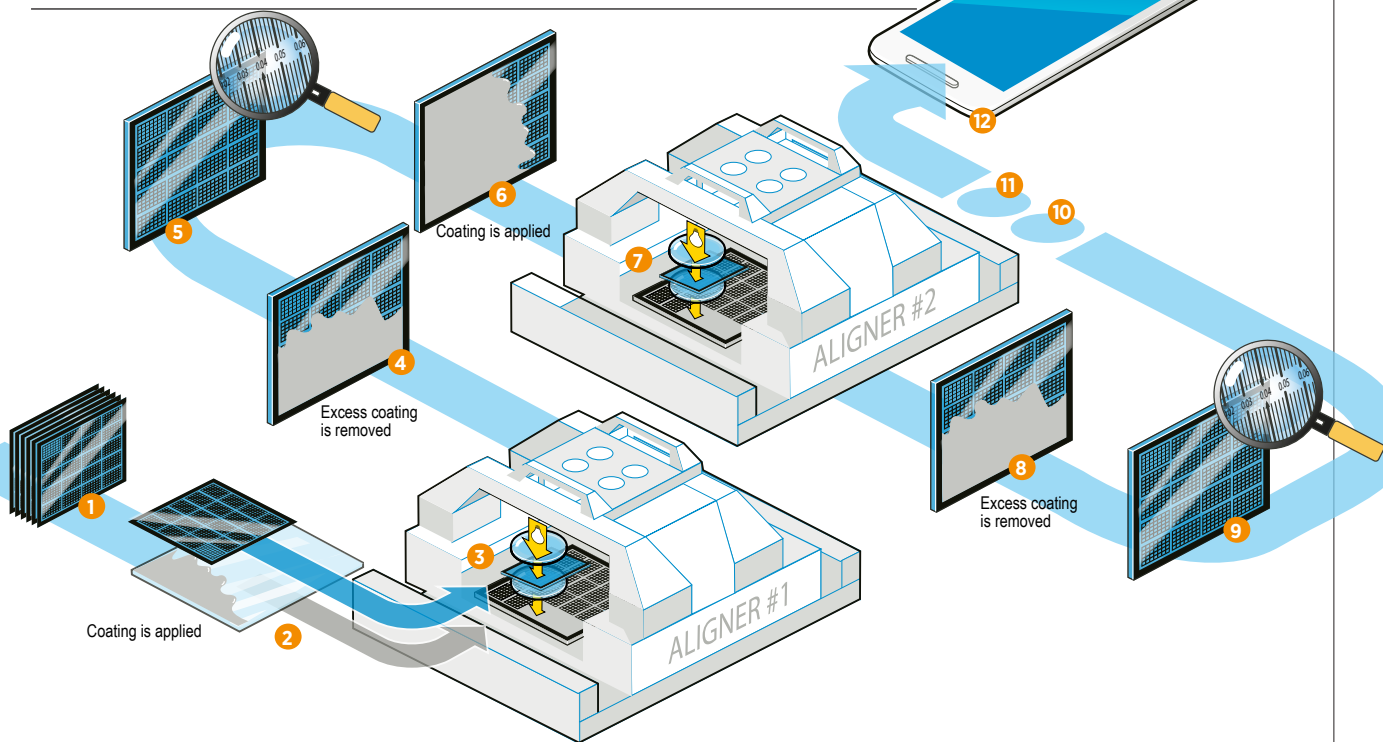
The AMOLED market continues to grow and the assessment is that it will grow 24 percent annually between 2017-2021, reaching approximately USD 54 billion in 2021 (IHS, January 2018).

From a photomask perspective, AMOLED entails more advanced photomasks. Each pixel is controlled by 5-6 transistors, compared with 1-2 transistors for LCD. Mask writers must be able to write smaller and more accurate structures so that the pixel pattern, which defines the pixels, fits, and this drives demand for the most complex photomasks and thus the need for Mycronic's most advanced mask writers.

## DISPLAYS WITH HIGHER RESOLUTION

Products such as tablets and smart phones with high resolution have quickly become the standard. For TVs, UHD (4 k) has become the established standard and the

## Main process steps in the display factory



- 1** Photomasks from mask shops arrive at the display factory. Photomask #1 is loaded into Aligner #1 (exposure equipment). Photomask #2 loaded into Aligner #2, etc.
- 2** The basis for the manufacturing process for displays is a thin glass. This is called a substrate. The size of the substrate depends on what generation the display factory belongs to. G10/G11 is the largest generation where substrates are larger than 3x3 meters. The substrates are coated with a material, for example a conductor, a semiconductor, insulator, or some other type of material. The substrate is then coated with photoresist.
- 3** The substrate is exposed in the aligner and the first photomask pattern is copied to the photoresist on the substrate. The substrate is typically larger than the photomask, and the photomask is usually duplicated 4-6 times on the same substrate.
- 4** The substrate is developed and the exposed pattern etched into the material on the substrate.
- 5** The substrate is measured and inspected to ensure quality in the previous process step. If quality is inadequate, the substrate can in some cases be repaired, but in other cases it must be discarded.
- 6** A new layer of material is applied, followed by a new layer of photoresist.
- 7** The substrate is exposed in aligner #2 and the photomask #2 pattern is copied to the photoresist on the substrate.
- 8** The substrate is developed and the pattern etched into the material on the substrate.
- 9** The substrate is measured and inspected again to assure quality in the previous process step.
- 10** The process continues and steps 6-9 are repeated for each photomask. Gradually, a layer-on-layer structure is built up on the substrate. When this is finished, a TFT backplane, or TFT film, has been produced. This is an advanced electrical circuit that controls every pixel in the display. TFT = Thin Film Transistor.
- 11** The substrate is sent to the next process step where a layer of organic material is applied for OLED displays or a color filter for LCD displays.
- 12** When the process is complete, the substrate is divided, one part for each display. The display is then sent for final assembly and installation into an end product, for example, a mobile display or TV.

technology is currently being developed for smaller displays as well. Regardless of whether displays are manufactured using AMOLED or LCD technology, the higher resolution entails smaller pixels, which leads to more complex photomasks, an increase in write times, and the need for more advanced mask writers for photomask manufacturing.

### LARGER DISPLAYS

From 2012 to 2017, the average size of a TV increased from 36 to 42 inches (IHS, October 2017). Because the average size of displays is increasing, a greater total display area must be produced. This creates an increase in the need for manufacturing capacity for larger displays. To produce the largest displays – those larger than approximately 60-65 inches – in a cost-efficient manner, G10/G11 display factories are required. These factories require the largest photomasks that can only be written by the Prexision-10. Large photomasks take longer to write, and this entails a need for greater production capacity.

Virtually all displays are manufactured in Asia. In particular, manu-

facturing capacity for large displays is now being built in China. To meet the growing demand for larger photomasks in China, photomask manufacturers have started investing in building up local manufacturing capacity in China and thereby a new market for advanced mask writers. One example is Photronics, who has decided to establish a mask shop in China and in connection with this placed an order with Mycronic worth USD 90-100 million, which was a record order and also included one mask writer to South Korea.

### NEW APPLICATIONS

Advanced displays are becoming more common in products that traditionally had none. One example of this trend is the smart watch, another example is displays in cars. Displays in new applications means new requirements and new designs, which affects the photomask market positively since new sets of photomasks are needed.

### PHOTOMASKS FOR MULTI-PURPOSE

Less complex photomasks intended for a more diverse, multi-purpose market are also produced. This is a wide segment dominated by photomasks for electronic packaging and 3D-structures, and by photomasks to create the touch-sensitivity in displays (so called touch screens).

There has been a positive trend in this segment in recent years. Mycronic, which is the market leader in the segment, estimates that the equipment market for these photomasks is in the range of USD 10-14 million annually.

### MARKET POSITION

Today there are more than 110 systems in use, 70 of which are for display applications. More than half of these are ten years old or older, while 20 are advanced maskwriters based on the Prexision platform.

Mycronic has a unique position as the only supplier of mask writers for the manufacture of advanced photomasks for the display industry. The requirements for mask writers for these applications are exceptionally high with regard to performance, reliability and customized features. Mycronic has a technical platform that fully meets customer requirements.

Today, all manufacturers of advanced displays use photomasks produced with Mycronic's mask writers.

The market for mask writers for the multi-purpose segment, however, is characterized by competition where Mycronic has a leading position.

### MARKET ACTORS

In most cases, display and electronics manufacturers purchase their photomasks from specialized sub-suppliers called "mask shops". Market actors include DNP, Hoya, LGIT, Photronics, SKE and Supermask, all of which are located in Asia. Other actors are leading display and electronics manufacturers like Intel and Samsung.

Mycronic has some 30 customers in the Pattern Generators business area. The largest actors are manufacturers of photomasks for different types of display applications such as smart phones, tablets,

laptops and TVs. Mycronic is the only supplier of mask writers for manufacturing of advanced photomasks for the display industry. Within the multi-purpose segment, Heidelberg Instruments is also a supplier.

### THE DISPLAY MARKET

The display market is significantly larger than the photomask market. Although the photomask market is not directly linked to the display market, there is a connection as display manufacturers, driven by us as consumers, buy and use photomasks and they set the pace for technology development.

The display market exhibited negative growth in 2016, declining 8 percent. The market rebounded, however, during the second half of 2016. During 2017, the display market is estimated to have grown 19 percent to USD 125 billion, which corresponds to 3.7 billion units (IHS, January 2018). This growth is attributable to a stable price trend for existing displays, and a shift toward more expensive and more advanced AMOLED and high-resolution displays. The total display area increases as displays get larger and are used in an increasing number in new products, such as cars.

In 2018, the display market is expected to develop at a slower pace and the assessment is for growth of five percent. Certain parts of the market, however, are expected to grow at a higher rate. One example is the market for advanced AMOLED displays and large TV displays. The estimate is that the AMOLED market will grow by 24 percent per year between 2017-2021 reaching approximately USD 54 billion in 2021. In 2017 AMOLED accounted for approximately 18 percent of the total market and in 2021 it is estimated to account for 37 percent of the total display market (IHS, January 2018).

Major display manufacturers have fast-paced investment plans for the future. Several actors are investing in AMOLED. At the same time, there is rising interest in investing in the largest display factories, G 10/11, for efficient production of the largest displays. Several new G 10/11 factories are under construction in China, and BOE and CSOT, among others, have announced they are investing in this type of factory.

## Did you know...



An increasing number of end products include advanced displays. To produce these displays, photomasks written by Mycronic's mask writers are indispensable.



Today, the total area of photomasks produced for display applications is approximately three times greater than what it was ten years ago.



To meet the photomask pattern placement requirements, the mask writer climate is controlled within a few thousandths of a degree.



## AMOLED and LCD

AMOLED\* is a more complex display technology to manufacture and requires more advanced photomasks than LCD. AMOLED technology has, however, several advantages over LCD:

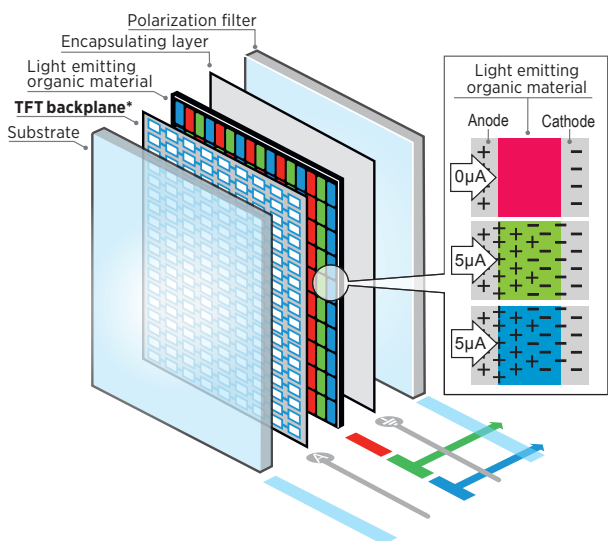
- 1) Flexible and bendable displays.
- 2) Better image quality.
- 3) Thinner displays.
- 4) Energy efficiency is better as every pixel essentially consumes energy only when active.

\*AMOLED = Active-Matrix Organic Light-Emitting Diode.



**AMOLED-DISPLAY**

**LCD-DISPLAY**

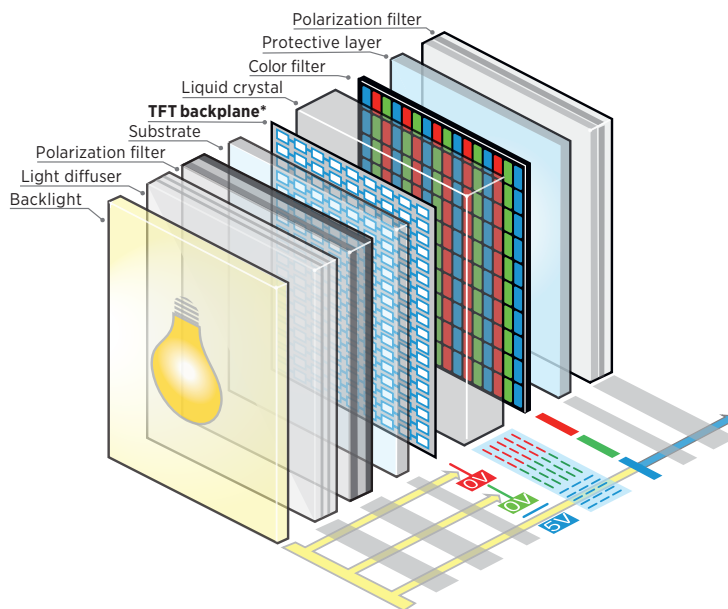


**RGB AMOLED**

In this display technology, every pixel is its own light source. To generate light, a current is run through an organic material. Three different organic materials are used to create the three primary colors. This is the main technology used in mobile displays.

**White AMOLED**

This display technology is the same as RGB AMOLED except that it only uses one type of organic material that generates white light. To generate the three primary colors, a color filter is used for each pixel.



**LCD**

In this display technology, background lighting is used, and the amount of light to pass through each pixel is then regulated through voltage. Since LCD uses background lighting and each pixel is not its own light source, the display requires several layers to generate and organize the light properly. Hence, LCD displays cannot be as thin and flexible as AMOLED displays.

\*TFT backplane production requires advanced photomasks. AMOLED requires a more advanced TFT backplane compared to LCD and thus requires the most advanced photomasks.

# Mycronic's sustainability report

**Mycronic focuses on sustainability to contribute to a sustainable future, ensure long-term competitiveness and to meet stakeholders' expectations. Leading companies within the electronics industry are demanding sustainability in the supply chain, thereby increasing customer requirements at Mycronic. The Company is focusing on four strategically important areas to integrate sustainability into the business.**

## RESPONSIBLE BUSINESS

Business ethics is an important issue for the intrinsic value of the Company and its brand. Mycronic's goal is to have a high ethical standard including:

- A code of conduct followed by all employees and business partners.
- Good working conditions and respect for human rights should prevail at all Mycronic's business partners.
- Zero-tolerance for corruption.
- A high level of information security to ensure business continuity.

## REDUCED ENVIRONMENTAL IMPACT

Mycronic's goal is to reduce environmental impact from a number of perspectives:

- Manage carbon dioxide emissions to aim at zero emissions in the long-term.
- Design from a product life cycle perspective with quality in focus to reduce resource consumption.
- Actively work with waste management.
- Limit the proportion of hazardous substances.

## ATTRACTIVE EMPLOYER

The basis for Mycronic's success is competent, innovative and passionate employees who thrive on and develop at work. The Company's goals are to:

- Be an attractive employer, with development opportunities for all.
- Provide a healthy, safe workplace.
- Be imbued with an inclusive culture with diversity in focus.

## INNOVATION

Mycronic has had a strong innovation culture for over 40 years. The Company's goals are to:

- Ensure innovative capacity for increased competitiveness.
- Be part of the customers' solutions in their transition towards a sustainable electronics production.
- Encourage young people to choose the engineering profession.

# Increased focus on sustainability

**Mycronic is working long-term to meet the increasing demands of society and the electronics industry on sustainability. The Company's sustainability strategy is linked to six of the UN's 17 Sustainable Development Goals as outlined in Agenda 2030.**

## DRIVERS BEHIND MYCRONIC'S SUSTAINABILITY EFFORTS

Change is needed for how the earth's resources are used, and all parts of society must contribute. Business ethics and respect for human rights contribute to stable societies. Good working conditions improve the individual's health and financial security. Increased legal requirements contribute to this essential transformation occurring more rapidly.

Mycronic recently, and in all seriousness, embarked on a journey of change towards greater sustainability. The first step is knowledge, which provides insight into how the Company affects the earth, its people and our prosperity. Mycronic has appointed a sustainability manager who is in charge of a global project to map the business and the impact of our products on sustainability and to help speed the movement towards greater sustainability. In the autumn of 2017, Mycronic recruited a global quality and sustainability director.

The Company should generate value for its shareholders. Embracing sustainability and integrating it into the strategy and daily work has a positive effect on good, long-term value creation. To understand the

perspective of investors and learn from other companies, Mycronic is taking part in Nasdaq Nordic's pilot program for sustainability reporting, which started at the end of 2017 and will continue in 2018.

The electronics industry is facing a number of challenges, where resource consumption during production and the increasing amount of electronic waste are two examples. Mycronic wants to help customers in the long-term to make the transition to more sustainable production. Through dialogue with customers, the learning is that requirements vary. Electronics industry giants have started integrating sustainability into their business.

Sustainability is an important employer issue for attracting and retaining employees. In total, approximately 60 students from the Royal Institute of Technology in Stockholm (KTH) participated in Agenda 2030 workshops during visits to Mycronic in 2016 and 2017. These students were greatly interested in sustainability and provided valuable perspectives and ideas.

## MYCRONIC'S CONTRIBUTION TO SIX UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



**Goal 5** – The Swedish operation is EDGE certified for its gender equality work. As an integral part of Mycronic's diversity efforts, the Company focused on implementation of local action plans in all countries where Mycronic is an employer. The goal is part of the focus area Attractive Employer.



**Goal 8** – The number of employees has doubled in particular through acquisitions over the past two years and the number of suppliers has increased. The Company's responsibilities include working conditions and human rights in its own operations as well as at its suppliers. The goal is part of the focus areas Attractive Employer and Responsible Business.



**Goal 9** – Mycronic contributes to the technological development of the electronics industry. The Company's products are a prerequisite for all of the world's flat displays, contribute to advanced driver assistance in cars, and to automation in Industry 4.0. The Company is working to increase young people's interest in technology. The goal is part of the focus area Innovation.



**Goal 12** – Sustainable production has two perspectives for Mycronic: customers' production and the Company's own production. The aim is to, for example, reduce resource consumption and the amount of hazardous substances, and to contribute long-term to more sustainable production of electronics. The goal is part of the focus area Reduced Environmental Impact.



**Goal 13** – The Company will combat its climate impact by reducing carbon dioxide emissions, both during the product life cycle and in its own operations. The first step has been mapping of the Company's carbon footprint. The goal is part of the focus area Reduced Environmental Impact.



**Goal 16** – Mycronic is represented in over 50 countries through subsidiaries, agents and distributors. More than 98 percent of consolidated sales are outside Sweden. The Company's code of conduct, which includes human rights, working conditions, anti-corruption and environment, shall be followed by all employees and business partners. The goal is part of focus area Responsible Business.

*Mycronic has linked the Company's sustainability strategy to the UN's Agenda 2030. The four focus areas primarily address six of the UN's 17 global goals.*

This is Mycronic's statutory sustainability report in accordance with the requirements of the Swedish Annual Accounts Act with the following limitations. RoyoTech and Kognitech are fully integrated into this sustainability report. Axxon and AEi are included in part and summarized separately. Vi TECHNOLOGY, acquired at the end of 2017, is included in

the innovation section only. All companies acquired during 2016 and 2017 will be included in the sustainability report for the fiscal year 2018 published 2019. More detailed information and reporting in accordance with the Global Reporting Initiative (GRI) standard can be found in a separate document on Mycronic's website.

## STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS

### STAKEHOLDER DIALOGUE

During 2017, Mycronic conducted a comprehensive stakeholder dialogue on sustainability. The Company held a cross-functional workshop with representatives from key functions who identified the stakeholders deemed best able to contribute to Mycronic’s sustainability efforts at this stage. The following stakeholder groups were identified: the capital market, customers, employees and suppliers. The dialogue was conducted through surveys and meetings with owners and analysts as well as customers. Interactive exercises were arranged for employees worldwide, and surveys were sent to suppliers. Stakeholders could choose seven of 25 sustainability topics that they thought Mycronic should focus on.

The capital market highlights, in addition to economic value creation, the importance of business ethics. For manufacturing companies, product quality is always high on the agenda, which is reflected in customer focus issues. Employees raised employer issues. The Company has clear financial goals for economic value creation which is important to suppliers.

Innovation and product development are crucial for Mycronic’s future and have long been a part of the Company’s strategy. The result of the stakeholder dialogue also shows that three of four stakeholder groups ranked product development and innovation among the top five of the Company’s most important sustainability topics (see table above). Mycronic has therefore chosen to also include Innovation as a focus area within sustainability.

### MYCRONIC’S FIVE MOST IMPORTANT SUSTAINABILITY TOPICS

Priority	Capital market	Customers	Employees	Suppliers
1	Business ethics	Product quality	Employment conditions	Economic value creation
2	Economic value creation	Product development and innovation	Work-life balance	Product development and innovation
3	Human rights in the supply chain	Economic value creation	Product quality	Business ethics
4	Product quality	Energy efficiency	Competence development and education	Product quality
5	Chemical management	Competence development and education	Product development and innovation	Environmental risks in the supply chain

Stakeholders were asked to vote for the sustainability topics they considered most important for Mycronic to focus on going forward. The five areas which received the most votes per stakeholder group are shown in the table.



Axxon employees gather to vote on the sustainability topics that Mycronic should focus on.

### MATERIALITY ANALYSIS

During 2017, Mycronic conducted a materiality analysis, which is an assessment and prioritization of sustainability aspects based on the Company’s operations. The purpose was to identify those topics which are most significant for Mycronic to focus on for the Company’s long-term success and to contribute to sustainable development. A cross-functional project team with members from Group management and other key functions prioritized sustainability topics by balancing the results by reconciling the results of stakeholder dialogues, the Company’s strategy, and significant environmental aspects with an assessment of Mycronic’s possibilities to influence respective topics. The sustainability topics assessed as most significant were then grouped under the focus areas of Responsible Business, Reduced Environmental Impact, Attractive Employer and Innovation. The results of the materiality analysis have been presented and approved by Group management and the Board.

#### RESPONSIBLE BUSINESS

- Business ethics
- Information security
- Economic value creation
- Human rights

#### REDUCED ENVIRONMENTAL IMPACT

- Product quality
- Energy efficiency
- Climate impact
- Environmental risks in the supply chain
- Waste management

#### ATTRACTIVE EMPLOYER

- Competence development and education
- Work-life balance
- Diversity and equality
- Zero-tolerance for discrimination
- Workplace health and safety

#### INNOVATION

- Product development and innovation
- Patent portfolio
- Innovation culture

Result of the materiality analysis. The sustainability topics illustrated above are included in the sustainability report. Economic value creation is presented on pages 8-9.

## RESPONSIBLE BUSINESS

### BUSINESS ETHICS

The Company has a Code of Conduct to ensure that employees and business partners act ethically. This applies within its own operations as well as for purchasing and sale of components, products and services. The Code of Conduct is updated annually and approved by the Board. It covers, among other things, human rights and labor conditions, anti-corruption, the environment, and information security. During team meetings 2017 the Group's employees have read and confirmed that they comply with the Code of Conduct. There is an external, anonymous whistle-blower service where observations about conditions that violate the Code of Conduct can be reported. Two cases were received in 2017, and the Company has acted on these.

Through its subsidiaries, agents and distributors, Mycronic is active in some 50 countries. For a number of these countries there is a high risk of corruption according to Transparency International. To minimize the risk for irregularities, Mycronic follows a process annually, whereby all agents and distributors must confirm that they have complied with the Code of Conduct. In 2017, 97 percent confirmed that they comply with Mycronic's Code of Conduct and the remaining confirmed in January 2018. The Company has decided to establish a Business Ethics Council to further ensure compliance with ethical regulations, and continuously develop and adopt guidelines for the Group.

The Company believes that the greatest risk for human rights violations exists in the customer and supply chain in countries where human rights are respected least. In 2017, the Company tightened its supply chain requirements. A separate and enhanced Supplier Code of Conduct was developed which includes human rights and labour rights, occupational health and safety, environmental conditions and anti-corruption.

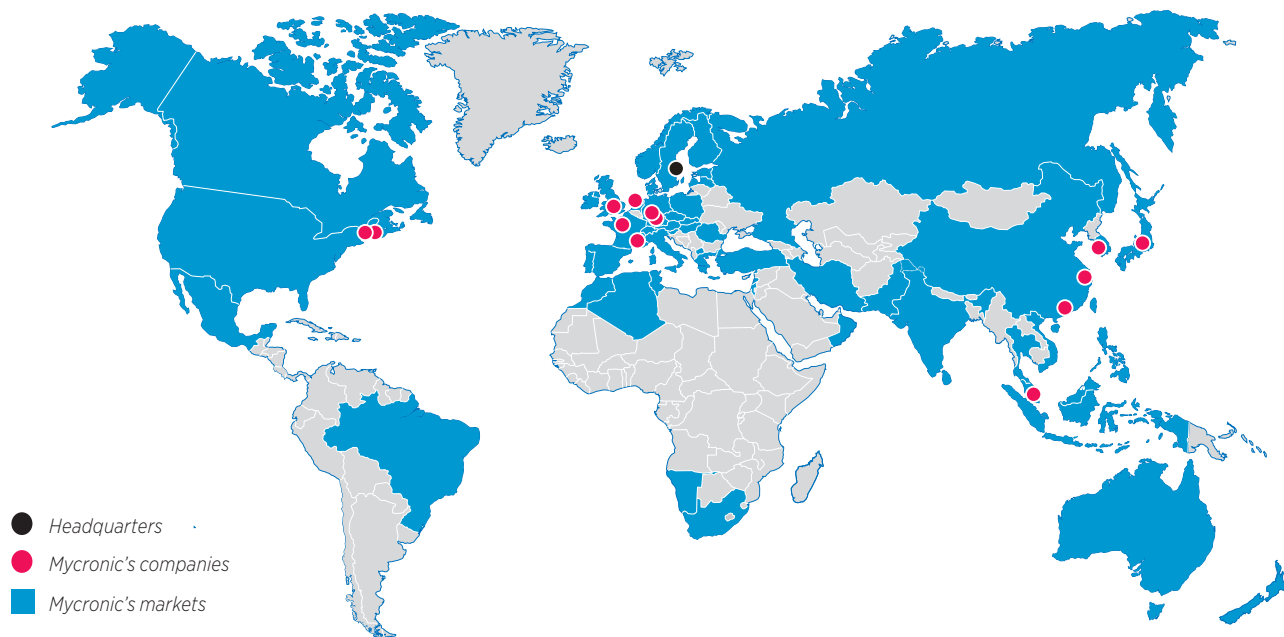
Monitoring to ensure that new suppliers comply with the Supplier code of Code of Conduct has been initiated and will continue throughout 2018. A first survey of suppliers' geographical distribution reveals that the majority are located in low-risk countries. The Company has found that increased knowledge about human rights is needed in order to be able to work in a structured manner with this question. Mycronic's export control refers to the country and customer and will be further clarified.

### INFORMATION SECURITY IS STRATEGICALLY IMPORTANT

Information and communication technology (ICT) is an important component in managing strategic growth objectives. To meet the requirements and opportunities within digitalization, automation and globalization, significant investments have been made in IT systems to further improve data security and prevent intrusions. External IT information security experts are consulted on a regular basis for review of prioritized IT systems. Mycronic's principle is that this shall occur at least every other year.

In 2017, a new IT system was implemented which safely and effectively enables distributed global development and management of product data throughout the entire life cycle. A customer management system has also been introduced. A personnel system has been procured and will be introduced in 2018. Through these investments, the Company is preparing to meet the new EU General Data Protection Regulation (GDPR) which comes into force 25 May, 2018.

There are guidelines for how acquired companies should be integrated into the ICT infrastructure. An external IT specialist conducts a security review in conjunction with acquisitions. The results of reviews form the basis for integration activities.



100% of Mycronic's agents and distributors have confirmed their compliance with the Code of Conduct in January 2018 (97% during 2017).



Two cases were reported in 2017 to Mycronic's anonymous whistle-blower service.



Mycronic has as a principle that information security on prioritized IT systems is reviewed externally at least every other year.

## REDUCED ENVIRONMENTAL IMPACT

### ENVIRONMENTAL IMPACT AND PRODUCT QUALITY

Mycronic is a manufacturing company and product quality is part of the daily work. The consequences of any shortcomings in product quality affect the environment through increased use of resources such as materials and energy. All manufacturing companies in the Group have a quality management system certified in accordance with ISO9001. Product owners are clearly designated, and there is a clear structure for how product quality is guaranteed. Mycronic's ambition is that all manufacturing companies receive environmental certification. Mycronic's Swedish operation was first to be certified in accordance with ISO14001 in 2017.

In 2017, the Swedish business operations worked with ten quality and environmental goals. Status is monitored monthly by Group management and communicated quarterly in the quality and environmental report. At the end of the year, an internal quality and environmental event was held to highlight the status of the ten goals. Employees contributed during this event with approximately sixty ideas and suggestions for improvement.

The Company assesses environmental risks as low. In the event of an incident, such as a fire at a production site, the environmental impact becomes tangible. Risk is minimized through proactive, systematic fire prevention efforts.

8

During 2017, eight environment-related activities were arranged with the aim of raising environmental awareness in the Swedish operations.

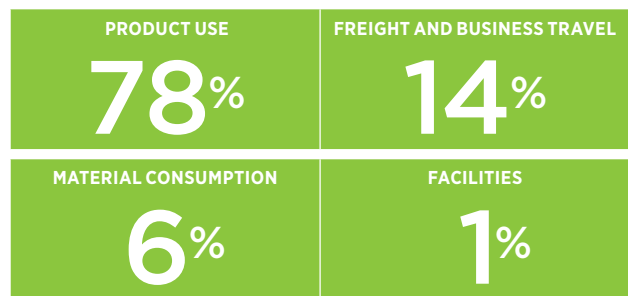
### MYCRONIC'S CARBON FOOTPRINT

Mycronic strives to reduce both direct and indirect emissions. In 2017, the Company completed the first survey of its carbon footprint, which amounted to 59,400 metric tonnes total. The result shows that of the carbon dioxide emissions identified thus far, 78 percent is attributable to energy consumption through customer utilization of the products. Of this, mask writers account for about 90 percent as the gas lasers in mask writers are highly energy-intensive. Mycronic is studying the possibility of reducing total energy consumption significantly for mask writers by switching to a more energy saving laser technology.

During 2017, the Company mapped carbon dioxide emissions from freight and business travel. Freight accounts for about 70 percent of emissions. An evaluation of alternative modes of transport to reduce the carbon footprint began in 2017 and will continue in 2018.

A first survey of the material in the product portfolio has been completed to raise knowledge about material consumption and for calculating the carbon footprint. The products contain materials in the categories metal, stone, plastic, glass, batteries and electronics.

### MYCRONIC'S IDENTIFIED CARBON FOOTPRINT: 59,400 METRIC TONNES



Distribution of significant carbon dioxide emissions identified thus far. Waste accounts for a negligible proportion. Material consumption currently includes emissions solely from the mine to basic materials, e.g. iron ore to steel beams.

### WASTE MANAGEMENT

The Company's ambition is to manage waste issues in a structured manner within the entire Group. Mycronic has started in the Swedish operations where waste management is based on the Swedish Environmental Code's Waste Hierarchy, and the Company endeavors to the extent possible to minimize waste. Mycronic creates waste during development, testing, assembly and packaging of systems and spare parts, when scrapping systems at customer sites, and through office activities.

Most waste is recycled, while a minor portion goes to energy recovery and landfill, where natural stone diabase comprises the lion's share. Certain electronics as well as entire systems are refurbished and up-graded for resale.

Mycronic's operations utilize around one hundred different chemicals that are classified as hazardous to health or the environment. To reduce risks during handling, the Company has a chemicals coordinator who, together with an approved supplier of chemicals, ensures that laws and regulations are complied with and that protective measures are taken to prevent negative consequences from the use of hazardous chemicals in the operations. Additionally, work is continuously ongoing to reduce the amount of hazardous chemicals utilized in the Company's activities.

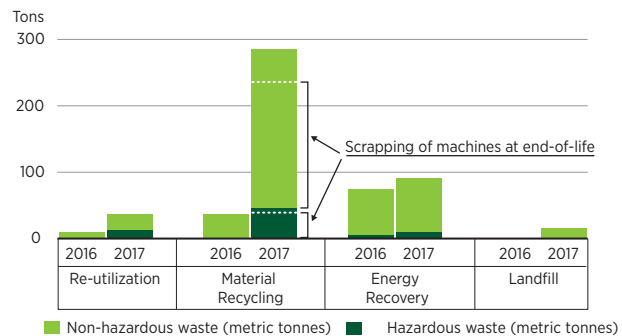
Waste management is reviewed twice a year by organizations approved for environmental law and chemical audits. In 2017, the implementation of 85 environmental laws was audited, of which 75 were approved and 10 discrepancies identified. These are being dealt with through action plans. The result was an improvement compared to 2016, both in the number of deviations identified and their scope.

Recommendations for scrapping of systems will be developed to meet the EU Waste Electrical and Electronic Equipment Directive, known as WEEE.

### AVOIDANCE OF HAZARDOUS SUBSTANCES IN PRODUCTS

Two quality and environmental goals focused on minimizing the proportion of hazardous substances found in Mycronic's product portfolio. Efforts to identify existing products' material content has continued to ensure that the requirements of the Restriction of Hazardous Substances (RoHS) Directive are met despite the fact that products are exempted under the EU RoHS Directive. The intention is to reduce environmental impact and secure product design for the future. This has been done in collaboration with the Company's suppliers. At the end of 2017, all reviewed products reached RoHS compliance by at least 98 percent compared with 83 percent in average at the beginning of the year. The majority of non-RoHS approved materials are circuit boards, for which plans will be in place during 2018.

### WASTE FROM SWEDISH OPERATIONS (2016, 2017) AND WASTE FROM CUSTOMERS' SCRAPPING OF OLD PRODUCTS (2017)



Mapping of waste was expanded in 2017 to include scrapped machines at the end of their life cycle. This scrapping occurs locally. Material from SMT machines at end-of-life currently accounts for the largest proportion of material recycling.

## ATTRACTIVE EMPLOYER

### EMPLOYEES

At the end of 2017 Mycronic Group had 1,045 employees in ten countries, of which 17 percent are women (including Vi TECHNOLOGY). Employees and their competencies are a critically important asset. The Company has a global human resource strategy, which aims to secure competencies in the long-term and ensure that Mycronic is a safe, inclusive and healthy place to work.

Mycronic's identified risk areas include lack of expertise due to specific competencies being difficult to find or that these competencies do not develop in parallel with the need, the risk for unethical behavior, and certain occupational health and safety risks. Risk levels in these areas have been reduced after several years of methodical work.

### EMPLOYEE DEVELOPMENT

Mycronic's managers conduct annual employee development plan (EDP) talks with all employees globally where an individual development plan is included. These talks help identify employee competencies needed in the short and medium term to achieve stated objectives. The employee and their manager agree on how these competencies will be developed. The goal is to follow up on the performance of each employee at least twice a year. In 2017, the proportion of employees who had a performance appraisal increased to 99 (94) percent for men and 99 (92) percent for women.

During 2017, new career paths were introduced, starting with the research and development organization. The goal is to implement global career paths for all parts of the organization in the coming years. Competency tools help identify gaps, which facilitates the development of individual development plans. Additionally, the aggregated competency gap becomes visible, and the Company can plan competency development measures from a more long-term perspective.

### A HEALTHY WORKPLACE

Mycronic has a clear ambition that no employee should be sick because of their job. Targeted, preventive work environment efforts focus on psychosocial work environment factors. All employees have the right to a life with a healthy balance between work and leisure time.

Mycronic's commitment to better health and working environment can accommodate many measures, such as a modern workplace with improved ergonomics, training for electrical safety and stress management, support for finding balance between work and private life, as well as counselling and certain treatments in conjunction with illness or stressful life situations.

In a global company with work peaks, workload can vary. The Company has piloted the possibility for managers in Sweden to approve recovery time for employees who have had a higher workload during a given period. This will also be evaluated on the basis of global needs. A review of overtime management has been done in several countries, and the regulatory framework has been clarified where it was deemed necessary to avoid excessively high workloads. Thanks to these efforts, levels of sick leave are low, and especially long-term sick leave resulting from psychosocial factors is very low.

The Company plans to implement work environment certification in most countries over the next few years. With the new standard

ISO45001, Mycronic will also get a management system for occupational health and safety to systematically lead, manage and develop work environment efforts. This makes it easier to detect and prevent work environment risks.

### A WORKPLACE CHARACTERIZED BY DIVERSITY AND EQUALITY

For Mycronic, diversity extends beyond the typical aspects of gender or ethnicity. The Company values a mix of different personalities, experience and knowledge. Diversity based on many aspects constitutes a good foundation for innovation and continued profitability.

Since 2014, Mycronic has worked diligently to become a workplace with a balanced representation of women and men, and with a mix of different ages and cultural backgrounds among employees at all levels. The Company's diversity policy has generated action plans in all countries, which are followed up. Mycronic's Swedish operations were first out in 2014 with a number of ambitious and measurable diversity goals with a three-year perspective.

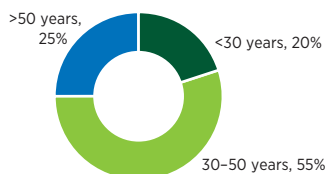
Goals for the Swedish operations	Outcomes 2016	Outcomes 2017
At least 40 percent of all managers should be women.	35 percent women	38 percent women
25 percent of employees should be women.	22 percent women	22 percent women
Group management should reach a 60/40 gender split.	Gender split is 63/37	Gender split is 63/37

The essence of diversity management is to continuously focus on competencies when recruiting and for managerial appointments. An overview of recruitment processes was completed early in the process to ensure access to a broad recruitment base and that certain groups were not excluded. The proportion of younger employees and employees with different cultural backgrounds has also risen sharply over the last three years.

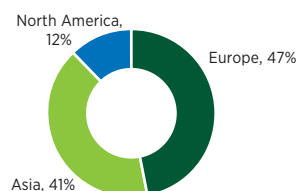
Mycronic has zero-tolerance for discrimination. Two cases were identified during the year. Internal investigations resulted in one of the cases being closed as no wrongdoing could be found. In the second case, the Company took the necessary measures. In the annual wage surveys in Sweden, no unfair salary differences between men and women have been identified during the last few years. In the next step, salary surveys will be conducted in the Group globally. The Company has created the necessary conditions for establishment of transparent, fair wages by introducing a position valuation model throughout the Group whereby all positions are measured by an external party according to clear criteria.



### EMPLOYEES, AGE STRUCTURE



### EMPLOYEES BY REGION



## INNOVATION

Mycronic's products and services contain high levels of technology, which places high demands for technical and business innovation. Mycronic's capacity for innovation has always been strong and has expanded further through acquisitions.

Innovation is based on the core competencies of high-precision nanometer movements over large areas, advanced management of large volumes of data at high computing speed, jet printing and dispensing of complex fluids, image processing for precision measurement, inspection and control, system design for high-precision, flexible system architecture, alignment algorithms, precision mechanics, and process optimization. Mycronic's deep customer and application knowledge is a driving force for innovation.

Creating innovative solutions for customers' challenges is deeply rooted in the Company's soul. Passion for Technology is one of the Company's values and When passion meets innovation is the Company's tagline. Preserving this culture, which has thrived for forty years and is a part of everyday life at Mycronic, is essential. Resources are therefore allocated to allow for efforts toward new innovations. The Company is also investing in a development environment, including additional lab environments and simulators, to facilitate rapid movement

from idea to concept. The Company was granted 19 new patents globally in 2017 and has more than 490 patents in total. The Company's growth globally entails new opportunities and adds additional competencies. Mycronic has research and development units at seven different locations around the world and works strategically and long-term through various collaborations within the electronics industry, for example, the industry association iNemi.

Globally, Mycronic has many partnerships with academia. The geographical proximity to top universities around Boston, Grenoble and Shenzhen, several Swedish technical universities, the Fraunhofer institute in Germany, and the RISE Research Institute of Sweden, is an important asset both for innovative collaboration and recruitment.

During 2017, Mycronic continued work to strengthen children's and young people's interest in technology. The Company participated in IGE day (Introduce a Girl to Engineering), which is organized by the non-profit organization Womengineer. Some 20 girls were able to test various technical tasks during a Company visit. Employees have continued to lecture at local schools and supported students in their electronics labs. The Company also sponsored five girls to attend the Hello Worlds programming camp during their summer holidays.



26%

of Mycronic Group's employees work with research and development.



## SUSTAINABILITY AT AXXON AND AEI

Both companies have been included in group-wide activities such as the stakeholder dialogue with employees. The companies' employees have confirmed that they will follow Myconic's code of conduct. Corresponding confirmation has been obtained from Axxon's agents and distributors. AEI has direct sales only. Axxon and AEI are companies with strong local ties. Supply chains are predominantly local, consisting of 100 percent and 90 percent Chinese and American companies respectively. It is Axxon's policy to enter an anti-corruption agreement with suppliers.

Axxon and AEI are manufacturing companies and product quality is important for minimizing environmental impact. The consequences of any shortcomings in product quality affect the environment through increased use of resources such as materials and energy. At the beginning of 2018, Axxon upgraded its quality certificate to the latest standard ISO9001:2015. AEI is certified in accordance with ISO9001:2008 and will be integrated into Myconic's combined quality and environmental certificate ISO9001:2015 and ISO14001:2015. This means that AEI will be part of Myconic's global quality and environmental management system. The goal is to obtain certification in 2018.

To reduce environmental impact and secure product design in the future, an ongoing survey of the contents of all articles, in accordance with the EU RoHS directive, is underway for both Axxon and AEI. During 2017, Axxon moved to a more modern production facility illuminated exclusively with LED fixtures. AEI utilizes a small amount of chemicals in its operations and is considered to have a very low proportion of hazardous waste.

There are 299 employees at Axxon, of which 12 percent are women, and 73 employees at AEI of which 12 percent are women. Axxon and AEI are being integrated continuously into Myconic's global HR work. This work spans many areas including leadership, competency development, and compensation issues. Both Axxon and AEI are also part of Myconic's global succession planning. During the coming year, occupational health and safety will receive special focus.

Axxon, AEI and Vi TECHNOLOGY will all be integrated into Myconic's sustainability report for the financial year 2018, which will be published in 2019.



Axxon's production facilities in Shenzhen, China, where dispensing equipment is developed, and the finished product assembled and tested for delivery to customers.



Work stations at AEI's production facilities in Boston, USA, where systems for assembly of camera modules are developed, manufactured and calibrated for delivery to customers.

## The auditor's report on the statutory sustainability report

*To the general meeting of Myconic AB, corporate, identity number 556351-2374*

### ENGAGEMENT AND RESPONSIBILITY

The Board of Directors is responsible for that the statutory sustainability report for the year 2017 on pages 22-29 has been prepared in accordance with the Annual Accounts Act.

### THE SCOPE OF THE AUDIT

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report 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.

### OPINION

A statutory sustainability report has been prepared.

Stockholm 15 March 2018

Erik Sandström  
Authorized Public Accountant

# The Mycronic share

**Mycronic's share is listed on Nasdaq OMX Stockholm, Mid Cap. Mycronic focuses on value creation through established financial objectives and by executing the strategy. In 2017, Mycronic gained a little over 2,600 new shareholders.**

## SHARE PRICE TREND AND VOLUMES

The market cap at year-end 2017 was SEK 8,323 million compared to SEK 9,596 million at the end of 2016. The last listed share price paid was SEK 85.00 (98.00). The share price declined 13 percent in 2017. Taking into consideration the ordinary dividend of SEK 2.00, the decline was 11 percent. The Stockholm Stock Exchange (OMX Stockholm) rose by just over 6 percent in 2017.

The highest share price was recorded on 10 October at SEK 118.25 and the lowest share price was SEK 71.50 on 29 August. In 2017, 93.6 (73.7) million shares were traded to a value of SEK 8,681 (6,074) million.

The share was traded on all trading days. The average daily volume was 372,911 (291,269) shares, corresponding to SEK 34.6 (24.0) million.

## OWNERSHIP

Share capital as of 31 December, 2017 amounted to SEK 97.9 million spread over 97,916,509 shares. All shares are of the same class with 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

18,751 (16,144) shareholders. The largest shareholder, Bure Equity, owns 29.9 percent. The ten largest owners held 65 (56) percent of the total number of shares and the 100 largest shareholders held 86 (78) percent. Together, Board members and executive managers owned 0.5 (0.5) percent. At the end of 2017, Swedish ownership was 90 (75) percent.

## MARKET COMMUNICATION

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

In accordance with the communication policy adopted by the Board, information is published on orders for individually large systems as well as other significant events that could affect the valuation of the Company, and for such matters that must be made public by law or stock market rules. This is done through press releases. All price-sensitive information is communicated to the market at the same time and with the same content. Financial information is provided through interim

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 request it. The annual report is published on the website where it is also available in web format.

Mycronic meets regularly with professional actors on the capital market, including at the publication of interim reports and other financial market meetings. By participating in local meetings with shareholder associations and other such seminars, the Company meets various stakeholders.

## DIVIDEND POLICY

The Company's objective is to provide both a good return and value growth. Provided that the Company's net debt is lower than three times EBITDA after the stipulated dividend, 30 to 50 percent of the Company's profit after tax is distributed to shareholders.

In May 2017, an ordinary dividend of SEK 2.00 per share was paid, totaling SEK 196 million. Over the past three years, Mycronic has paid out a total of SEK 979 million in ordinary and extra dividends.

**OWNERSHIP STRUCTURE****31 DECEMBER, 2017**

Holding by size	No of shareholders	No of shares	%
1-500	13,717	1,864,305	1.9
501-1,000	2,221	1,854,997	1.9
1,001-5,000	2,137	4,960,136	5.1
5,001-10,000	343	2,561,063	2.6
10,001-50,000	238	5,126,166	5.2
50,001-100,000	39	2,943,671	3.0
100,001-	56	78,606,171	80.3
	<b>18,751</b>	<b>97,916,509</b>	<b>100.0</b>

**ANALYSTS THAT MONITOR MYCRONIC**

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

**SHARE DATA**

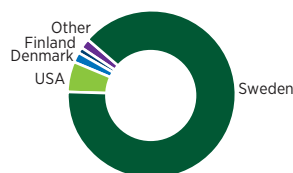
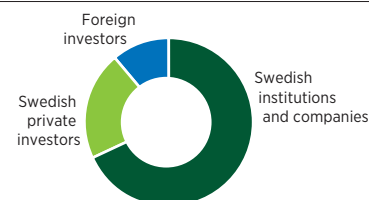
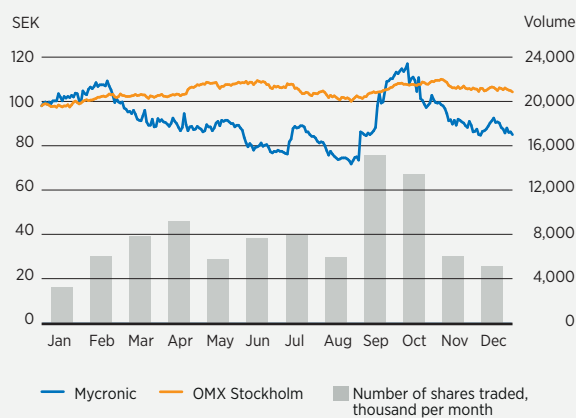
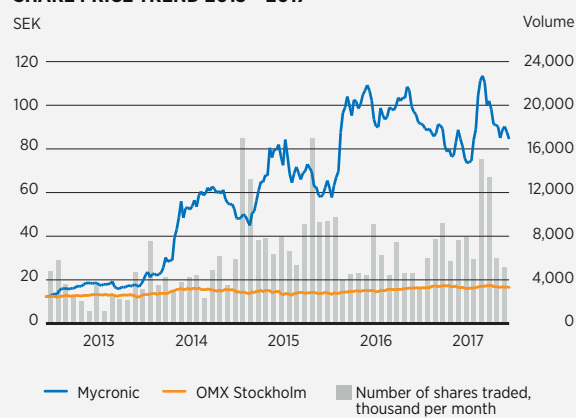
	2017	2016
Number of shares, thousand	97,917	97,917
Share price at year-end	85.00	98.00
Equity	18.39	14.42
Price/equity ratio	4.62	6.80
Earnings	6.40	5.38
P/E ratio	13	18
Ordinary dividend	2.50	2.00
Extraordinary dividend	-	-

**THE LARGEST SHAREHOLDERS 31 DECEMBER, 2017**

Shareholder	No of shares	Holding, %
Bure Equity	29,317,163	29.9
Fjärde AP-fonden	8,970,510	9.2
Swedbank Robur Fonder	7,808,578	8.0
Handelsbanken Fonder	3,491,503	3.6
Catella Fonder	3,183,433	3.3
Andra AP-fonden	2,746,919	2.8
Avanza Pension	2,160,165	2.2
SEB Fonder	2,086,434	2.1
Vanguard	1,612,089	1.6
C Worldwide Asset Management	1,474,334	1.5
The 10 largest shareholders	62,851,128	64.2
Others	35,065,381	35.8
<b>Total</b>	<b>97,916,509</b>	<b>100.0</b>

**SHARE CAPITAL DEVELOPMENT**

Year	Increase in number of shares	Total number of shares	Share capital, SEK thousand
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 2017****SHARE PRICE TREND 2013 - 2017**

Source: Monitor by Modular Finance AB. Data compiled and processed from inter alia Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

# 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 the financial year 1 January to 31 December, 2017.**

## 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. Operations are conducted through two business areas: Assembly Solutions and Pattern Generators.

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

The Group is represented in more than 50 countries. System sales take place through the Company's own organization and through agents and distributors. In addition, subsidiaries are responsible for after-market sales, service and customer support.

## ASSEMBLY SOLUTIONS

Business area Assembly Solutions offers flexible equipment for the electronics industry. The equipment is used for stencil-free application of solder paste onto circuit boards and for application of other mounting fluids used in electronics manufacturing. Additionally, the customer offering includes storage towers for effective logistics, assembly robots for mounting of electronic components onto circuit boards, and inspection equipment. The offering also includes equipment for assembling and testing of camera modules. A large variety of accessories, software, support and service ensures automated and efficient electronics manufacturing.

## PATTERN GENERATORS

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

## GROUP STRUCTURE

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

an acquisition in 2017, Mycronic owns 100 percent of Vi TECHNOLOGY in France, see note 25. As a result of acquisitions in 2016, Mycronic owns 100 percent of Kognitec and RoyoTech in Germany, 100 percent of AEI in the United States, as well as 80 percent of the Chinese company Axxon. All acquisitions were consolidated from the date of acquisition.

## SUSTAINABILITY REPORT

In accordance with the Swedish Annual Accounts Act, Chapter 6, paragraph 11, Mycronic has chosen to establish the statutory sustainability report separately from the Report of the Directors. The sustainability report can be found on pages 22-29.

## PERSONNEL

At year-end the Group had 1,045 employees, of which 93 were added through the acquisition of Vi TECHNOLOGY.

The average number of full-time employees in the Group in 2017 was 962 (577), of which 322 (286) were employed in Sweden. Women accounted for 17 (19) percent of the average number of Group employees.

## FINANCIAL GOALS

In early 2017, the Board and executive management decided on new financial goals, after the previous goals were achieved:

### 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 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). The average is calculated over a three-year period.

## SIGNIFICANT EVENTS DURING THE YEAR

**CONTINUED STRONG DEMAND**  
In 2017, Mycronic experienced yet another

year of strong growth. The order intake landed at a record high of SEK 3,567 million and included the first order for the Prexision-800 mask writer, launched in 2016. Net sales also hit a new record of SEK 3,001 million. Net sales grew 29 percent, of which 14 percent can be attributed to organic growth and 16 percent to acquisitions, with currency effects of -1 percent.

## CONTINUED STRONG PROFITABILITY

Mycronic's growth has occurred at the same time as the Group continued to demonstrate good profitability. EBIT also rose to a new record level in 2017, reaching SEK 848 (691) million, corresponding to an EBIT margin of 28 (30) percent. The underlying EBIT, excluding acquisition-related expenses in the amount of SEK 107 million, amounted to SEK 955 million, with an underlying EBIT margin of 32 (32) percent.

## PRODUCT DEVELOPMENT AND PRODUCT LAUNCHES

During 2017, Mycronic continued to invest significantly in product development for the purpose of securing future growth and competitiveness.

During the year, MYPro, a new program of production systems for surface mounting of components and high-speed dispensing of solder paste, and MYSmart, an updated program of production systems for dispensing, were launched.

## ACQUISITIONS

In October 2017, the Company acquired Vi TECHNOLOGY in France, a company which develops, manufactures and sells inspection solutions for the mounting process for circuit board manufacturing. The product offering comprises equipment for solder paste application inspection (SPI) and equipment for automated optical inspection of circuit boards (AOI).

## EVENTS AFTER YEAR-END

Lena Olving will, in accordance with the terms of her employment agreement of 2013, leave as President and CEO. Her employment agreement is extended until at the latest 15 May 2019.

**COMMENTS ON FINANCIAL PERFORMANCE**

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

**ORDER INTAKE AND ORDER BACKLOG**  
Order intake, including system and after-market sales for both business areas, amounted to SEK 3,567 (2,455) million in 2017. Order intake included ten (nine) systems, as well as three upgrades of previously delivered mask writers.

The order backlog at year-end was SEK 1,927 (1,342) million. The order backlog included ten systems and two upgrades, of which eight systems and both upgrades are planned for delivery in 2018.

**NET SALES**

Net sales in 2017 amounted to SEK 3,001 (2,319) million, an increase of 29 percent. Of this, 14 percent was attributable to organic growth and 16 percent to acquisitions, with currency effects of -1 percent. Net sales comprised delivery of ten (eight) mask writers. Vi TECHNOLOGY affected net sales in the amount of SEK 34 million.

Consolidated net sales were impacted by negative currency effects in the amount of SEK 22 (50) million. Recalculated to the exchange rates which prevailed in 2016, net sales reached SEK 3,023 million. Most currency effects stemmed from a weaker Japa-

nese yen. Aftermarket sales constituted 30 (32) percent of net sales.

**GROSS PROFIT AND GROSS MARGIN**  
Consolidated gross profit amounted to SEK 1,721 (1,410) million. The year's higher gross profit can be explained by greater sales volumes in both business areas. Gross margin amounted to 57 (61) percent.

**RESEARCH AND DEVELOPMENT**  
Consolidated development expenses in 2017 amounted to SEK 348 (348) million. Expenditures for development decreased slightly from SEK 342 million to SEK 335 million including acquisitions. The decrease derived from business area Assembly Solutions.

The product program is continuously being modernized through maintenance and minor development efforts. The Group also continued to execute its fast-paced product development strategy. Through collaboration, investments are made in product development for new needs and new markets.

Mycronic's patent strategy protects its investments in unique technology. In 2017, 19 new patents were granted and at year-end the Group held 496 patents, including those held by the acquired companies.

Within Assembly Solutions, development expenditures amounted to SEK 267 (285) million in 2017. Expenditures relate to investments for future growth and competitiveness, such as development of new platforms and development of existing products

for new needs and new markets, both product-wise and geographically.

During 2017, launches within Assembly Solutions included MySmart and MyPro production systems.

Within Pattern Generators, development expenditures in 2017 amounted to SEK 68 (57) million, mainly for development of the next generation of mask writers for advanced display applications, as well as for ongoing product maintenance.

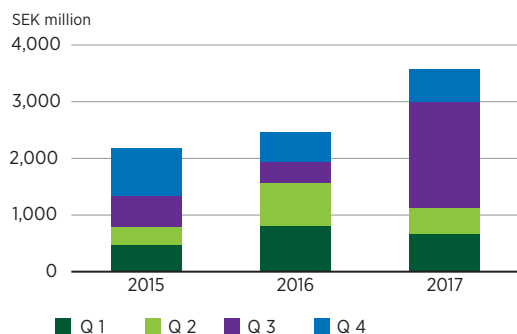
In 2017, SEK 21 (8) million was capitalized in the balance sheet. Amortization of previously capitalized development amounted to SEK 24 (12) million.

**SALES AND ADMINISTRATION**  
Expenses for sales and administration amounted to SEK 491 (377) million in 2017.

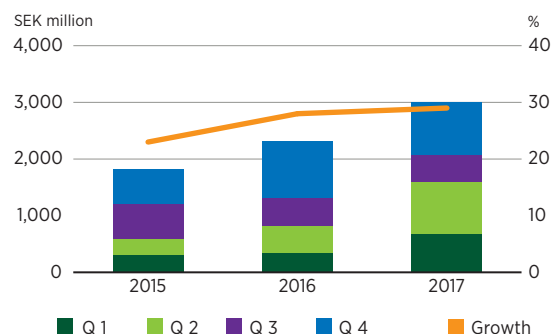
The increase in expenses is primarily attributable to operating expenses in the acquired companies, investments in the sales organization, and acquisition-related costs. The Group expanded the global sales organization both geographically and product-wise, conducted marketing activities such as participation at the major electronics production exhibition Productronica in Munich which takes place every two years, and executed an acquisition.

**EBIT**  
Consolidated EBIT for 2017 amounted to SEK 848 (691) million, corresponding to an EBIT margin of 28 (30) percent. The

**QUARTERLY ORDER INTAKE**



**QUARTERLY SALES**



underlying EBIT amounted to SEK 955 million, with an underlying EBIT margin of 32 (32) percent.

The consolidated EBIT margin decreased compared to 2016, even though Assembly Solutions improved its EBIT margin and Pattern Generators maintained its EBIT margin. This is because Assembly Solutions experienced higher sales growth in 2017 and thus constituted a larger proportion of total consolidated sales than in 2016.

The difference between EBIT and the underlying EBIT consists of acquisition-related costs. These amounted to SEK 107 million in 2017, and related to expensing of acquired inventories at fair value, changes in value of earn-outs, amortization of acquired intangible assets, as well as transaction costs. Acquisition-related expenses were charged in full to Assembly Solutions.

**TAX**

Consolidated profit before tax amounted to SEK 839 (689) million in 2017.

Consolidated tax expenses amounted to SEK 213 (163) million.

**PROFIT FOR THE YEAR AND EARNINGS PER SHARE**

Consolidated profit after tax for full-year 2017 amounted to SEK 626 (526) million.

The number of outstanding shares at year-end was 97,916,509 (97,916,509). Earnings per share amounted to SEK 6.40 (5.38) before and after dilution.

**COMMENTS ON FINANCIAL POSITION**

The Group's total assets at year-end 2017 amounted to SEK 3,239 million, compared with SEK 2,755 million at the end of 2016.

Non-current assets amounted to SEK 1,187 (1,225) million. Intangible assets amounted to SEK 1,037 (1,085) million and consisted of capitalized development and acquisition-related assets in the form of goodwill, customer relationships, technology and brands.

During 2017, development projects were

capitalized in the amount of SEK 21 (8) million. Amortization of previously capitalized development amounted to SEK 24 (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.

During 2017, inventory increased marginally from SEK 575 million to SEK 589 million, while trade receivables decreased to SEK 512 (597) million. Cash and cash equivalents in 2017 increased from SEK 209 million to SEK 813 million, due to the strong cash flow from operating activities.

Current liabilities amounted to SEK 1,038 (998) million. Trade payables decreased from SEK 186 million to SEK 155 million. Advance payments from customers amounted to SEK 497 (394) million, due to a large 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 13 million while net cash was SEK 800 (198) million.

**EQUITY**

The Group's equity on 31 December, 2017 was SEK 1,800 (1,412) million. 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 56 (51) percent. At year-end, Mycronic's market capitalization was SEK 8,323 (9,596) million.

**COMMENTS ON CASH FLOW AND INVESTMENTS**

Consolidated cash and cash equivalents at year-end amounted to SEK 813 (209) million. Cash flow for the period was SEK 609 (-699) million.

Cash flow from operations after changes in working capital generated SEK 984 (462) million. Working capital decreased, thereby contributing SEK 171 (-193) million.

Investments claimed SEK 181 (768) million, of which the acquisition of Vi TECHNOLOGY accounted for SEK 71 million. Financing activities amounted to SEK 194 (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 2018 AGM. The proposed guidelines below do not involve any change compared with the guidelines decided by the 2017 AGM.

The proposal covers the CEO and the other Group management positions, currently a total of nine persons of which one position is vacant.

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

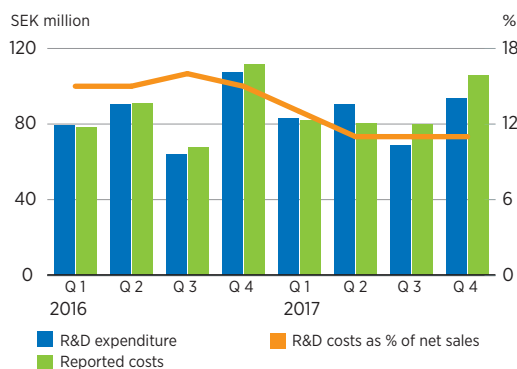
The main principle is that remuneration and other terms of employment for senior position holders should be market-based. Actual levels of remuneration are based on such factors as competence, experience and performance. Total remuneration is proposed to consist of the following elements:

- fixed basic salary
- short-term incentive (STI) program
- long-term incentive (LTI) program
- pension benefits
- other benefits
- severance pay

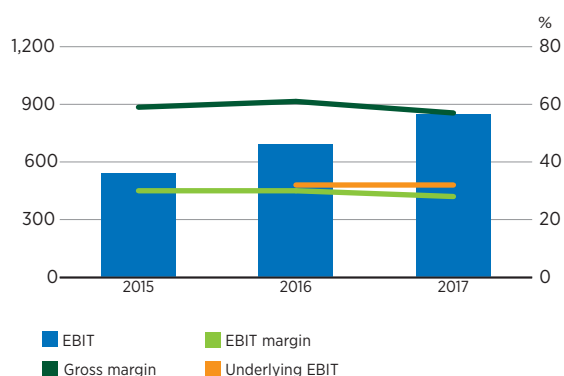
The STI is based on financial targets and the maximum amount is equivalent to 80 percent of basic salary, excluding social security expenses.

LTI encourages the acquisition of shares in Mycronic. The principle is that if an execu-

**QUARTERLY R&D EXPENSES**



**MARGIN DEVELOPMENT**



tive manager buys shares, the Company will match this through a cash payment in 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 can amount to a maximum of SEK 2.7 (2.8) million, excluding social security expenses.

If certain requirements are met after three years, the Company shall make an additional payment corresponding to a maximum of 150 percent of the matching amount. The criteria require that the employee still be employed and have retained their acquired shares. In addition, the Board's established performance goals must be met. This matching amount must also be used to purchase shares in the Company 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. Except for individually agreed pension premiums, there are no other pension commitments.

Group managers are entitled to a company car benefit and health insurance. In addition, the CEO has benefits in the form of housing in Stockholm and travel 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 can deviate from these guidelines in individual cases if there are special reasons.

Principles established at the 2017 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.

#### THE PARENT COMPANY

Mycronic AB is the Group's Parent Company. Sales in the Parent Company comprise mask writers, SMT and dispensing equipment, and aftermarket sales. At year-end 2017, there were 326 (299) persons employed by the Parent Company.

Net sales amounted to SEK 2,336 (2,021) million and comprised ten (eight) mask writers. EBIT amounted to SEK 807 (730) million. Cash and cash equivalents at year-end amounted to SEK 596 (60) million.

#### OUTLOOK FOR 2018

It is the Board's assessment that net sales in 2018 will be at the level SEK 3,500 million.

#### SIGNIFICANT RISKS AND RISK MANAGEMENT

Mycronic is an international group with subsidiaries all over the world and thus exposed to risks of various kinds. The Company can influence these risks to varying degrees. Risks may have a large or small impact on the Group, the Parent Company or subsidiaries within the Group. The significant risks that can affect Mycronic are described below.

Risks and their costs are limited through development of processes and systematic risk management and the Group's insurance solutions. Risk management is handled on a general level by the Board and at the operational level by executive management.

Financial risk management is centralized in the Parent Company's finance department, as is handling of insurance. Financial risks are managed in accordance with the financial 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. Through continuous investment in product development and acquisitions, Mycronic addresses several application areas and customer segments, which spreads risk. Furthermore, the Group's aftermarket business contributes to reducing dependence on system sales.

Mycronic is affected by political decisions and regulations in the 50 countries where the Group operates through subsid-

aries or through distributors and agents. Through local establishment, knowledge in each market increases.

The bulk of the Group's operations are in North America, Europe and Asia. During 2017, Mycronic expanded its business in France through acquisition. The Group is exposed to country-specific risks such as political decisions or overall changes to the regulatory framework in their respective geographical markets.

Mycronic's Code of Conduct sets clear requirements for employees, suppliers, distributors and agents to comply with laws and ethical regulations.

If Mycronic cannot deliver products and services according to customers' requirements, or if customers do not fulfill 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. Consolidation among companies on the market can result in a stronger financial situation for some competitors. The Group has more than 3,000 customers globally, which lowers dependency on individual customers. Sales are distributed over a large number of systems within different application areas.

Business area Pattern Generators has a customer base of around 30 companies. Dependency on individual customers is high which concentrates customer risk. Sales are distributed over a few, high-value machines and sales processes are long. Low sales to one of these customers can, in the short term, have a major impact on earnings and financial position. Earnings for a report period, e.g. a quarter, can also be affected significantly by delays in the delivery of individual mask writers. There are few competitors and customer relationships are long-lasting.

Technological development within the electronics industry is rapid, which exposes the Group to development risk where development activities do not lead to profitable new business opportunities, a product launch or delivery does not occur on time, or that the cost of developing new products is difficult to estimate.

Average annual growth within the electronics industry is assessed to be on par with the GDP. Consumption of electronics products is increasing world-wide, which is one of the key drivers of the Group's activities. Mycronic's development projects are based on thorough feasibility studies, which combine market studies, technical studies and project preparations. These are important to reduce business risk in product development projects. Development activity is carried out in close cooperation with customers and the sales organization.

Changes in price and lead times for components used in the equipment that 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 reputation and brand.

#### **BUSINESS-RELATED RISKS**

Mycronic leases a property in Täby where production and other operations occur. Damage from fire, power failure and water damage can result in production disruptions and delivery problems which can affect the Group's earnings and financial position.

The Group takes preventative steps to ensure the continuity of operations in the facility. This 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 risk related to information security. Mycronic invests continuously in system support and training to identify and prevent risks. This risk is minimized through permission structures and good internal control.

Mycronic contracts external IT security experts for regular review of prioritized IT-systems. Company policy is that this shall be done every two years. A review of IT security is done by an external specialist when an acquisition is done.

The Group's earnings in the long term are dependent on its abilities to protect strategically important technology. The Group purposefully works on identifying and protecting new technology in early stages through patents, and at year-end 2017, the Group held 496 patents.

Employees are, together with customers, the Group's greatest asset. Talented and motivated employees and managers are a

prerequisite for achieving established goals. Personnel expenses are one of the largest expense items. Mycronic works continuously 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.





*Mycronic's headquarters in Täby, just outside Stockholm.*

**CORPORATE GOVERNANCE REPORT**

The objective of corporate governance is to ensure that the Mycronic Group is managed as efficiently as possible in order to create shareholder value. This is achieved through a clear division of responsibilities between shareholders, the Board and executive management, as well as through clear regulations and transparent processes.

**FRAMEWORK FOR CORPORATE GOVERNANCE**

Corporate governance is based on external governing instruments such as the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm’s Rule Book for Issuers and the Swedish Code of Corporate Governance (the Code), as well as internal governance systems. The vision, mission, values and Code of Conduct form the basis for internal governance systems. Internal regulations include the Articles of Association, the Board’s formal workplan (the Procedural Plan), terms of reference issued by the Board to the CEO, and several policy documents that are updated annually. Examples of steering documents include policies for communication and diversity, and the authorization policy.

More information on corporate governance and the Code is available at [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

**APPLICATION OF THE CODE**

The Code rests on the “comply or explain” principle. In 2017, Mycronic complied with the Code in all respects.

**SHAREHOLDERS**

Mycronic is a Swedish public limited liability company registered in Täby. The share is listed on Nasdaq Stockholm’s Mid cap list. Share capital amounts to SEK 97,916,509 spread over 97,916,509 shares. Each share carries one vote. At year-end 2017, Mycronic had 18,751 (16,144) shareholders. Bure Equity AB was the largest shareholder with 29.9 percent of capital and votes. More infor-

mation on Mycronic’s share and shareholders can be found in The share and shareholders section of this report on pages 30-31.

**THE ANNUAL GENERAL MEETING (AGM)**

The AGM is the Company’s highest decision-making body. All shareholders have the right to participate in the AGM and to exercise their voting rights relative to their shareholdings. Rules regarding the AGM can be found in the Swedish Companies Act and the Articles of Association. Notice of the AGM shall be made four to six weeks prior to the meeting through an announcement in Post- och Inrikes Tidningar and in a press release published on the company website. Issuance of the notice shall be announced in Svenska Dagbladet.

**AGM 2017**

The AGM was held in Stockholm on 4 May, 2017. The AGM was attended by shareholders representing 51.02 percent of the share capital and votes.

The AGM took decisions in accordance with the Board’s and the Nomination committee’s proposals on:

- Adoption of the balance sheet and income statement.
- Disposal of earnings through a dividend of SEK 2 per share.
- Discharge of Board members and the CEO from liability to the Company.
- The number of Board members shall be five excluding deputy Board members.
- Selection of a registered public auditing firm.
- Board fees totaling SEK 1,650,000, of which SEK 550,000 for the Chairman and SEK 220,000 to each of the other elected Board members. An additional SEK 70,000 was allocated to the Audit committee Chairman, SEK 30,000 to other members of the Audit committee, as well as SEK 30,000 to the Chairman and each member of the Remuneration committee.
- Katarina Bonde, Ulla-Britt Fräjdin-

Hellqvist, Per Holmberg, Magnus Lindquist and Patrik Tigerschiöld were re-elected to the Board. Patrik Tigerschiöld was elected Board Chairman. Stefan Skarin declined re-election. In addition to the elected members, two union representatives were appointed from Unionen and Akademikererna to represent employees.

- The auditing firm Ernst & Young was appointed auditor with authorized public accountant Erik Sandström as lead auditor.
- Adoption of guidelines for remuneration to senior executives.
- Adoption of principles for the Nomination committee.
- A decision was taken to authorize the Board to decide on a new share issue.

Information on the AGM including all proposals and protocols can be found at [www.mycronic.com](http://www.mycronic.com).

**AGM 2018**

The AGM will be held on 8 May, 2018 at 5 p.m. in Industrisalen, Näringslivets Hus, Storgatan 19, 114 85 Stockholm.

**THE NOMINATION COMMITTEE**

The Nomination committee represents the shareholders. Their task is to present proposals to the AGM for decision regarding the election of Board members, the Board Chairman and auditors, and remuneration for same. The AGM decides how the Nomination committee should be appointed.

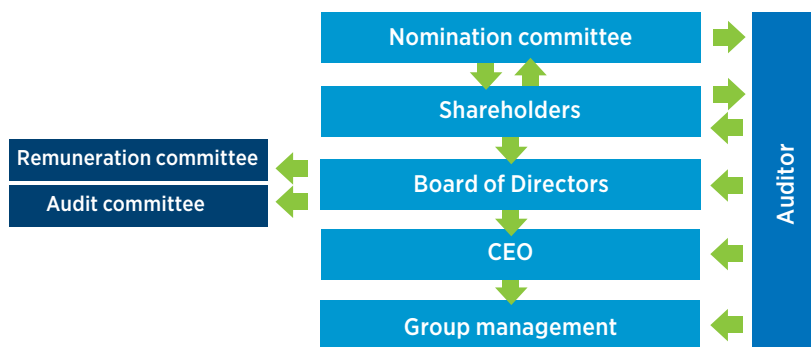
In accordance with this decision, the Nomination committee totals four persons: representatives from the three largest known owners as of 31 August and the Chairman of the Board. The composition of the Nomination committee is published at the latest six months prior to the AGM. The Nomination committee’s proposals are presented in the Notice of the AGM and on Mycronic’s website.

The annual evaluation of the Board’s work is presented to the Nomination committee and is the basis for their work in proposing Board members. The Nomination

**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.



committee bases its work on the requirements of the Swedish Annual Accounts Act and the Code, as well as company-specific requirements. The intention is to have an appropriate Board composition, which shall be characterized by versatility and breadth including age, gender, education, background and experience. The Board of Directors is presented on pages 42-43.

The Nomination committee for the 2018 AGM consists of Henrik Blomquist (Bure-Equity), Thomas Ehlin (Fjärde AP-fonden), Joachim Spetz (Swedbank Robur Fonder) and Patrik Tigerschiöld (Chairman of the Board).

**BOARD OF DIRECTORS**

The Board of Directors (the Board) 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 establishes strategies and goals and makes decisions on major investments. The CEO is appointed by the Board and is responsible for ongoing administration.

The responsibilities of the Board are governed by the Swedish Companies Act and in the Procedural Plan. Division of labor between the Board and the CEO is established through written instructions.

The Board consists of five members appointed by the AGM, and two representatives appointed by Unionen and Akademikerna.

**BOARD ACTIVITIES**

The Board works according to the Procedural Plan which shall ensure that the Board is well-informed and that all Board-related issues are addressed. The Procedural Plan,

which is established annually, describes the division of labor between the Board and its committees, and between the Board and the CEO. The Board takes decisions on strategy and budget, confirms financial reports and significant policies including the authorization policy, appoints the CEO and evaluates the CEO's work, establishes regulations for internal control and monitors the effectiveness of internal control, decides on major investments and agreements, appoints the Audit and Remuneration committees, and evaluates the work of the Board. The Board monitors that 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 work of the Board and also represents the Company on ownership issues.

Board meetings are prepared by the Chairman of the Board, together with the CEO. The CEO and the Company's CFO, who is responsible for recording the minutes of Board meetings, always attend. In addition, other employees attend when necessary in relation to individual cases. Materials are distributed prior to each meeting. Some questions are prepared in 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.

In 2017, the Board held ten meetings. In addition, the Board met during a strategy seminar.

**Board committees**

The committees' tasks and workplan 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 CEO's salary, other remuneration, and terms of employment. 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 compliance with established guidelines for remuneration of senior executives.

As of the 2017 AGM, the Remuneration committee consists of Patrik Tigerschiöld (Chairman), Ulla-Britt Fräjdin-Hellqvist and Per Holmberg. The Remuneration committee held three meetings in 2017.

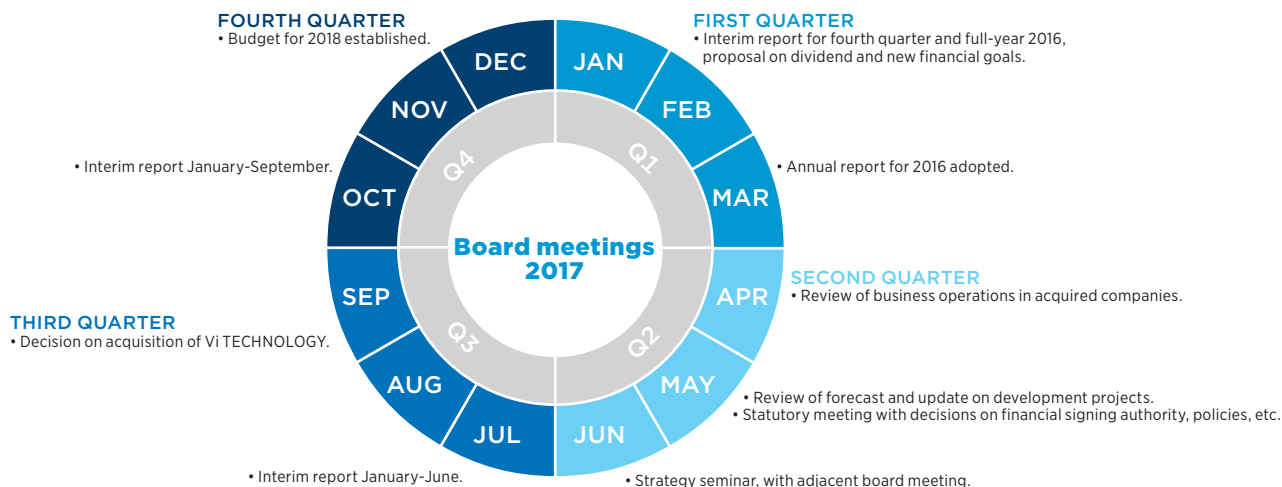
**The Audit committee**

The Audit committee is appointed by the Board and consists of three Board members. The committee is tasked with ensuring the quality of 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 2017 AGM, the Audit committee consists of Magnus Lindquist (Chairman), Katarina Bonde and Ulla-Britt Fräjdin-Hellqvist. In 2017, the Audit committee held four meetings.

**THE BOARD'S WORK 2017**

*During 2017 the Board held ten meetings, of which one was the statutory meeting, two were by circulation and two were telephone meetings.*



**EVALUATION OF BOARD PERFORMANCE**

The Board's work is evaluated annually. The evaluation is done by external evaluation or 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 2017, the Board worked on following up on the action list established through previous evaluations. Discussions based on this list have been ongoing throughout the year.

**CEO AND EXECUTIVE MANAGEMENT**

Group management consists of nine persons, of which one position is vacant, including the CEO, see pages 44-45. In 2017, Thomas Stetter was appointed Director of business area Assembly Solutions. Charlott Samuelsson is acting Director of business area Pattern Generators. Lena Olving is in addition to CEO also acting head of Operational Excellence.

The CEO leads the work of Group management which meets every other week to take collective decisions. Issues addressed include financial performance, development projects, leadership and skills provision and other strategic issues. The CEO is responsible for keeping the Board informed of the Company's development. Three times per year, a global management meeting is organized to strengthen unified communication and control throughout the Group. In addition to executive management, there are several collaborative bodies that prepare and coordinate strategic and operational issues.

**EXTERNAL AUDIT**

The auditor is appointed by the AGM to review the Company's annual financial statements and the consolidated accounts, as well as the Board's and CEO's administration. Audits are conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. Group management is briefed on audit results continuously. The auditor meets with the Audit committee on an ongoing basis and with the entire Board annually. The Auditor submits the Auditor's report to shareholders at the AGM. In 2017, the auditor performed a synoptic review of the third quarter report. Fees to the auditor are paid on an ongoing basis as invoices are approved. See note 8 for information on auditor remuneration.

**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. Representatives from Mycronic also participate at events arranged by, for example, the Swedish Shareholders' Association. Financial reports, press releases and other relevant information are presented on the Company's 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**

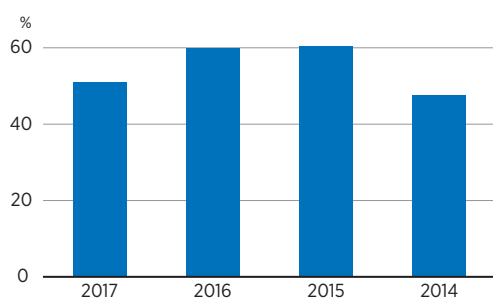
On 3 July, 2016, the EU Market Abuse Regulation (MAR) regarding insiders and their reporting of securities transactions came into force. Mycronic is obliged to maintain a register of persons in leadership positions and those close to them. This group consists of Board members and Group management. These 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 has chosen to describe its work with internal control based on COSO's components: the control environment, risk assessment, control activities, information and communication, and monitoring.

**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 intention of strengthening internal control. Mycronic's

**ATTENDANCE AT LAST AGMS****Nomination committee**

Name	Representing	Holdings on 31 August 2017, %
Henrik Blomquist	Bure Equity	29.9
Thomas Ehlin	Fjärde AP-fonden	8.7
Joachim Spetz	Swedbank Robur Fonder	8.0
Patrik Tigerschiöld	Chairman of Mycronic AB	

Code of Conduct describes the approach that employees are expected to maintain in matters relating to business ethics and social issues. Examples of steering documents include the formal workplan for the Board and its committees, terms of reference issued by the Board to the CEO, the authorization policy, Code of Conduct, and insider and communication policies. Ensuring processes include a high degree of internal control is the responsibility of respective department managers. Process descriptions and steering documents are gathered in the Group-wide Management System GMS. 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 linked to processes. Critical processes include product development, sourcing, manufacturing, sales, salary and support processes such as financial closing and IT. Risk assessment also includes risks for irregularities and fraud.

#### Control activities

Control activities should prevent, reveal and resolve deviations. There are controls at all levels within the Company and across all departments. 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. Mycronic has an established controller function for monitoring control activities. In 2017, Mycronic initiated standardization of a number of key controls within critical processes. These controls comprise unified Group-wide tools for internal control and governance. Control requirements are important aids for the Board to manage and evaluate information from management and assume responsibility in relation to the risks identified.

#### Information and communication

The Board and management have established channels for communication to ensure that financial reporting is complete and accurate. Internal communication channels include quality systems and analysis tools as well as the intranet. One way to educate staff on Group-wide rules is through e-learning, which can be linked to tests after completion of the training. Each month, financial information is compiled and distributed to Board members and executive management. External communication is carried out in accordance with the established communication policy. Financial reporting is published in accordance with applicable regulations. The Board approves the Group's annual report and year-end statement and issues quarterly reports. For the first and third quarters the Board has instructed the CEO to issue the quarterly reports.

#### Monitoring

Mycronic has no 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 entails employee involvement, which increases understanding of the importance of internal control. Evaluation of internal control follows a plan approved by the Audit committee. Risk for material misstatements or deficiencies in the financial reporting are reported. Self-assessment of critical processes is complemented by external evaluation or statements of opinion. Representatives of the central finance and controller department regularly visit the subsidiaries to review and evaluate internal controls. Two of the visits to subsidiaries in 2017 were carried out together with representatives from Ernst & Young. The reviews focused on inventories, customer receivables and authorization procedures. Experiences are continuously shared among representatives from the Group's finance and HR departments, for example, through global conferences.

In 2017, Mycronic initiated efforts to establish an overall process for reporting entities where they follow-up the efficiency of key controls and report back to the Group. The process involves self-assessment of the efficiency of key controls in respective reporting units, with results followed-up and compiled at the Group level and reported to the Board.

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

### Presence and remuneration for board members elected by the AGM

Name	Elected	Independent <sup>1)</sup>	Holdings	PRESENCE			REMUNERATION		
				Board	Audit committee	Remuneration committee	Board	Audit committee	Remuneration committee
Patrik Tigerschiöld, chairman	2009	no	235,170	10/10		3/3	550,000		30,000
Magnus Lindquist, chairman Audit committee	2007	yes	-	9/10	4/4		220,000	70,000	
Katarina Bonde	2010	yes	2,000	10/10	4/4		220,000	30,000	
Ulla-Britt Fräjdin-Hellqvist	2012	yes	10,000	10/10	2/2 <sup>2)</sup>	3/3	220,000	30,000	30,000
Per Holmberg	2016	yes	5,000	10/10		3/3	220,000		30,000
Stefan Skarin, board member until AGM 2017	2016	yes		3/4	0/2				

1) According to the Swedish Code of Corporate Governance. 2) Joined the Audit committee after the AGM 2017.

**BOARD OF DIRECTORS AND AUDITOR**



*Board of directors, from the left: Per Holmberg, Katarina Bonde, Tobias Böök, Magnus Lindquist, Ulla-Britt Fräjdin-Hellqvist, Patrik Tigerschiöld and Peter Sundström.*

**PATRIK TIGERSCHIÖLD**

Chairman of the Board since 2012.  
Board member since 2009.  
Born 1964.  
Dependent Board member.  
**Education:** MSc 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, Fondbolaget Fondita AB and member of Ingenjörsvetenskapsakademien (IVA).  
**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:** MSc, Engineering Physics.  
**Other Board assignments:** Chairman of Imint Intelligence AB, Opus Group AB and Propellerhead Software AB. Board member of Aptilo Networks AB, Microsystemation AB, Jarl Securities 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:** MSc, Engineering Physics.  
**Other Board assignments:** Chairman of Karlstad Innovation Park. Board member of Anna+Cie, DataRespons ASA, Holmbergs First Holding AB, HRM Affärsutveckling AB, Fräjdin&Hellqvist AB, UBFH Management AB.  
**Previous positions:** Chairman of among others SinterCast AB (OMX) and Kongsberg Automotive ASA (Oslo börs), chairman and board member of a number of private, listed and state-owned companies since 1992. Leading positions in Svenskt Näringsliv 2001-2006, leading positions in Volvo Personvagnar 1979-2001.  
**Committee in Mycronic:** Member of the Audit committee and the Remuneration committee.  
**Shareholding in Mycronic:** 10,000.

**PER HOLMBERG**

Board member since 2016.  
Born 1959.  
Independent Board member.  
**Education:** MBA, Handelshögskolan, Stockholm.  
**Other Board assignments:** Executive chairman Adrian Michel Group, Switzerland.  
**Previous positions:** President Hexagon MI EMEA 2004-2017. 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.

**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.  
MSc, Engineering Physics.  
**Shareholding in Mycronic:** 0.

## Auditor

**ERIK SANDSTRÖM**

Born 1975.  
Auditor in Mycronic since 2016.  
Authorized Public Accountant, Ernst & Young AB.  
**Other assignments:** Gränges, Munters Group AB, Praktikertjänst, Rottneros, Tradedoubler and Transcom.

**GROUP MANAGEMENT**



*Mycronic Group Management. Standing from left: Charlott Samuelsson, Thomas Stetter, Silke Ernst, Johan Franzén and Torbjörn Wingårdh. Sitting from left: Martin Petterson, Lena Olving and Niklas Edling.*



**LENA OLVING**

CEO and President since 2013.  
Born 1956.

**Education:** MSc, Mechanical Engineering.

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

**Previous positions:** Vice President and COO at Saab AB (publ), leading positions including in Group Management at Volvo Personvagnar AB, CEO at Samhall Högländ AB.

**Shareholding in Mycronic:** 118,600.

**NIKLAS EDLING**

Sr VP, Strategic Product Management.  
Employed since 2011.

Born 1963.

**Education:** MSc, Mechanical Engineering and MBA.

**Board assignments:** Board member of Aritco AB.

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

**Shareholding in Mycronic:** 81,836.

**SILKE ERNST**

Sr VP, Human Resources.

Employed since 2013.

Born 1967.

**Education:** MSc, 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:** 1,142.

**JOHAN FRANZÉN**

Sr VP, Research and Development.  
Employed since 2015.

Born 1978.

**Education:** MSc, Electronic Design.

**Previous positions:** Manager SW Applications Volvo CE, Manager Global Electrical and Electronic systems development Volvo CE, Manager Global Technical Support Volvo CE.

**Shareholding in Mycronic:** 8,100.

**LENA OLVING**

CEO and President since 2013.

Acting Sr VP, Operational Excellence.

**MARTIN PETTERSSON**

Sr VP, Operations.

Employed since 2016.

Born 1980.

**Education:** MSc, 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:** 2,500.

**CHARLOTT SAMUELSSON**

Sr VP, Acting General Manager, Business Area Pattern Generators.

Employed since 1996.

Born 1963.

**Education:** MSc, Engineering Physics.

**Previous positions:** Head of global aftermarket, Head of system and application development and Head of business development in the Mycronic Group.

**Shareholding in Mycronic:** 19,520.

**THOMAS STETTER**

Sr VP, General Manager, Business Area Assembly Solutions.

Employed since 2017.

Born 1965.

**Education:** PhD Strategic Management and MSc in Economics and Business Administration.

**Previous positions:** Various leading positions within Siemens, most recently as Head of the Digital Factory Nordics division.

**Shareholding in Mycronic:** 1,115.

**TORBJÖRN WINGÅRDH**

Sr VP, CFO.

Employed since 2016.

Born 1964.

**Education:** MSc 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:** 22,000.

## FINANCIAL OVERVIEW

SEK million	2017	2016	2015	2014	2013	2012	2011	2010
<b>Order intake</b>	3,567	2,455	2,179	2,028	1,053	1,280	1,214	1,388
<b>Profit and loss accounts</b>								
Net sales	3,001.2	2,319.3	1,815.0	1,475.0	997.0	1,353.9	1,197.6	1,287.8
Gross profit	1,720.6	1,410.2	1,075.6	711.7	446.3	611.9	488.0	633.1
EBITDA	922.7	723.7	565.5	300.9	60.0	94.8	2.4	169.2
EBIT	848.0	691.0	540.3	276.5	32.3	-21.4	-65.7	72.5
Underlying EBIT	954.8	735.1	-	-	-	-	-	-
Profit/loss before tax	839.4	689.4	540.5	278.1	35.9	-14.6	-57.0	73.7
Tax	-213.1	-163.1	-98.0	-11.8	-22.1	-29.4	-31.8	-36.9
<b>Profit/loss for the year</b>	<b>626.3</b>	<b>526.3</b>	<b>442.5</b>	<b>266.2</b>	<b>13.7</b>	<b>-44.0</b>	<b>-88.8</b>	<b>36.8</b>
<b>Balance sheet</b>								
Non-current assets	1,186.7	1,224.6	242.0	286.0	281.8	283.9	409.3	402.9
Inventories	588.6	574.8	275.9	232.7	323.9	329.2	357.5	321.2
Other receivables	650.8	747.3	326.5	420.0	308.6	277.9	283.5	407.0
Cash and cash equivalents	812.7	208.6	897.7	661.0	487.3	581.1	536.4	582.6
<b>Total assets</b>	<b>3,238.7</b>	<b>2,755.3</b>	<b>1,742.2</b>	<b>1,599.8</b>	<b>1,401.5</b>	<b>1,472.1</b>	<b>1,586.7</b>	<b>1,713.8</b>
Equity	1,800.3	1,411.6	1,268.2	1,207.1	1,165.4	1,168.3	1,231.7	1,314.7
Interest-bearing liabilities	12.6	10.7	-	-	-	2.3	6.9	12.3
Other liabilities	1,425.7	1,332.9	474.0	392.7	236.0	301.5	348.1	386.8
<b>Total equity and liabilities</b>	<b>3,238.7</b>	<b>2,755.3</b>	<b>1,742.2</b>	<b>1,599.8</b>	<b>1,401.5</b>	<b>1,472.1</b>	<b>1,586.7</b>	<b>1,713.8</b>
Capital employed	1,813.0	1,422.3	1,268.2	1,207.1	1,165.4	1,170.6	1,238.6	1,327.0
Net debt	-800.0	-197.9	-897.7	-661.0	-487.3	-578.8	-529.4	-570.4
<b>Cash flow</b>								
Cash flow from operating activities	983.8	461.9	661.4	417.6	-47.2	69.9	-15.4	120.9
Cash flow from investing activities	-181.1	-768.0	-37.2	-18.4	-35.8	-5.3	-30.8	-36.2
Cash flow from financing activities	-193.6	-392.4	-391.7	-244.8	-2.0	-4.0	-5.7	223.7
<b>The year's cash flow</b>	<b>609.1</b>	<b>-698.6</b>	<b>232.6</b>	<b>154.4</b>	<b>-85.1</b>	<b>60.6</b>	<b>-51.9</b>	<b>308.4</b>
<b>Key ratios</b>								
Book-to-bill	1.2	1.1	1.2	1.4	1.1	0.9	1.0	1.1
Gross margin, %	57.3	60.8	59.3	48.3	44.8	45.2	40.8	49.2
EBIT margin, %	28.3	29.8	29.8	18.7	3.2	-1.6	-5.5	5.6
Underlying EBIT margin, %	31.8	31.7	-	-	-	-	-	-
Equity/assets ratio, %	55.6	51.2	72.8	75.5	83.2	79.4	77.6	76.7
Return on equity, %	39.0	39.3	35.8	22.4	1.2	-3.7	-7.0	3.1
Return on capital employed, %	52.5	51.4	43.7	23.5	3.1	-1.1	-4.4	6.3
Capital turnover rate, times	1.9	1.7	1.5	1.2	0.9	1.1	0.9	1.1
<b>Research and development, R&amp;D</b>								
R&D costs	348.0	348.4	266.7	197.7	183.4	290.0	289.0	318.1
R&D costs/net sales, %	11.6	15.0	14.7	13.4	18.4	21.4	24.1	24.7
<b>Data per share</b>								
Number of shares at year end, million	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9
Average number of shares, million	97.9	97.9	97.9	97.9	97.9	97.9	97.9	82.5
Share price at 31 December, SEK	85.00	98.00	82.25	24.80	12.40	10.25	11.95	17.70
Proposed dividend per share	2.50	2.00	1.50	0.80	-	-	-	-
Proposed extra dividend	-	-	2.50	3.20	2.50	-	-	-
Earnings per share (number of shares at year-end)	6.40	5.38	4.52	2.72	0.14	-0.45	-0.91	0.45
Equity per share (number of shares at year-end)	18.39	14.42	12.95	12.33	11.90	11.93	12.58	15.93
P/E-ratio (number of shares at year end)	13	18	18	9	88	neg	neg	47

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

Share premium reserve	201,915,502
Retained earnings	556,467,908
Profit for the year	472,259,788
<b>Total</b>	<b>1,230,643,198</b>

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

Dividend	244,791,273
Carried forward to new account	985,851,925
<b>Total</b>	<b>1,230,643,198</b>

**PROPOSAL ON DIVIDEND**

The Board of Directors proposes to the AGM a dividend of SEK 2.50 per share, amounting to SEK 244.8 million. The dividend corresponds to 39 percent of the Group's net profit after tax.

**APPROVAL AND ADOPTION**

As stated below, the annual report and consolidated annual report was approved on 13 March, 2018. 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 8 May, 2018.

**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, 13 March, 2018

**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

**Peter Sundström**

Representing Unionen

**Lena Olving**

President and CEO

Our audit report was submitted 15 March, 2018.

Ernst & Young AB

**Erik Sandström**

Authorized Public Accountant

# Group

## PROFIT AND LOSS ACCOUNTS

SEK thousand	Notes	2017	2016
Net sales	11	3,001,159	2,319,254
Cost of goods sold	7	-1,280,540	-909,026
<b>Gross profit</b>		<b>1,720,620</b>	<b>1,410,228</b>
Research and development expenses	7, 10	-347,995	-348,406
Selling expenses	7	-309,774	-238,747
Administrative expenses	7, 8	-181,414	-137,846
Other operating income	9	17,874	11,463
Other operating expenses	7, 9	-51,347	-5,652
<b>EBIT</b>		<b>847,964</b>	<b>691,040</b>
Financial income		846	427
Financial expenses		-9,433	-2,047
<b>Net financial items</b>	15	<b>-8,587</b>	<b>-1,620</b>
<b>Profit before tax</b>		<b>839,377</b>	<b>689,420</b>
Tax	21	-213,118	-163,117
<b>Profit for the year</b>		<b>626,260</b>	<b>526,303</b>
Earnings per share, before and after dilution, SEK		6.40	5.38
Average number of shares, before and after dilution, thousands		97,917	97,917
Results attributable to owners of the Parent Company		626,669	526,303
Results attributable to non-controlling interests		-409	-
		<b>626,260</b>	<b>526,303</b>

## STATEMENTS OF COMPREHENSIVE INCOME

SEK thousand	2017	2016
Profit/loss for the year	626,260	526,303
<b>Other comprehensive income</b>		
<b>Items not to be reclassified to profit and loss</b>		
Actuarial loss from defined benefits to employees	-4,177	-1,888
Tax relating to actuarial results	987	198
<b>Items to be reclassified to profit and loss</b>		
Translation differences at translating foreign entities	-53,228	19,919
Tax relating to translation differences	4,936	-
The year's changes in fair value on cash flow hedges	8,405	-60,621
Transferred to profit and loss	3,660	48,461
Tax relating to items recognized in hedge reserve	-2,654	2,675
<b>Other comprehensive income for the year</b>	<b>-42,071</b>	<b>8,744</b>
<b>Total comprehensive income for the year</b>	<b>584,188</b>	<b>535,047</b>
Total comprehensive income attributable to owners of the Parent Company	584,597	535,047
Total comprehensive income attributable to non-controlling interests	-409	-
	<b>584,188</b>	<b>535,047</b>

**STATEMENTS OF CASH FLOW**

SEK thousand	Notes	2017	2016
<b>Operating activities</b>			
Profit/loss before tax		839,377	689,420
<i>Adjustments for non-cash items and other</i>			
Depreciation/amortization and impairment of assets		74,737	32,640
Capital loss on the sale of non-current assets		111	1,398
Unrealized foreign exchange differences		6,674	9,374
Provisions for employee benefits		610	117
Other provisions		7,324	-2,644
Other non-cash items and other		37,285	30,979
Paid income tax		-153,316	-106,603
<b>Cash flow from operating activities before changes in working capital</b>		<b>812,803</b>	<b>654,681</b>
<i>Cash flow from changes in working capital</i>			
Inventories		-10,866	-108,309
Trade receivables		70,901	-243,981
Other receivables		34,107	-77,208
Trade payables		-36,619	41,806
Other current liabilities		113,429	194,865
<b>Cash flow from operating activities</b>		<b>983,755</b>	<b>461,854</b>
<b>Investing activities</b>			
Investments in subsidiaries	25	-132,981	-746,267
Investments in intangible assets	22	-21,593	-7,639
Investments in tangible assets	23	-28,282	-35,074
Sale of tangible assets		218	5,458
Increase in non-current receivables	19	-579	-697
Decrease in non-current receivables	19	2,103	16,251
<b>Cash flow from investing activities</b>		<b>-181,115</b>	<b>-767,969</b>
<b>Financing activities</b>			
Dividends paid to Parent Company shareholders		-195,833	-391,666
Increase in loans		2,274	-
Redemption of loans		-	-770
<b>Cash flow from financing activities</b>		<b>-193,559</b>	<b>-392,436</b>
<b>The year's cash flow</b>		<b>609,081</b>	<b>-698,551</b>
Cash and cash equivalents at beginning of year		208,589	897,732
Exchange differences in cash and cash equivalents		-5,003	9,408
<b>Cash and cash equivalents at end of year</b>		<b>812,667</b>	<b>208,589</b>
<b>Interest received and paid</b>			
Interest received		846	522
Interest paid		-9,114	-2,063
		<b>-8,268</b>	<b>-1,541</b>
<b>Other non-cash items</b>			
Write down of inventories and similar items		5,614	30,979
Revaluation of contingent considerations		31,671	-
		<b>37,285</b>	<b>30,979</b>

**STATEMENTS OF FINANCIAL POSITION**

SEK thousand	Notes	31 Dec, 2017	31 Dec, 2016
<b>ASSETS</b>			
Intangible assets	22	1,036,953	1,085,179
Tangible assets	23	69,525	60,072
Non-current receivables	19	17,085	22,854
Deferred tax assets	21	63,124	56,507
<b>Total non-current assets</b>		<b>1,186,687</b>	<b>1,224,613</b>
Inventories	20	588,560	574,774
Tax receivables		20,589	5,280
Trade receivables	30,34	512,405	596,786
Prepaid expenses and accrued income	27	70,165	107,921
Other receivables		47,609	37,293
Cash and cash equivalents	33,34	812,667	208,589
<b>Total current assets</b>		<b>2,051,995</b>	<b>1,530,643</b>
<b>TOTAL ASSETS</b>		<b>3,238,682</b>	<b>2,755,255</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		97,917	97,917
Other contributed capital		1,337,386	1,337,386
Reserves		-30,967	7,914
Retained earnings including profit/loss for the year		396,039	-31,606
<b>Equity attributable to owners of the Parent Company</b>		<b>1,800,375</b>	<b>1,411,611</b>
Holdings of non-controlling interests		-30	0
<b>Total equity</b>		<b>1,800,345</b>	<b>1,411,611</b>
<b>Liabilities</b>			
Non-current provisions	26	35,796	26,260
Deferred tax liabilities	21	118,840	76,086
Other non-current liabilities	34	233,465	232,550
<b>Total non-current liabilities</b>		<b>388,102</b>	<b>334,896</b>
Current interest-bearing liabilities	34	12,642	10,735
Advance payments from customers		497,422	394,495
Trade payables	34	154,656	185,809
Tax liabilities		48,909	40,389
Other liabilities		124,950	153,743
Accrued expenses and deferred income	28	178,713	202,841
Current provisions	29	32,942	20,737
<b>Total current liabilities</b>		<b>1,050,235</b>	<b>1,008,748</b>
<b>Total liabilities</b>		<b>1,438,337</b>	<b>1,343,644</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,238,682</b>	<b>2,755,255</b>

**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	Reserves			Retained earnings	Total	Holdings of non-controlling interests	Total equity
			Hedge reserve	Translation reserve					
<b>Equity, 1 January 2016</b>	<b>97,917</b>	<b>1,337,386</b>	<b>-384</b>	<b>-2,136</b>	<b>-164,553</b>	<b>1,268,230</b>		<b>1,268,230</b>	
<b>Profit for the year</b>					526,303	526,303		526,303	
<b>Other comprehensive income</b>									
<b>Items not to be reclassified to profit and loss</b>									
Actuarial loss from defined benefits to employees					-1,888	-1,888		-1,888	
Tax relating to actuarial results					198	198		198	
<b>Items to be reclassified to profit and loss</b>									
Translation differences at translating foreign entities				19,919		19,919		19,919	
Cash flow hedges transferred to profit and loss			48,461			48,461		48,461	
The year's changes in fair value on cash flow hedges			-60,621			-60,621		-60,621	
Tax attributable to cash flow hedges			2,675			2,675		2,675	
<b>The year's change in fair value of cash flow hedges</b>			<b>-9,485</b>	<b>19,919</b>	<b>-1,690</b>	<b>8,744</b>	<b>-</b>	<b>8,744</b>	
<b>Total comprehensive income</b>			<b>-9,485</b>	<b>19,919</b>	<b>524,613</b>	<b>535,047</b>	<b>-</b>	<b>535,047</b>	
<b>Transactions with owners</b>									
Dividends (4,00 SEK per share)					-391,666	-391,666		-391,666	
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-391,666</b>	<b>-391,666</b>	<b>-</b>	<b>-391,666</b>	
<b>Equity 31 December 2016/ Equity 1 January 2017</b>	<b>97,917</b>	<b>1,337,386</b>	<b>-9,869</b>	<b>17,783</b>	<b>-31,606</b>	<b>1,411,611</b>	<b>-</b>	<b>1,411,611</b>	
<b>Profit for the year</b>					626,669	626,669	-409	626,260	
<b>Other comprehensive income</b>									
<b>Items not to be reclassified to profit and loss</b>									
Actuarial loss from defined benefits to employees					-4,177	-4,177		-4,177	
Tax relating to actuarial results					987	987		987	
<b>Items to be reclassified to profit and loss</b>								0	
Translation differences at translating foreign entities				-53,228		-53,228		-53,228	
Tax relating to translation differences				4,936		4,936		4,936	
Cash flow hedges transferred to profit and loss			3,660			3,660		3,660	
The year's changes in fair value on cash flow hedges			8,405			8,405		8,405	
Tax attributable to cash flow hedges			-2,654			-2,654		-2,654	
<b>The year's change in fair value of cash flow hedges</b>			<b>9,411</b>	<b>-48,292</b>	<b>-3,190</b>	<b>-42,071</b>	<b>-</b>	<b>-42,071</b>	
<b>Total comprehensive income</b>			<b>9,411</b>	<b>-48,292</b>	<b>623,478</b>	<b>584,597</b>	<b>-409</b>	<b>584,188</b>	
<b>Transactions with owners</b>									
Dividends (2,00 SEK per share)					-195,833	-195,833		-195,833	
Transactions with non-controlling interests							379	379	
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-195,833</b>	<b>-195,833</b>	<b>379</b>	<b>-195,454</b>	
<b>Equity, 31 December 2017</b>	<b>97,917</b>	<b>1,337,386</b>	<b>-458</b>	<b>-30,509</b>	<b>396,039</b>	<b>1,800,375</b>	<b>-30</b>	<b>1,800,345</b>	

# Parent Company

## PROFIT AND LOSS ACCOUNTS

SEK thousand	Notes	2017	2016
Net sales	11	2,336,036	2,020,574
Cost of goods sold		-933,373	-756,065
<b>Gross profit</b>		<b>1,402,663</b>	<b>1,264,509</b>
Research and development expenses	10	-278,931	-321,361
Selling expenses		-148,243	-134,241
Administrative expenses	8	-111,069	-87,978
Other operating income	9	1,687	12,102
Other operating expenses	9	-58,929	-2,646
<b>EBIT</b>		<b>807,178</b>	<b>730,386</b>
<i>Result from financial investments</i>			
Interest income and similar items	15	11,179	1,363
Interest expenses and similar items	15	-6,352	-1,812
<b>Profit after financial items</b>		<b>812,005</b>	<b>729,937</b>
Appropriations	16	-204,000	-181,800
<b>Profit before tax</b>		<b>608,005</b>	<b>548,137</b>
Tax	21	-135,745	-121,391
<b>Net profit</b>		<b>472,260</b>	<b>426,745</b>

## STATEMENTS OF COMPREHENSIVE INCOME

SEK thousand	2017	2016
<b>Profit/loss for the year</b>	<b>472,260</b>	<b>426,745</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>472,260</b>	<b>426,745</b>

## STATEMENTS OF CASH FLOW

SEK thousand	Notes	2017	2016
<b>Operating activities</b>			
Profit/loss before tax		812,005	729,937
<i>Adjustments for non-cash items and other</i>			
Depreciation/amortization and impairment of assets		10,988	8,890
Capital loss on the sale of non-current assets		-	-2
Unrealized foreign exchange differences		39,035	-3,469
Provisions		816	-2,494
Other non-cash items and other		2,119	5,786
Paid income tax		-119,167	-91,667
<b>Cash flow from operating activities before changes in working capital</b>		<b>745,796</b>	<b>646,980</b>
<i>Changes in working capital</i>			
Inventories		-67,807	-76,661
Trade receivables		136,214	-181,756
Other receivables		-46,924	-56,683
Trade payables		1,530	18,918
Other liabilities		120,190	175,010
<b>Cash flow from operating activities</b>		<b>888,999</b>	<b>525,808</b>
<b>Investing activities</b>			
Investments in subsidiaries		-169,528	-516,646
Investments in tangible assets	23	-12,813	-21,388
Sale of tangible assets			5,361
Increase in non-current receivables	18,19	-432	-314,890
Decrease in non-current receivables	18,19	25,407	14,394
<b>Cash flow from investing activities</b>		<b>-157,366</b>	<b>-833,169</b>
<b>Financing activities</b>			
Dividends paid to Parent Company shareholders		-195,833	-391,666
<b>Cash flow from financing activities</b>		<b>-195,833</b>	<b>-391,666</b>
<b>The year's cash flow</b>		<b>535,800</b>	<b>-699,027</b>
Cash and cash equivalents at beginning of year		59,988	759,015
<b>Cash and cash equivalents at end of year</b>		<b>595,788</b>	<b>59,988</b>
<i>Additional information</i>			
<b>Interest received and paid</b>			
Interest received		9,102	256
Interest paid		-5,099	-1,651
		<b>4,003</b>	<b>-1,395</b>
<b>Other non-cash items</b>			
Write down of inventories and similar items		4,196	5,786
Interests not received		-2,077	-
		<b>2,119</b>	<b>5,786</b>

**BALANCE SHEETS**

SEK thousand	Notes	31 Dec, 2017	31 Dec, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	23	37,431	37,575
<i>Financial assets</i>			
Participation in Group companies	24	994,705	873,597
Receivables from Group companies	18	275,511	318,399
Other non-current receivables	19	2,958	7,596
Deferred tax assets	21	2,308	2,425
<b>Total financial assets</b>		<b>1,275,482</b>	<b>1,202,017</b>
<b>Total non-current assets</b>		<b>1,312,913</b>	<b>1,239,592</b>
<b>Current assets</b>			
Inventories	20	346,603	281,024
<i>Current receivables</i>			
Trade receivables		137,178	277,360
Receivables from Group companies		212,979	119,904
Other receivables		24,279	25,004
Prepaid expenses and accrued income	27	52,159	96,720
<b>Total current receivables</b>		<b>426,595</b>	<b>518,988</b>
Cash and cash equivalents		595,788	59,988
<b>Total current assets</b>		<b>1,368,987</b>	<b>860,000</b>
<b>TOTAL ASSETS</b>		<b>2,681,900</b>	<b>2,099,592</b>

SEK thousand	Notes	31 Dec, 2017	31 Dec, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<i>Restricted equity</i>			
Share capital		97,917	97,917
Statutory reserve		0	0
		<b>97,917</b>	<b>97,917</b>
<i>Non-restricted equity</i>			
Share premium reserve		201,916	201,916
Retained earnings		556,468	325,556
Profit for the year		472,260	426,745
		<b>1,230,644</b>	<b>954,217</b>
<b>Total equity</b>		<b>1,328,560</b>	<b>1,052,133</b>
<b>Untaxed reserves</b>	16	<b>410,800</b>	<b>206,800</b>
<i>Non-current liabilities</i>			
Non-current provisions		481	266
Other non-current liabilities		184,136	164,021
<b>Total non-current liabilities</b>		<b>184,617</b>	<b>164,287</b>
<i>Current liabilities</i>			
Advance payments from customers		439,015	313,346
Trade payables		104,346	102,575
Liabilities to Group companies		24,141	15,017
Current tax liabilities		38,746	30,958
Other liabilities		48,351	92,595
Accrued expenses and deferred income	28	87,792	106,950
Current provisions	29	15,532	14,931
<b>Total current liabilities</b>		<b>757,923</b>	<b>676,372</b>
<b>Total liabilities</b>		<b>942,540</b>	<b>840,659</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,681,900</b>	<b>2,099,592</b>



**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.

SEK thousand	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings including profit/loss for the year	
<b>Equity, 1 January 2016</b>	<b>97,917</b>	<b>0</b>	<b>201,916</b>	<b>751,855</b>	<b>1,051,687</b>
Profit for the year				426,745	426,745
Merger difference				- 34,633	- 34,633
<b>Total comprehensive income for the year</b>				<b>392,112</b>	<b>392,112</b>
<b>Transactions with owners</b>					
Dividends				- 391,666	- 391,666
<b>Equity, 31 December 2016</b>	<b>97,917</b>	<b>0</b>	<b>201,916</b>	<b>752,301</b>	<b>1,052,133</b>
Profit for the year				472,260	472,260
<b>Total comprehensive income for the year</b>				<b>472,260</b>	<b>472,260</b>
<b>Transactions with owners</b>					
Dividends				-195,833	-195,833
<b>Equity, 31 December 2017</b>	<b>97,917</b>	<b>0</b>	<b>201,916</b>	<b>1,028,728</b>	<b>1,328,560</b>

# Notes

## Note 1 Accounting policies, general information

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.

### New and forthcoming accounting standards

None of the revisions and interpretations of existing standards that shall be applied as of the financial year beginning on January 1, 2017 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 for the financial year beginning 1 January, 2018 or later. The standard will be applied by the Group and the Parent Company as of 1 January, 2018. Comparative information will not be recalculated. The Company has investigated the effects of the standard and concluded that the standard will not have any material effect on the Group. The assessment is that financial instruments recognized at the accrued acquisition value as well as trade receivables continue to meet the criteria to be recognized at the accrued acquisition value. All financial assets currently measured at fair value are expected to continue to be measured at fair value. Expected credit losses will be recognized as trade receivables and cash and cash equivalents, as well as certain additional minor items. The change is not expected to have any significant effect on the Group. It is the Company's assessment that all existing hedging relationships meet the criteria for hedge accounting in accordance with IFRS 9. Because IFRS 9 does not involve any change to the general principles for hedge accounting, the application of IFRS 9 will not affect the Group's financial reports significantly in this regard.

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, with full retrospective. The Company has evaluated the effect of the new standard and concluded that it will have some impact on system sales within the Pattern Generators business area. When applying the new standard, system sales will be divided into several separate performance obligations, with the result that a smaller portion of system revenues will be reported over time and at a later date than for the current standard. Overall, the standard has been assessed as having no significant impact on the Group's income statement. The preliminary effects of the new standard are shown in the tables below.

Effect on equity (SEK millions)	31 Dec, 2017
Deferred tax assets	5.7
<b>Total assets</b>	<b>5.7</b>
Accrued expenses and deferred income	33.0
Current provisions	-7.1
<b>Total liabilities</b>	<b>25.9</b>
Net effect on equity	
Retained earnings	-17.3
Profit/loss for the year	-2.9
	<b>-20.2</b>

Effect on reported profit for 2017 (SEK millions)	2017
Revenue from sales of goods	-1.1
Cost of goods sold	-3.5
Other operating income	0.9
<b>Effect on reported EBIT for the year</b>	<b>-3.7</b>
Tax	0.8
<b>Net effect on reported profit/loss for the year</b>	<b>-2.9</b>
Total effect is attributable to owners of the Parent Company	
Effect on earnings per share	-0.03

IFRS 16 Leases replaces IAS 17 from 1 January, 2019. According to the new standard, most leased assets will be recognized in the balance sheet and the lessee shall divide the cost into interest payments and depreciation of the asset. Evaluation of the standard's impact on financial reporting is ongoing. The preliminary assessment of the standard 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 judgements, estimates and assumptions that affect how accounting policies are applied and the reported 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. Any deviations from these principles for recovery or payment will be described in notes associated with the relevant balance sheet item.

## Note 2 Accounting policies for the Group

### 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 an acquisition 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. Contingent considerations 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 contingent 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 sales within Assembly Solutions 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*

Expenditures 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 tech-

nical 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 and 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, deferred considerations 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 set off 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 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*

Financial liabilities not held for trading are measured at amortized cost less transaction costs. This category includes the Group's loans payable and 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 other comprehensive income 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 other comprehensive income, these gains/losses are retained in other comprehensive income, 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 other comprehensive income 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 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, Korean and French 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 2015).

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 2017 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 reporting

Mergers of subsidiaries are 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 Group 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 Group 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.

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 Group 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 and valuation of contingent considerations**

In connection with business combinations, acquired assets, liabilities and contingent considerations are valued at fair value. Contingent considerations are subsequently valued at fair value at each reporting period. 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 contingent considerations. See note 25 for reporting of acquisitions.

**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, SEK 1,800,345 (1,411,611) thousand, adjusted for unrealized gains/losses reported in other comprehensive income included in the hedge reserve. Capital amounts to SEK 1,800,803 (1,421,480) thousand.

**At the AGM disposal are the following amounts in SEK:**

Share premium reserve	201,915,502
Retained earnings	556,467,908
Profit for the year	472,259,788
<b>Total</b>	<b>1,230,643,198</b>

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

Dividend	244,791,273
Carried forward to new account	985,851,925

**Proposal on dividend**

The Board of Directors proposes to the AGM a dividend of SEK 2.50 per share, amounting to SEK 244.8 million. The dividend corresponds to 39 percent of the Group's net profit after tax.

**Note 6 Events after year-end**

Lena Olving will, in accordance with the terms of her employment agreement of 2013, leave as President and CEO. Her employment agreement is extended until the latest 15 May 2019.

**Note 7 Operating expenses**

	GROUP	
	2017	2016
<i>Costs allocated by type of cost (excluding capitalized work for own use)</i>		
Raw materials and consumables	696,029	637,573
Changes in finished goods and products in progress	35,986	-133,978
Personnel costs	709,892	561,794
Depreciation and write-down	74,737	32,640
Other external costs	715,275	604,186
	<b>2,231,920</b>	<b>1,702,215</b>

**Note 8 Fees for auditing and non-auditing services**

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<i>Fees and compensation, auditing, etc</i>				
Auditing assignments, EY	4,818	2,810	1,602	809
Auditing assignments, other	86	-	-	-
Non-auditing assignments, EY	491	204	316	204
Tax counselling, EY	1,167	483	80	65
Other assignments, EY	588	2,860	504	310
	<b>7,150</b>	<b>6,357</b>	<b>2,502</b>	<b>1,388</b>

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. The 2017 AGM re-elected Ernst & Young as auditor.

**Note 9 Other operating income/expenses**

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<b>Other operating income</b>				
Foreign exchange gains	-	240	-	7,867
Other	17,874	11,223	1,687	4,235
	<b>17,874</b>	<b>11,463</b>	<b>1,687</b>	<b>12,102</b>
<b>Other operating expenses</b>				
Foreign exchange losses	-18,692	-	-58,569	-
Other	-32,655	-5,652	-360	-2,646
	<b>-51,347</b>	<b>-5,652</b>	<b>-58,929</b>	<b>-2,646</b>
of which, exchange rate differences on derivatives recognized in profit and loss at fair value	9,017	-21,429	-1,639	-18,388

Other operating expenses excluding foreign exchange losses, are mainly attributable to value changes in contingent considerations.

## Note 10 Research and development expenses

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<i>R&amp;D expenditure</i>				
Assembly Solutions	266,984	284,700		
Pattern Generators	68,318	57,104		
	<b>335,302</b>	<b>341,804</b>	<b>278,931</b>	<b>321,361</b>
<i>Capitalized development</i>				
Assembly Solutions	-21,018	-7,639		
	<b>-21,018</b>	<b>-7,639</b>	-	-
<i>Amortization on capitalized development</i>				
Assembly Solutions	24,130	12,490		
	<b>24,130</b>	<b>12,490</b>	-	-
Amortization on acquired technology	9,581	1,750		
<b>Reported cost</b>	<b>347,995</b>	<b>348,406</b>	<b>278,931</b>	<b>321,361</b>

## 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, inspection, as well as 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 are used in photomask production are produced in a similar way despite different application areas, distributed in a similar manner and are largely sold to similar customers.

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.

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<b>Net sales per geographical market</b>				
Sweden	41,513	30,108	41,731	31,481
Europe outside Sweden	516,005	333,652	303,518	229,770
Americas	365,469	343,225	224,959	243,967
Asia	2,068,743	1,592,870	1,759,702	1,495,982
Other countries	9,429	19,398	6,126	19,374
<b>Total</b>	<b>3,001,159</b>	<b>2,319,254</b>	<b>2,336,036</b>	<b>2,020,574</b>
of which, system sales	2,090,182	1,581,008	1,520,745	1,401,345
of which, aftermarket sales	910,977	738,246	815,291	619,229
	<b>3,001,159</b>	<b>2,319,254</b>	<b>2,336,036</b>	<b>2,020,574</b>

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<b>Non-current assets per geographical market</b>				
Sweden	145,445	152,701	37,431	37,575
Europe outside Sweden	114,262	69,460		
Americas	272,857	319,157		
Asia	573,914	603,933		
<b>Total</b>	<b>1,106,478</b>	<b>1,145,251</b>	<b>37,431</b>	<b>37,575</b>

	2017				2016			
	Assembly Solutions	Pattern Generators	Group-wide	Group	Assembly Solutions	Pattern Generators	Group-wide	Group
<b>Net sales and profit/loss before taxes</b>								
Income from external customers	1,419,063	1,582,096		3,001,159	885,967	1,433,287		2,319,254
<b>Total income</b>	<b>1,419,063</b>	<b>1,582,096</b>	-	<b>3,001,159</b>	<b>885,967</b>	<b>1,433,287</b>	-	<b>2,319,254</b>
<i>of which two (three) customers in Asia represent more than 10 percent of total sales</i>				701,110				913,622
Gross profit	557,497	1,163,123		1,720,620	369,627	1,040,602		1,410,228
Gross margin, %	39	74		57	42	73		61
<b>Operating expenses and profit/loss before tax</b>								
R&D expenditure	-266,984	-68,318		-335,302	-284,700	-57,104		-341,804
Capitalized development costs	21,018			21,018	7,639			7,639
Amortization of capitalized development costs	-24,130			-24,130	-12,490			-12,490
Amortization of acquired technology	-9,581			-9,581	-1,750			-1,750
Selling expenses	-225,304	-80,469	-4,000	-309,774	-160,736	-75,086	-2,925	-238,747
Administrative expenses	-115,957	-65,457		-181,414	-83,554	-54,292		-137,846
Other income and expenses	-24,192	-9,280		-33,472	8,703	-2,893		5,811
Financial income and expenses			-8,587	-8,587			-1,620	-1,620
<b>Profit/loss before tax</b>	<b>-87,633</b>	<b>939,598</b>	<b>-12,587</b>	<b>839,377</b>	<b>-157,261</b>	<b>851,227</b>	<b>-4,545</b>	<b>689,420</b>
<b>Assets</b>								
Capitalized development	29,670			29,670	32,782	-		32,782
Inventories	311,267	277,293		588,560	338,781	235,993		574,774
Trade receivables	361,606	150,799		512,405	278,508	318,278		596,786
<b>Investments</b>								
Capitalized development	21,018	-		21,018	7,639	-		7,639

## Note 12 Transactions with related parties

### Intra-group transactions

Of the Parent Company's purchases in 2017 SEK 276 (194) million was attributable to Group companies. Of the Parent Company's sales in 2017 SEK 881 (700) million was attributable to Group companies. All transactions are conducted on market terms.

### 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	2017					2016					
	Customer relations	Brands	Business systems	Development expenses	Tangible fixed assets	Total	Customer relations	Brands	Development expenses	Tangible fixed assets	Total
Cost of goods sold					8,257	8,257				4,970	4,970
Research and development expenses			116	33,616	6,327	40,060			14,240	5,613	19,853
Selling expenses	17,592	4,000			1,248	22,841	3,483	2,000		979	6,462
Administrative expenses					2,221	2,221				1,355	1,355
	<b>17,592</b>	<b>4,000</b>	<b>116</b>	<b>33,616</b>	<b>18,053</b>	<b>73,378</b>	<b>3,483</b>	<b>2,000</b>	<b>14,240</b>	<b>12,917</b>	<b>32,640</b>
<b>Parent Company</b>											
Cost of goods sold					4,504	4,504				2,743	2,743
Research and development expenses					5,785	5,785				5,576	5,576
Selling expenses					511	511				283	283
Administrative expenses					189	189				254	254
					<b>10,988</b>	<b>10,988</b>				<b>8,856</b>	<b>8,856</b>

## Note 14 Employees, personnel costs and remuneration to senior executives

### Remuneration to the Board and senior executives

#### Principles applied in 2017

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, of which one position is vacant, who together with the CEO make up the Group management team. The Group management team is further presented on pages 44-45.

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 2017, 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, travel to and from Stockholm and the place of residence as well as 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	
	2017	2016	2017	2016
The Board, CEO and other executives	25,724	24,966	23,498	20,254
Other employees	498,733	367,623	187,199	171,450
<b>Total salaries and remuneration</b>	<b>524,457</b>	<b>392,589</b>	<b>210,697</b>	<b>191,704</b>
Social security expenses	107,001	99,522	71,768	65,619
Pension costs	42,338	39,077	30,791	28,700
<b>Total costs</b>	<b>673,796</b>	<b>531,187</b>	<b>313,257</b>	<b>286,023</b>

The reported remuneration to employees include variable salary at an amount of SEK 41 (56) million excluding social security expenses, of which SEK 15 (18) million refer to the Parent Company. The STI program covers all employees in the Parent Company.

Remuneration to the Board	2017			2016		
	Board fees	Committee fees	Total	Board fees	Committee fees	Total
Patrik Tigerschiöld, Board Chairman	550	30	580	550		550
Magnus Lindquist, chairman of the Audit Committee	220	70	290	220	55	275
Katarina Bonde	220	30	250	220		220
Per Holmberg	220	30	250	220		220
Ulla-Britt Fräjdin-Hellqvist	220	60	280	220		220
Stefan Skarin	-	-	-	220		220
<b>Total remuneration to the Board</b>	<b>1,430</b>	<b>220</b>	<b>1,650</b>	<b>1,650</b>	<b>55</b>	<b>1,705</b>



Remuneration to the CEO and other senior executive 2017	Basic salary	Other remuneration	STI	LTI	Other benefits	Pension costs	Total
Lena Olving, CEO	4,191	941	2,072	595	729	2,065	10,593
Other senior executives (8 persons)	11,636	280	2,758	1,601	2,110	3,818	22,203
<b>Total remuneration</b>	<b>15,827</b>	<b>1,221</b>	<b>4,830</b>	<b>2,196</b>	<b>2,839</b>	<b>5,883</b>	<b>32,796</b>

The LTI remuneration refers to the year's payments. The cost for the year amounted to SEK 3,505 thousand.

Remuneration to the CEO and other senior executive 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
<b>Total remuneration</b>	<b>15,882</b>	<b>1,319</b>	<b>5,011</b>	<b>1,049</b>	<b>2,611</b>	<b>5,204</b>	<b>31,076</b>

In 2017, the following principles for remuneration to the CEO and other senior executives were applied. The Group management team consist of 9 (9) persons, of which one position is vacant.

#### Basic salary

The basic monthly salary to the CEO during 2017 amounted to SEK 349,250 (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 2017, STI to the CEO amounts to SEK 2,072 thousand and to other senior executives SEK 2,758 thousand. The outcome of STI for 2017 reached 62 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 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.

#### 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. In 2017, the Board decided to make an additional pension payment of SEK 600 thousand to the CEO. The employment contract with the CEO specifies a retirement age of 62 years. The retirement age for other senior executives is 65 years. There are no other pension benefits other than paid pension premiums.

#### 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. The CEO is entitled to basic salary and other benefits during the notice period, after which no benefits are payable. After the notice period the CEO 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.

% of women	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
The Board	40	33	40	33
Other senior executives	38	33	38	33

Board and senior executives in the Parent Company consist of 16 (17) persons, of which one position in the Group management is vacant.

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	2017		2016	
	Total	of which women	Total	of which women
<i>Parent Company</i>				
Sweden	322	67	286	58
<b>Total in Parent Company</b>	<b>322</b>	<b>67</b>	<b>286</b>	<b>58</b>
France	27	4	11	1
Japan	50	8	43	7
China	341	44	83	13
The Netherlands	9	2	10	2
Singapore	8	2	8	2
The UK	13	4	13	4
South Korea	33	6	31	5
Germany	38	5	38	4
The US	121	19	54	11
<b>Total in subsidiaries</b>	<b>640</b>	<b>94</b>	<b>291</b>	<b>49</b>
<b>Total in Group</b>	<b>962</b>	<b>161</b>	<b>577</b>	<b>107</b>

**Note 15** Net financial items

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Interest income from Group companies	-	-	10,829	1,202
Other interest income (loans and trade receivables)	846	427	350	161
<b>Financial income/Interest income and similar items</b>	<b>846</b>	<b>427</b>	<b>11,179</b>	<b>1,363</b>
Interest expenses	-9,433	-2,047	-6,352	-1,812
<b>Financial expenses/Interest expenses and similar items</b>	<b>-9,433</b>	<b>-2,047</b>	<b>-6,352</b>	<b>-1,812</b>
<b>Financial net/Result from financial investments</b>	<b>-8,587</b>	<b>-1,620</b>	<b>4,827</b>	<b>-449</b>

**Note 16** Appropriations and untaxed reserves

	PARENT COMPANY	
	2017	2016
<b>Appropriations</b>		
Changes in tax allocation reserve	-204,000	-182,000
Changes in depreciation exceeding plan	-	200
	<b>-204,000</b>	<b>-181,800</b>
<b>Untaxed reserves</b>		
Allocation reserve	401,000	197,000
Accumulated additional depreciation	9,800	9,800
	<b>410,800</b>	<b>206,800</b>

**Note 17** Leases

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<b>Operating leases</b>				
The years's expensed lease charges (operating leases)	36,644	36,840	14,798	11,830
of which, variable fees	96	7,478	-	6,840
<i>Future payments under operating leases and other lease agreements (nominal):</i>				
Within one year	35,960	39,800	12,713	13,315
Between one and five years	98,506	99,393	49,212	51,593
Later than five years	55,842	75,621	44,599	66,305

The major part of leasing contracts refers to premises.

**Note 18** Non-current receivables from Group companies

	PARENT COMPANY	
	2017	2016
Opening balance, book value	318,399	-
Additions	12,080	318,399
Deductions	-54,968	-
<b>Closing balance, book value</b>	<b>275,511</b>	<b>318,399</b>

**Note 19** Other non-current receivables

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Opening balance, book value	22,854	40,068	7,596	25,476
Additions	2,093	1,779	432	110
Deductions	-7,863	-18,993	-5,070	-17,990
<b>Closing balance, book value</b>	<b>17,085</b>	<b>22,854</b>	<b>2,958</b>	<b>7,596</b>

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 lower long-term advance payments.

**Note 20** Inventories

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Components	199,123	174,501	164,349	139,288
Finished goods	202,892	224,265	40,664	14,225
Products in progress	186,546	176,008	141,591	127,511
	<b>588,560</b>	<b>574,774</b>	<b>346,603</b>	<b>281,024</b>

**Note 21** Taxes

	GROUP		PARENT COMPANY			GROUP		PARENT COMPANY	
	2017	2016	2017	2016		2017	2016	2017	2016
<b>Current tax</b>					<b>Reconciliation of effective tax rate</b>				
The year's tax expense	-165,513	-140,973	-135,628	-120,722	Profit/loss before tax	839,377	689,420	608,005	548,137
	<b>-165,513</b>	<b>-140,973</b>	<b>-135,628</b>	<b>-120,722</b>	Tax according to tax rate in the Parent Company 22 (22)%	-184,663	-151,672	-133,761	-120,590
<b>Deferred tax</b>					Effect of different tax rates in foreign subsidiaries	1,677	-442	-	-
Deferred tax on temporary differences	-50,183	-22,144	-117	-669	Non-deductible/non-taxable items	-10,866	-4,167	-1,670	-765
Deferred tax on capitalized loss carryforwards previously not accounted for	2,579	-	-	-	Increase in loss carryforwards without corresponding capitalization of deferred tax	-1,186	-5,944	-	-
	<b>-47,604</b>	<b>-22,144</b>	<b>-117</b>	<b>-669</b>	Temporary differences for which deferred tax assets have not been accounted	-7,383	-	-	-
<b>Total reported tax</b>	<b>-213,118</b>	<b>-163,117</b>	<b>-135,745</b>	<b>-121,391</b>	Effect of changed tax rate	-7,231	-	-	-
					Other	-3,466	-892	-314	-36
					<b>Reported effective tax</b>	<b>-213,118</b>	<b>-163,117</b>	<b>-135,745</b>	<b>-121,391</b>
					<b>Tax items recognized in other comprehensive income</b>				
					Actuarial results of benefits to employees	987	198	-	-
					Value changes on derivatives used for hedging of foreign exchange risk in cash flow hedges	-2,654	2,675	-	-
					Exchange differences on foreign currency loans treated as net investments in subsidiaries	4,936	-	-	-
						<b>3,269</b>	<b>2,873</b>	<b>0</b>	<b>0</b>

	2017		2016	
	Deferred tax asset	Deferred tax liabilities	Deferred tax asset	Deferred tax liabilities
<b>Recognized deferred tax assets and liabilities, Group</b>				
Tangible assets	1,079	-	1,701	-
Intangible assets	-	-35,354	-	-33,750
Derivatives used as hedge instruments	214	-	7,831	-
Trade receivables	1,075	-	-	-902
Inventories	30,999	-	32,438	-3,148
Untaxed reserves	-	-90,376	-	-45,496
Provisions	9,617	-	8,573	-
Accrued expenses	6,311	-	10,427	-
Other	4,317	-	2,684	-
Loss carryforwards	16,402	-	63	-
<b>Deferred tax assets/liabilities</b>	<b>70,014</b>	<b>-125,730</b>	<b>63,717</b>	<b>-83,296</b>
Setoff	-6,890	6,890	-7,210	7,210
<b>Net deferred tax assets/liabilities</b>	<b>63,124</b>	<b>-118,840</b>	<b>56,507</b>	<b>-76,086</b>

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 55,716 (19,579) thousand. Of the year's changes, in total SEK 36,317 thousand, SEK 47,604 (22,144) thousand was recognized in the profit and loss and SEK 3,302 (-6,512) thousand was recognized in other comprehensive income. SEK -14,769 (29,607) thousand was added through acquisitions.

Tax assets regarding loss carryforwards are only recognized to the extent that they are expected to be used. At the end of 2017, the Group's accumulated loss carryforwards amounted to SEK 222 million. Deferred tax assets were recognized at an amount of SEK 16 million, corresponding to loss carryforwards of SEK 54 million. Loss carryforwards refer to subsidiaries in France and the US.

	2017		2016	
	Deferred tax asset	Deferred tax liabilities	Deferred tax asset	Deferred tax liabilities
<b>Recognized deferred tax assets and liabilities, Parent Company</b>				
Tangible assets	50	-	800	-
Trade receivables	140	-	258	-
Provisions	1,251	-	1,367	-
Accrued expenses	867	-	-	-
<b>Deferred tax assets/liabilities</b>	<b>2,308</b>	<b>-</b>	<b>2,425</b>	<b>-</b>

## Note 22 Intangible assets

Group	BUSINESS SYSTEM		DEVELOPMENT COSTS		TECHNOLOGY		LICENSE	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Accumulated cost</i>								
Opening balance at 1 January	29,754	29,754	790,275	782,636	104,831	23,000	17,084	17,084
Investments during the year	575	-	21,018	7,639	-	-	-	-
Investments through acquisitions	-	-	-	-	20,352	82,651	-	-
The year's currency differences	-44	-	-	-	-4,520	-820	-	-
<b>Closing balance, accumulated cost at 31 December</b>	<b>30,285</b>	<b>29,754</b>	<b>811,293</b>	<b>790,275</b>	<b>120,663</b>	<b>104,831</b>	<b>17,084</b>	<b>17,084</b>
<i>Accumulated amortization</i>								
Opening balance at 1 January	-29,754	-29,754	-757,493	-745,003	-24,750	-23,000	-17,084	-17,084
The year's amortization	-116	-	-24,130	-12,490	-9,602	-1,750	-	-
<b>Closing balance, accumulated amortization at 31 December</b>	<b>-29,870</b>	<b>-29,754</b>	<b>-781,623</b>	<b>-757,493</b>	<b>-34,352</b>	<b>-24,750</b>	<b>-17,084</b>	<b>-17,084</b>
<b>Closing balance, residual value at 31 December</b>	<b>415</b>	<b>-</b>	<b>29,670</b>	<b>32,782</b>	<b>86,311</b>	<b>80,081</b>	<b>-</b>	<b>-</b>

Group	CUSTOMER RELATIONSHIPS		BRAND		GOODWILL		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Accumulated cost</i>								
Opening balance at 1 January	177,334	13,000	64,065	20,000	748,476	64,344	1,931,819	949,818
Investments during the year	-	-	-	-	-	-	21,593	7,639
Investments through acquisitions	-12,830	166,324	-	44,284	24,122	687,116	31,644	980,375
The year's currency differences	-9,496	-1,990	-1,509	-219	-30,569	-2,984	-46,138	-6,013
<b>Closing balance, accumulated cost at 31 December</b>	<b>155,008</b>	<b>177,334</b>	<b>62,556</b>	<b>64,065</b>	<b>742,029</b>	<b>748,476</b>	<b>1,938,918</b>	<b>1,931,819</b>
<i>Accumulated amortization</i>								
Opening balance at 1 January	-15,557	-12,075	-2,000	-	-	-	-846,639	-826,916
The year's amortization	-17,477	-3,483	-4,000	-2,000	-	-	-55,325	-19,723
<b>Closing balance, accumulated amortization at 31 December</b>	<b>-33,033</b>	<b>-15,557</b>	<b>-6,000</b>	<b>-2,000</b>	<b>-</b>	<b>-</b>	<b>-901,964</b>	<b>-846,639</b>
<b>Closing balance, residual value at 31 December</b>	<b>121,975</b>	<b>161,777</b>	<b>56,556</b>	<b>62,065</b>	<b>742,029</b>	<b>748,476</b>	<b>1,036,953</b>	<b>1,085,179</b>

Parent Company	BUSINESS SYSTEM		LICENSE		TOTAL	
	2017	2016	2017	2016	2017	2016
<i>Accumulated cost</i>						
Opening balance at 1 January		29,754	29,754	17,084	17,084	46,839
<b>Closing balance, accumulated cost at 31 December</b>		<b>29,754</b>	<b>29,754</b>	<b>17,084</b>	<b>17,084</b>	<b>46,839</b>
<i>Accumulated amortization</i>						
Opening balance at 1 January		-29,754	-29,754	-17,084	-17,084	-46,839
The year's amortization		-	-	-	-	-
<b>Closing balance, accumulated amortization at 31 December</b>		<b>-29,754</b>	<b>-29,754</b>	<b>-17,084</b>	<b>-17,084</b>	<b>-46,839</b>
<b>Closing balance, residual value at 31 December</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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. The residual value is fully attributable to business area Assembly Solutions. Estimated useful life is five years.

Other intangible assets refer to acquisitions. See note 25. In October 2017 intangible assets in the form of technology and goodwill were added through the acquisition of Vi TECHNOLOGY. Estimated useful life of technology is seven years.

The acquisition of Axon was carried out in the end of October 2016. In the acquisition analysis, assets in the form of technology, customer relationships, brand and goodwill were identified. Technology and customer relationships have estimated useful lives of seven years.

AEI was acquired in November 2016. Efforts to assign values of acquired assets and liabilities resulted in a lower valuation of intangible assets in 2017, mainly customer relationships. Other intangible assets attributable to the acquisition include technology and goodwill. The estimated useful life of technology and customer relationships is 10 years.

In connection with the acquisition of Mycronic Technologies AB in 2009 values were identified in the Company's technology, brand, customer relationships and goodwill. The values in technology and customer relationships were fully amortized at the end of 2016. 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.

Information about depreciation/amortization by function is provided in note 13. The residual value of intangible assets with indefinite useful lives, excluding goodwill, amount to SEK 43 (44) million and refers to brands. Useful life has been defined as indefinite where the time period, during which an asset is deemed to contribute economic benefits, cannot be determined.

### Impairment testing of intangible assets

Goodwill and other intangible assets with indefinite lives are evaluated through impairment testing of the cash-generating unit based on the unit's value in use. The cash-generating unit referred to is business area Assembly Solutions. At least yearly Mycronic tests the reported value with indefinite useful lives. This is done by assessing the value in use of the business area.

The value in use is based on cash flow forecasts, built on the Group 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 14.5 (13.6) percent before tax and 11.5 (11.4) percent after tax. The most important assumptions in the five year business plan relate to sales volumes, margins, operating profit, working capital, capital expenditure and discount factors. Since 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.

## Note 23 Tangible assets

Group	IMPROVEMENTS TO LEASED PROPERTY		MACHINERY AND EQUIPMENT		CONSTRUCTION IN PROGRESS		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Accumulated cost</i>								
Opening balance at 1 January	-	4,273	366,053	350,416	11,105	2,875	377,158	357,563
Investments during the year	-	-	21,046	22,249	7,237	12,826	28,282	35,074
Reclassifications to machinery and equipment	-	-	13,775	4,597	-13,775	-4,597	-	-
Reclassifications to inventory	-	-	-1,848	-515	-	-	-1,848	-515
Reclassifications other	-	-	-	230	-475	-	-475	230
Investments through acquisitions	-	-	2,831	6,106	-	-	2,831	6,106
Historical cost sold/scrapped equipment	-	-4,273	-8,676	-17,304	-	-	-8,676	-21,577
The year's foreign exchange differences	-	-	-1,332	274	-	-	-1,332	278
<b>Closing balance, accumulated cost at 31 December</b>	<b>-</b>	<b>-</b>	<b>391,849</b>	<b>366,053</b>	<b>4,092</b>	<b>11,105</b>	<b>395,941</b>	<b>377,158</b>
<i>Accumulated depreciation and write-down</i>								
Opening balance at 1 January	-	-3,211	-317,087	-316,274	-	-	-317,087	-319,485
Depreciation reclassifications to inventory	-	-	-	213	-	-	0	213
Depreciation sold/scrapped equipment	-	3,607	8,356	11,226	-	-	8,356	14,834
Reclassifications other	-	-	368	-	-	-	368	0
The year's amortization	-	-396	-18,053	-12,252	-	-	-18,053	-12,648
<b>Closing balance, accumulated depreciation at 31 December</b>	<b>-</b>	<b>-</b>	<b>-326,416</b>	<b>-317,087</b>	<b>-</b>	<b>-</b>	<b>-326,416</b>	<b>-317,087</b>
<b>Closing balance, residual value at 31 December</b>	<b>-</b>	<b>-</b>	<b>65,433</b>	<b>48,967</b>	<b>4,092</b>	<b>11,105</b>	<b>69,525</b>	<b>60,072</b>

Parent Company	IMPROVEMENTS TO LEASED PROPERTY		MACHINERY AND EQUIPMENT		CONSTRUCTION IN PROGRESS		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Accumulated cost</i>								
Opening balance at 1 January	-	4,273	233,279	234,819	11,105	1,944	244,384	241,036
Investments during the year	-	-	5,577	8,562	7,237	12,826	12,813	21,388
Reclassifications to machinery and equipment	-	-	13,775	3,665	-13,775	-3,665	-	-
Reclassifications to inventory	-	-	-1,848	-515	-	-	-1,848	-515
Reclassifications other	-	-	-	230	-475	-	-475	230
Historical cost sold/scrapped equipment	-	-4,273	-2,208	-13,482	-	-	-2,208	-17,755
<b>Closing balance, accumulated cost at 31 December</b>	<b>-</b>	<b>-</b>	<b>248,574</b>	<b>233,279</b>	<b>4,092</b>	<b>11,105</b>	<b>252,666</b>	<b>244,384</b>
<i>Accumulated depreciation and write-down</i>								
Opening balance at 1 January	-	-3,211	-206,810	-207,352	-	-	-206,810	-210,563
Depreciation reclassifications to inventory	-	-	354	213	-	-	354	213
Depreciation sold/scrapped equipment	-	3,607	2,208	8,824	-	-	2,208	12,431
The year's amortization	-	-396	-10,988	-8,494	-	-	-10,988	-8,890
<b>Closing balance, accumulated depreciation at 31 December</b>	<b>-</b>	<b>-</b>	<b>-215,235</b>	<b>-206,810</b>	<b>-</b>	<b>-</b>	<b>-215,235</b>	<b>-206,810</b>
<b>Closing balance, residual value at 31 December</b>	<b>-</b>	<b>-</b>	<b>33,339</b>	<b>26,470</b>	<b>4,092</b>	<b>1,944</b>	<b>37,431</b>	<b>37,575</b>

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	
	2017	2016
Opening balance, historical cost	876,004	367,863
Acquisitions	75,347	754,850
Value changes contingent considerations	45,761	-
Merger Mycronic Technologies AB	-	-246,709
<b>Closing balance, accumulated cost</b>	<b>997,112</b>	<b>876,004</b>
Opening balance, impairment	-2,407	-2,407
<b>Closing balance, accumulated impairment</b>	<b>-2,407</b>	<b>-2,407</b>
<b>Closing balance, book value</b>	<b>994,705</b>	<b>873,597</b>

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	China	-	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	100	76,119
Kognitec Vertrieb and Service GmbH	HRB 203153	Germany	4	100	5,110
Shenzhen Axxon Automation Co., Ltd.	91440300682020147E	China	-	80	719,381
VIT S.A.S.	451 028 567	France	1,309,638	100	75,347
					<b>994,705</b>

Indirectly owned subsidiaries					
Automation Engineering, Inc.		The US		100	
Vision Inspection Technology Asia Pte Ltd.		Singapore		100	
Vision Inspection Technology Inc.		The US		100	
VIT GmbH		Germany		100	
Shenzhen Axxon Piezo Co., Ltd.		China		70	

## Note 25 Business combinations

Acquisition analyses	Vi TECHNOLOGY		AEI	
	2017	Final 2017	Preliminary 2016	
<b>Acquisition price</b>				
Cash paid for acquisitions	77,721	287,073		312,967
Deferred considerations for acquisitions (estimated fair value)	-	69,017		68,730
<b>Total</b>	<b>77,721</b>	<b>356,090</b>		<b>381,697</b>
<b>Acquired assets and liabilities at fair value</b>				
Technology	22,625	44,186		45,122
Customer relationships	-	87,280		100,110
Tangible assets	2,787	4,516		4,516
Long-term receivables	16,155	640		640
Inventories	30,562	52,501		65,738
Short-term receivables	29,128	23,370		26,272
Cash and cash equivalents	6,587	28,183		28,325
Long-term liabilities	-4,261	-		-
Short-term liabilities	-45,242	-65,319		-65,017
<b>Total</b>	<b>58,341</b>	<b>175,357</b>		<b>205,706</b>
<b>Goodwill</b>	<b>19,380</b>	<b>180,733</b>		<b>175,991</b>
<b>Changes in cash and cash equivalents from acquisitions</b>	2017	2016		
Cash paid for acquisitions during the year	-77,721	-820,301		
Cash and cash equivalents in acquired subsidiaries	6,587	74,034		
Paid deferred considerations for acquisitions in previous years	-61,847	-		
<b>Total</b>	<b>-132,981</b>	<b>-746,267</b>		

### Acquisition of VIT S.A.S, Vi TECHNOLOGY

During the fourth quarter, Mycronic acquired 100 percent of shares in VIT S.A.S (Vi TECHNOLOGY), which develops, manufactures and sells innovative inspection solutions for mounting processes in the manufacture of circuit boards. The Company has delivered approximately 3,000 systems to 500 customers. The equipment is used primarily within the automotive, industrial, telecom infrastructure, consumer, medical, and aviation and aerospace market segments. The product offering comprises equipment for inspection of solder paste application (SPI), and equipment for automated optical inspection (AOI) of circuit boards. Inspection equipment is a part of the SMT production line. Vi TECHNOLOGY has subsidiaries in Singapore, Germany and the US, and has just under 100 employees. Technical competence in the Company is high; half of employees are engineers or hold doctoral degrees in technical fields. Over the last few years, Vi TECHNOLOGY has consciously focused on the technology shift to the next generation of 3D inspection equipment. Investments have led to qualified inspection solutions within SMT. This has resulted in significant development costs which

have affected EBIT negatively. With Mycronic as owner, the Company gains access to a comprehensive, global sales network and service organization, which broadens and strengthens Vi TECHNOLOGY's global presence.

The total acquisition price is SEK 78 million. According to the acquisition analysis, goodwill amounts to SEK 19 million. Goodwill arising in connection with the acquisition is primarily associated with market synergies stemming in part from the Company gaining access to Mycronic's global sales and service network, and in part from the fact that Vi TECHNOLOGY's product portfolio complements Mycronic's product portfolio well and provides the Group with the opportunity to offer complete solutions within SMT. The Company was consolidated into the Mycronic Group as of 30 October 2017.

The operations of Vi TECHNOLOGY impacted consolidated net sales in the amount of SEK 34 million and contributed to consolidated EBIT in the amount of SEK 2 million from the acquisition date.

### Final acquisition analysis of Automation Engineering, Inc., AEI

During the fourth quarter 2016 Mycronic acquired 100 percent of the American company Automation Engineering, Inc. (AEI) for USD 34 million, corresponding to SEK 313 million on a debt free basis. Under certain circumstances, based on parameters such as sales and earnings during the years 2017-2018, there is a possible maximum contingent consideration of USD 27 million. Estimated fair value at acquisition date was SEK 69 million.

During the third quarter 2017 an adjustment was made to the acquisition price for AEI. The adjustment was a contractual regulation linked to working capital in the balance sheet at the acquisition date, resulting in a refund to Mycronic of SEK 24 million.

During the third quarter, efforts to allocate the value of acquired assets and liabilities resulted in a lower valuation of intangible assets, mainly customer relationships. The effect on earnings of changes made amounted to approximately SEK 2 million all of which was charged during the third quarter. The acquisition analysis was finalized in the fourth quarter without further changes.

During 2017, fair value of contingent considerations for AEI were reassessed and revalued downwards, which affected consolidated profit positively in the amount of SEK 13 million.

### Final acquisition analysis for Shenzhen Axxon Automation Co., Ltd, Axxon

During the fourth quarter 2016 Mycronic acquired 75 percent of Shenzhen Axxon Automation Co., Ltd (Axxon) for RMB 343 million, equivalent to SEK 452 million and contingent considerations of RMB 33 million, corresponding to approximately SEK 43 million. The contingent considerations, which depended on achieved financial results for 2016 were paid out during the second quarter 2017. Mycronic gained control over another 5 percent of Axxon in the end of 2016. The acquisition price, SEK 31 million, was paid in January 2017. Mycronic then holds 80 percent of Axxon shares. The final acquisition analysis for Axxon was finalized in 2017 with no changes.

Mycronic has an option to acquire the remaining 20 percent three years from the

acquisition date and the seller has an option to sell 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 a consideration based on the financial results during 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. Contingent considerations for the remaining 20 percent of shares in Axxon were revalued upwards during 2017, which has affected earnings for the year negatively in the amount of SEK 38 million.

### Acquisition of RoyoTech and Kognitec

In January 2016, 100 percent of Kognitec Vertrieb and Service GmbH was acquired, and 75 percent of RoyoTech Digital-elektronik GmbH, with an option to acquire the remaining 25 percent approximately 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 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 a consideration. The purchase price for the remaining 25 percent is divided into a fixed and a contingent part. The contingent part is dependent on sales volumes and earn-

ings in the years 2016-2017.

During the fourth quarter of 2017, Mycronic exercised this option. A preliminary purchase price of SEK 11 million was paid during the quarter. Contingent considerations have been revalued upwards in the amount of SEK 7 million, which burdened earnings for the year in a corresponding amount.

## Note 26 Non-current provisions

	GROUP	
	2017	2016
Post employment benefits	31,307	24,088
Other non-current provisions	4,489	2,172
<b>Closing balance, book value</b>	<b>35,796</b>	<b>26,260</b>

### 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 subsidiaries also have small obligations 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	
	2017	2016
<b>Pension expenses</b>		
<b>Amounts recognized in income statement</b>		
Current service cost	6,583	3,910
Net interest	335	320
<b>Expenses, defined benefit plans</b>	<b>6,918</b>	<b>4,230</b>
<b>Amounts recognized in other comprehensive income</b>		
Remeasurement of pension obligations	3,545	1,930
Remeasurement of plan assets	4	-42
<b>Expenses/(income) defined benefit plans</b>	<b>3,549</b>	<b>1,888</b>
<b>Total pension expenses, defined benefit plans</b>	<b>10,467</b>	<b>6,118</b>

	GROUP	
	2017	2016
<b>Amounts recognized in statement of financial position</b>		
Present value of defined benefit obligation, funded plans	28,690	22,727
Fair value of plan assets	-15,100	-14,546
<b>Net liability, funded plan</b>	<b>13,590</b>	<b>8,181</b>
Present value of defined benefit obligation, unfunded plans	17,717	15,907
<b>Net liability recognized in statement of financial position</b>	<b>31,307</b>	<b>24,088</b>

	GROUP	
	2017	2016
<b>Change in present value of defined benefit obligation</b>		
<b>Opening balance, defined benefit obligation</b>	38,634	29,711
Service cost	6,583	3,910
Interest expenses	640	517
Remeasurement of pension obligations		
- demographic assumptions	628	-
- financial assumptions	-935	1,646
- experience adjustments	4,479	283
Pension payments	-3,230	-
Effect of changes in foreign exchange rates	-392	2,566
<b>Closing balance, defined benefit obligation</b>	<b>46,408</b>	<b>38,634</b>

	GROUP	
	2017	2016
<b>Change in fair value of plan assets</b>		
<b>Opening balance, plan assets</b>	14,546	9,809
Interest income	305	197
Return excluding interest income	-4	42
Employer's contribution	-	3,887
Pension payments from plan assets	-	-
Effect of changes in foreign exchange rates	254	611
<b>Closing balance, plan assets</b>	<b>15,100</b>	<b>14,546</b>

Significant actuarial assumptions	Japan		South Korea	
	2017	2016	2017	2016
Discount rate, %	0.4	0.5	2.8	2.5
Future salary increases, %	2.6	3.0	6.0	6.0

Discount rate, sensitivity analysis	Assumption	Change in assumption	Change in value, SEK thousand
Future salary increases	-0.50/+0.50	-1,658/1,803	

The sensitivity analysis is based on changes in a single actuarial assumption, while other assumptions remain unchanged. This method shows the obligation's sensitivity to a single assumption. This is a simplified method since the assumptions are usually correlated. Weighted duration for the defined benefit obligations are estimated to 7 years.

There are no forecasted pension payments to the plans next year. 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 employees.

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 2018 for ITP 2 insurance taken out with Alecta amount to SEK 2 million in 2017. In 2016 the costs for premium based pension amounted to SEK 36 (35) million.

## Note 27 Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Accrued sales revenue	41,140	83,752	35,864	80,055
Other prepaid expenses	29,025	24,168	16,295	16,665
	<b>70,165</b>	<b>107,921</b>	<b>52,159</b>	<b>96,720</b>

## Note 28 Accrued expenses and prepaid income

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Setup costs	2,800	5,430	2,800	5,430
Salaries and social expenses	104,318	107,987	42,070	40,104
Commissions	4,396	10,366	86	6,004
Deferred income	20,057	14,596	6,145	2,697
Other accrued expenses	47,142	64,462	36,691	52,714
	<b>178,713</b>	<b>202,841</b>	<b>87,792</b>	<b>106,950</b>

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 include, among other things, variable salaries, STI.



## Note 29 Current provisions

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<i>Warranty provisions</i>				
Opening balance, book value	20,737	21,925	14,931	9,303
Additions through merger	-	-	-	7,119
The year's provision	39,159	20,627	21,749	14,684
Utilized during the year	-25,839	-20,334	-21,147	-14,912
Unutilized during the year	-1,114	-1,481	-	-1,263
<b>Closing balance, book value</b>	<b>32,942</b>	<b>20,737</b>	<b>15,532</b>	<b>14,931</b>

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 30 Trade receivables, impairment, age analysis and other

Group	2017		2016	
	Gross	Impairment	Gross	Impairment
Trade receivables not due	374,148	275	480,505	1,153
Trade receivables, overdue 0–30 days	72,976	652	65,971	2,090
Trade receivables, overdue 30–90 days	37,306	958	27,248	214
Trade receivables, overdue 90–180 days	10,801	1,556	23,490	142
Trade receivables, overdue 180–360 days	14,522	1,734	6,755	3,933
Trade receivables, overdue >360 days	11,737	3,910	1,602	1,253
	<b>521,490</b>	<b>9,085</b>	<b>605,571</b>	<b>8,785</b>

Trade receivables overdue amount to 28 (21) 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 18 (49) percent of total trade receivables. For further information on customer concentration and customer risk see note 33.

	GROUP	
	2017	2016
<b>Provisions for doubtful trade receivables</b>		
Opening balance, book value	8,785	4,098
Additions	3,405	5,747
Deductions	-263	-442
Unutilized	-2,842	-618
<b>Closing balance, book value</b>	<b>9,085</b>	<b>8,785</b>

## Note 31 Pledged assets

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Collateral provided for liability items in the balance sheet				
<i>Credit institutions</i>				
Floating charges	89,000	89,000	89,000	89,000
	<b>89,000</b>	<b>89,000</b>	<b>89,000</b>	<b>89,000</b>

## Note 32 Contingent liabilities

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Commitment for billing by credit insurance through EKN				
	1,182	2,298	1,182	2,298
	<b>1,182</b>	<b>2,298</b>	<b>1,182</b>	<b>2,298</b>
of which, falling due:				
within one year	139	331	139	331
between one and five years	1,042	1,967	1,042	1,967
	<b>1,182</b>	<b>2,298</b>	<b>1,182</b>	<b>2,298</b>

## 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. A large part 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 used. Hedge accounting is not used within business area Assembly Solutions.

### Effects from transaction exposure

If sales for 2017 within business area Pattern Generators were translated at the average exchange rates for 2016, without consideration of forward exchange contracts, revenues would have been SEK 17 million higher. The major part is attributable to the Japanese yen. Turnover was negatively affected by forward exchange contracts in the amount of SEK 4 million. The EBIT for Pattern Generators was positively affected by SEK 5 million as a result of forward exchange contracts. If sales for 2017 within business area Assembly Solutions were translated at the average exchange rates for 2016, revenues would have been SEK 4 million higher. The EBIT was affected positively by forward exchange contracts at an amount of SEK 1 million. Based on 2017 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 165 (152) 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 2017, net investment in foreign subsidiaries was SEK 398 million. Translation of the balance sheets of foreign subsidiaries to Swedish krona generated a negative translation difference of SEK 48 (+20) 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 40 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 2017, no investments were made in interest-bearing financial instruments.

### 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.

Note 33, cont'd

**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 512 (597) million. The average credit period was 82 (91) days for business area Assembly Solutions and 54 (54) days for business area Pattern Generators. For information on the ageing structure of trade receivables and provisions for doubtful trade receivables, see note 30. 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 2017, the total financial credit exposure, excluding trade receivables, was SEK 818 (210) million, of which SEK 813 (209) 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 2017 was SEK 800 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	2017	2016
Credit line	737	712
Cash and cash equivalents	813	209
<b>Total</b>	<b>1,550</b>	<b>921</b>

**Exposure per currency**

Currency	% of revenue	% of expenses	Average rate 2017	Average rate 2016	Closing rate 2017	Closing rate 2016
USD	51	23	8,5380	8,5613	8,2322	9,0971
EUR	15	12	9,6326	9,4704	9,8497	9,5669
JPY (100)	15	9	7,6091	7,9013	7,3084	7,7729
GBP	2	1	10,9896	11,5664	11,1045	11,1787
SEK	1	39	1,0000	1,0000	1,0000	1,0000
KRW (100)	5	2	0,7554	0,7395	0,7726	0,7571
CNY	10	14	1,2631	1,2879	1,2642	1,3091

**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  
Loans and trade receivables  
Liabilities, recognized in profit and loss at fair value  
Other liabilities

**Risk management**

A description of the Group's financial risks and risk management is provided according to IFRS 7 in note 33.

**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:

Level 1: According to quoted prices in active markets for identical instruments.  
Level 2: Based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.  
Level 3: Based on inputs that are not based on observable market data.

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 contingent considerations related to acquisitions, level 3 in the valuation hierarchy is applied.

**Financial assets and liabilities per valuation category**

	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
<b>Group 2017</b>							
<i>Financial assets</i>							
Trade receivables			512,405			512,405	512,405
Other receivables	3,977	881				4,858	4,858
Cash and cash equivalents			812,667			812,667	812,667
<b>Total assets</b>	<b>3,977</b>	<b>881</b>	<b>1,325,072</b>			<b>1,329,930</b>	<b>1,329,930</b>
<i>Financial liabilities</i>							
Contingent considerations				247,751		247,751	247,751
Short-term interest-bearing payables liabilities					12,642	12,642	12,642
Trade payables					154,656	154,656	154,656
Forward exchange contracts	4,564	1,522				6,086	6,086
<b>Total liabilities</b>	<b>4,564</b>	<b>1,522</b>	<b>-</b>	<b>247,751</b>	<b>167,298</b>	<b>421,135</b>	<b>421,135</b>
<b>Recognized profit (change in value)</b>		<b>9,017</b>					

The fair value of the Parent Company's derivatives is equal to the fair value of the Group's derivatives.

**Financial assets and liabilities per valuation category**

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>Financial assets</i>							
Trade receivables			596,786			596,786	596,786
Other receivables	1,087	693				1,780	1,780
Cash and cash equivalents			208,589			208,589	208,589
<b>Total assets</b>	<b>1,087</b>	<b>693</b>	<b>805,374</b>			<b>807,154</b>	<b>807,154</b>
<i>Financial liabilities</i>							
Contingent considerations				268,387		268,387	268,387
Liabilities to credit institutions					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
Other liabilities					38,345	38,345	38,345
<b>Total liabilities</b>	<b>13,711</b>	<b>23,662</b>	<b>-</b>	<b>268,387</b>	<b>234,889</b>	<b>540,650</b>	<b>540,650</b>

**Recognized loss (change in value)****-21,429****Contingent considerations**

	GROUP	
	2017	2016
Opening balance, book value	268,387	-
Estimated liabilities related to acquisitions	-	266,246
Settled liabilities	-46,601	-
Changes in value reported in the income statement	31,671	3,760
Currency differences	-5,706	-1,619
<b>Closing balance, book value</b>	<b>247,751</b>	<b>268,387</b>

The balance sheet item is related to contingent considerations for the acquisitions of Axxon and AEI as well as a smaller amount related to RoyoTech. See note 25.

The contingent considerations have been discounted using a discount factor of 12.2 percent for Axxon and 14.3 percent for AEI.

As per 31 December the maximum amount of contingent considerations amounted to SEK 382 million.

**Financial liabilities, maturity structure (future non-discounted cash flows)**

Group 31 December 2017	Nom. amount in SEK	Within 3 month	3 months -1 year	1-3 years
	Deferred considerations	299,468	14,287	-
Liabilities to credit institutions	12,990	174	12,816	-
Trade payables	154,656	92,059	62,597	-
Forward exchange contracts	10,801	3,727	6,087	987
	<b>477,914</b>	<b>110,247</b>	<b>81,500</b>	<b>286,168</b>

At year-end the balance sheet item Cash and cash equivalents consisted of bank balances. Granted unutilized bank overdraft facilities amount to SEK 737 (712) million.

Group 31 December 2016	Nom. amount in SEK	Within 3 month	3 months -1 year	1-3 years
	Deferred considerations	383,435	31,169	43,013
Liabilities to credit institutions	10,735	1,571	9,164	-
Trade payables	185,809	182,391	3,417	-
Forward exchange contracts	41,895	30,475	7,303	4,117
	<b>621,873</b>	<b>245,606</b>	<b>62,897</b>	<b>313,370</b>

**Outstanding forward exchange contracts**

The Group's holdings of forward exchange contracts at 31 December 2017 and 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 non-discounted value of the forward exchange contracts.

**Outstanding forward exchange contracts at 31 December 2017**

	Currency	Amount thousand	Non- discounted value, SEK thousand	Maturity
EUR, sold	EUR	4,550	4	Q 1-18
EUR, sold	EUR	200	10	Q 2-18
JPY, sold	JPY	3,930	3	Q 1-18
JPY, sold	JPY	732,000	2,320	Q 2-18
JPY, sold	JPY	499,000	685	Q 3-18
JPY, sold	JPY	210,000	140	Q 4-18
JPY, sold	JPY	133,345	141	Q 3-19
USD, sold	USD	20,920	-3,339	Q 1-18
USD, sold	USD	2,100	-286	Q 2-18
USD, sold	USD	9,680	-1,313	Q 3-18
USD, sold	USD	10,540	-4,967	Q 4-18
USD, sold	USD	1,330	-661	Q 1-19
USD, sold	USD	561	-319	Q 2-19
USD, sold	USD	100	-60	Q 3-19
<b>Total</b>			<b>-7,642</b>	

**Outstanding forward exchange contracts at 31 December 2016**

	Currency	Amount thousand	Non- discounted value, SEK thousand	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
<b>Total</b>			<b>-40,200</b>	

## Note 35 Reconciliation alternative performance measures

ESMA (The European Securities and Markets Authority) has issued guidelines regarding alternative performance measures for listed companies. These 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. Alternative performance measures are also considered to be of interest to external investors and analysts who monitor the Company. For financial definitions see page 76. Amounts below are stated in SEK million.

<b>Return on equity</b>	2017	2016
Net profit/loss	626.3	526.3
Average shareholder's equity	1,606.0	1,339.9
	<b>39.0%</b>	<b>39.3%</b>
<b>Return on capital employed</b>		
Profit/loss before tax	839.4	689.4
Financial expenses	9.4	2.0
<i>Profit/loss before financial expenses</i>	848.8	691.4
Average balance sheet total	2,997.0	2,248.8
Average non-interest bearing liabilities	1,379.3	903.5
<i>Average capital employed</i>	1,617.7	1,345.3
	<b>52.5%</b>	<b>51.4%</b>
<b>Capital turnover rate</b>		
Net sales	3,001.2	2,319.3
Average balance sheet total	2,997.0	2,248.8
Average non-interest-bearing liabilities	1,379.3	903.5
Average capital employed	1,617.7	1,345.3
	<b>1.9</b>	<b>1.7</b>
<b>Book-to-bill</b>		
Order intake	3,567.3	2,454.5
Net sales	3,001.2	2,319.3
	<b>1.2</b>	<b>1.1</b>
<b>EBITDA</b>		
EBIT	848.0	691.0
Depreciation/amortization	74.7	32.6
	<b>922.7</b>	<b>723.7</b>
<b>Underlying EBIT</b>		
EBIT	848.0	691.0
<i>Acquisition-related costs</i>		
Cost of goods sold	42.3	20.6
Operating expenses	64.5	23.4
	<b>954.8</b>	<b>735.1</b>
<b>Equity per share</b>		
Equity at balance day	1,800.3	1,411.6
Number of shares at year-end, thousand	97,917	97,917
	<b>18.39</b>	<b>14.42</b>
<b>Earnings per share</b>		
Income attributable to owners of the Parent Company	626.7	526.3
Number of shares at year-end, thousand	97,917	97,917
	<b>6.40</b>	<b>5.38</b>
<b>Net cash</b>		
Cash and cash equivalents	812.7	208.6
Interest-bearing liabilities	-12.6	-10.7
	<b>800.0</b>	<b>197.9</b>

# Auditor's report

To the general meeting of the shareholders of Mycronic AB (publ), 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 38-45 for the year 2017. The annual accounts and consolidated accounts of the Company are included on pages 32-72 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 2017 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 2017 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 38-45. 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's Audit Committee in accordance with the Audit Regulation (537/2014) Article 11.

### 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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## VALUATION OF FINISHED GOODS AND PRODUCTS IN PROGRESS

### Description

As of 31 December, 2017, Inventory of finished goods and products in progress amount to MSEK 389. 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 described in the section of accounting 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 described in note 4.

### How our audit addressed this key audit matter

In our audit, we have evaluated the Company's accounting procedures for determining the acquisition cost of finished goods and products at in progress and evaluated whether applied accounting principles are in accordance with current regulations.

Further, we have also examined calculations, conducted sample checks for pricing of materials, components and processing costs as well as assessed the reasonableness of used prices and assumptions when distributing indirect production costs. Finally, we have reviewed the information provided in the annual report.

## VALUATION OF GOODWILL

### Description

Goodwill amounts to MSEK 742 in the statement of financial position as of 31 December 2017. A presentation of the applied accounting principles on goodwill is described in the section of accounting principles in note 2 of the annual report. As described in note 2, the Company tests for impairment annually and when an indication of impairment of goodwill exists. The recoverable amounts are determined with a calculation of the value in use of each cash generating unit by calculating the present value of estimated future cash flows. Used forecasts of future cash flows are based on the forecast set for the following year, supplemented by an individual assessment of an additional four years.

Note 22 describes significant assumptions used in the calculation of the value in use and contains a sensitivity analysis for changed assumptions. As the value in use is dependent upon these assumptions, we have assessed valuation of goodwill as a key audit matter.

### How our audit addressed this key audit matter

In the audit for the financial year, we have evaluated the Company's process for conducting impairment tests. Based on established criteria, we have examined how the Company identifies cash-generating units. We have evaluated the valuation methods and calculation models used. We have assessed the reasonableness of assumptions, conducted sensitivity analysis, and compared historical outcomes in order to evaluate the reliability of previous forecasts. The reasonableness of the discount rate and long-term growth used for each unit has been evaluated through comparisons with other companies in the same industry.

We have also examined the information disclosed in the annual report.

## VALUATION OF CONTINGENT CONSIDERATIONS

### Description

In connection with acquisitions, the Company can agree with the seller on a contingent consideration, which usually means that parts of the purchase price are dependent on the financial development of the acquired business for a certain future period. In order to determine the value of a contingent consideration, the Company therefore has to make assumptions about the future financial development of the acquired business. Liabilities for contingent consideration are valued at fair value in the statement of financial position, and amounted to MSEK 248 as at 31 December 2017. The maximum contingent consideration amounted to MSEK 382 at the balance sheet date. A change in the assessment of the future financial development of an acquired business imply a change in the value of the reported contingent consideration which is recognized in the income statement when it arises. We have therefore considered that this is a key audit matter in our audit. Information on conditional purchase prices is given in note 34.

### How our audit addressed this key audit matter

In our audit for the financial year, we have examined acquisition agreements and the parameters on which the contingent consideration are based. Based on current and historical outcomes for each of the acquired companies as well as established business plans, we have assessed the Company's assumptions regarding future earnings development and, hence, the size of contingent considerations. We have also evaluated valuation methods and calculation models.

Finally, we have examined the information disclosed in the annual report.

### 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 1-31. 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important

assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## 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 2017 and the proposed appropriations of the Company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the Company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the Company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 38-45 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.

Ernst & Young AB, Jakobsbergsgatan 24, 111 44 Stockholm, was appointed auditor of Mycronic AB (publ) by the general meeting of the shareholders on the May 4, 2017 and has been the Company's auditor since the May 6, 2013.

Stockholm 15 March, 2018  
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 attributable to owners of the Parent Company, divided by the number of shares a year-end.

## EBIT (OPERATING PROFIT)

Profit from operations, before financial items and tax.

## EBITDA

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

## EBIT MARGIN (OPERATING MARGIN)

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

## 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 BACKLOG

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

## 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.

## 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. Includes 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.

## UNDERLYING EBIT AND UNDERLYING EBIT MARGIN

EBIT excluding acquisition-related costs. These costs include expensing of acquired inventories at fair value, amortization of acquired intangible assets, revaluation of earn-outs and transaction costs. The underlying EBIT margin is underlying EBIT as a percentage of net sales.

## WORKING CAPITAL

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



# Shareholder information

## FINANCIAL REPORTING 2018

Interim report January-March, 26 April

Interim report January-June, 13 July

Interim report January-September, 24 October

## FINANCIAL INFORMATION

The 2017 annual report will be published on the website and through a press release on April 10, 2018 at the latest.

Financial reports and press releases are available on the website. Through a subscription service on the Investor pages of the website, it is possible to register to obtain reports and press releases.

## DISTRIBUTION OF THE ANNUAL AND SUSTAINABILITY REPORT 2017

A printed annual report is distributed to those who request it. On the website, the Annual Report is available in pdf format and a web-based format.

## ANNUAL GENERAL MEETING (AGM) 2018

The AGM will be held on Tuesday, 8 May, 2018 at 5 p.m. in Industri-salen in Näringslivets Hus, Storgatan 19 in Stockholm.

Light refreshments will be offered at 4 p.m. prior to the AGM.

## THE RIGHT TO PARTICIPATE IN THE AGM

Shareholders who wish to participate in the AGM must be registered in the share register held by Euroclear Sweden AB as of May 2, and advise the Company of their intention to participate at the AGM latest on May 2, 2018.

## REGISTRATION

Registration can be done on the website, [www.mycronic.com](http://www.mycronic.com) or by telephone +46 8 518 01 551. The registration should include name, address, telephone number, personal or corporate identification number and registered shareholding.

Power of attorney, when needed, should be sent by email in connection with the registration to [mycronic@computershare.se](mailto:mycronic@computershare.se)

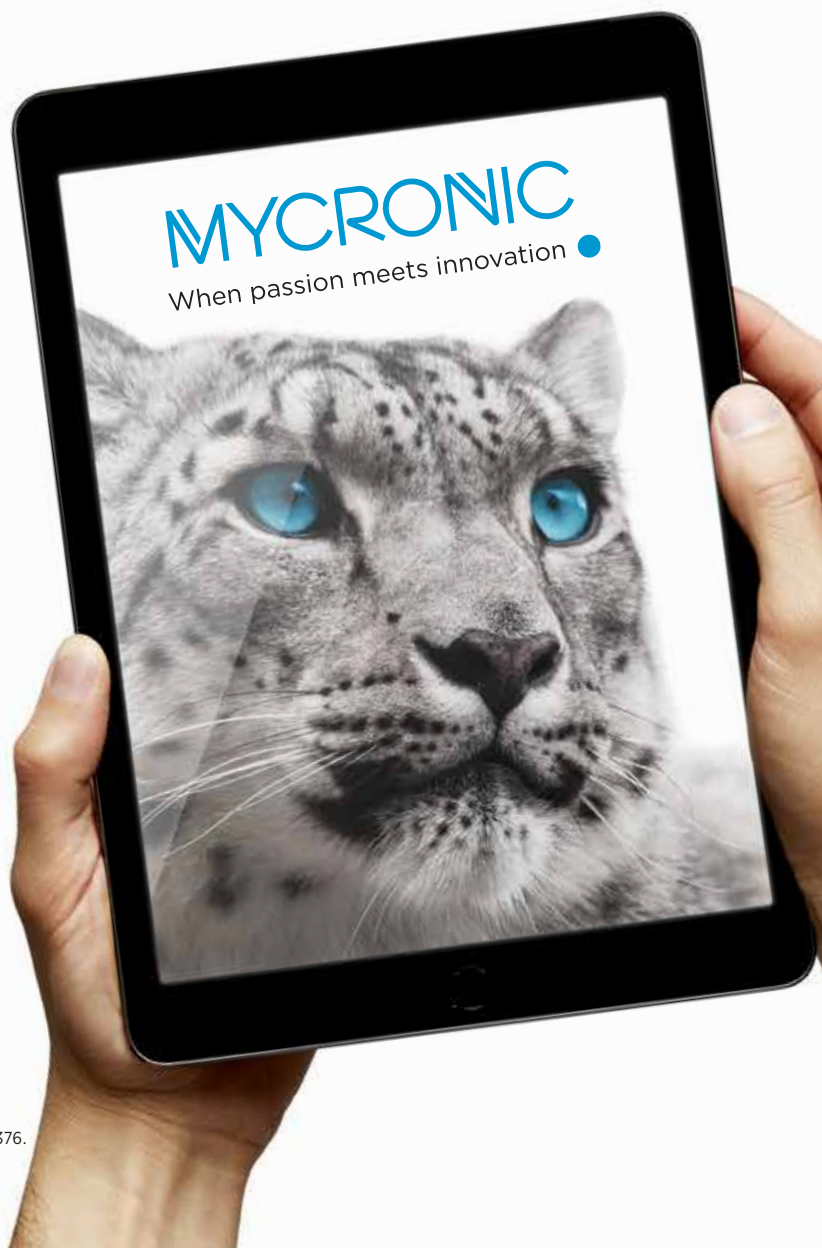
or by mail to the following address:

Computershare AB  
"Mycronics årsstämma"  
Box 630, 182 16 Danderyd

## RE-REGISTRATION OF NOMINEE SHARES

To be entitled to participate in the AGM, shareholders whose shares are held in the name of a nominee must request temporary shareholder registration in the share register. This request is made to the bank or fund manager who manages the shares in custody.

Shareholders must advise their manager well in advance of 2 May, 2018 so the registration can be finalized in time.



**PRODUCTION:** Mycronic.

**GRAPHIC DESIGN AND ILLUSTRATIONS:** Dan Larsson

**GRAPHIC PRODUCTION:** Gylling Produktion AB

**PHOTO:** Magnus Elgqvist

**PRINT:** TMG Sthlm, 2018. Printed on environmental friendly paper, lic. no 341 376.

# 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, more energy-efficient displays.

## ● Assembly fluids

In electronics manufacturing many different types of fluids are used in the assembly process. A few examples are adhesives and conductive adhesives.

## ● Dispensing technology

Dispensing technology is used in the manufacturing of electronics to apply adhesives, solder paste or other mounting fluids onto 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.

## ● Internet of Things

A collective term for when machines, vehicles, goods, household appliances, clothing and other items are equipped with built-in sensors. Units can communicate and in this way behavior adapted to the situation is created.

## ● Jet printing

A technology for non-contact application of solder paste on circuit boards.

## ● LCD

LCD (Liquid Crystal Display), is a technology for the manufacturing of displays. LCD is based on liquid crystal material, an electrically active fluid. 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 sources in the thinnest TFT-LCD panels.

## ● Litography

A technique to transfer a pattern from a template to a solid material.

## ● Mask writer

Exposure equipment used for the manufacture of photomasks.

## ● Multi-purpose market

A broad market segment for many different application areas. Examples include electronic packaging and touch screen applications.

## ● Nanometer, nm

One billionth of a meter, or one millionth of a millimeter.

## ● Photomask

A photomask can be compared to a photo negative. A pattern is written with a Mycronic 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. Photoresist is a light-sensitive material that can be developed and then washed away after exposure to light. After writing, the photoresist is developed and the pattern is transferred to the chrome layer by etching.

## ● Pick and Place

A term for robots that pick and place electronic components on a circuit board.

## ● Pixel

Earlier called "dot" and "pel" (short for picture element), the smallest element in a raster graphic. Uses include showing images on displays.

## ● 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, such as memories, processors and amplifiers.

## ● Solder paste

Material that creates electrical and mechanical connection between the PCB and its electronic components.

## ● Surface mount

The dominant technology within electronics production where components are mounted onto the surface of a circuit board.

## ● TFT backplane

An advanced electrical circuit that controls each pixel in a display.

## ● 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 LCD-TVs. The active LCD displays have at least one Thin Film Transistor (TFT) in each pixel.

## ● Transistor

A semiconductor component which can be used as a signal amplifier, circuit breaker, voltage regulator and for signal modulation, amongst other things.

## ● UHD

Ultra High Definition. UHD is a standard for TV resolution with significantly higher resolution than previously.

Efficient material management



Jet printing equipment



Solder paste inspection



Surface mount equipment



Equipment for dispensing applications



Equipment for assembly and test of camera modules



Mask writers for display manufacturing



Mask writers for multi-purpose applications



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